

**Texas Pension Review Board
Minutes
May 23, 2012**

1. Meeting called to order (00:01)

The second meeting of 2012 of the Texas Pension Review Board (PRB) was called to order by Chair Richard McElreath on Wednesday, May 23, 2012 at 10:04 AM, at the Capitol Extension Building, Committee Room E1.012 in Austin, Texas.

2. Roll call of Board members (00:04)

Board Members Present:

Chair Richard McElreath
Vice Chair Paul Braden
Andrew Cable
Leslie Greco-Pool
J. Robert Massengale
Wayne Roberts
Senator John Whitmire

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 March 7, 2012 Board meeting minutes

Chair McElreath entertained a motion to suspend the reading of the Minutes of the PRB meeting held March 7, 2012 and to approve the Minutes as circulated.

Motion made by Mr. Roberts, seconded by Mr. Cable that the PRB suspend the reading of the Minutes of its meeting held March 7, 2012 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 March 7, 2012 and to approve the Minutes as circulated.

MOTION CARRIED UNANIMOUSLY

B. Excusing the absence of Board members from the March 7, 2012 Board meeting

Chair McElreath entertained a motion to excuse Vice Chair Paul Braden, Mr. Norman Parrish and Senator John Whitmire from the March 7, 2012 Board meeting.

Motion made by Mr. Roberts, seconded by Mr. Massengale to excuse Vice Chair Paul Braden, Mr. Norman Parrish and Senator John Whitmire from the March 7, 2012 Board meeting.

Chair McElreath inquired if there was any discussion from the Board. There being none, the motion carried unanimously to excuse Vice Chair Paul Braden, Mr. Norman Parrish and Senator John Whitmire from the March 7, 2012 Board meeting.

MOTION CARRIED UNANIMOUSLY

4. Actuarial Committee – Receive update from staff on the following matters - Norman Parrish (01:20)

A. Public retirement system reporting and compliance – Chris Hanson

Mr. Chris Hanson, Executive Director of the Pension Review Board (PRB), pointed out the market value of assets across the state continues to rebound. Mr. Hanson stated this was due to the market improving.

Mr. Hanson noted the compliance numbers have continued to improve since the Board adopted the new noncompliance policy.

**Texas Pension Review Board
Minutes
May 23, 2012**

B. Discuss and consider noncompliant retirement systems requiring formal attention at the next Board meeting – Chris Hanson

Mr. Hanson stated the staff sent certified letters to three plans that were noncompliant. Mr. Hanson informed the Board that since the letters had gone out, the Donna Firemen's Relief and Retirement Fund had submitted the necessary reports and is now compliant. He stated the Los Fresnos Firemen's Relief and Retirement Fund had submitted their financial information but staff is still in the process of collecting their membership information. Mr. Hanson stated the Elsa Firemen's Relief and Retirement Fund had not sent in the necessary paperwork.

Mr. Hanson noted per the noncompliance policy, the Board has the option to place the Los Fresnos Firemen's Relief and Retirement Fund and the Elsa Firemen's Relief and Retirement Fund on the agenda to appear before the Board at the next meeting if the necessary reports are not received.

Mr. Roberts asked when is the next Board meeting.

Mr. Hanson said that it is October 1, 2012.

Mr. Roberts asked if the two plans were not compliant by October 1, 2012 is that past the time period for them to be compliant.

Mr. Hanson stated that it would be past the time period set by the Board's noncompliance policy.

Chair McElreath entertained a motion to place the Elsa Firemen's Relief and Retirement Fund and the Los Fresnos Firemen's Relief and Retirement Fund on the agenda to appear before the Board at the next Board meeting unless the required reports were provided prior to the next Board meeting.

Motion made by Mr. Roberts, seconded by Vice Chair Braden to place the Elsa Firemen's Relief and Retirement Fund and the Los Fresnos Firemen's Relief and Retirement Fund on the agenda to appear before the Board at the next Board meeting unless the required reports were provided prior to the next Board meeting.

Chair McElreath inquired if there was any further Board discussion.

Vice Chair Braden asked if there was any financial data on these plans.

Mr. Hanson stated that the PRB had the most recent financial data for Los Fresnos Firemen's Relief and Retirement Fund but had not received a membership report from them since 2006. Mr. Hanson stated the PRB had not received any financial information from the Elsa Firemen's Relief and Retirement Fund since 2002.

