



**Board Meeting Minutes  
October 6, 2022**

**1. Meeting called to order (0:00)**

The fifth meeting of 2022 of the Pension Review Board was called to order on Thursday, October 6, 2022, at 10:00 a.m. in the Capitol Extension, room E2.028, 1100 N. Congress Avenue, Austin, Texas, 78701.

**2. Roll call of board members (0:33)**

**Board members present:**

Chair Stephanie Leibe, via videoconference

Vice Chair Keith Brainard (presiding)

Marcia Dush

Christopher "Chris" Gonzales

Robert "Rob" Ries

Christopher Zook, via videoconference

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

**3. Administrative matters (1:05)**

**a. July 14, 2022, board meeting minutes**

Vice Chair Brainard entertained a motion to suspend the reading of the minutes of the July 14, 2022, meeting and approve them as circulated.

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

**The motion passed unanimously.**

**4. Invitation for public comment (1:36)**

Justin Graham, Midland firefighter and vice president of Midland's firefighter association, announced that he will be running for the pension board of trustees in the November election. He went on to say that the lack of communication between the city and system was a detriment to funding the plan and that he would try and remedy those issues as a member of the board.

Eric Stewart, president of Midland's firefighter association, stated he provided written testimony regarding the system's current affairs. He added that the association has been working with the system and city and have been urging them to improve the condition of the fund since January 2022.

**5. Update on the intensive review of Midland Firemen's Relief and Retirement Fund (5:44)**

Mr. Brainard reminded the board that they requested representatives to be present at the meeting to provide testimony regarding Midland Firemen's Relief and Retirement Fund's progress since its intensive review. He invited Mayor Patrick Payton, City Manager Robert Patrick, and Deputy City Manager Morris Williams to provide their testimony and answer questions from the board.

Mr. Williams, who spoke on behalf of Mr. Robert Patrick, stated that he had worked approximately three years on this issue before providing an overview of city actions, including the city's commitment to helping the system resolve its funding issue. Mr. Williams provided updates on administrative work completed, such as updating its payroll management system and providing higher contributions to the system. The city also paid for the forensic and governance audit of the system and an actuarial review of the system. Mr. Morris stated that system members should be assured that they will receive their retirement upon completion of service.

Mayor Payton stated that the city acted on the PRB recommendations to prioritize getting approval from the system for a forensic audit and it would wait on the results before reassessing what further assistance could be provided. He stated he was not running for re-election but planned to request the next mayor appoint him to the system's board.

Mr. Brainard called on representatives from the system to provide prepared remarks before providing an overview of the issues highlighted by the 2021 intensive review, as well as a list of reports that are still overdue from the system. Chairman David Stacy, System Administrator Shera Crow, and Treasurer James Martin did not provide prepared remarks.

The board asked questions of the system regarding investment management, financial transparency, and the team conducting the forensic audit. Mr. Zook clarified whether the system had investment information as of the end of June, and as of August 2022. Mr. Stacy stated that they could send that information to the PRB following the meeting, in draft form. Mr. Zook asked whether the information showed the fees paid to service providers, and Mr. Stacy replied that the fee information is not included in the information.

Mr. Brainard provided a final statement that included his opinion that Midland firefighters and the City of Midland would be best served if Mr. Stacy would resign immediately.

**6. Intensive review of Wichita Falls Firemen's Relief and Retirement Fund (51:38)**

David Fee and Robert Munter presented on factors that led the PRB to choose Wichita Falls Firemen's Relief and Retirement Fund for an intensive review:

- The system was one of very few with a fund exhaustion date in its annual audit report but a finite funding period in its funding actuarial valuation report, and
- Wichita Falls Fire used an aggressive combination of economic assumptions, with expected investment returns among the highest three in the state as well as expected payroll growth amount the highest three in the state.

Mr. Fee and Mr. Munter presented the key findings from the intensive review:

- Funded status has steadily deteriorated over the last 20 years despite above average investment returns.
- Insufficient contributions are by far the main source of unfunded liability.
- \$100,000 benefit cap used to decrease its amortization period does not appear sustainable and creates intergenerational inequity.
- Actuarial assumptions and methods need to be reevaluated to align with actual experience and realistically assess the system's contribution needs.
- Investment program had consistently met the return assumption but will need to prepare for changes based on maturing demographic trends.

