

**Texas Pension Review Board
Minutes
December 8, 2011**

1. Meeting called to order (00:00)

The third meeting of 2011 of the Texas Pension Review Board (PRB) was called to order by Chair Richard McElreath on Thursday, December 8, 2011 at 11:03 AM, at the Capitol Extension Building, Committee Room E1.012 in Austin, Texas.

2. Roll call of Board members (00:07)

Board Members Present:

Chair Richard McElreath
Vice Chair Paul Braden
Andrew 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 (00:28)

A. Approval of the September 28, 2011 Board meeting minutes

Chair McElreath entertained a motion to suspend the reading of the Minutes of the PRB meeting held September 28, 2011 and to approve the Minutes as circulated.

Motion made by Mr. Parrish, seconded by Vice Chair Braden that the PRB suspend the reading of the Minutes of its meeting held September 28, 2011 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 28, 2011 and to approve the Minutes as circulated.

MOTION CARRIED UNANIMOUSLY

B. Excusing the absence of Board members from the September 28, 2011 Board meeting (00:52)

Chair McElreath entertained a motion to excuse Mrs. Leslie Greco-Pool and Representative Vicki Truitt from the September 28, 2011 Board meeting.

Motion made by Mr. Roberts, seconded by Mr. Massengale to excuse Mrs. Leslie Greco-Pool and Representative Vicki Truitt from the September 28, 2011 Board meeting.

Chair McElreath inquired if there was any discussion from the Board. There being none, the motion carried unanimously to excuse Mrs. Leslie Greco-Pool and Representative Vicki Truitt from the September 28, 2011 Board meeting.

MOTION CARRIED UNANIMOUSLY

4. Actuarial Committee – Receive update from staff on the following matters - Norman Parrish (01:23)

A. Public retirement system reporting and compliance – Chris Hanson

Mr. Chris Hanson, Executive Director of the Pension Review Board (PRB), noted the significant increase in net asset value. Mr. Hanson stated there was an increase of approximately \$12.8 billion, representing 7.1% overall. Mr. Hanson stated the increase was vastly driven by the Teacher Retirement System's (TRS) net return of 15.5% for the fiscal year. Additionally, Employee Retirement System (ERS) showed a return of 12.58% which increased the overall value to \$14.4 billion.

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B. Discuss and consider adoption of policy for "Regulation of Noncompliant Retirement Systems" – Chris Hanson

Mr. Hanson stated the Board had instructed staff to supply a copy of the policy to all the systems in the State so as to solicit comments from the systems. Mr. Hanson reported that staff received two comments. Mr. Hanson stated one of the comments staff received referenced item 9 in the policy. The system wanted to clarify who in the plan, the CEO, trustee, third party administrator, would be requested to appear before the Board to discuss a systems noncompliance.

Mr. Hanson informed the Board staff added two endnotes to the policy. The first endnote states, "the PRB will notify the primary contact or contacts listed in the PRB database for each plan". The second endnote states, "the PRB will notify each primary contact or contacts listed for the plan". After contacting the plan, the system will be allowed to select their own representative to appear before the Board.

After some discussion, Chair McElreath entertained a motion to adopt the policy for "Regulation of Noncompliant Retirement Systems".

Motion made by Mr. Parrish, seconded by Mr. Cable to adopt the policy for "Regulation of Noncompliant Retirement Systems".

Chair McElreath inquired if there was any discussion from the Board. There being none, the motion carried unanimously to adopt the policy for "Regulation of Noncompliant Retirement Systems".

MOTION CARRIED UNANIMOUSLY

5. Legislative Committee – Receive update from staff on the following matters – Wayne Roberts (9:26)

A. Discuss and consider location and speakers for the 2012 PRB Annual Seminar– Chris Hanson

Mr. Hanson referred the members to the two spreadsheets included in their Board packets. Mr. Hanson stated staff had researched dates for the 2012 Annual Seminar in the months of June and October. Mr. Hanson indicated that staff needed direction as to which date the Board preferred the staff to pursue to secure the location for the 2012 Annual Seminar.

Chair McElreath directed staff to make sure the Hyatt was available for the October date.

Mr. Hanson referred the members to the second spreadsheet which was a list of potential sponsors for the 2012 Annual Seminar. Mr. Hanson stated the staff has not received much of a response. He indicated that staff would continue to work on the list of potential sponsors.

