

**Texas Pension Review Board
Monday, June 8, 2009**

Minutes

1. MEETING CALLED TO ORDER (0:00)

The second meeting of 2009 of the Texas Pension Review Board (PRB) was called to order by Chair Richard McElreath on Monday, June 8, 2009, at 2:55 p.m., in Texas Ballroom 4-7 at the Hyatt Regency Hotel on Lady Bird Lake, 208 Barton Springs Road, in Austin, Texas.

Chair McElreath introduced new Board members, Mr. Andrew Cable, Mr. Scott Smith, and Mr. Wayne Roberts.

Chair McElreath asked Ms. Sharon Edmonson to call the roll.

2. ROLL CALL OF BOARD MEMBERS (0:41)

Board Members Present:

Chair Richard McElreath
Vice Chair Paul Braden
Andrew W. Cable
J. Robert Massengale
Scott Smith
Senator John Whitmire

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

3. APPROVAL OF MINUTES OF APRIL 1, 2009 MEETING (1:12)

Chair McElreath entertained a motion to suspend the reading of the Minutes of the PRB meeting held April 1, 2009.

Motion made by Vice Chair Braden, seconded by Mr. Massengale, and carried unanimously that the PRB suspend the reading of the Minutes of its meeting held April 1, 2009.

MOTION CARRIED UNANIMOUSLY

Chair McElreath asked if any corrections were to be made to the Minutes of the April 1, 2009, PRB meeting. There being none, the Minutes were approved as circulated.

4. WORK OF THE ADMINISTRATIVE AND LEGISLATIVE COMMITTEE – Shari Shivers, Chair (1:47)

In the absence of Ms. Shivers, Chair of the Administrative and Legislative Committee, Chair McElreath called on Mr. Braden for an update on the work of the Administrative and Legislative Committee.

Mr. Braden called on Mr. Chris Hanson, Interim Executive Director, for a report on the 81st Legislative Session.

A. Report and Discussion on 81st Legislative Session – Chris Hanson

1) Update on Legislation to Change PRB Statutes (2:06)

Mr. Hanson updated the Board on legislation that was filed during the 81st Legislative Session to change PRB statutes, but did not pass. The original legislation started out in SB 1548 and there were edifications made to that bill. Subsequent amendments were filed to SB 2567 and HB 1070. However, as Mr. Hanson reported, none of the bills passed and the significant changes to the Board and its statutes died as well.

Mr. Hanson asked whether there were questions regarding any of the proposed bills. There being none, he continued his Legislative report.

2) Update on Fiscal Year 2010-2011 Budget (2:49)

Mr. Hanson explained the Fiscal Year (FY) 2010-2011 budget represents the Legislative Budget Board's (LBB) recommendations for the agency. The Executive Director's salary was increased by \$10,000, but this amount was not funded in the final bill leaving the agency's budget \$10,000 behind the LBB recommendation for the agency. Mr. Hanson explained the agency will do its best and continue to serve Texas with the approved budget.

Mr. Hanson reported the agency was allocated \$60,000 for a new database. He explained this money was a Capital Budget Appropriation and is limited to be used solely for the design and construction of a new database. He noted this money may be carried over in the second year of the biennium should there be an unexpended balance on the database project.

Mr. Hanson updated the Board on the database project and explained staff will begin to meet with database developers over the summer.

Mr. Hanson closed by stating the agency will keep 13 full time employees (FTEs) with a baseline number identical to the LBB recommendation.

Mr. Hanson asked whether there were any questions from the Board regarding the FY 2010-2011 Budget.

There being none, Mr. Hanson continued his report.

3) Update on Pension Bills passed by Legislature (4:41)

Mr. Hanson stated several pension bills which affected pension systems passed the legislature. He specifically noted HB 360 affected the Texas Municipal Retirement System (TMRS) and HB 407 affected the Texas County and District Retirement System (TCDRS). Mr. Hanson reported HB 874, which is not specifically a pension-related bill, slightly changes the agency's statute by abolishing the Texas Incentive and Productivity Commission. He reported HB 1979 affected the City of Austin Retirement System and HB 2796 affected the Austin Police Retirement System. Mr. Hanson stated HB 2559 resulted in changes for newly hired employees under the Employee's Retirement System (ERS). He specifically noted some of the changes for new hires would be the requirement of 10-year vesting versus 5-year vesting, 48 month salary calculation versus 36 month calculation, reduced retirement for the rule of 80 before the age of 60, and increased employee contributions to ERS.

Mr. Hanson asked whether there were any questions regarding the bills that passed the 81st Legislature.

Mr. Braden inquired whether there were any additional questions from the Board and thanked Mr. Hanson for his report.

Chair McElreath thanked Mr. Braden for his work.

