

**Texas Pension Review Board Minutes**  
**Work Session**  
**January 28, 2010**

Chair Richard McElreath called the Work Session to order at 9:35 am.

**Board Members Present:**

Chair Richard McElreath  
Vice Chair Paul Braden  
Andrew W. Cable  
J. Robert Massengale  
Norman Parrish  
Wayne Roberts  
Scott Smith  
Representative Vicki Truitt

Chair McElreath provided an overview of this work session. He noted several Policies and Procedures have not been implemented for a number of years, and stated with the hiring of Mr. Chris Hanson as the Executive Director, the agency may now move forward with a framework that both the Board and the public may understand. He noted this work session was planned to encourage discussion among the Board on how they should guide Mr. Hanson in the direction the agency is headed, as well as encourage public comment. Chair McElreath stated with the addition of several new Board members, this session was also planned to address their questions, and assure that all Board members are on the same page.

**1. Discuss Powers and Duties of the PRB – Chris Hanson (01:42)**

Chair McElreath called on Mr. Chris Hanson for a discussion on the Powers and Duties of the PRB.

Mr. Hanson referred to an outline of the Powers and Duties of the PRB as outlined in the Texas Government Code, and stated this document provides a framework for the agenda items as well the administrative housekeeping the agency needs to complete. He stated the Board has four main duties outlined in Texas Government Code, Chapter 801. The first duty is to conduct a continuing review of public retirement systems, the second duty is to study problems or potential problems in regards to actuarial soundness of public retirement systems, the third duty is to provide technical assistance, and the fourth duty is to make recommendations to policy makers.

Mr. Hanson explained that the PRB's Attorney General Legal Counsel recommended several of the current Board policies be adopted as rules, and he informed the Board they have the authority to make and adopt rules through the public rule-making process. He noted this process would consist of staff working with interested parties and drafting a rule proposal to bring before the Board; if the Board chooses to adopt the proposed rule, the rule would be then be posted in the Texas Register. He stated the public would have 30 days to comment, and staff would bring those comments to the Board. Mr. Hanson explained the Board then has the authority to make amendments, as needed, and adopt the rules.

Mr. Norman Parrish inquired whether the Powers and Duties of the PRB specifically address the impact statement process.

Mr. Hanson stated the impact statement process is located in another section of the Texas Government Code, and noted this is an area of responsibility of the Board that ties into the Legislative session. Mr. Hanson clarified the outline of the Powers and Duties of the PRB covers the main scope of what the Board is authorized to do.

Chair McElreath encouraged Board discussion among the members, to assure Mr. Hanson is clear on what is expected from the Board throughout this process, and asked Mr. Hanson to provide a background on the next agenda item.

2. Discuss amending and reorganizing Board Policy Statements – Chris Hanson (05:10)

A. Policy Statements on the following matters:

- i. Election of Officers of the Board
- ii. Ethics Policy
- iii. Board Policies
- iv. Employment Policies

B. Proposal on the new Board Policies and Procedures

Mr. Hanson reported over the past several months, staff has researched policy statements adopted by the Board over the past several years and organized a list of current policy statements for the Board to review. He stated during this review, staff determined an organized structure needs to be developed, rather than a selection of policy statements, and recommended adopting rules for some of the policies. Staff also determined the employment policies contained in the Employee Manual do not seem appropriate for a Board structure.

Mr. Hanson stated the Board is, by rule, to follow *Robert's Rules of Order*, which recommends a Board have bylaws. Mr. Hanson referred to the staff proposal in the meeting packet which shows a basic outline structure of how the Board could organize bylaws, and noted if the Board agrees with the proposal, staff could be directed to draft a set of bylaws to bring back before the Board for consideration at the next Board meeting.

Mr. Hanson referred to the Policy Statements in the meeting packet. He called attention to a policy adopted in 1981 and amended in September 2003 addressing the Election of the Board's Vice Chair, and the Ethics Policy Statement adopted in 1997 and amended in 2003. He noted the Board Policy Statement and the Employment Policies Statement were both adopted by the Board at the recommendation of Sunset Commission in 1991. Mr. Hanson reiterated staff has recommended the Employment Policies should be contained in the Employee Handbook.

