

**Texas Pension Review Board
Minutes
December 8, 2010**

1. Meeting called to order (00:00)

The fifth meeting of 2010 of the Texas Pension Review Board (PRB) was called to order by Chair Richard McElreath on Wednesday, December 8, 2010, at 10:05 AM, in the Capitol Extension Building, Committee Room E1.012, in Austin, Texas.

2. Roll call of Board members (00:12)

Board Members Present:

Chair Richard McElreath
Vice Chair Paul Braden
J. Robert Massengale
Norman Parrish
Wayne Roberts
Representative Vicki Truitt

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

3. Consider Board administrative matters, including the following - Chair McElreath (00:38)

A. Approval of the September 21, 2010 Board meeting minutes

Chair McElreath entertained a motion to suspend the reading of the Minutes of the PRB meeting held September 21, 2010 and to approve the Minutes as circulated.

Motion made by Mr. Wayne Roberts, seconded by Vice Chair Paul Braden that the PRB suspend the reading of the Minutes of its meeting held September 21, 2010 and to approve the Minutes as circulated.

Chair McElreath inquired if there were any comments or discussion from the Board. There being none, the motion carried unanimously to suspend the reading of the Minutes of its meeting held September 21, 2010 and to approve the Minutes as circulated

MOTION CARRIED UNANIMOUSLY

B. Excusing the absence of Board members from the September 21, 2010 Board meeting (01:14)

Chair McElreath entertained a motion to excuse Senator John Whitmire, Representative Vicki Truitt and Vice Chair Paul Braden from the September 21, 2010 Board meeting.

Motion made by Mr. Norman Parrish, seconded by Mr. J. Robert Massengale to excuse Senator John Whitmire, Representative Vicki Truitt and Vice Chair Paul Braden from the September 21, 2010 Board meeting.

Chair McElreath inquired if there was any discussion from the Board. There being none, the motion carried unanimously to excuse Senator John Whitmire, Representative Vicki Truitt and Vice Chair Paul Braden from the September 21, 2010 Board meeting.

MOTION CARRIED UNANIMOUSLY

4. Election of Vice Chair for FY 2011 - Chair McElreath (01:52)

Chair McElreath recognized Vice Chair Braden for his dedication to the PRB and for serving as Vice Chair of the PRB in 2010. Chair McElreath called for nominations for the position of Vice Chair for 2011.

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Motion made by Mr. Norman Parrish, seconded by Mr. Wayne Roberts that the PRB elect Mr. Paul Braden for a third term as Vice Chair of the PRB.

Chair McElreath inquired whether there was any discussion from the Board. There being none, the motion carried unanimously that the PRB elect Mr. Paul Braden for a third term as Vice Chair of the PRB.

MOTION CARRIED UNANIMOUSLY

5. Actuarial Committee – Receive update from staff on the following matters - Norman Parrish (02:15)

A. November 18, 2010 Actuarial committee Meeting – Chris Hanson

Mr. Norman Parrish called on Mr. Chris Hanson, Executive Director of the PRB, for an update on the November 18, 2010 Actuarial Committee meeting. Mr. Hanson summarized the progress of the Actuarial Committee on finalizing the "Guidelines for Actuarial Soundness".

Mr. Parrish explained to finalize the guidelines; the Committee needs to meet again before the next Board meeting. Mr. Parrish informed the Board the Committee would like to keep the changes to a minimum and strengthen the current guidelines. Mr. Parrish stated the Committee received some great comments from the plans.

Chair McElreath requested the Actuarial Committee meet prior to the Spring PRB meeting.

B. Procedures for calling noncompliant retirement systems before the Board – Chris Hanson

Mr. Hanson informed the Board staff had incorporated the changes the Board had suggested into the procedures. Mr. Hanson requested the Board approve the PRB staff conducting an online survey of all plans. The survey would apprise the staff if there were any other issues that may keep a plan from being noncompliant and improve the PRB staff's communication with the plans.

Mr. Hanson stated the procedure could be finalized at the spring or summer PRB meeting. Mr. Hanson reported the compliance numbers have improved significantly due to additional funding for the PRB database and additional staff.

