

**Texas Pension Review Board
Minutes
June 14, 2010**

1. Meeting called to order (00:00)

The third meeting of 2010 of the Texas Pension Review Board (PRB) was called to order by Chair Richard McElreath on Monday, June 14, 2010, at 3:35 p.m., at the Hyatt on Lady Bird Lake, Texas Ballroom I-III, in Austin, Texas.

2. Roll call of Board members (00:30)

Board Members Present:

Chair Richard McElreath
Vice Chair Paul Braden
Andrew W. Cable
J. Robert Massengale
Norman Parrish
Wayne Roberts

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

3. Consider Board administrative matters, including the following - Chair McElreath (00:59)

A. Approval of the April 29, 2010 Board meeting minutes

Chair McElreath entertained a motion to suspend the reading of the Minutes of the PRB meeting held April 29, 2010.

Motion made by Vice Chair Paul Braden, seconded by Mr. Norman Parrish that the PRB suspend the reading of the Minutes of its meeting held April 29, 2010.

MOTION CARRIED UNANIMOUSLY

Chair McElreath inquired if any corrections were to be made to the Minutes of the April 29, 2010, PRB meeting. There being none, Chair McElreath entertained a motion to approve the Minutes of the April 29, 2010, PRB meeting as circulated.

Motion made by Mr. Wayne Roberts, seconded by Mr. J. Robert Massengale that the PRB approve the Minutes of its meeting held April 29, 2010 as circulated.

MOTION CARRIED UNANIMOUSLY

B. Excusing the absence of Board members from the April 29, 2010 Board meeting (01:54)

Chair McElreath entertained a motion to excuse Senator John Whitmire from the April 29, 2010 Board meeting.

Motion made by Mr. Roberts, seconded by Vice Chair Braden to excuse Senator John Whitmire from the April 29, 2010 Board meeting.

MOTION CARRIED UNANIMOUSLY

Chair McElreath inquired if there was any discussion from the Board. There being none, the motion carried unanimously to excuse Senator John Whitmire from the April 29, 2010 Board meeting.

4. Actuarial Committee – Announcement of Committee meeting on August 5, 2010, Capitol Extension – Norman Parrish (02:39)

Chair McElreath called on Mr. Parrish for the announcement of the Actuarial Committee meeting.

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Mr. Parrish announced the Actuarial Committee will meet on August 5, 2010, to review and consider modifications to the definition of "actuarial soundness" as issued by the Board and procedures for monitoring the actuarial soundness of public pension plans in Texas.

Mr. Parrish stated the PRB staff will be soliciting comments and suggestions from the pension plans. The Actuarial Committee will also discuss the procedures the Board and staff use to enforce and monitor compliance issues.

Chair McElreath thanked Mr. Parrish for the announcement.

Chair McElreath inquired if there were any questions from the Board.

There being none, Chair McElreath called on Mr. Wayne Roberts for an update on the work of the Administrative and Legislative Committee.

5. Administrative and Legislative Committee – Receive update from staff on the following matters – Wayne Roberts (4:31)

Mr. Roberts called on the Executive Director, Mr. Chris Hanson, for an update on the Legislative Appropriations Request.

A. Discuss and consider the Fiscal Year 2012-2013 Legislative Appropriations Request (LAR) – Chris Hanson

Mr. Hanson referred to a copy of the LAR instructions and a spreadsheet that was prepared by the PRB staff which was included in the Board packet. Mr. Hanson stated the first step in the LAR process is the establishment of the agency baseline number. The baseline number will be viewed as the current spending amount for the current biennium.

Mr. Hanson stated the spreadsheet included in the Board packet reflected the 5% budget reduction totals that were submitted to the Governor's office and the Legislative Budget Board (LBB) on behalf of the PRB. The 5% budget reduction has been approved and the reduction is no longer considered as part of the agency's baseline.

Mr. Hanson asked for Board input on two items in the LAR; the first is the Exceptional Items Request and the second is the 10% Budget Base Reduction Options. Mr. Hanson stated a reinstatement of the 5% budget reduction, additional funding for the staff and the Executive Director's salary are three items that have been discussed in the past. He asked the Board to consider including those items in the LAR as exceptional items.

Mr. Hanson stated the PRB has not received instructions from the Governor's Office as to what can or cannot be included in the Exceptional Items Request.

Vice Chair Braden inquired if there was a breakdown of where the funds would come from for the 10% baseline reduction.

Mr. Hanson stated staff has identified what the PRB's budget would look like with the 10% baseline reduction. He referred to the spreadsheet included in the Board packet. The LAR instructions direct each agency to take the 10% reduction in 5% increments. Mr. Hanson informed the Board that over the course of the biennium the reduction would be \$65,000 for each 5% reduction. To achieve the 10% reduction in two years, it would reduce the agency's budget by about \$130,000.

Vice Chair Braden asked if staff had considered where the funds for the 10% baseline reduction would come from.