Representative Truitt inquired whether the current policies reflect updated recommendations from the Sunset Commission.

In response to Representative Truitt's question, Mr. Hanson explained the last recommendations were received in the 1990s and the Policies have not been reviewed on a regular basis. He noted this is the first time the policies have been reviewed since the Sunset Commission made recommendations in 1991.

Representative Truitt suggested the PRB be proactive and contact the Sunset Commission during this review process.

Mr. Hanson agreed with Representative Truitt and stated staff would make recommendations in anticipation of Sunset.

In conclusion, Mr. Hanson stated staff has looked at various pension funds, and other governing doctrines, along with reviewing *Robert's Rules of Order*, and recommend that a bylaw structure would be a more appropriate governing doctrine than a set of policy statements adopted over a period of time. Mr. Hanson noted staff recommends the four policy statements be taken into consideration in the development of bylaws, and the bylaws would provide a framework for all Board action going forward.

**3. Discuss amending and reorganizing Board Policy Statements and receive public comment – Chris Hanson (11:32)**

- A. Regulation of Non-compliant Retirement Systems**
- B. Monitoring the Status of Actuarially Unsound Pension Systems**

Mr. Hanson continued his report and stated the Regulation of Non-compliant Retirement Systems policy statement was adopted in the mid 1990s. He noted after reviewing the minutes from the associated Board meeting, it was determined the Board adopted this policy to provide a clear plan on how to deal with pension plans not submitting their required annual reports. He informed the Board it is the recommendation of the PRB's Attorney General Legal Counsel that this policy go through the rule-making process because it affects constituents outside of the Board. He noted this would allow staff and the Board to work with interested parties to craft a clear and concise rule everyone would understand.

Mr. Hanson stated non-compliance is an issue the PRB regularly deals with in terms of pension plans being required to submit annual financial and membership reports to the agency. He noted in the process of working with some plans that are delinquent in providing the reports, a non-compliant policy and/or rule would give the framework for the Board to address plans that are not submitting the required reports.

In conclusion, Mr. Hanson stated the last policy statement is regarding procedures for monitoring the status on actuarially unsound pension systems. In 1991, the Sunset Commission recommended the Board establish a procedure to deal with actuarially unsound plans. He noted staff has spoken with various plans and there is a definite need for a clear procedure on what factors determine when and how a plan is called before the Board. He further noted the procedure needs to include how the Board and staff will work with the plan, so that the plan, the Board and staff, understands the entire process.

Mr. Hanson stated staff recommends reviewing this policy and include interested parties in the process, to develop a rule through the rule-making process, which will ensure a clear rule and procedure is developed. He noted the Board could limit this rule to addressing actuarially unsound pension system or develop a general rule on calling plans before the Board could be developed. Mr. Hanson stated the current procedure was developed after the last Sunset Commission Review and has been followed at times over the past 10 years. He reiterated that a policy or rule needs to be adopted that everybody understands.

Chair McElreath asked Mr. Norman Parrish to comment on this agenda item.

Mr. Parrish stated with a new Executive Director and Actuary on staff, a thorough and more robust study should be done on actuarial soundness, rather than just the amortization period. He inquired whether the Pension Rating System, to be discussed later in the meeting, was related to this matter.

Mr. Hanson stated the Pension Rating System should be related in the sense of making sure any rule or policy that is adopted is consistent with other actions the Board takes. He noted if a Pension Rating System is adopted, it should be done in conjunction with current policies and procedures.

Mr. Parrish stated the PRB actuary should conduct studies looking at the amortization period and how assets compare to the liabilities. He noted a plan that keeps an amortization period of 30 years, is really an infinite amortization period, because every year they continue to amortize for 30 years instead of reducing that number by one, they never fully pay off the liability. He stated this should be one of the studies the agency conducts.

Vice Chair Paul Braden inquired about whether all the Board Policies will be in the bylaws or go through a formal rule-making process.

Mr. Hanson stated after consulting with the agency's general counsel, staff recommends that bylaws are the standard structure for a Board. He informed the Board staff would identify the policies and procedures appropriate for bylaws or the rule-making process, and make final recommendations to the Board.