5. WORK OF THE ACTUARIAL COMMITTEE – Norman Parrish, Chair (8:25)

In the absence of Mr. Parrish, Chair McElreath recognized Mr. Cecil Barton, Chairman of the University Park Firemen's Relief and Retirement Fund, for an update.

A. Update from the University Park Firemen's Relief and Retirement Fund – Cecil Barton (8:54)

Mr. Cecil Barton, Chairman of the University Park Firemen's Relief and Retirement Fund (FRRF), stated in November 2008, the firemen voted to begin increasing contributions to the Fund. The increase would be five percent over a period of three years, beginning in 2009. He explained the increase would go from 10-12 percent in 2009, from 12-14 percent in 2010, and from 14-15 percent in 2011.

Mr. Barton noted that the City of University Park contributes 15.54 percent and that there will be an automatic increase if the unfunded liability is above 30 years for amortization in the year 2012. He stated the City Council

has given the Fund a resolution that they will match one-to-one contributions to keep the amortization rate below 30 years.

Mr. Barton stated in March 2009, the University Park FRRF Board made a change in money managers from Fiduciary Financial Services of the Southwest to Westwood Trust. He explained the University Park FRRF Board felt that Westwood Trust would do a better job at managing their funds, as the Fund lost approximately eight percent more than most funds in the state over the last year. Mr. Barton noted that the University Park FRRF Board is also interviewing consultants for audit purposes of the Fund, and stated this is not a practice that has been done in the past.

Chair McElreath inquired as to the net loss of the Fund.

Mr. Barton reported the net loss was approximately \$3.8 million dollars.

Chair McElreath inquired as to the percentage loss.

Mr. Barton explained that at the end of December 2007, the Fund finished 9.5 percent up, and at the end of 2008 the Fund finished 31 percent down.

For clarification purposes, Chair McElreath asked whether the Fund was in bad shape when they appeared at the September 2008 PRB meeting.

Mr. Barton stated the Fund has lost approximately 40 percent.

In closing, Mr. Barton explained the Fund is in the process of hiring a new actuary and the firemen are increasing their contributions in hopes to turn the Fund around over the next several years.

Chair McElreath asked whether there were any additional questions from the Board for Mr. Barton. There being none, Chair McElreath thanked Mr. Barton for his report.

B. Report and Discussion on Reporting Compliance Summary – Ashley Rendon (12:07)

Chair McElreath called on Ms. Rendon, PRB Research Specialist, for a report on compliance.

Ms. Rendon reported \$148 billion in total assets, representing 54 non-compliant plans, 32 partially compliant, and 294 compliant plans. There are 380 registered plans; 190 defined benefit, and 190 defined contribution.

Ms. Rendon provided an update on the Midland Independent School District (ISD) and Northeast Medical Center Hospital Retirement Center, which were to be discussed at this PRB meeting. Northeast Medical Center Hospital Retirement Center consolidated with another hospital and PRB staff is working with the plan to get the required financial statement and membership reports. Ms. Rendon stated Midland ISD sent in all of the required reports for 2006 and 2007 and are now compliant.

Ms. Rendon noted that overall plan compliance has improved over the past year due to a change in agency policy. She stated last year staff was unable to send letters of non-compliant status to the plans due to the database malfunction. However, this year both 60-day and 15-day reminder letters are sent to the non-compliant plans and they are sending in the required reports in a timely manner.

Upon concluding her report, Ms. Rendon asked whether there were any questions from the Board.

Chair McElreath thanked Ms. Rendon for her work.

6. DISCUSSION ON PROCEDURE TO HIRE THE EXECUTIVE DIRECTOR – Richard McElreath, Chair (14:51)

A. Posting of the Executive Director Position (14:56)

Chair McElreath directed staff to post the Executive Director Position on Tuesday, June 9, 2009, with a closing date of June 30, 2009.

Chair McElreath asked whether there were any questions regarding the posting of the Executive Director position. He clarified the posting will be the exact posting as the last search for the Executive Director, with the exception the salary has been increased to \$70,000. Chair McElreath noted all communication in regards to the posting and interview process for the Executive Director position should be directed to Ben Armendariz, PRB Human Resource (HR) Director.

B. Appointment of the Executive Director Search Committee (15:49)

Chair McElreath appointed an Executive Director Search Committee to review possible applicants for the Executive Director position and make a recommendation to the Board at the September 2009 PRB meeting. He stated the Executive Director Search Committee will consist of Mr. Cable, Mr. Braden, Mr. Massengale, Mr. Parrish, and himself.

Chair McElreath asked whether there were any questions regarding the Executive Director Search Committee. There being none, Chair McElreath noted he would be in touch with the committee members to organize and plan the interview process in coordination with HR staff.

7. EXECUTIVE DIRECTOR'S REPORT – Chris Hanson (16:45)

Chair McElreath recognized Mr. Hanson for the Executive Director's Report.