C. Plan exemption – Chris Hanson

Mr. Hanson informed the Board the PRB staff worked with the Attorney General's office and the Legislative Council and conducted extensive research on the legislative intent of the PRB's reporting requirement statute. Mr. Hanson stated the language in the statute exempts deferred compensation plans and explicitly states 403(b) and 457(b) plans are exempt.

Mr. Hanson stated as a result of the staff's research, the PRB developed a proposal for plans to request exemption from reporting requirements. Mr. Hanson recommended that the Board avoid taking sides and not ask for legislation to be filed. He further stated if the plans thought they should be exempt, the plan would file legislation. Additionally, since the PRB will soon be reviewed by the Sunset Commission, Mr. Hanson suggested the issue of plan exemption be discussed with the Sunset Commission.

Representative Vicki Truitt inquired if there was a formal statement from the Attorney General indicating that the reporting is required by statute.

Mr. Hanson replied the PRB has not requested a formal opinion from the Attorney General, but the staff did work closely with the Attorney General's counsel.

Representative Truitt inquired if there have been incidences when a defined contribution plan did not make contributions on behalf of its employees.

Mr. Hanson replied there was one case in 2007.

Representative Truitt stated the appeals process should go beyond the PRB staff. Chair McElreath agreed and instructed the staff to incorporate Representative Truitt's comments and concerns into the proposal to be presented at the next PRB meeting.

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D. Public retirement system reporting and compliance – Chris Hanson

Mr. Hanson referred the members to the report in their packets. Mr. Hanson pointed out the compliance numbers have begun to improve. Mr. Hanson stated the PRB is still working with some plans to get the numbers up. Mr. Hanson noted the amortization periods portion of the report and informed the Board that more plans are exceeding the 40-year guideline. He stated the reason some of the plans are exceeding the 40-year guideline was due to the performance of the market.

6. Administrative and Legislative Committee – Receive update from staff on the following matters – Wayne Roberts (30:59)

A. 2009 – 2010 Biennial Report – Chris Hanson

Mr. Hanson explained the biennial report is required by statute every two years and reflects the work and findings of the Board from the prior two years. Mr. Hanson stated the biennial report was also available on the PRB website.

B. FY 2011 1st Quarter Budget – Chris Hanson

Mr. Hanson informed the Board that the agency had received a letter from the Governor and the Speaker which required each agency to cut an additional 2.5% from their budgets. Mr. Hanson estimated the total is about \$17,000. The agency was able to absorb this cut due to a loss of a staff member which left a vacancy.

C. 2011 PRB Annual Seminar – Chris Hanson

The date for the 2011 PRB Annual Seminar is Monday, June 13, 2011 and the location will be determined at a later date.

D. Preparation for the 82nd Legislative Session – Chris Hanson

The 82nd Legislative Session will begin on January 11, 2011. Mr. Hanson informed the Board staff was in the process of developing its "Guide to Public Retirement Systems in Texas". The guide is a summary of the financial status and prior legislation that was passed that affected all of the statewide and municipal statutory plans. Mr. Hanson stated the report will be sent out to the systems giving them an opportunity to review it before it is actually published.

Mr. Hanson reported some pension bills have already been filed and staff is in the process of reviewing those bills in preparation for session.

7. Discuss and consider process for Executive Director evaluations – Chair McElreath (38:40)

Mr. Roberts explained to the Board he had worked closely with Mr. Ben Armendariz, PRB Human Resources, to develop a process for the evaluation of the Executive Director. Mr. Roberts stated the evaluation process would be set by the standing Administrative Committee of the PRB. The chair of the Committee would establish an ad hoc committee to conduct the evaluation or direct the full Board to conduct the evaluation.

For clarification purposes, Vice Chair Braden asked if the PRB was an agency that interacted with peer Directors of other agencies.

Mr. Hanson stated the interaction with peer Directors was more casual.

Vice Chair Braden inquired if the evaluation would be conducted annually.

Mr. Roberts replied his recommendation would be to conduct the evaluation every two years due to the evaluation process being detailed, but stated he would be completely open to doing it annually.

After some discussion, Chair McElreath entertained a motion to adopt the proposed process for the evaluation of the Executive Director.

Motion made by Mr. Massengale, seconded by Representative Truitt to adopt the proposed process for the evaluation of the Executive Director.