Vice Chair Braden inquired about whether the Board would have Board Policy Statements, and if the procedure would be to amend the bylaws or go through a rule-making process in the future.

Mr. Hanson stated one of the components of a bylaw is an amendment process, which allows the bylaws to evolve with the Board.

Chair McElreath reiterated the agency has been inconsistent in dealing with the plans, and the plans do not know when, how, or why they may be called before the Board. He stated there has not been a clear procedure to follow when calling plans before the Board. He suggested the Board develop a flowchart to identify what steps are involved in the process. He noted this flowchart needs to be developed with a sense of clarity and without placing a burden on the plans.

Mr. Parrish suggested the plans be solicited for input on these procedures.

Representative Truitt inquired whether a procedure could be developed to follow the Sunset model, where plans may anticipate being reviewed, and what is expected during the review. She noted Sunset reviews are held every 12 years, and inquired whether the agency could develop a logical time frame for reviewing all plans. This procedure should consider the plans' input, and costs in dealing with reviews.

Chair McElreath agreed with Representative Truitt and noted a phone call could be made to the plan in place of notifying the plan they would be required to come to Austin to discuss the non-compliant status. He stated the development of clear procedures would eliminate costly trips by the plans to Austin for the purpose of discussing their non-compliant status.

Vice Chair Braden inquired whether the procedure would regard a periodic review of all plans or just the problem plans being called before the Board.

Chair McElreath called on Mr. Parrish for his opinion, and Mr. Parrish stated he envisions a procedure would encompass reporting requirements for all plans, and would include the process from start to finish.

Representative Truitt commented on the high number on non-compliant plans, and asked whether the number referenced the total number of plans reporting to the PRB.

Mr. Hanson explained the number of non-compliant plans listed in the Compliance Summary Report referenced the number of non-compliant plans reporting to the PRB.

Mr. Parrish noted the Board has no enforcement authority for non-compliant plans other than calling the plans before the Board.

Mr. Hanson clarified the Board has the writ of mandamus power and the power to subpoena documents, as used in the case with Los Fresnos Housing Authority. He stated Los Fresnos Housing Authority refused to send in the required reports, and the Board adopted a motion directing staff to exercise that power. After contacting the plan administrators, the plan quickly submitted the required reports.

Mr. Hanson asked the Board to consider whether to keep these two policies or to direct staff to develop one rule regarding calling plans before the Board. He noted monitoring compliance in regards to state reporting requirements falls under the first general duty of the Board, and this task would make it hard to conduct a continuing review of plans when the required reports are not received.

Mr. Hanson stated monitoring actuarially unsound plans is the second general duty of the Board, which is to study existing or potential problems that threaten the actuarial soundness of plans.

Mr. Parrish reiterated the two processes; the first relates to non-compliant plans that have not submitted the required reports, but may be actuarially sound, and the second relates to monitoring actuarially unsound plans. He noted the current policy requires a plan to notify all of its participants if it is not actuarially sound.

Mr. Hanson stated this is part of the statute and is a requirement. He noted when an actuary makes a determination that the funding arrangement is insufficient; the plan is required to notify the members. Mr. Parrish clarified the plan's actuary makes the determination. He asked what determines the definition of soundness.

Mr. Hanson stated the plan actuaries use the PRB's *Guidelines For Actuarial Soundness*.

Mr. Scott Smith stated a one-page flowchart explaining this process would provide a better explanation to the plans; and, he noted the compliance rate would probably increase due to the plans understanding the entire procedure from start to finish.

Mr. Hanson stated staff continues to work with non-compliant plans, and clearly defining this procedure would be a benefit to the plans. He noted when the plans are involved in the process and given the opportunity to make public comment, they will have a better understanding of what is expected and what steps will be taken to remedy the problem.

Mr. Andrew Cable inquired as to the length of time it takes staff to determine soundness, when a plan submits all required reports in a timely manner.

Mr. Hanson stated the agency is well-staffed and a determination of soundness typically takes a couple of hours. He noted during the summer, when the vast majority of reports are due, turnaround takes no more than a week.