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Mr. Hanson replied staff has discussed some basic options for the reduction. He informed the Board with the 5% reduction and the estimated baseline, 90% of the agency's budget is salaries and wages. If an additional 10% was taken out of the budget, the agency would be limited because there would be nothing left to cut.

Mr. Hanson stated there are ways to achieve savings. Some of the items discussed were potential for turnover, employee furloughs, an across-the-board pay cut for staff and the possibility of reducing the number of Full Time Employees (FTEs). Mr. Hanson stated staff would like the Board's input on other options for achieving the 10% reduction.

Vice Chair Braden inquired if the PRB currently had any vacant FTEs.

Mr. Hanson stated the PRB currently has one vacant FTE position that was part of the 5% budget cut.

Mr. Roberts reminded the Board the LAR is a funding request being prepared under strict guidelines by the LBB and the Governor's Office. He stated this is not what the final budget will look like and it is only a starting point for discussion during the legislative session.

Chair McElreath thanked Mr. Roberts and inquired if there were any other comments from the Board.

There being none, Chair McElreath thanked Mr. Hanson and entertained a motion to approve the current version of the LAR with the understanding that the final draft will require the approval of the Board Chair.

Motion made by Vice Chair Braden, seconded by Mr. Roberts to approve the current version of the LAR with the understanding that the final draft will require the approval of the Board Chair.

MOTION CARRIED UNANIMOUSLY

Chair McElreath asked Mr. Hanson to continue with the 2011-2015 Strategic Plan.

B. Discuss and consider the Agency 2011-2015 Strategic Plan and receive Board comment – Chris Hanson

Mr. Hanson referred to a draft of the Agency 2011-2015 Strategic Plan included in the Board packet. Mr. Hanson informed the Board the due date for the Strategic Plan is July 2, 2010. Staff is currently working with the Legislative Budget Board (LBB) on the Strategic Plan. The Governor's Office just approved the language on the performance measures, but it is not incorporated in the draft included in the Board packet.

Mr. Hanson stated the staff would like suggestions from the Board on items they would like to see included in the Strategic Plan or comments on the items that are currently included in the draft of the Strategic Plan.

Chair McElreath opened a discussion regarding the need for Chair's approval on any revisions made to the Strategic Plan after this meeting.

There being no further discussion, Chair McElreath entertained a motion to approve the current version of the Agency's 2011-2015 Strategic Plan with the understanding that revisions will be made and approved by the Board Chair before publication.

Motion made by Mr. Roberts, seconded by Mr. Parrish to approve the current version of the Agency's 2011-2015 Strategic Plan with the understanding that revisions will be made and approved by the Board Chair before publication.

MOTION CARRIED UNANIMOUSLY

Chair McElreath thanked Mr. Hanson and Mr. Roberts for their work and called on Anumeha for an update on the Board bylaws, policies and rules.

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6. Discuss Board bylaws, policies, rules and receive Board comment – Chair McElreath (16:33)

Anumeha referred the Board to the document in their meeting packet titled "Revised Questions for the Board" and the revised proposed bylaws. Anumeha stated staff has incorporated into the bylaws all the comments from the Board made at the last PRB meeting. She stated staff needs further input from the Board on the sections that were revised.

Anumeha referenced Article 1, §1.10, Subsection 1.10.4 of the bylaws which deals with Board travel. Staff has outlined a formal process for the members requesting reimbursement for travel expenses other than travel for official Board business.

Anumeha stated according to the Board comments, the members will submit their travel requests to the Chair and the Chair will submit his/her request to the Chair of the Legislative Committee and the requests will be reported at the next PRB meeting. Anumeha inquired if the Board was amenable to this provision or if the Board wanted to make further revisions.

Vice Chair Braden stated he had read through the provision and he felt staff had done what the Board had asked of them regarding the Board travel provision.

Mr. Roberts inquired as to why the Chair's travel is to be approved by the Legislative Committee Chair instead of the Administrative Committee Chair.

Vice Chair Braden stated the Administrative Committee included the Chair and the Vice Chair so that would entail the Chair approving his own travel.

Vice Chair Braden commented on Article 1, §1.11, Subsection 1.11.4 which talks about continuing education programs for new Board members, and characterized his comments as "clean-up" of some word choices and typographical errors. Vice Chair Braden asked for clarification of the wording which states, "The focus of the Program shall be flexible in nature and relative to the requirements of the requester of the Program".

Anumeha stated any committee or any member of the Board, the program would not be limited to any specific area and could be devised as per the requirement of the member or the committee.

Vice Chair Braden inquired if some of the wording in that subsection could be deleted or if he could rewrite the sentence for staff.

Anumeha stated the sentence could be deleted since Program areas are being specified.

Anumeha referenced Article 3, §3.1.2 and §3.4, Subsection 3.4.1 of the bylaws which lays out the structure of the Administrative Committee and the Legislative Committee. The Legislative Committee shall be structured to deal primarily with public business and public policy. The Administrative Committee shall be comprised of the Board Chair, Vice Chair and the Actuarial Science member. The Administrative Committee will oversee the responsibilities that have been delegated to the Executive Director, personnel matters of the staff, the issuance of actuarial impact statements and the policies adopted by the Board defining the administrative responsibilities of the staff.