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Chair McElreath inquired if there were any questions from the Board. There being none, the proposed process for the evaluation of the Executive Director was adopted.

MOTION CARRIED UNANIMOUSLY

8. Research Committee – Receive update from staff on the following matters – Vice Chair Braden (39:55)

A. Dodd Frank Law – Anumeha

B. Securities Exchange Commission – Anumeha

Anumeha explained the Dodd Frank Law was the outcome of the recent market downturn and the act aims at regulating the financial market and investors. Pension plans might be affected by some of the regulations the act proposes. The Dodd Frank Law also requires private equity and hedge fund advisors to register with the Securities Exchange Commission (SEC).

Anumeha stated another rule that might affect the pension plans is the Volcker Rule, which prohibits banks from dealing in proprietary trading informed the Board the act has 16 titles that are divided among different agencies.

Anumeha informed the Board the SEC has proposed a rule that facilitates the shareholders of public companies to nominate their directors and explained another rule the SEC is proposing that affects political contributions. Anumeha stated the SEC has some rules that are still in the interim stages and stated the proposed rules would be posted on the PRB website for review.

Mr. Hanson referred the Board to a handout of a bill filed on Capitol Hill called "The Public Pension Fund Transparency Act", House Resolution (HR) 6484 and stated the bill would mimic a lot of the reporting requirements of the State of Texas. The bill states plan sponsors of state and local governments would need to file an actuarial report on the funded status, value of assets, liabilities and unfunded liabilities with the Secretary of the Treasury within 210 days of the close of their fiscal year. Mr. Hanson stated the bill goes beyond the State of Texas reporting requirements.

9. Discuss and consider the adoption of Board bylaws – Anumeha (49:55)

Anumeha informed the Board the version of the Board bylaws in the meeting packets incorporates all the Board comments, as well as, the Attorney General's counsel's comments. Anumeha stated one of the principal comments was the structure of the Administrative Committee and explained that initially the Board bylaws established the Administrative Committee as an advisory committee, the current version establishes the Administrative Committee as a standing committee subject to the Open Meetings Act. As a standing committee, the Board could advise the PRB staff on administrative matters.

In addition, the bylaws have an administrative assistance provision through which the Board could advise the staff as required on day-to-day administrative matters.

Vice Chair Braden inquired if there were any questions from the Board. There being none, Vice Chair Braden entertained a motion to adopt the Board bylaws as presented.

Motion made by Mr. Roberts, seconded by Mr. Massengale to adopt the Board bylaws as presented.

MOTION CARRIED UNANIMOUSLY

10. Rule repeal of Texas Administrative Code, Title 40, Part 17, Chapter 603, Officers and Meetings, Section 603.20, 603.30, 603.40, 603.50 and 603.60 - Anumeha (52:03)

Anumeha informed the Board a notice was published with the Texas Register regarding the rule repeal. Once the rule repeal is adopted, a new notice will be posted with the Texas Register.

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Motion made by Vice Chair Braden, seconded by Mr. Parrish to adopt the rule repeal as posted in 35 Texas Register on August 13, 2010.

Chair McElreath inquired if there was any discussion from the Board, there being none, the motion carried unanimously to adopt the rule repeal as posted in 35 Texas Register on August 13, 2010.

MOTION CARRIED UNANIMOUSLY

11. PRB Committee assignments – Chair McElreath (54:37)

Chair McElreath stated he will make appointments to the current committees and to the new committee.

Chair McElreath made the following committee appointments:

Actuarial Committee – Mr. Parrish (Chair), Mr. Massengale, and Mr. Cable.

Administrative Committee – Mr. McElreath (Chair), Vice Chair Braden and Mr. Roberts.

Legislative Committee – Mr. Roberts (Chair), Mr. Parrish, Representative Truitt and Senator Whitmire.

Research Committee – Vice Chair Braden (Chair) and Chair McElreath.

12. Discuss and consider the proposed ethics policy statement – Anumeha (55:17)

Anumeha informed the Board there was an expanded version of the ethics policy statement in their packets. Anumeha stated the draft incorporated different rules and regulations that are applicable to the members of a board. The standard provisions relate to standards of conduct, conflict of interest and acceptance of benefits.