Mr. Cable stated the concern would be to remain consistent. He noted if a flowchart is developed it would need to address how to handle problems consistently. Mr. Cable stated if the determination of soundness is being made in a short timeframe, consistency should not be a problem.

Mr. Hanson stated staff has been using the PRB's *Guidelines For Actuarial Soundness*, adopted in 1984, and the predominant litmus test for soundness is the amortization period being under 40 years. He noted the Employees Retirement System and Teacher Retirement System use an amortization period of 30.9 years, so anything under 31 years is considered sound.

At this time, Chair McElreath asked for public comment.

Mr. Larry Reed, Board Chairman of the San Antonio Fire & Police Pension Fund, commented on the positive relationship between the PRB and plans. He stated the idea of plan involvement in the rule-making process is welcomed by the plans.

Chair McElreath called for a break at 10:13 am.

Chair McElreath called the meeting back to order at 10:30 am.

#### **4. Discuss PRB Committee Structure – Chris Hanson (39:10)**

Chair McElreath stated the PRB Committee structure needs to be reviewed. He suggested the PRB develop new Policies and Procedures first, and then revisit the Committee structure to see how they align with those actions. He stated if the Board was in agreement with this suggestion, he would like to assign the new Board members to committees during the afternoon meeting. He inquired whether any of the new Board members had any comments or preference to committee assignment.

Vice Chair Braden inquired whether these committees would be incorporated in the bylaws and if they would be revamped or renamed at a later date.

Chair McElreath stated this would be the intention of the bylaws.

Mr. Hanson stated staff recommends certain action items on the afternoon's meeting agenda be assigned to the various committees to work with staff and interested parties in developing draft policies and procedures.

Chair McElreath stated the use of ad hoc committees would allow the plans to actively participate by formally serving on one of the committees.

Mr. Wayne Roberts noted Chair McElreath would be making assignments to the existing committees this afternoon and then the PRB would revisit the committee structure after the policies have been adopted. He stated the Administrative and Legislative committee members need to be assigned and ready to move forward with the proposed budget reduction due to the Legislative Budget Board and Governor's Office by February 15, 2010. Mr. Roberts stated he would like to serve on the Administrative and Legislative committee.

Mr. Smith stated he would like to serve on the Research committee.

Mr. Roberts inquired whether it is customary for a Board member to serve on more than one committee.

Mr. Hanson noted the current responsibilities for the existing committees are explained in the Board packet. He clarified the impact statement process is assigned to the Administrative and Legislative committee, and not the Actuarial committee at this time. He stated the Board may reassign duties of each committee as needed.

Mr. Parrish stated the impact statement process should remain a duty of the Administrative and Legislative committee because it involves legislation. He noted he is a member of the Administrative and Legislative committee because the impact statements are actuarial. He noted the Actuarial committee could possibly undertake the task of redefining the definition of actuarial soundness.

Mr. Massengale and Mr. Cable both stated they would like to serve on the Actuarial committee.

Representative Truitt stated she would serve on the Administrative and Legislative committee.

Chair McElreath stated the committee assignments would be formalized in the afternoon's meeting.

**5. Discuss reports/updates on Texas pension plans the Board receives in the meeting packet – Chris Hanson (51:00)**

Chair McElreath called on Mr. Hanson for a report on the material received in the Board meeting packets relating to Texas pension plans.

Mr. Hanson stated staff would like to get feedback from the Board on the types of information received in the Board meeting packet. He asked whether the information was sufficient, and whether there were other reports the Board would like to receive in the meeting packets. He noted a few of the reports in the current meeting packet have been redesigned, and asked for feedback on the layout.

Mr. Parrish noted he would need to give some more thought to the types of reports and information received in the meeting packets.

Chair McElreath stated in this process of rebuilding the agency's structure, the Board should receive information on the agency's legal responsibilities in conjunction with the goals and objectives of the Board to guide the agency. He noted Mr. Hanson and staff has completed a lot of the groundwork to providing a clear and concise structure for the agency, but there is more to be done and will take time. He stated when the

clean-up is completed; the Board's responsibility will be to communicate to Mr. Hanson as to what his goals and objectives are through the form of a performance evaluation as Executive Director. Chair McElreath noted this framework of what is expected of the Executive Director and staff will dictate what the Board would like to see in the future meeting packets.

