



**Board Meeting Minutes  
July 14, 2022**

**1. Meeting called to order (0:11)**

The fourth meeting of 2022 of the Pension Review Board was called to order Thursday, July 14, 2022, at 10:00 a.m. in the Reagan Building, room 120, 1400 Congress Avenue, Austin, Texas, 78701.

**2. Roll call of board members (0:22)**

Board members present:

Chair Stephanie Leibe  
Keith Brainard  
Marcia Dush  
Robert “Rob” Ries  
Christopher Zook  
Christopher “Chris” Gonzales, via videoconference

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

**3. Administrative matters (0:37)**

**a. May 12, 2022, board meeting minutes**

Chair Leibe entertained a motion to suspend the reading of minutes of the September 29, 2020, meeting and approve them as circulated.

The motion was made by Mr. Gonzales and seconded by Mr. Ries.

**The motion passed unanimously.**

**b. Excusing the board member absence from the May 12, 2022, meeting**

Chair Leibe entertained a motion excuse the absence of Christopher Zook from the May 12, 2022, meeting.

The motion was made by Mr. Gonzales and seconded by Mr. Ries.

**The motion passed unanimously.**

**4. Recognition of past executive staff (2:15)**

The board recognized Kenny Herbold, Michelle Downie Kranes, and Anumeha Kumar for their many contributions to the Pension Review Board. A statement from Mr. Brainard can be found at the end of these minutes.

**5. Actuarial Committee (13:34)**

**a. Actuarial Valuation Report**

David Fee presented notable changes made by systems before showing those who made significant economic assumption changes. He discussed the median expected return rates, amortization periods, and funded ratios of systems. Ms. Dush noted the local firefighter plans had the highest median expected return rate paired with the lowest median funded ratio. Mr. Fee stated the national average median expected return for public pensions was 7.06 percent.

The board discussed amortization rates along with the effects member benefits and unfunded liability can have on a plan. Mr. Fee presented on twelve systems' fund exhaustion years which projected six systems depleting their assets by 2052. Ms. Dush noted she felt that the twelve systems should be subject to intensive reviews in the near future. Mr. Zook stressed the need for plans to have good fiscal policies that involve the plan and sponsor working together to improve funding ratios. The board discussed what information is legally required to be shared with plan participants. Mr. Gonzales asked how the twelve plans compared to other Texas systems and Mr. Fee responded he would present that information at the next board meeting. The board discussed how the data is derived and noted their preference on how the information should be presented.

Mr. Fee discussed member portion of normal cost and employer contribution percentages for systems. He highlighted twelve systems whose members pay over 90 percent of normal cost. Ms. Dush commented on the importance of reasonable actuarial assumptions over the course of a member's lifetime. Mr. Brainard pointed out that the members of the twelve systems are paying the benefits for that system's retirees and that the members may not have realized it. The board discussed how or if members of the twelve systems were made aware of the data.

**b. Systems subject to the Funding Soundness Restoration Plan (FSRP) requirement, including compliance**

Mr. Fee updated the board on FSRP status changes recently made by seven systems before presenting on systems immediately subject to, or at risk of a 30-year FSRP formulation risk. He discussed how five systems had progressed on their previously submitted Legacy FSRPs. Mr. Fee ended the presentation with data from three systems who had submitted an FSRP or subsequent actuarial valuation that had lowered their amortization period to below 30 years.

**c. Rulemaking relating to the updated FSRP requirements under Texas Government Code Sections 802.2015 and 802.2016**

Madilyn Jarman presented the stakeholder feedback and updated board policy for new FSRP statute and rules. Ms. Jarman informed the board that once the board-approved draft is ready, the materials would be submitted to the *Texas Register* for posting. The board discussed preferred changes. Ms. Jarman noted that FSRP guidance would be updated as well to reflect any changes. She stated that staff will send a notice out to stakeholders with the public comment period information once the *Texas Register* issue was posted.

Mr. Brainard entertained a motion to authorize the executive director to publish the rules, after incorporating comments from the board, proposed in Texas Administrative Code, Title 40, Part 17, Chapter 610, relating to Funding Soundness Restoration Plans, in the

*Texas Register* for public comment pending final approval by the assistant attorney general counsel, and the board chair.

The motion was made by Ms. Leibe and seconded by Ms. Dush.

**The motion passed unanimously.**

**d. Public retirement system reporting and compliance, including noncompliant retirement systems under Section 801.209 of the Texas Government Code**

Matthew Featherston provided the annual compliance overview for the board. He discussed seventeen non-compliant systems, including five systems that were over 60 days non-compliant with reporting requirements. The board discussed the lack of ability it had to enforce compliance.