Mr. Fee and Mr. Munter then presented the PRB's recommendations to the system:

- Consider options to increase contributions to offset previous underfunding.
- Adjust or remove the \$100,000 benefit cap.
- Incorporate an experience study and asset/liability study.
- Submit a new FSRP.
- Consider using a smoothed value of assets.

Mr. Brainard invited the chair of Wichita Falls Firemen's Relief and Retirement Fund, Ray Wood, Board Trustee Travis Skelton, and System Administrator Chris Duncan, and Actuary Brad Heinrichs to provide feedback on the intensive review findings and recommendations. Mr. Woods noted that there may be some differences that the city's letter addressed, but overall, the system had no objections on the findings or recommendations. The board and system discussed the history of the system's funding and how it arrived at some of the decisions with system administration and calculations. Notably the system agreed that the benefit cap would need to be increased in the future.

Ms. Dush pointed out that the \$100,000 benefit cap could create a misleading view of the health of the fund, and that when the city and system discuss the fixed rate contribution, they need to consider the fact that the benefit cap will need to increase in the future.

Jessica Williams, Chief Financial Officer for the City of Wichita Falls, discussed how the city planned to support and work with the system on the PRB findings and recommendations. Ms. Williams stated the city manager had reviewed the letter she submitted to the PRB, but the city council had not. Mr. Brainard and Ms. Williams discussed details on the system's capped benefits, the completed experience study, and the city's view on its fiduciary duties and involvement with the system's board. Ms. Williams stated that the increase in city contribution rate was determined prior to receiving the experience study, and that they would need time to review the experience study to determine next steps. Ms. Williams explained that communication has improved between the city, system, and association. Mr. Zook asked if the city had considered increasing

contributions further or issuing pension obligation bonds. Ms. Williams replied that more data was needed to consider issuing debt, starting with the recently issued experience study.

Mr. Brainard entertained a motion to adopt the Wichita Fall's Firemen's Relief & Retirement Fund Intensive Review as presented. Ms. Leibe was absent for the vote.

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

**The motion passed unanimously.**

Mr. Brainard called for a break at 12:21p.m. and the meeting resumed at 12:40 p.m. Ms. Leibe left the meeting at the break.

**7. Actuarial Committee (2:44:00)**

**a. Actuarial valuation report**

Mr. 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. Mr. Fee and the board discussed lump sum benefit options that some members can be faced with when retiring, including many systems that use higher interest rates and more outdated mortality tables than used in the actuarial valuation leading to a disadvantageous benefit compared to the lump sum that would be calculated using more updated assumptions. Mr. Fee stated that a person without robust financial literacy could make a fiscally disadvantageous choice when faced with a lump sum or annuity retirement option. Mr. Brainard asked staff to research which retirement systems offer the entire retirement benefit to retirees as a lump sum and how many retirees choose that option. Mr. Fee discussed the pension obligation bonds sold by Irving Fire and Longview Fire. Mr. Brainard asked for the rate of borrowing that both Irving and Longview Firemen's Relief & Retirement procured on their pension obligation bonds.

**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 four systems before presenting on systems immediately subject to, or at risk of becoming subject to a 30-year FSRP. He discussed how four systems had progressed on their previously submitted FSRPs.

**c. Consideration and potential action on adoption of proposed new rules, Chapter 610, Funding Soundness Restoration Plans**

Madilyn Jarman reminded the board of its approval to post the proposed new rules in the *Texas Register* at its July meeting. She stated that no public comments were received during that 30-day period causing no changes to the proposed rules.

Mr. Brainard entertained a motion to adopt the rules in Texas Administrative Code, Title 40, Part 17, Chapter 610, relating to Funding Soundness Restoration Plans and authorize

staff to post the rule adoption notice in the *Texas Register*. Ms. Leibe was absent for the vote.

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

**The motion passed unanimously.**

**d. Policy for Promoting Compliance with Funding Soundness Restoration Plan Requirements**

Ms. Jarman explained the revised board policy relating to FSRP requirements was an internal policy intended to work alongside the new rules as an outline for board action in the event of noncompliance with FSRP statute or rules. She stated it would completely replace the current *Policy for Determination of System Actuarial Review* and be posted on the PRB website.

Mr. Brainard entertained a motion to adopt the *Policy for Promoting Compliance with Funding Soundness Restoration Plan Requirements* as presented.