Vice Chair Braden inquired about the size of the membership of these two plans.

Mr. Hanson stated the staff had not received an updated membership report from either plan.

Vice Chair Braden inquired if the two plans were active plans.

Mr. Hanson stated that in conversations with the plans, they did not inform staff that they were inactive.

After some discussion, the motion passed unanimously to place the Elsa Firemen's Relief and Retirement Fund and the Los Fresnos Firemen's Relief and Retirement Fund on the agenda to appear before the Board at the next Board meeting unless the required reports were provided prior to the next Board meeting.

MOTION CARRIED UNANIMOUSLY

Mr. Roberts stated if the Elsa Firemen's Relief and Retirement Fund is placed on the agenda to appear at the next Board meeting and they do not show up for the meeting, the Board should discuss initiating the subpoena process.

**Texas Pension Review Board
Minutes
May 23, 2012**

5. Legislative Committee – Receive update from staff on the following matters – Wayne Roberts (09:17)

A. Discuss and consider FY 2013-2014 Legislative Appropriations Request

1. Request of exceptional items

Mr. Hanson informed the Board that the instructions for the Legislative Appropriations Request (LAR) had not been released by the Legislative Budget Board (LBB). Mr. Hanson stated since the Board would not be meeting until after the submission of the LAR, staff was requesting any suggestions from the Board for any exceptional items the members would want to include in the LAR.

Mr. Roberts stated he would like to discuss requesting authorization to receive gifts and grants for purposes of the PRB Annual Seminar, restoration of the previous year's reductions to the budget and possibly revisiting the executive director's salary.

Chair McElreath stated that any suggestions should be forwarded to Mr. Roberts and Mr. Hanson by July 1, 2012.

Chair McElreath entertained a motion to approve the agency's submission of the Legislative Appropriations Request pending final approval by the Chair of the Legislative Committee and the Board Chair.

Motion made by Mr. Cable, seconded by Mr. Massengale to approve the agency's submission of the Legislative Appropriations Request pending final approval by the Chair of the Legislative Committee and the Board Chair.

Chair McElreath inquired if there was any further discussion. There being none, the motion carried unanimously to approve the agency's submission of the Legislative Appropriations Request pending final approval by the Chair of the Legislative Committee and the Board Chair.

MOTION CARRIED UNANIMOUSLY

B. Discuss and consider 2013-2017 Strategic Plan – Chris Hanson

1. May 2012 Customer Survey (16:22)

2. Requested changes to agency's performance measures

Mr. Hanson informed the Board that there was a draft outline of the Strategic Plan included in their packets. Mr. Hanson stated the section entitled "Action Plans" gave the agency an opportunity to set future goals for the Board to pursue. Mr. Hanson indicated staff would like to get the Boards input on anything they would like to include in this section.

Mr. Hanson stated the Strategic Plan is due July 6, 2012. Mr. Hanson requested that the Boards input for the Strategic Plan be received by June 15, 2012.

Mr. Hanson indicated that the Customer Survey included in the board packet is part of the strategic planning process. The survey has been distributed to the PRB's mailing list and it is on the PRB's website. The Customer Survey report is due June 2, 2012.

Mr. Hanson gave details about the requested changes to the agency's performance measures. He stated the agency, in conjunction with the LBB and the Governor's Office had begun the process of making changes.

Chair McElreath entertained a motion to approve the agency's submission of the Strategic Plan pending final approval by the Chair of the Legislative Committee and the Board Chair.

Motion made by Mr. Massengale, seconded by Vice Chair Braden to approve the agency's submission of the Strategic Plan pending final approval by the Chair of the Legislative Committee and the Board Chair.

**Texas Pension Review Board
Minutes
May 23, 2012**

Chair McElreath asked if there was any further discussion. There being none, the motion carried unanimously to approve the agency's submission of the Strategic Plan pending final approval by the Chair of the Legislative Committee and the Board Chair.

MOTION CARRIED UNANIMOUSLY

C. Sunset Advisory Commission Review

Mr. Hanson informed the Board that the agency's Sunset Advisory Commission Review public hearing date had been moved to September 5, 2012. Mr. Hanson stated the Sunset Advisory Commission encouraged the Board's participation in the meeting and requested if any member would like to attend please give staff advance notice so arrangements could be made for travel.