Anumeha stated there are two provisions which are not applicable to the PRB. The two provisions relate to the revolving door and lobbying. Staff contacted the Attorney General's office and the Ethics Commission to verify whether the Board should adopt these two provisions. The consensus was the Board was free to adopt or not to adopt these two provisions. Anumeha inquired if the Board would like to include the two provisions in the ethics policy statement.

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

Mr. Roberts inquired if the Attorney General's office gave a reason why the revolving door and lobbying provisions were not applicable to the PRB.

Anumeha replied Chapter 572 states the revolving door and lobbying provision is applicable to a regulatory agency and the PRB does not wield any actual authority to be considered a regulatory agency.

Chair McElreath directed staff to continue to work on developing a final draft of the ethics policy statement and update the Board at the next meeting.

13. Receive update from the Executive Director on the following matters – Chris Hanson (1:00:47)

A. Comptroller of Public Accounts routine post payment audit of purchase, travel and payroll transactions

Mr. Hanson reported the Comptroller of Public Accounts completed their audit of the PRB and the general consensus from the auditors was the PRB was doing a good job. The auditors will submit a formal report to Mr. Hanson in January. Mr. Hanson stated he will have an opportunity to respond to the areas that need tightened controls or a review of the process.

Mr. Hanson stated once he completes his responses, he will resubmit it to the Comptroller's office and a final report will be issued in February or March.

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B. Historically Underutilized Business (HUB) survey

Mr. Hanson stated the PRB staff conducted a survey of HUB in response to inquiries received from Senator Eddie Lucio's office and bills that were filled last session. Mr. Hanson informed the Board the plans that responded stated they do not have HUB programs.

14. Call for future agenda items – Chair McElreath (1:04:35)

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.

15. Date and location for next Board meeting TBD – Chris Hanson (1:04:43)

Mr. Hanson reported staff was in the process of scheduling the next year's Board meetings. Mr. Hanson stated the next Board meeting would be during session. Mr. Hanson stated a meeting in early March 2011 would be ideal. Mr. Hanson noted the staff will poll the members on some possible dates for the meetings.

16. Invitation for audience participation – Chair McElreath (1:07:00)

Chair McElreath asked for public comment.

17. Adjournment (1:07:13)

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 11:20 AM.

In Attendance:

Staff:

Anumeha
Lynda Baker
Jolena Close
Joey Evans
Chris Hanson
Daniel Moore
Cathy Overton-Johns
Ashley Rendon
Kimberly Rhodes

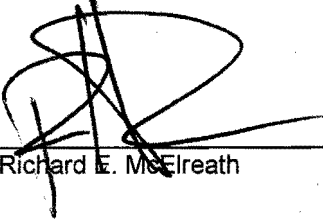
Guests:

Heidle Baskin, Irving Firemen's Relief & Retirement Fund
Paul Brown, Texas Association of Public Employee Retirement Systems
Chuck Campbell, Jackson & Walker L.L.P.
Eyna Canales-Zarate, Texas Association of Public Employee Retirement Systems
Todd E. Clark, Houston Firefighters' Relief & Retirement Fund
Everard Davenport, Dallas Police & Fire Pension System
Gretchen Ellison, HillCo Partners
Leslee Hardy, Texas Municipal Retirement System
Tom Harrison, Texas County and District Retirement Systems
Brian Jones, Longview Firemen's Relief & Retirement Fund
Sampson Jordan, Austin Police Retirement System
Tom Kelly, Fire Fighters Pension Commission

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Guests: (continued)

John Lawson, Houston Police Officers Pension System
Ralph Marsh, Houston Police Officers Pension System
Robert May, Rudd and Wisdom
Al Mays, Houston Firefighters' Relief & Retirement Fund
Jason McElvaney, Texas County and District Retirement System
Doreen McGookey, Fort Worth Employees Retirement Fund
Gary H. Myers, Waxahachie Firemen's Relief & Retirement Fund
William S. Nail, Employees Retirement System
Warren Schott, San Antonio Fire & Police Pension Fund
David Stacy, Midland Firemen's Relief & Retirement Fund
C. Kay Watson, Dallas Employees Retirement Fund
Dan Wattles, Texas Municipal Retirement System
Debra Wilson, Beaumont Firemen's Relief & Retirement Fund



Chair Richard E. McElreath