Chair McElreath inquired whether any Board member had participated in an Executive Director Performance Evaluation. With no one commenting, he reiterated the need to address these types of agenda items for the agency to move forward.

Mr. Roberts noted the State Auditor could have some input on the management polices to assure the agency is meeting all prudent steps for proper management.

**6. Discuss the research topics and studies for the PRB in FY 2010 & FY 2011 – Chris Hanson (57:50)**

Chair McElreath called on Mr. Hanson for a discussion on the research topics and studies for FY 2010 & 2011.

Mr. Hanson stated this agenda item was added at the request of several Board members, and provides the opportunity for the Board to discuss the topics they would like to see addressed at future meetings. He noted this topic ties into the Biennial Report produced in November of each even numbered year, which will cover activities over the prior two years. He stated with the addition of several new members on the Board, staff would like to get input as to what topics the Board would like to see researched and completed over the next two years.

Mr. Parrish stated the study of actuarial soundness would be a definite project to undertake.

Mr. Roberts stated staff should remain aware of the ongoing interim studies by the relevant legislative committees and incorporate these studies into what will be useful in the legislature. He commented on the roles of Representative Truitt and Senator Whitmire and inquired as to what would be useful to them as the agency prepares for another legislative session.

**7. Discuss and receive public comment on a Pension Plan Rating System – Chris Hanson (1:13:40)**

This agenda item was taken out of order.

Chair McElreath called on Mr. Hanson for a discussion on a Pension Plan Rating System.

Mr. Hanson referred to a report in the meeting packet regarding a request made by the Senate Finance committee in 2006 for the Board to rank plans as the 10 best and 10 worst plans. This request was made at the same time the Senate Finance committee was urging the Board to develop an early warning system. He noted the information in the meeting packet was developed by staff, but was not an actual proposal. He stated the report is provided to the Board as an example of how a Pension Plan Rating System could appear. Mr. Hanson stated several valid questions and concerns have been raised and should be considered before the Board moves forward with a Pension Plan Rating System.

Mr. Massengale noted a benefit to having a Pension Plan Rating System would be the plan members being able to relate to a rating system rather than attempting to analyze an actuarial valuation. He stated he would like to see benefit trends incorporated into the system, showing a negative or positive trend in the fund.

Mr. Parrish stated this Pension Plan Rating System should tie into the actuarial soundness study. He suggested training be given to the Board members, especially the newer Board members, so each member may understand the complexity of the issues. He noted some of the issues could be discussed in a future work session.

Mr. Massengale inquired whether there is merit in developing a Pension Plan Rating System.

Mr. Parrish stated a Pension Plan Rating System should be discussed and if developed, should look at more than just the amortization period. He noted the rating system could be the basis for defining actuarial soundness.

Mr. Roberts referred to the report in the current meeting packet and inquired as to why it was not formally adopted by the Board, and what problems were identified with the proposed plan.

Mr. Hanson stated the report was developed at the request of the Senate Finance committee to have a system for ranking plans and from the discussion of an early warning system from previous legislative session. He noted the concept appeared very simple, but when put into practice it became very difficult. Mr. Hanson noted most plans have varying benefit structures, investment policies, and other factors; and, stated the first obstacle to clear was how to develop a rating system that would compare "apples to apples". He stated the second obstacle involved liability. He gave an example if the Board was to adopt a Pension Plan Rating System, and a highly-rated plan implodes, how the Board would address the public when questions arise as to why the plan was rated high and suddenly falls to a lower rating. Mr. Hanson stated the metrics the Board chooses to develop a rating system may become complicated, as well. He clarified this point by explaining the funding ratio today may not be indicative of a funded ratio trend.

Mr. Parrish stated input from the various plans needs to be included in this process.

Mr. Hanson suggested the Board discuss the option of developing a structure for measuring at-risk plans or plans that need to be reviewed in the process of developing a rating system.