Senator Whitmire inquired if the Sunset Advisory Commission had interviewed the PRB staff.

Mr. Hanson stated the staff report for the PRB should be out at the end of June 2012.

D. Discuss and consider the 2012 Annual Seminar

1. Sponsor protocol

Mr. Hanson stated staff developed a sponsor protocol and two agreements for the PRB's Annual Seminar. The protocol included different levels of sponsorship. Mr. Hanson indicated that staff would welcome any input from the Board. Mr. Hanson stated the two agreements are by no means legal contracts.

Mr. Hanson reiterated that the agency cannot receive money from the sponsor the money has to go directly to the hotel.

Chair McElreath inquired if there were any comments on the sponsor protocol.

Senator Whitmire asked who would be a potential sponsor.

Chair McElreath stated investment publications, money managers and custodian of investments.

Mr. Hanson stated the Board has not decided who could be a potential sponsor.

Senator Whitmire inquired if there had been discussion about individual pension plans being sponsors and whether it would be appropriate for them to be sponsors.

Mr. Hanson responded that there has not been any discussion on this matter.

Vice Chair Braden suggested setting guidelines on who can or cannot be a sponsor.

Mr. Hanson stated that in prior meetings discussion was focused on investment publications as sponsors.

Senator Whitmire said any entity under the oversight of the PRB or would likely be under oversight of the PRB, should be restricted from being a sponsor.

After some discussion, Chair McElreath entertained a motion to restrict pension plans under the oversight of the PRB from being a sponsor of the Annual Seminar and the Board reserves the right to refuse any sponsorship opportunity.

Motion made by Senator Whitmire, seconded by Mr. Roberts to restrict pension plans under the oversight of the PRB from being a sponsor of the Annual Seminar and the Board reserves the right to refuse any sponsorship opportunity.

Chair McElreath inquired if there was any discussion from the Board. There being none, the motion carried unanimously to restrict pension plans under the oversight of the PRB from being a sponsor of the Annual Seminar and the Board reserves the right to refuse any sponsorship opportunity.

MOTION CARRIED UNANIMOUSLY

**Texas Pension Review Board
Minutes
May 23, 2012**

The Chair entertained a motion to approve the Sponsorship Opportunities as presented for the upcoming 2012 Annual Seminar.

Motion made by Vice Chair Braden, seconded by Mrs. Greco-Pool to approve the Sponsorship Opportunities as presented for the upcoming 2012 Annual seminar.

Chair McElreath asked if there was any discussion from the Board. There being none, the motion carried unanimously to approve the Sponsorship Opportunities as presented for the upcoming 2012 Annual Seminar.

MOTION CARRIED UNANIMOUSLY

The Chair entertained a motion to approve the sponsorship agreements as presented for the upcoming 2012 Annual Seminar.

Vice Chair Braden inquired if the Attorney General's Office had reviewed the sponsorship agreements.

Mr. Hanson stated the language in the Event Sponsorship Agreement was specifically from the Attorney General's Office recommendations. The Exclusive Sponsorship Agreement was an adaptation of the agreement from the Attorney General's Office.

Vice Chair Braden recommended that the two agreements be reviewed by the PRB's legal counsel.

Motion made by Vice Chair Braden, seconded by Mr. Roberts to approve the sponsorship agreements as presented for the upcoming 2012 Annual Seminar.

Chair McElreath inquired if there was any further discussion. There being none, the motion carried unanimously to approve the sponsorship agreements as presented for the upcoming 2012 Annual Seminar.

MOTION CARRIED UNANIMOUSLY

2. Seminar program

Mr. Hanson informed the Board that we are still in need of a keynote speaker for the 2012 Annual Seminar. Mr. Hanson also requested that the members provide input on potential topics.

E. Discuss and consider PRB Website

1. Report on partnership with the Texas Comptroller of Public Accounts on posting high-value public data

Mr. Hanson reported that staff is working with the Texas Comptroller of Public Accounts on a potential partnership to utilize their web portal to post the PRB's high value public data. Mr. Hanson stated the partnership was still in the preliminary discussion stage.

Mr. Roberts requested the Board approve the website before it is up and running.

Mr. Massengale inquired if staff was aware of any downsides to utilizing the Texas Comptroller of Public Accounts web portal.

Mr. Hanson stated that he was not aware of any downsides. Mr. Hanson said the Board could preview the website and approve it at the October meeting.

