

## Educational Training Program Working Group Meeting January 29, 2014 Summary

The second meeting of the State Pension Review Board’s (PRB) Educational Training Program Working Group took place on January 29, 2014 in Austin, Texas. The working group was formed to make recommendations to the PRB regarding the new training requirements for trustees and administrators of non-exempt defined benefit plans, as established by the 83<sup>rd</sup> Legislature. The meeting packet can be found [here](#) and a summary of the meeting follows.

### SUMMARY OF WORKING GROUP DISCUSSION

**I. Minimum training hours, frequency, and content:** After detailed discussion, the working group came to a consensus on the following proposal to bring to the full PRB board at its February 26, 2014 meeting.

<b>Working Group Proposal</b>	
<b>Required Hours and Frequency</b>	
<b>NEW trustees and system administrators</b>	<ul style="list-style-type: none"> <li>• <b>Minimum of 7 hours of training within the first year of service.</b></li> <li>• The 7 hours must cover the entire core curriculum (see list of core and non-core topics below).</li> </ul>
<b>CONTINUING trustees and system administrators</b>	<ul style="list-style-type: none"> <li>• <b>Minimum of 4 hours of training every 2 years after their first year of service.</b></li> <li>• The 4 hours may be in core or non-core topics.</li> </ul>
<b>Required Content Areas</b>	
<b>Core Content</b>	<b>Fiduciary, Governance, Ethics, Investments, Actuarial Matters and Benefits</b>
<b>Non-Core Content</b>	<b>Compliance and Risk Control, Legal and Regulatory, Pension Accounting, Custodial Issues, Plan Administration, Open Meetings/Open Government, Open Records/Public Information</b>

To arrive at the above proposal, the working group discussed the following points:

- **Flexibility:** The working group established the desire for training hours to be attainable in a one-day session or less, and this reasoning provided the basis for the seven-hour proposal for new trustees and administrators.
- **New vs. Continuing Trustees and Administrators:** The working group discussed whether it should solely adopt training requirements for new trustees and administrators, or adopt new training requirements for continuing education as well, given that statute does not make this distinction. Also discussed was whether education should be required exclusively for new individuals; however, counterpoints were made that providing some minimum continuing education is necessary, as laws and best practices change over time. After this discussion, the working group

decided on a continuing education requirement of four hours every two years. The point was also raised that this requirement represents only a minimum; plans can certainly, and most plans probably will, go beyond this standard in terms of continuing education.

- Annual vs. Biennial Requirements: While the working group agreed that training for new trustees and administrators should be attained during their first year, they discussed possible advantages to requiring continuing education on a two-year basis instead of annually. First, this would match a similar statutory training requirement for certain local officials (some of whom overlap with pension trustees), the Texas Public Funds Investment Act. Second, some pension plans require their trustees to receive training on a two-year cycle, and finally, legislative changes, which could be covered during training, are possible each biennium.
- Core Content: The working group discussed whether new trustees and administrators should be permitted to take their seven hours in any of the topics from the core or required to take all of the core topics. The option of allowing any of the topics was raised, but after receiving stakeholder comments indicating that trustees should be trained in all core areas, the consensus of the group was to require the seven hours to include all of the core topics. Additionally, the working group opted to add “benefits” to the topics in the core.
- Non-Core Content: The working group decided to add Open Meetings/Open Government and Open Records/Public Information training to the allowed non-core or elective topics so that trustees who take continuing education in those areas can receive credit. The Government Code currently requires public officials, including pension trustees, to take the Open Meetings and Open Records training within 90 days of taking office, although the Open Records training can be delegated to a public information coordinator.
- In-house Education: The point was raised that many plans provide full-day orientation sessions for new trustees, as well as continuing education presentations at board meetings, and that these should be counted towards the PRB-required training hours. The counterpoint was made that board meeting presentations should not count for the core training hours for new trustees because they are not in the format of a course.

**II. Trustees and administrators subject to the requirements:** The PRB staff presented some initial research regarding the need to clarify who will be subject to the new training requirements for certain types of pension plans. Staff reported its plan to finish this research and present recommendations to the PRB board at its next meeting. The following comments were made:

- Trustees: How will long-time serving trustees be treated? Will they have to take the training for new trustees? The working group discussed the need to adopt an implementation schedule that accommodates long-time as well as new trustees. The point was raised that reporting should take place on a calendar year basis set by the PRB, with exceptions for trustees who are appointed late in the year and whose terms will end in the near future.
- System Administrators: In cases where it is not clear who fits the statutory definition of system administrator, the working group discussed leaving it to the plans to identify which person best fits the definition, with guidance from the PRB. The group also discussed the possibility that

only administrators supervising the day-to-day affairs of the system on a full-time basis should be subject to the training requirements.

**III. Accreditation of other training programs:** The PRB staff presented two possible accreditation models from other state organizations with continuing education responsibilities. The working group discussed the following:

- The PRB will probably want to adopt a list of accredited education providers that will not require pre-approval of each course, but that will be reviewed every number of years to ensure their content continues to meet PRB standards. The program rules should also include a revocation option should the PRB suddenly need to revoke a sponsor's accreditation.
- The PRB may want to consider granting automatic accreditation to sponsors already accredited by certain organizations such as TEXPERS or NCPERS. The point was made that the PRB should be careful to require documentation because not all events held by sponsors are educational (some are more for networking purposes).

**Next steps:**

**February 26, 2014 PRB Meeting.** The PRB staff will present the working group's proposals described in this summary, as well as its completed research on trustee and administrator definitions, and possible accreditation models.

**Future Meetings.** The working group will look at mid-to-late April for its next meeting.

**Stakeholder Participation.** Working group and board meetings are open to the public, and stakeholder participation is welcomed. Interested stakeholders may submit thoughts, ideas, or recommendations to the group for consideration at any time by sending them to [Michelle Kranes](#) with the PRB staff.

**BACKGROUND INFORMATION**

**Working Group Members:**

Andrew W. Cable, Working Group Chair and Pension Review Board Member

J. Robert Massengale, Vice Chair, Pension Review Board

Wayne R. Roberts, Board Member, Pension Review Board

Alva Littlejohn, Board Member, Lubbock Fire Pension Fund

Max Patterson, Executive Director, Texas Association of Public Employee Retirement Systems

Paula Jones, General Counsel, Employees Retirement System

**Other offices in attendance:** City Public Service of San Antonio Pension Plan, El Paso Firemen and Policemen's Pension Fund, Houston Municipal Employees Pension System, San Antonio Fire and Police Pension Fund, Texas County & District Retirement System, Texas Municipal Retirement System, Texas Emergency Services Retirement System, Office of the Governor, Office of the Speaker of the House

**Meeting Agenda:**

1. Discuss and consider proposals of minimum training requirements, including hours, frequency and content

2. Discuss and consider applicability of training requirements to certain administrators and trustees of public retirement systems
3. Discuss and consider possible accreditation models

***Educational Training Program Requirements:*** Together, HB 13 and SB 220 (83<sup>rd</sup> Legislature) require the PRB to develop and administer a new educational training program for trustees and system administrators of non-exempt, defined benefit plans, including the following duties:

- Develop minimum training requirements for trustees and system administrators as necessary to begin providing training by September 1, 2014;
- Accredite other training programs;
- Provide TLFRA-specific training, including training for small-to-medium sized plans;
- Make training reasonably accessible over the internet;
- Develop a system to track compliance with requirements by January 1, 2015;
- Issue a report on compliance in the PRB Biennial Report by November 30, 2016; and
- The PRB may adopt reasonable fees to cover costs incurred.