Chair McElreath reiterated a few possible areas of concern with a rating system. He stated the first area should be liability, and second would be the Board should not 'dumb-down' a plan's structure. He clarified his second concern by explaining he did not want to simplify a plan's structure just to make it easier for a stakeholder to understand and in the process provide a false sense of security to the plan. He stated he did not feel this rating system should be placed ahead of the other work of the Board.

Mr. Parrish noted this rating system should follow the project on addressing actuarial soundness.

Chair McElreath stated he would prefer the Board raise the education level of the stakeholder, citizens, legislature, etc., so there is a better understanding of how contribution rates, and/or bad-market returns affect a plan rather than the Board rate a plan as a "double A" plan.

Mr. Massengale explained if the criteria used to develop a rating system were made public, the plan board members would be knowledgeable of what it takes to get a "double A" rating.

Mr. Roberts stated the rating system would need to include five or six indicators of performance as they stand. He noted that adding the component of a grade or ranking of the plans is fraught with a lot of risk. Mr. Hanson noted in previous discussions with some of the plans, a suggestion was made to develop criteria to determine whether a plan was in compliance, under review, or needs to be reviewed. He stated the plans suggested recommendations could be made to the plans rather than assigning a specific grade/rank.

Mr. Cable noted this idea of recommendation would appear to fit the charge of the Board.

Vice Chair Braden inquired whether the Legislature requested this report, or the report was developed as part of the discussions.

Mr. Hanson stated the Board was specifically asked for the 10 Best and 10 Worst funds. He noted the report was developed after being asked numerous times to provide ratings to individual members.

8. **Discuss Legislative Budget Board addressing the Board to explain the budget process and what is expected of the Board – Chris Hanson (1:00:34)**

This agenda item was taken out of order.

Chair McElreath called on Mr. Hanson for a discussion on the Legislative Budget Board (LBB) addressing the Board.

Mr. Hanson explained the agency will begin working with the LBB in the spring of 2010 and move into the summer with the preparation of the Legislative Appropriations Request (LAR). He noted the LAR is the request for funding for the upcoming biennium submitted by the Board to the LBB. He stated the LAR begins with a layout of the current budget, and should incorporate the proposed 5% reductions as part of the process, and is submitted to the LBB in August. He further explained that following the submission of the LAR, an initial hearing will be set where the agency will be called to a meeting with the LBB and Governor's Budget Policy Planning staff. This hearing provides an opportunity for public discussion on the agency's budget. Mr. Hanson stated as session begins, the LBB will work with the Appropriations and Finance committee, additional hearings will be held, and budget proposals will be made. He reported the PRB needs to develop a proposal of the 5% reduction over the current biennium, and within the next few months begin planning the biennium budget request.

Mr. Massengale suggested a face to face meeting be arranged with staff from the LBB in light of the issue of the Executive Director's salary not being resolved. He noted in speaking with Mr. Roberts, he suggested a representative from the Governor's office should be invited to attend the scheduled meeting with LBB staff to provide a briefing of what they expect from the Board.

Mr. Roberts noted this should be a joint session with the LBB Budget Analyst and the Policy Budget representative from the Governor's office assigned to the PRB.

Mr. Massengale stated staff has handled the budget in the past; and, Mr. Roberts added that with no reflection on staff, the Board needs to take a more active role. Mr. Roberts noted Board member representation should also be present at the budget hearings.

Mr. Massengale stated the Board needs to establish a better relationship with LBB staff, so a final decision may be made on the Executive Director's salary. He referenced the difference in the recommended salary to the approved salary, and noted the LBB apparently agreed with the recommended salary, but nothing happened. He stated he would like to see this issue resolved.

Vice Chair Braden inquired whether this would be an unusual request to have a member of the LBB staff appear before an agency's Board.

Mr. Roberts stated the PRB has an assigned LBB Budget Analyst, as well as having a designated staff member in the Governor's office, and it is his/her responsibility to work with the agency.

Vice Chair Braden inquired whether the Executive Director had worked directly with the LBB and Governor's Office staff in the past, and clarified the Board would be asking them to work more closely with the Board in the budget process.

Chair McElreath clarified this meeting would be held during a public/open meeting.