2. Report on stats on number of visitors

Mr. Hanson referred the members to the report in their board packets.

3. Additional information to be posted on agency website

Mr. Hanson gave a brief overview of the information posted on the PRB's website. He asked for any suggestions the Board might have on additional information they would like posted on the website.

**Texas Pension Review Board
Minutes
May 23, 2012**

F. 82nd Legislative Interim Charges

Mr. Hanson informed the Board that the House Committee on Pensions, Investments and Financial Services has not met on any pension items. Mr. Hanson stated staff would keep the Board apprised on the dates of the interim committee hearings.

6. Research Committee – Receive update from staff on the following matters – Paul Braden, Chair (40:42)

A. Discuss and consider final approval of “A Review of Defined Benefit, Defined Contribution and Alternative Plan Design” – Chris Hanson

Mr. Hanson noted that staff presented the first draft of the report at the last Board meeting. The staff solicited peer review comments and developed a spreadsheet with the comments that were received. The staff incorporated the peer review comments and Board comments into the papers.

Chair McElreath asked for clarification on the distribution process once the papers were approved.

Mr. Hanson noted the distribution list includes the pension plans and governmental contacts. Additionally, the information would be included on the PRB's website.

Chair McElreath entertained a motion to approve and distribute the report pending the incorporation of recommendations by the Board and final approval by the Chair of the Research Committee and the Board Chair.

Motion made by Mr. Roberts, seconded by Mr. Massengale to approve and distribute the report pending the incorporation of recommendations by the Board and final approval by the Chair of the Research Committee and the Board Chair.

Chair McElreath inquired if there was any further discussion from the Board. There being none, the motion carried unanimously to approve and distribute the report pending the incorporation of recommendations by the Board and final approval by the Chair of the Research Committee and the Board Chair.

MOTION CARRIED UNANIMOUSLY

B. Discuss and consider final approval of “Financial Economics and Public Pensions” – Chris Hanson

Chair McElreath entertained a motion to approve and distribute the report pending the incorporation of recommendations by the Board and final approval by the Chair of the Research Committee and the Board Chair.

Motion made by Mr. Roberts, seconded by Mr. Massengale to approve and distribute the report pending the incorporation of recommendations by the Board and final approval by the Chair of the Research Committee and the Board Chair.

Chair McElreath asked if there was any further discussion from the Board. There being none, the motion carried unanimously to approve and distribute the report pending the incorporation of recommendations by the Board and final approval by the Chair of the Research Committee and the Board Chair.

MOTION CARRIED UNANIMOUSLY

C. Discuss and consider future staff research topics– Chris Hanson

Mr. Hanson stated that based on comments from the members at the last Board meeting there were two topics that were suggested for future staff research topics. Those two topic areas were the difference between public and private pension plans and actuarial science.

Vice Chair Braden inquired if the staff had researched the Dodd-Frank Act.

Mr. Hanson indicated the staff developed a background paper a couple of years ago on the potential impact of the Dodd-Frank Act on retirement systems.

**Texas Pension Review Board
Minutes
May 23, 2012**

Vice Chair Braden asked if that paper was up to date.

Mr. Hanson stated that the paper was up to date and it is posted on the PRB's website.

Chair McElreath directed staff to begin work on the new reports and to monitor the distribution of "A Review of Defined Benefit, Defined Contribution and Alternative Plan Design" and "Financial Economics and Public Pensions".

D. Federal Law – Internal Revenue Service proposed guidance on applicability of normal retirement age rules to governmental plans – Anumeha

Anumeha informed the Board that the Internal Revenue Service was seeking comments on its proposed guidance which can be submitted by July 30, 2012. She stated that the instructions for submitting comments were included in the Board packets. Anumeha gave the Board some background on the normal retirement age rules.

7. Administrative Committee – Receive update from staff on the following matters – Richard McElreath, Chair (54:57)

A. Internal operating budget FY 2012 – Chris Hanson

Mr. Hanson informed the members that staff is seeking approval of the updated FY 2012 internal operating budget. Approval of the updated budget would allow staff to take care of supply and computer needs which may not be funded in future fiscal years.

Chair McElreath entertained a motion to adopt the updated FY 2012 internal operating budget as presented.

Motion made by Vice Chair Braden, seconded by Mr. Massengale to adopt the updated FY 2012 internal operating budget as presented.

