



**Board Meeting Minutes
March 6, 2024**

1. Meeting called to order (0:03)

The first meeting of 2024 of the Pension Review Board (PRB) was called to order Tuesday, March 2024, at 10:06 a.m., in the Capitol Extension Committee Room E2.028, 1100 N. Congress Avenue, Austin, TX, 78701.

2. Roll call of board members and consideration to excuse absence (0:10)

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

Board members present:

Chair Stephanie Leibe
Keith Brainard
Marcia Dush
Christopher Gonzales, via videoconference
Christopher Zook, via videoconference

Board members absent:

Rob Ries

Chair Leibe entertained a motion to excuse Rob Ries' absence from the meeting.

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

The motion passed unanimously.

3. Administrative matters (0:59)

a. Consideration and possible action to approve November 21, 2023, board meeting minutes

Chair Leibe entertained a motion to suspend reading the minutes of the November 21, 2023, board meeting and approve them as circulated.

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

The motion passed unanimously.

b. Election of vice chair for 2024

Chair Leibe recognized Vice Chair Brainard for his service in the role during the previous year. Ms. Dush nominated Mr. Brainard to continue serving as vice chair. There were no objections, other nominations, or discussion.

Mr. Brainard was elected as Vice Chair for 2024.

4. Public comment (2:56)

There were no public comments.

5. Update on database and reporting portal projects (3:07)

Ashley Rendon stated that the database rewrite project had been completed. Ms. Dush asked if actuarial reports are uploaded to the database, and Ms. Rendon replied that systems are required to post these reports online, but the goal is to have the information publicly available on the PRB website in the future.

Ms. Rendon stated that the reporting portal project had proceeded on schedule and will be completed by fall.

6. Update on rule review and possible revision of 40 T.A.C. Chapters 601-605 (11:31)

Tamara Aronstein detailed staff recommendations made during the PRB's rule review process.

Chair Leibe entertained a motion to adopt the rule reviews and readopt the rules in Texas Administrative Code, Title 40, Part 17, Chapters 601, 603, and 604.

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

The motion passed unanimously.

Chair Leibe entertained a motion to approve the publication in the Texas Register of proposed new rules and amendments in Texas Administrative Code, Title 40, Part 17, Chapters 601 and 605.

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

The motion passed unanimously.

7. Education Committee (20:48)

a. Update on MET Core noncompliance

Jasmin Loomis informed the board of new continuing education resources on the PRB website and the improved communication staff had with noncompliant systems. The board discussed potential solutions to further remedy noncompliance.

8. Investment Committee (39:54)

a. Investment data report draft

Robert Munter explained that the report was designed to provide publicly available investment-focused data. It contained systems' investment returns, investment expenses, and asset allocations. Quarterly investment data from publicly available reports and liquidity metrics will be included in the future.

The board discussed 10-year net return assumptions listed in the report and how the majority of systems have not met their investment return assumptions. They also discussed how net of fees are reported to the PRB and how the investment data report's formatting could be improved.

b. Investment policy statement guidelines, guidance, and tools

Mr. Munter stated that the draft investment policy statement guidelines, guidance, and tools were developed with the intent to analyze and consolidate best practices as a resource for systems that may benefit from it. The next steps were to review feedback received from systems and to reach out to them to discuss possible improvements.

The board discussed how compiling data on systems' investment returns and expenses could be utilized by the board in the future.

9. Actuarial Committee (1:08:42)

a. Actuarial Valuation Report

David Fee provided an overview of changes systems have made to address funding issues, including increasing contributions, and significant economic changes. He explained a 2022-2024 funding progress report that reflected overall improved funding for all systems. When asked if Midland Fire had submitted its FSRP status update by the March 1 deadline, Mr. Fee replied they had not.

Mr. Fee provided a summary of current metrics, including:

- Expected returns
- Payroll growth rates
 - Mr. Fee presented a chart illustrating the effect that underperforming payroll growth can have on a system, and another that showed systems with actual 10-year payroll growth missing expectations by more than one percent.
- Amortization periods.
 - Mr. Fee noted the that three quarters of Texas public retirement systems had reached 35-year amortization periods or below. Ms. Dush expressed her concern about amortization period calculations for systems with multiple tiers of benefits. Mr. Fee responded that staff had begun collecting data to conduct a more in-depth analysis of normal costs by tier to be presented at a future board meeting.
- Funded ratios
- Fund exhaustion
- Normal cost
- Unfunded liability as a percentage of payroll
- Contributions

b. Funding Soundness Restoration Plan (FSRP) report, including compliance

Mr. Fee stated that Atlanta Fire and Brownwood Fire had submitted FSRP reports. McAllen Fire was added to the list of systems at risk of triggering the 30-year FSRP requirement. Lufkin Fire was removed from the list of systems with amortization periods between 30-40 years.