**e. Update on the intensive review of the Midland Firemen's Relief and Retirement Fund**

Robert Munter provided an update on Midland Firemen's Relief and Retirement Fund (Midland Fire) forensic and governance audit that stated:

- Midland Fire and Midland City (the City) council's board voted to move forward with the audit.
- A request for quotation had been issued and completed in January 2022.
- Midland Fire and the City selected Weaver for both forensic and governance audits.
- August 2022 was the competition target date but work on an annual audit may cause a delay.
- The scope of what the audits would encompass.

The board discussed the fact that Midland Fire's regular auditing firm, Weaver, would also conduct the forensic and governance audits of its fund. Mr. Brainard asked Mr. Munter to ascertain the auditing firm the City employed and if Weaver would be using the same team for the forensic and governance audits that it used for Midland Fire's regular financial audits.

Mr. Munter noted that Midland Fire had not recently updated the PRB on any recent milestones reached since the intensive review process. The board discussed a reasonable timeline of completion for the intensive review recommendations before it requested that Midland Fire and the City be invited to the October 6, 2022, board meeting to provide an update on the forensic and governance audits to the full board. Mr. Brainard noted that if the same auditing team is being used for both the regular and recommended audits, that the audit firm should be invited to provide an update at the same meeting.

**6. Investment Committee (1:57:00)**

**a. Update on Investment Committee activities**

Mr. Zook updated the board on the recent investment committee meeting and what the committee had planned to move forward. He discussed how systems were now subject to valuation requirements, investment disclosure requirements, and

conducting investment practices and performance evaluations on a regular basis. Mr. Zook stated the committee's next step was to work with staff to draft guidelines that would reflect best practices for systems.

Mr. Zook entertained a motion to direct staff to work with the committee to identify best practices and develop guidelines to assist systems with investment matters as laid out under the Investment Practices and Performance Evaluation provisions, Section 802.109 of the Texas Government Code.

The motion was made by Mr. Ries and seconded by Ms. Dush.

**The motion passed unanimously.**

**7. Education Committee (2:02:58)**

**a. Update on PRB Core and Continuing Education course offerings**

Ashley Rendon informed the board that updates to PRB's actuarial course had been completed and that staff had started editing the governance and benefits administration courses. She reminded the board that the investment course would be updated last, with the goal of all four courses being completed and available on PRB's website by the end of the year. Ms. Rendon stated staff was looking into new formats of providing continuing education (CE) to system trustees.

**b. Learning Management System transition update**

Ms. Rendon updated the board on the migration to move the agency's CE courses and materials from the current platform to Lifter Learning Management System. Amy Cardona noted that future CE courses could involve seminars or recordings of presentations. Mr. Zook discussed supplementary educational tools that could be provided in addition to CE courses for the benefit of trustees.

**8. 2022 Customer Service Survey (2:09:50)**

Ms. Rendon presented the results and feedback from the 2022 Customer Service Survey, which had a 12 percent response rate. She stated the action items staff derived from the survey included:

- Creating a new method for systems to provide reports and information.
- Updating existing educational courses
- Developing an approach to deliver continuing education, such as using a webinar format
- Improving online learning user experience through transitioning to a new learning management system.
- Expanding communication methods, such as using social media.
- Improving the online data center.
- Conducting more research and developing more educational materials, such as the governance study and FSRP educational materials.

**9. Executive Director Report (2:18:37)**

**a. Update on IT projects for 2022-23 biennium**

Ms. Cardona updated the board of the one-time appropriation received by the agency to rebuild PRB's database and to build a reporting portal for systems to utilize. She elaborated on the agency's recent other IT projects, which included moving to cloud-based storage on Box.com.

**b. 2023-2027 Strategic Plan**

Ms. Cardona informed the board that the agency's 2023-2027 Strategic Plan had been submitted to the Legislative Budget Board and the Office of the Governor. She stated that submitting the Strategic Plan allowed the agency to communicate its long-term goals and the projects it's engaged in to obtain those goals.

**c. 2022 TLFFRA Pension Report**

Ms. Cardona stated the biennial TLFFRA Pension Report had been published and could be found on the PRB's website.

**d. TEXPERS update**

Ms. Cardona summarized the experience of staff at a recent TLFFRA conference and stated that her and Ms. Rendon would be attending and presenting at the annual TEXPERS Summer Educational Forum in August 2022.