Anumeha stated that §801.111 of the Texas Government Code says the Board should develop and implement policies that separate out the administrative responsibilities of the staff and the policy making responsibility of the Board. Eventually, the Board can adopt the policy statement and the Administrative Committee can oversee the policy statement. The Executive Director would present the policy statement to the Administrative Committee on an annual basis.

For further clarification purposes, Mr. Hanson stated the separation of the Administrative and Legislative Committee would be a way of putting an internal control mechanism in place as recommended by the State Auditor's Office. He informed the Board, the next step would be for the Board to approve the bylaws being sent to the Attorney General's Office for further review.

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Anumeha referred to the "Proposed Notice for Rule Repeal" document located in the Board packet which authorizes the PRB staff to publish the rules in the Texas Register, but only after review by the Attorney General's Office.

Mr. Hanson further clarified that the rules now in place are incorporated into the bylaws. If the Board is amenable to posting the notice for rule appeal, it does not mean the rules are automatically repealed. There is a 30-day comment period. At the next PRB meeting, staff will present a report of the comments that are received to the Board on the rule repeal before final adoption.

Chair McElreath inquired if there were any comments from the Board.

There being none, Chair McElreath entertained a motion to direct the Executive Director to have the proposed bylaws and corresponding notice for rule repeal reviewed by the Board's legal counsel.

Motion made by Vice Chair Braden, seconded by Mr. Andrew Cable to direct the Executive Director to have the proposed bylaws and corresponding notice for rule repeal reviewed by the Board's legal counsel.

MOTION CARRIED UNANIMOUSLY

Chair McElreath entertained a motion that upon completion of the review by the Board's legal counsel of the proposed bylaws and the corresponding notice for rule repeal, the Executive Director will publish, for comment, in the Texas Register the proposed notice for rule repeal.

Chair McElreath inquired if there was any discussion from the Board.

Vice Chair Braden inquired if the process by which rules are changed is more complex and takes more time than the process for changing bylaws.

Mr. Hanson stated under the structure of the bylaws, it would require a majority vote of the Board for the rule repeal and a vote is needed for the rule to be posted, comments received and then reported back to the Board for final adoption.

Vice Chair Braden inquired if the bylaws could be adopted without repealing the rules:

Mr. Hanson stated per the Attorney General for this type of internal business, a rule stating the Board follow Robert's Rules of Order is more appropriate in a bylaw than in an official agency rule.

Motion made by Vice Chair Braden, seconded by Mr. Massengale that upon completion of the Board's legal counsel review of the proposed bylaws and the corresponding notice for rule repeal, the Executive Director will publish, for comment, in the Texas Register the proposed notice for rule repeal in accordance with Texas Administrative Code, Title 40, Part 17, Chapter 603, §603.20 – 603.60.

MOTION CARRIED UNANIMOUSLY

7. Call for future agenda items – Chair McElreath (31:03)

Chair McElreath inquired of the Board if there were any future agenda items.

There being none, Chair McElreath called on Mr. Hanson for an update on the date and location for the next Board meeting.

8. Date and location for next Board meeting - Chris Hanson (31:16)

Mr. Hanson announced the next PRB meeting will be held on September 21, 2010 at the Capitol Extension.

Chair McElreath thanked Mr. Hanson.

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9. Invitation for audience participation (31:40)

Chair McElreath asked for public comment.

10. Adjournment (32:02)

There being no comments, Chair McElreath thanked the Board for their participation at the meeting, the audience for their attendance, and the staff for their time and effort. With the business of the Board completed, Chair McElreath adjourned the meeting at 4:06 PM.

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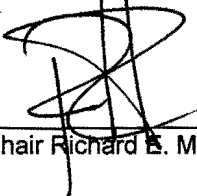
In Attendance:

Staff:

Anumeha
Ben Armendariz
Lynda Baker
Joey Evans
Daniel Gunter
Chris Hanson
Daniel Moore
Cathy Overton-Johns
Ashley Rendon
Kimberly Rhodes

Guests:

Randy Aylieff, Austin Fire Fighter's Pension Fund
Michael Cota, Midland Firemen's Relief & Retirement Fund
Everard Davenport, Dallas Police & Fire Pension System
John Lawson, Houston Police Officer's Pension System
Jason McElvaney, Texas County and District Retirement Systems
Gardner Pate, Locke, Lord, Bissell & Liddell, LLP
Max Patterson, Texas Association of Public Employee Retirement Systems
David Stacy, Midland Fire Retirement & Relief Fund
Robert Stanton, El Paso Firemen & Policemen's Pension Fund
Yuniedth Midence Steen, Locke, Lord, Bissell & Liddell, LLP
Vernon Webb, Austin Police Retirement System



Chair Richard B. McElreath