Mr. Fee provided an overview of FSRP progress updates, including systems immediately subject to 30-year FSRP formulation requirement, and those at risk.

c. Report on FSRP Implementation Update and Case Studies

Bryan Burnham stated that the study was intended to serve as a progress update to provide an overview of FSRP requirement changes, evaluate the functionality of the updated

requirement, and present case studies to identify trends and serve as an educational tool. He informed the board that staff planned to contact case study systems before finalizing the report later this year.

d. Public retirement system reporting and compliance, including noncompliant retirement systems under Texas Government Code §801.209

Bryan Burnham noted that two systems with reports due for fiscal years 2021 and 2022 were noncompliant for over 60 days. The board discussed possible reasons why the systems were noncompliant.

e. Update on PRB Pension Funding Guidelines and Guidance for Developing a Funding Policy

Mariah Miller provided an overview of statutory and industry updates that resulted in a staff review of the board's policy and guidance. She highlighted the major proposed changes to the guidelines and guidance and noted that staff was accepting stakeholder feedback until March 15. The final drafts of updated guidelines, guidance, and an example funding policy will be presented for possible adoption at the July board meeting.

f. Update on Texas Local Firefighters Retirement Act (TLFFRA) governance project

Ms. Miller presented staff-identified issues and proposed recommendations divided into four topic areas. The board discussed the importance of the project and asked staff to extend the period for stakeholder feedback until March 31.

f. Update on research on systems authorized under Texas Government Code Chapter 810 that offer 100 percent lump sum options

Mr. Fee summarized the data compiled by staff, that included:

- Systems that offer complete cash outs
- Actuarial equivalence basics
- Actuarial equivalence for lump sums
- Actuarial valuation assumptions
- Lump sum vs actuarial valuation comparisons
- Sample lump sum calculations
- Administrative practices

The board discussed the importance of benefit equity and noted that there were no requirements for systems to offer a lump sum option.

Mr. Brainard entertained a motion to direct staff to work with the Actuarial Committee to draft lump sum guidance.

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

The motion passed unanimously.

10. Executive Director Report (2:20:37)

a. 2024 TLFRA Pension Report

Amy Cardona stated that staff was engaged in the final review process for the report and expected it to be distributed shortly.

b. 2024 TEXPERS Annual Conference

Ms. Cardona announced that the conference will happen next month in Dallas. Ms. Cardona and Ms. Rendon will be presenting, and Ms. Loomis will also attend.

c. 2024 Customer Service Survey

Ms. Cardona stated the survey was a required component of the biennial strategic planning process and that the purpose was to obtain stakeholder feedback on agency functions and services. The survey would open mid-March through mid-April.

d. Staff update

Ms. Cardona introduced Miranda Chen as the Actuarial Intern, and Stephanie Perez as the Financial Analyst Intern.

e. Updated Fiscal Year 2024 Operating Budget

Ms. Cardona presented the updated operating budget.

11. Future meetings: agenda items, dates, locations, and other arrangements (2:25:18)

Chair Leibe announced that an Investment Committee meeting will take place at 10:00 a.m. on May 2. An Actuarial Committee meeting will take place at 10:00 a.m. on May 9, with an Education Committee meeting following afterwards. The next board meeting will take place at 10:00 a.m. on July 25. All meeting locations were TBD.

12. Adjournment (2:25:13)

The meeting was adjourned at 12:25 p.m.

PRB staff in attendance:

Amy Cardona	David Fee	Mariah Miller	Tamara Aronstein
Ashley Rendon	Robert Munter	Wes Allen	Jasmin Loomis
Bryan Burnham	Noah Jones	Lindsay Seymour	Stephanie Perez

Members of the public in attendance:

Dan Wattles- TMRS	Michael Villanueva- TESRS	Art Alfaro- TEXPERS
Ben Marts- Odessa Firemen's Relief and Retirement Fund	Tyler Grossman- El Paso Firemen & Policemen's Pension	Scott Olguin- Dimensional Fund Advisors
Erik Brown- Odessa Firemen's Relief and Retirement Fund	Paul Thompson- El Paso Firemen & Policemen's Pension	MacGregor Beatty- Dimensional Fund Advisors
Brian Hebert- Beaumont Firemen's Relief and Retirement Fund	Joe Gimenez- TEXPERS	Jay Dyer- TCDRS

Scott Miller-TESRS

Lily Tu- Sage Advisory

Noah Caust – Dimensional Fund
Advisors



Stephanie Leibe, Chair