**e. Staff update**

Ms. Cardona introduced Matthew Featherston, the PRB's new Financial Analyst and John Goodell, who would be joining the PRB as Deputy Director of Policy and General Counsel. She informed the board that an Educational Program Specialist position had been posted and could be found on the PRB website.

**f. Updated fiscal year 2022 Operating Budget**

Ms. Cardona presented and updated fiscal year operating budget for the board's review.

**g. Approval of fiscal year 2023 Operating Budget**

Chair Leibe entertained a motion to approve the fiscal year 2023 Operating Budget as presented.

The motion was made by Mr. Ries and seconded by Ms. Dush.

**The motion passed unanimously.**

**h. 2024-2025 Legislative Appropriations Request**

Ms. Cardona stated staff had identified the need for additional funds to increase staff salaries and planned to request unexpended balance authority as exceptional items to the agency's appropriations request. The board discussed adding a third exceptional item requesting a salary increase for the executive director.

Chair Leibe entertained a motion to direct staff to work with the Chair and Vice Chair to finalize the 2024-2025 Legislative Appropriations Request, which would include the three exceptional items that were discussed during this item.

The motion was made by Mr. Gonzales and seconded by Ms. Dush.

**The motion passed unanimously.**

**i. 88<sup>th</sup> Legislative Session update**

Ms. Cardona updated the board on House and Senate interim charges related to pensions. She stated that there was one House Pensions, Investments & Financial Services Committee charge related to the PRB that involved TLFFRA system governance and the PRB's enforcement abilities.

**10. Remembrance of Bob May, former board member (2:49:08)**

Items 10 and 11 were taken out of order. Mr. May was a greatly respected and admired former board member whose compelling influence on the PRB could not be overstated. Mark Fenlaw and Rebecca Morris honored Mr. May's memory by reading a touching tribute detailing Mr. May's life and many contributions as an actuary, mentor, and beloved friend. Mr. Brainard submitted a letter of remembrance that can be found attached below.

**11. Future meetings: agenda items, dates, locations, and other arrangements (2:48:36)**

The next board meeting is scheduled for 10 a.m. on October 6, 2022, at Capitol Extension room E2.028, 1100 Congress Avenue, Austin, TX, 78701.

**12. Invitation for public comment (2:57:20)**

There were no public comments.

**13. Adjournment (2:59:47)**

The meeting was adjourned at 1:00 p.m.

**PRB staff in attendance:**

Matthew Featherston	David Fee	Mariah Miller	Westley Allen
Amy Cardona	Robert Munter	Madilyn Jarman	
Bryan Burnham	Ashley Rendon	Lindsay Seymour	

*Keith Brainard*

[Keith Brainard \(Oct 7, 2022 14:45 CDT\)](#)

**Vice Chair (presiding member)**

**Keith Brainard**

**Remarks submitted by Keith Brainard**

**Texas Pension Review Board Meeting**

**July 14, 2022**

It is easy to take for granted that the people who are needed to do the job will be there, but that is not always true. Fortunately, this was the case for the Pension Review Board over the last decade.

The tenure of these three individuals coincided with a significant expansion in the role and responsibility of the PRB; expansion that was created by the Legislature as it looked to strengthen the actuarial soundness of public pensions in Texas.

The Minimum Educational Training program, the Funding Soundness & Restoration Plan requirements, requirements for retirement systems to report on their investment policies, fees, and experience, establishment of pension funding guidelines, and more, all came about during the tenure of these three individuals.

Each of these programs is serving to strengthen public retirement systems and to increase their transparency and accountability. And Anu, Michelle, and Kenny were there. They were there to provide reliable, fact-based information and guidance to this board and to the Legislature. They were there to analyze legislative proposals, to suggest alternative approaches, and to bring together ideas and changes to strengthen the integrity of public pensions in this state. They accomplished this by understanding the actuarial, legal, practical, and political realities at work among multiple stakeholder groups.

We should always remember that the Pension Review Board is a unique institution. No other state has a model like this. It is not a coincidence that the stature and reputation of the Texas Pension Review Board has expanded so much over the past decade while these three were there.

Kenny's actuarial expertise; Anu's legal mind; and Michelle's understanding of pensions and public policy each contributed to a Pension Review Board that is recognized and respected as an objective and authoritative resource dedicated to promoting the actuarial soundness of public retirement systems in this state. I am honored to know and to have worked with each of these individuals, and we and all Texans owe them a debt of gratitude.






# 2022.07.14 BM Minutes


Final Audit Report


2022-10-07


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