9. **Discuss State Auditor addressing the Board on the purpose of an audit, and what is expected of the Board in response to an audit – Chris Hanson (1:09:00)**

This agenda item was taken out of order.

Mr. Massengale stated the same process recommended for agenda item number eight, would apply to requesting a staff member from the State Auditor's Office to address the Board. He noted there were several comments on the last audit performed on the agency that were not fully explained to the Board, and by

**Texas Pension Review Board Minutes**

**Work Session**

**January 28, 2010**

**Page 10**

having a representative attend a future meeting, this would clarify what is expected of the Board in response to future audits.

Vice Chair Braden stated he agreed with this recommendation and noted by meeting with staff from the State Auditor's Office, the agency could further organize the framework and structure for the agency in preparation for the next Sunset Review.

Mr. Hanson clarified the recommendation would be to have a representative of the LBB come before the Board to discuss the process, and to involve the Board in the development of the budget request. He noted the Administrative and Legislative Committee could hold meetings to address this issue, or address the process before the full Board. He reiterated the need to address this matter quickly, as the budget process will be underway within the next several months.

Mr. Roberts noted his preference would be to use conference calls to address the budget process, taking into consideration Open Meetings Act requirements.

Chair McElreath stated, in lieu of the agency's budget restraints, the committee meetings may have to be held in conjunction with regularly scheduled Board meetings. Chair McElreath asked the Board for comments on holding committee meetings before or after the full Board meetings, and the Board conferred with this suggestion.

Mr. Hanson explained the Chair has the ability to discuss the process with individual members, and direct staff to develop a document containing the budget proposals for the LAR from the Board. He noted the members may also submit recommendations directly to the Chair, and those recommendations would be submitted to staff to develop a cohesive document of the issues the Board would like to see in the LAR. Mr. Hanson stated a process could be developed for the members to give input without violating the Open Meetings Act.

**10. Invitation for Audience Participation (1:37:00)**

Chair McElreath asked for public comment.

At this time, Randy Stalnaker, with the Texas Association of Public Employee Retirement Systems (TEXPERS), commented on the Pension Plan Rating System. Mr. Stalnaker stated he felt the Pension Plan Rating System would have "far-reaching consequences" for the plan sponsors, and noted that it is critical for the Board to take an extensive period of time to gather and review input from the various plans.

Bob May, actuary with Rudd and Wisdom, Inc., suggested the Board also involve the actuaries in the process of developing a Pension Plan Rating System.

Max Patterson, with the Texas Association of the Public Employee Retirement Systems, commented on the positive relationship between the PRB and plans. He stated he was pleased the Board would be placing an emphasis on actuarial soundness, but was hesitant with the development of a Pension Plan Rating System. He noted educating Board Trustees of the plans to make informed decisions should be a priority over developing a rating system to show how well a plan is performing.

Chair McElreath stated the Board appreciates the comments made to the Board, and thanked everyone for their time and energy during the work session.

Chair McElreath adjourned the meeting at 11:39 am.

**In Attendance:**

**Staff:**

Ben Armendariz  
Lynda Baker  
Joey Evans  
Daniel Gunter  
Chris Hanson  
Daniel Moore  
Kimberly Rhodes  
Sharon Roe

**Guests:**

Paul Brown, Texas Association of Public Employee Retirement Systems  
Carol Chaney, Fire Fighters Pension Commission  
Todd E. Clark, Houston Firefighters' Relief and Retirement Fund  
Everard Davenport, Dallas Police & Fire Pension System  
Leslee Hardy, Texas Municipal Retirement System  
Pate Gardner, Locke, Lord, Bissell & Liddell, LLP  
Robert M. May, Rudd and Wisdom, Inc  
Wade McDonald, Legislative Budget Board  
Max Patterson, Texas Association of Public Employee Retirement Systems  
Larry Reed, San Antonio Fire & Police Pension Fund  
Randy Stalnaker, Texas Association of Public Employee Retirement Systems  
Yuniedth Midence Steen, Locke, Lord, Bissell & Liddell, LLP  
Michael M. Trainer, San Antonio Fire & Police Pension Fund

  
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Chair Richard E. McElreath