Chair McElreath asked if there was any further discussion. There being none, the motion carried unanimously to adopt the updated FY 2012 internal operating budget as presented.

MOTION CARRIED UNANIMOUSLY

B. Board approval to attend 2012 TEXPERS Summer Conference

Mr. Hanson explained that the Board bylaws states that any Board travel and attendance at conferences require pre-approval by the Board. Mr. Hanson stated funding was available in the budget for a member of the Board to attend the 2012 TEXPERS Summer Conference.

Chair McElreath entertained a motion to approve the attendance of Mr. Massengale at the 2012 TEXPERS Summer Conference.

Motion made by Mr. Roberts, seconded by Mrs. Greco-Pool to approve the attendance of Mr. Massengale at the 2012 TEXPERS Summer Conference.

Chair McElreath inquired if there was any further discussion. There being none, the motion carried unanimously to approve the attendance of Mr. Massengale at the 2012 TEXPERS Summer Conference.

MOTION CARRIED UNANIMOUSLY

8. Receive update from the Executive Director on the following matters – Chris Hanson (58.49)

A. Discuss and consider nominations for Class XXXI of the Governor's Executive Development Program

Mr. Hanson informed the Board that funding was available for the Class XXXI of the Governor's Executive Development Program.

Chair McElreath entertained a motion to nominate Chris Hanson for the Class XXXI of the Governor's Executive Development Program.

Motion made by Mr. Roberts, seconded by Mr. Cable to nominate Chris Hanson for the Class XXXI of the Governor's Executive Development Program.

**Texas Pension Review Board
Minutes
May 23, 2012**

Chair McElreath inquired if there was any further discussion. There being none, the motion carried unanimously to nominate Chris Hanson for the Class XXXI of the Governor's Executive Development Program.

MOTION CARRIED UNANIMOUSLY

9. Call for future agenda items – Chair McElreath (1:00:59)

Chair McElreath asked for comments. There being none, the Board moved to the next item on the agenda.

10. Date of the next Board meeting – Chair McElreath (1:01:29)

Chair McElreath informed the Board the next PRB meeting will be held on Monday, October 1, 2012 at the Hyatt on Lady Bird Lake

11. Invitation for audience participation – Chair McElreath (1:01:58)

Chair McElreath asked for public comment.

12. Adjournment (1:02:14)

With the business of the Board completed, Chair McElreath adjourned the meeting at 11:05 AM.

In Attendance:

Staff:

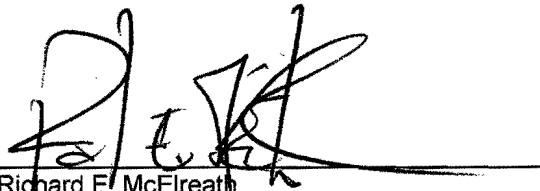
Anumeha
Lynda Baker
Nickolas Ballard
Emily Brandt
Steven Crone
Joey Evans
Chris Hanson
Daniel Moore
Cathy Overton
John Perryman
Ashley Rendon

Guests:

Paul Brown, Texas Association of Public Employee Retirement Systems
Maria Eyna Canales-Zarate, Texas Association of Public Employee Retirement Systems
Todd E. Clark, Houston Firefighters Relief & Retirement Fund
Glenn Deshields, Texas State Association of Fire Fighters
Michelle Downie, Sunset Advisory Commission
Mark Fenlaw, Rudd and Wisdom
Nancy Fisher, Texas Strategy Group
Tom Harrison, Texas County & District Retirement System
Demetrio Hernandez, Legislative Budget Board
Chris Jones, Combined Law Enforcement Association of Texas
Ronnie Jung, Consultant, Self-employed
John Lawson, Houston Police Officers Pension System
Wade McDonald, Legislative Budget Board
Jason McElvaney, Texas County & District Retirement System
Ann McGeehan, Texas County & District Retirement System
Ralph Marsh, Houston Police Officers Pension System

**Texas Pension Review Board
Minutes
May 23, 2012**

Yuniedth Midence Steen, Locke, Lord, LLP
William S. Nail, Employees Retirement System
Steven Ogle, Sunset Advisory Commission
Max Patterson, Texas Association of Public Employee Retirement Systems
Eddie Solis, Texas Association of Public Employee Retirement Systems
Joe Walraven, Sunset Advisory Commission



Chair Richard E. McElreath