Chair McElreath stated sponsors could be asked to sponsor a breakfast before the meeting started. The sponsor could be allowed to make comments outside of the normal framework of the meeting. Chair McElreath indicated doing this could possibly encourage the level of sponsorship to be a little higher. Chair McElreath asked for comments from the Board.

Vice Chair Braden inquired if the staff was pursuing sponsorship from entities other than magazines or publications. Vice Chair Braden requested staff research sponsorship from entities that are not providing services to the PRB and if there is a conflict of interest to have these entities sponsor the 2012 Annual Seminar.

Mr. Hanson responded the research was limited to these specific vendor services but could be expanded to other types of entities if instructed by the Board.

Chair McElreath directed staff to investigate what the options are and to create a matrix showing what would be allowed or not allowed as far as sponsorship is concerned.

Mr. Roberts suggested the conflict of interest issue be reviewed by the Attorney General or the Ethics Commission.

Mr. Massengale inquired if staff had looked into the possibility of obtaining a grant.

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Mr. Hanson stated staff would research the options and provide the results at the March 2012 meeting. Mr. Hanson solicited direction from the Board concerning speakers for the 2012 Annual Seminar.

B. Discuss and consider re-adoption of Title 40, Part 17, Chapter 604, §604.1 – Historically Underutilized Business – (HUB) – Chris Hanson

Mr. Hanson explained that at the last meeting, the Board had adopted posting the HUB rule as part of the Board's rule review plan. Mr. Hanson stated the rule was posted with the Texas Register and staff had not received any comments.

Chair McElreath entertained a motion to re-adopt Title 40 of the Texas Administrative Code, Part 17, Chapter 604, §604.1 concerning the Historically Underutilized Business Program.

Motion made by Vice Chair Braden, seconded by Mr. Roberts to re-adopt Title 40 of the Texas Administrative Code, Part 17, Chapter 604, §604.1 concerning the Historically Underutilized Business Program (HUB).

Chair McElreath inquired if there was any Board discussion or comments. There being none, the motion passed unanimously to re-adopt Title 40 of the Texas Administrative Code, Part 17, Chapter 604, §604.1 concerning the Historically Underutilized Business Program.

MOTION CARRIED UNANIMOUSLY

6. Research Committee – Receive update from staff on the following matters – Paul Braden, Chair (22:28)

A. Discuss and consider research topics – Chris Hanson

Mr. Hanson presented the possible research topics to the Board. Mr. Hanson stated the next legislative session is going to have a strong push on public pension issue.

Mr. Hanson stated staff was looking for feedback from the Board on these topics and other potential topics. Mr. Hanson indicated the information would provide factual background on public pension topics and could be used as educational tools for the legislature and the public.

Vice Chair Braden inquired as to what would be the process of developing the "white papers".

Mr. Hanson responded the Board's feedback on how the process should happen is welcomed.

Chair McElreath requested that staff work on a distribution plan for the "white papers" in an effort to be proactive.

B. Social Security participation research project – Chris Hanson

Mr. Hanson informed the Board that staff had conducted a survey of all of the PRB's public retirement systems to inquire if their members were participants in Social Security. Mr. Hanson stated there was a great response rate. He specified of the 146 defined benefit plans that responded 41 of the plans participated in Social Security.

Mr. Parrish stated the survey should be kept current.

7. Administrative Committee – Receive update from staff on the following matters – Richard McElreath, Chair (38:36)

A. FY 2012 Operating Budget – Chris Hanson

Mr. Hanson informed the Board there was one adjustment to the FY 2012 operating budget.

Mr. Roberts inquired about the PhC deduction 1% salary item in the operating budget.

Mr. Hanson explained it is an item where all state agencies must pay 1% towards healthcare. He stated the cost is estimated based on the total payroll. Mr. Hanson stated the Comptroller deducts the amount on a monthly basis based on the agency's payroll.

Chair McElreath entertained a motion to adopt the amended internal operating budget for FY 2012.

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Motion made by Mr. Roberts, seconded by Mr. Parrish to adopt the amended internal operating budget for FY 2012.

Chair McElreath inquired if there was any discussion from the Board. There being none, the motion carried unanimously to adopt the amended internal operating budget for FY 2012.

MOTION CARRIED UNANIMOUSLY

8. Discuss and consider adoption of the PRB members ethics policy – Chris Hanson (41:31)

Mr. Hanson stated the staff had forwarded the PRB members ethics policy to the Attorney General's Office and the Ethics Commission. Both offices approved the policy. Mr. Hanson indicated the PRB's counsel with the Attorney General's Office recommended including a common law conflict of interest provision. Mr. Hanson stated it was up to the Board as to whether or not this provision would be included in the PRB's ethics policy.

