

**Texas Pension Review Board
Actuarial Committee Meeting
Minutes
November 18, 2010**

1. Meeting called to order (00:00)

The third meeting of 2010 of the Texas Pension Review Board (PRB) Actuarial Committee was called to order by Chair Norman Parrish on Thursday, November 18, 2010, at 10:36 a.m., in the Capitol Extension Building, Committee Room E1.012, in Austin, Texas.

2. Roll call of Committee members (14:3)

Board Members Present:

Chair Norman Parrish
J. Robert Massengale

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

3. Approval of the September 21, 2010 Committee Minutes - Chair Parrish (24:5)

Chair Parrish entertained a motion to suspend the reading of the Minutes of the PRB Actuarial Committee meeting held September 21, 2010.

Motion made by Mr. J. Robert Massengale, seconded by Chair Norman Parrish that the PRB Actuarial Committee suspend the reading of the Minutes of its meeting held September 21, 2010.

MOTION CARRIED UNANIMOUSLY

Chair Parrish inquired if any corrections were to be made to the Minutes of the September 21, 2010, PRB Actuarial Committee meeting. There being none, Chair Parrish stated that the Minutes of the September 21, 2010, PRB Actuarial Committee meeting are approved as circulated.

4. Review and consider proposal of "Guidelines for Actuarial Soundness" as issued by the PRB - Chair Parrish (42:6)

A. Staff update on the proposal of the PRB Guidelines for Actuarial Soundness - Chris Hanson

Mr. Chris Hanson stated the PRB staff had placed the proposed guidelines online for comment. Mr. Hanson gave a brief overview of some of the comments that were received.

Chair Parrish commented on the wording of Guideline 1. Comments were received stating the word "liabilities" should be changed to "obligations". Chair Parrish stated "obligations" was a much broader term and agreed with the change in the wording.

Chair Parrish went on to discuss a comment received on Guideline 2. Chair Parrish stated the idea behind Guideline 2 was to make contributions fair for all taxpayers. Chair Parrish commented he was inclined to change the wording of Guideline 2 to "should be level or declining".

Chair Parrish indicated Guideline 4 received numerous comments. One of the comments received about Guideline 4 was concerning the 15-25 year period; 15 years is too short. Chair Parrish stated the purpose of revising the guideline was because the 40 year and 30 year, in the context of a rolling amortization period, was not a very strong standard.

Chair Parrish commented on a sentence that was added to Guideline 4, which states "Benefit increases should not be adopted if the resulting amortization period exceeds 25 years". Chair Parrish stated that we have to be careful by what we mean when using the phrase "benefit increases". Chair Parrish suggested adding language which says "Benefit increases should not be adopted if all the plan changes being considered cause a material increase in the amortization period and if the resulting amortization period exceeds 25 years".

B. Receive Public Testimony

Chair Parrish opened the floor for public comment.

Mr. Chuck Campbell, Jackson Walker L.L.P., sent a letter to the PRB which included his comments to the

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proposed guidelines. Mr. Campbell stated he appreciated Chair Parrish addressing some of his concerns with the guidelines. Mr. Campbell also commented on the importance of a public pension plan to have flexibility when making administrative efficiency and law compliance changes to their plan document or statutes.

Mr. Robert May, Rudd & Wisdom, commented on the proposed changes to Guideline 1, stating the word "liabilities" should not be changed to "obligations". Mr. May agreed with the other proposed changes.

5. Review and consider the proposal of the procedures for monitoring the status of actuarially unsound pension systems in Texas – Chair Parrish (57:06)

A. Staff update on the proposal of PRB procedures for monitoring the status of actuarially unsound pension systems

Chair Parrish called on Mr. Hanson to give an update on the procedures for monitoring the status of actuarially unsound pension systems in Texas. Mr. Hanson informed the Committee the policy was posted online for comment. Mr. Hanson stated the PRB received two comments the Committee should pay close attention to.

Mr. Hanson stated one comment was the plan sponsor of the system should be included in the notification process.

Chair Parrish stated the issue of when a plan violates a plan change but not the 40 year issue, needs clarification.

Mr. Hanson indicated the Committee might want to consider incorporating a plan change review into the procedures. The policy should be easily understandable and everyone should have input so an efficient system is created for the PRB, the plans and the sponsoring entities.

B. Receive Public Testimony

Mr. May testified if a plan falls out of the preferred range of 25 years and goes to 32 years, the plan should be treated the same regardless of how they got to the 32 years, whether they did or did not increase benefits.

Chair Parrish stated the Committee should be clear that if a plan does go to 32 years, they will not go on a list but they will invite the PRB's attention. Chair Parrish stated benefit changes need to be carefully considered when amending the policy.

Chair Parrish stated the idea was to come up with a final policy and present it at the December 8, 2010 PRB meeting, but from all the comments received the policy needs to be revisited at a future Actuarial Committee meeting.

Mr. Hanson suggested the Board should be updated on the Committee's progress on the policy and the Committee should direct staff to continue to work to fine tune the policy and look at scheduling another Committee meeting at a later date.

6. Establish committee work schedule and determine work product – Chair Parrish (1:05:43)

A. Other possible areas of committee actions, if suggested by Board members at this meeting

Chair Parrish requested the PRB staff develop an iteration of the Guidelines for Actuarial Soundness for review at the next Actuarial Committee meeting.

B. Date and location for next committee meeting

Chair Parrish stated the date and location of the next Actuarial Committee meeting would be determined at a later date.

7. Invitation for audience participation – Chair Parrish (1:09:34)

Chair Parrish asked for public comment.

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8. Adjournment (1:10:07)

Chair Parrish thanked the Committee and the audience for their participation at the meeting, and the staff for their time and effort. With the business of the Committee completed, Chair Parrish adjourned the meeting at 11:46 AM.

In Attendance:

Staff:

Lynda Baker
Joey Evans
Chris Hanson
Daniel Moore
Cathy Overton-Johns
Kimberly Rhodes

Guests:

Cecil Barton, University Park Firefighter Retirement Fund
Paul Brown, Texas Association of Public Employee Retirement Systems
Jordan Brownwood, Texas Public Policy Foundation
Michael Calderazzo, El Paso Firemen and Policemen's Pension Fund
Chuck Campbell, Jackson Walker L.L.P.
Eyna Canales-Zarate, Texas Association of Public Employee Retirement Systems
Everard Davenport, Dallas Police and Fire Pension System
Leslee Hardy, Texas Municipal Retirement System
Tom Harrison, Texas County and District Retirement System
John Lawson, Houston Police Officer's Pension System
Alva Littlejohn, Lubbock Fire Pension Fund
Richard Mackesey, Buck Consultants, Inc.
Robert May, Rudd and Wisdom, Inc.
Lisa Ivie Miller, Fire Fighters' Pension Commission
Jason McElvaney, Texas County and District Retirement System
Max Patterson, Texas Association of Public Employee Retirement Systems
Warren Schott, San Antonio Fire & Police Pension Fund
David Stacy, Midland Firemen's Relief & Retirement Fund
Robert Stanton, El Paso Firemen and Policemen's Pension Fund
Ana V. Tinsley, Fire Fighters' Pension Commission
Michael M. Trainer, San Antonio Fire & Police Pensioners Association
Sherri Walker, Fire Fighters' Pension Commission



Chair Norman Parrish