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

**The motion passed unanimously.**

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

Matthew Featherston provided the compliance overview to the board. He discussed twenty-three noncompliant systems, including seven systems that were over 60 days noncompliant with reporting requirements. Mr. Featherston noted that fiscal year 2021 annual reports were now due for all systems.

**8. Investment Committee (3:22:00)**

**a. Updated Guidance for Conducting Investment Practices and Performance (IPPE)**

Robert Munter reminded the board that Senate Bill 322 (86R) required systems to conduct an IPPE and that the board had adopted guidance on October 17, 2019, before the legislature modified the statute during the 87th session. Mr. Zook stated his belief that systems conducting subsequent IPPEs should be required to conduct a comprehensive review every three or six years, as opposed to the current minimum requirement of reviewing at least one asset class after the initial comprehensive review. He requested staff research the necessary steps that would make comprehensive asset class reviews for subsequent IPPEs required by statute.

Mr. Zook entertained a motion to adopt the updated guidance for conducting investment practices and performance evaluations as presented.

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

**The motion passed unanimously.**

**9. Education Committee (3:42:56)**

**a. Learning management system transition update**

Ashley Rendon updated the board on the learning management system (LMS) and areas the agency is improving, which included site functionality and user experience. She stated the new LMS would launch later in the month.

**10. Update on database rewrite project (3:45:15)**

Ms. Rendon said she expected the project to be completed by or before June 2023. She reminded the board that during the 2024-25 biennium, staff planned to work on a reporting portal project that would allow retirement systems to access a self-service portal to upload their reports and to complete and submit required forms online.

**11. Executive Director Report (3:53:22)**

**a. Legislative update**

Ms. Cardona informed the board that the 2024-2025 Legislative Appropriations Request was submitted by the agency in July and had two exceptional item requests. The first would be for staff salary and merit increases, and the second for an increase in salary for the executive director, as requested by the board.

Additionally, Ms. Cardona stated the PRB provided invited testimony on two interim charges for the House Pensions, Investments, and Financial Services Committee in August.

**b. Governance study**

Ms. Cardona informed the board that three students from the LBJ School of Public Affairs at the University of Texas chose the pension governance study as their policy research project for the 2022-2023 academic year. She stated staff would work closely with the student team to assist them and facilitate their research and recommendations to improve pension governance in Texas, with a report to be completed by May 2023.

**c. Staff update**

Ms. Cardona introduced John Goodell as the agency's Deputy Director of Policy and General Counsel. She stated the Educational Program Specialist position was still open.

**d. TEXPERS and TLFFRA conference updates**

Ms. Cardona spoke about the presentations given by staff members at the TEXPERS Summer Educational Forum in El Paso in August, and the annual TLFFRA Conference earlier that week in Austin.

**e. TLFFRA Trustee Manual 2022 update**

Ms. Cardona announced the *TLFFRA Trustee Manual* had been updated for the first time since 2013 and was now available on the PRB website.

**f. 2021-2022 Biennial Report**

Ms. Cardona stated that the biennial report was due in November and would include major PRB 2021-2022 accomplishments and activities.

**g. Updated fiscal year 2023 Operating Budget**

Ms. Cardona presented an updated fiscal year 2023 Operating Budget for the board's review.

**12. Future meetings: agenda items, dates, locations, and other arrangements (4:03:12)**

Mr. Brainard stated the next board meeting would take place on December 8, 2022, at Capitol Extension room E2.028, 1100 Congress Avenue, Austin, Texas, 78701.

Ms. Dush stated she would like to see updates from systems that have gone through intensive reviews where they currently stand on key measurements. She also expressed her interest in cost-of-living-adjustments that systems have recently made or plan to make.

**13. Adjournment (4:05:15)**

The meeting was adjourned at 2:05 p.m.

**Guests in attendance:**

Eddie Solis- COAERS  
Lewis Ward- CAOERS  
Art Alfaro- TEXPERS

Ariana Whaley- ERS of Texas  
Belinda Weaver- City of Austin  
Christopher Hansen- COAERS

**PRB staff in attendance:**

Westley Allen  
David Fee  
Robert Munter

Bryan Burnham  
John Goodell  
Ashley Rendon

Amy Cardona  
Madilyn Jarman  
Lindsay Seymour

Matthew Featherston  
Mariah Miller

*Keith Brainard*  
Keith Brainard (Jan 10, 2023 16:46 CST)

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**Presiding Chair Keith Brainard**