Mr. Roberts stated that he recommended including the language in the policy.

Chair McElreath entertained a motion to adopt the ethics policy as presented

Motion made by Mr. Roberts, seconded by Vice Chair Braden to adopt the ethics policy as presented.

Chair McElreath asked if there was any discussion from the Board. There being none, the motion carried unanimously to adopt the ethics policy as presented.

MOTION CARRIED UNANIMOUSLY

9. Receive update from the Executive Director on the following matters – Chris Hanson (44:25)

A. Introduction of new staff

Mr. Hanson introduced Emily Brandt, Research Specialist and Nickolas Ballard, Investment Analyst. Mr. Hanson informed the Board the PRB is fully staffed.

B. State Office of Risk Management – Risk Management Program Review

Mr. Hanson reminded the Board that the State Office of Risk Management (SORM) would be conducting a Risk Management Program Review on December 15, 2011. Mr. Hanson informed the Board that the PRB provided all of the requested information SORM required to perform the program review. In addition to the program review, SORM will be looking for safety issues in the PRB office.

C. Texas Public Policy Foundation “Policy Primer on Public Employee Compensation”

Mr. Hanson informed the Board there was a lot of debate regarding defined contribution and defined benefit pros and cons at the policy primer. Some other items that were discussed were hybrid plans and Social Security participation.

10. EXECUTIVE SESSION – Chair McElreath (49:36)

Enter into Executive Session

Chair McElreath announced at 11:53 AM., the PRB would enter into executive session pursuant to Texas Government Code, section 551.074, to deliberate personnel matters, including the executive director's performance goals, and thereafter might consider appropriate action in open session. Chair McElreath requested all non-Board members leave the room with the exception of John Perryman and Lynda Baker.

Return to Open Session

Chair McElreath announced at 12:28 PM., the PRB meeting was back in open session; no action was taken during the executive session.

Chair McElreath entertained a motion to adopt the executive director's performance goals as presented.

Motion made by Mr. Massengale, seconded by Mr. Cable to adopt the executive director's performance goals as presented.

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Chair McElreath inquired if there was any discussion from the Board. There being none, the motion carried unanimously to adopt the executive director's performance goals as presented.

MOTION PASSED UNANIMOUSLY

11. Call for future agenda items – Chair McElreath (50:44)

Chair McElreath asked for comments.

Mr. Parrish suggested asking Texas Municipal Retirement System (TMRS) or Texas County and District Retirement System (TCDRS) to make a presentation to the Board regarding hybrid plans.

12. Date of the next Board meeting – Chris Hanson (52:05)

Chair McElreath informed the Board the next PRB meeting will be held on Wednesday, March 7, 2012.

13. Invitation for audience participation – Chair McElreath (52:19)

Chair McElreath asked for public comment.

14. Adjournment (52:26)

With the business of the Board completed, Chair McElreath adjourned the meeting at 12:30 PM.

In Attendance:

Staff:

Lynda Baker
Nickolas Ballard
Emily Brandt
Jolena Close
Chris Hanson
Daniel Moore
Cathy Overton
John Perryman
Ashley Rendon


Guests:

Paul Brown, Texas Association of Public Employee Retirement Systems
Maria Eyna Canales-Zarate, Texas Association of Public Employee Retirement Systems
Michelle Downie, Sunset Advisory Commission
David Etheridge, City of Dallas Employee Retirement Fund
Mark Fenlaw, Rudd and Wisdom
Demetrio Hernandez, Legislative Budget Board
Alva Littlejohn, Lubbock Fire Pension
Jason McElvaney, Texas County & District Retirement System
Lisa Ivie Miller, South Texas Money Management
William S. Nail, Employee Retirement System of Texas
Max Patterson, Texas Association of Public Employee Retirement Systems
Warren Schott, San Antonio Fire and Police Pension Fund
Eddie Solis, Texas Association of Public Employee Retirement Systems

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Guests Continued

David Stacy, Midland Firemen's Relief & Retirement Fund
Michael Trainer, San Antonio Fire & Police Pension
Dan Wattles, Texas Municipal Retirement System
Lara Wendler, Senator John Whitmire's Office
Merita Zoga, Representative Vicki Truitt's Office



Chair Richard E. McElreath