A. Update on DIR Guidelines Concerning Website Accessibility (16:50)

Mr. Hanson provided an update on the Department of Information Resources (DIR) requirement for the agency to provide website accessibility to all users. He stated staff has drafted a Website Accessibility Policy by looking at other agencies' policies and incorporating some of their aspects into a policy that would work for the PRB's website. He noted the Website Accessibility Policy must be posted to the agency's website by June 30, 2009, and if the Board approves the policy today, staff will post it on the website tomorrow.

Mr. Hanson noted it will take some time for staff to make the required changes to the website to improve the accessibility for both audio and visually impaired visitors.

Mr. Hanson asked whether there were any questions regarding the Website Accessibility Policy. There being none, Mr. Hanson continued his report.

B. Report and Discussion on PRB Fiscal Year 2009 Operating Budget (18:03)

Mr. Hanson reported as the agency enters the final three months of this Fiscal Year, the agency will need to prepare a budget for the two very lean years going forward. He stated the budget will need to serve the needs of the staff, the Board, and our constituents as best as possible with the money that has been appropriated.

Mr. Hanson noted that in light of the new Website Accessibility Policy, the agency has looked into ways to spend some of the additional funds from salary savings from the vacancy of the Executive Director position when Paul Nicholson left the agency. The funds will be used to purchase new software for the design and upgrade of the website, new computers, and other needed supplies for future Fiscal years.

In closing, Mr. Hanson stated the agency will be diligent to ensure that the Board, staff, and constituents, are provided the best service possible with the funds we have available.

Chair McElreath asked whether there were any questions. There being none, he thanked Mr. Hanson for his report.

8. DATE AND LOCATION FOR NEXT BOARD MEETING -- September 10, 2009 (19:34)

Chair McElreath asked Ms. Edmonson to poll the Board for a date for the next meeting in September.

9. INVITATION FOR AUDIENCE PARTICIPATION (19:50)

Chair McElreath asked whether anyone from the audience would like to make any comments to the Board.

David Stacy with Midland Firemen's Relief & Retirement Fund commended the Board and PRB Staff for another job well done on this year's seminar.

Chair McElreath thanked Mr. Stacy for his comments. He stated in organizing a seminar of this size, staff has to include information and presentations to accommodate all plans from the largest to the smallest in the State of Texas. He noted the agency is able to achieve this goal through the feedback of our customers and comments are always appreciated to help the agency better serve the future needs of all plans.

Chair McElreath asked whether there were any additional comments.

10. ADJOURNMENT (21:13)

There being no further comments and with the business of the Board completed, Chair McElreath adjourned the meeting at 3:16 PM.

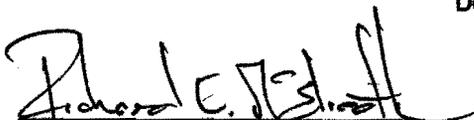
IN ATTENDANCE:

STAFF:

Madalene Allen
Ben Armendariz
Lynda Baker
Dunya Bean
Jolena Close
Sharon Edmonson
Joey Evans
Daniel Gunter
Chris Hanson
Martin McCaulay
Ashley Rendon
Kimberly Rhodes

GUESTS:

Cheryl Alston, City of Dallas Employees' Retirement Fund
Cecil Barton, University Park Firemen's Relief and Retirement Fund
Donna Boykin, City of Austin Employees' Retirement System
Carla Brewer, City of Dallas Employees Retirement Fund
Kevin Brolan, Houston Firefighters' Relief and Retirement Fund
Gerald Brown, Dallas Police & Fire Pension System
Steve Edmonds, City of Austin Employees' Retirement Fund
Meghan Elwell, Sage Advisory Services
Mark Fenlaw, Rudd and Wisdom, Inc
Pate Gardner, Locke, Lord, Bissell & Liddell, LLP
Mark Gremmer, San Antonio Fire & Police Pension Fund
Catherine Haggerty, Austin Police Officers' Retirement Fund
Sampson Jordan, Austin Police Officers' Retirement Fund
John Lawson, Houston Police Officers Pension System
Rector McCollum, Dallas Police & Fire Pension System
Harold McDonald, Houston Firefighters' Relief and Retirement Fund
Wade McDonald, Legislative Budget Board
Lisa Ivie Miller, Fire Fighters Pension Commission
Robert Miller, Locke, Lord, Bissell & Liddell, LLP
William Nail, Employees Retirement System
Jonathan Needle, Houston Firefighters' Relief and Retirement Fund
Alexander Pekker, Sage Advisory Services
Anthony B. Ross, Sr., City of Austin Employees' Retirement System
Ruth Ryerson, Fort Worth Employees' Retirement Fund
Rhonda Smith, Houston Municipal Retirement System
Eddie Solis, Texas Municipal Retirement System
David Stacy, Midland Firemen's Relief & Retirement Fund
Donald Wagoner, San Antonio Fire & Police Pension Fund


Chair Richard E. McElreath