

## MINUTES OF THE HOUSTON FIREFIGHTERS' RELIEF AND RETIREMENT FUND

A regular meeting of the Houston Firefighters' Relief and Retirement Fund (HFRRF) Board of Trustees convened at the Fund offices at 4225 Interwood North Parkway on Tuesday, November 21, 2017 at 10:18 a.m.

Trustees present were David L. Keller, Jr., (Chair), Stephen R. Whitehead (Vice Chair), Francis "Frank" X. Maher (Secretary), Juliet N. Higgins, Arif Rasheed, Earnest W. Wotring, Albertino Mays and Carroll G. Robinson. Trustees absent were Garry W. Blackmon, Sr., and Brett R. Besselman. Others present were staff members Ralph D. Marsh (Executive Director) and Jonathan W. Needle (Chief Legal Officer)

The Chair called the meeting to order at 10:18 a.m.

The Board recited the Pledge of Allegiance and observed a moment of silence.

Fund Member (Retired) Steve Williams acknowledged expressions of sympathy extended to him and his family in the recent loss of his father. He then commented on rumors concerning the future of public pensions and the Houston firefighters plan and remarked upon the unintended consequences of the passage of SB 2190 in the regular 85<sup>th</sup> Texas legislature.

Fund Member (Retired) Lisa Slagle announced the submission of her resume and letter of interest in the Citizen Member position on the Houston Firefighters' Relief and Retirement Fund Board of Trustees for the next 2-year term that starts in January of 2018. She requested support.

Fund Member (Retired) Nick Salem, President of the Houston Retired Firefighters Association (HRFA) noted a request to the Board to offer the retirees the opportunity to deduct their HRFA membership dues directly from pension distributions when an opening is presented. He stated that a certified letter containing the request was sent to the Chair with copies to the other Trustees.

Fund Member (Retired) Steve Williams commented on the lawsuit filed by the Fund on the constitutionality of SB 2190; noting confusion on the extent of relief to the Fund membership should the Fund prevail and asked that clarification be provided to the membership.

There was a motion by Albertino Mays, seconded by Arif Rasheed to approve the minutes of the regular Board meeting held on Tuesday, October 17, 2017, as presented. The motion carried.

There was a motion by Stephen R. Whitehead, seconded by Francis "Frank" X. Maher, to approve the following items listed on the Consent Agenda:

- a) Report of the Pension Benefits Committee meeting held on Tuesday, October 17, 2017.
- b) Report of the Budget and Audit Committee meeting held on Tuesday, October 17, 2017.
- c) Minutes of the Investment Committee meeting held on Tuesday, October 17, 2017.

The motion carried.

The Report of the Pension Benefits Committee held on Tuesday, October 17, 2017 noted the following: Approval of 0 application(s) for the Deferred Retirement Option Plan (DROP) to be effective for November 1, 2017; approval of an application for On-Duty Occupational disability benefits under Section 6(b) of the statute as shown on Member Services Report; approval of an application for On-Duty General disability benefits under Section 6(c) of the statute as shown on Member Services Report (2); approval of an application for On-Duty General disability benefits under Section 6(c) of the statute as shown on Member Services Report (3); and, approval of an application for reinstatement as shown on Member Services Report (4).

There was a motion by Carroll G. Robinson, seconded by Juliet N. Higgins, to not renew the Fund's membership in the Texas Association of Public Employee Retirement Systems (TEXPERS). Earnest W. Wotring (Mayor's Representative) abstained, providing as reason that the matter appeared to be related to positions during the last legislature on Senate Bill 2190, a mayoral initiative. The motion carried.

Representatives of the Fund's Texas governmental relations firms, Cornerstone Government Affairs, Delisi Communications, and One World Strategy Group, respectively, provided an update to the Board on Fund governmental affairs.

The Chief Legal Officer discussed the release of certain member information in connection with a Texas Attorney General Child Support Division administrative subpoena, noting that the AG's office indicated it was willing to submit a Fund form child support qualified domestic relations order for review. There was a motion by Carroll G. Robinson, seconded by Stephen R. Whitehead to release the member information pursuant to Texas Attorney General administrative subpoena. The motion carried.

The Fund's actuary, Conduent, (per Aaron Shapiro, FSA, EA, MAAA, FCA, and Principal Consulting Actuary) discussed the latest *Risk Sharing Valuation Study (RSVS)* prepared as it is required in the implementation of Senate Bill 2190. The RSVS represented the actuarial position of the Fund as of July 1, 2017 on the basis of actuarial assumptions, methods and plan provisions, assuming that SB 2190 is determined to be constitutional by the Texas courts.

The Chief Legal Officer discussed the Fund's litigation against the City relating to Senate Bill 2190 in the latest Texas legislature, noting that the City defendant's appellate brief is due on January 8, 2018.

The Chief Legal Officer provided an update on the City's litigation against the Fund's former actuarial firm.

In addition to the above-reference litigation matters, the Chief Legal Officer also noted, as part of his Quarterly Litigation Report, a member appeal of a disability determination pending in the Harris County District Court, without a setting at this time.

The Chief Legal Officer (CLO) discussed a Federal tax reform bill introduced in the 115<sup>th</sup> Congress (H.R.1) and proposals included in the House version of this bill that could impact public pension plans' investment earnings. The CLO noted public pension plans may be subject to what's known as the *Unrelated Business Income Tax (UBIT)*, and that, if enacted, the proposal for the first time would require state and local pension systems to pay federal tax on certain investment gains. The Chair and the CLO noted Fund correspondence sent to Congress from the Chair opposing the provision, but suggesting that if the provision was retained in legislation, it contain a grandfathering clause to exempt pre-existing investments from the new tax imposition.

The Chair requested to table until a future meeting the reports of Stephen R. Whitehead, Francis "Frank" X. Maher, and Juliet N. Higgins' on attendance at the International Foundation of Employee Benefit Plans (IFEBC) 63rd Annual Conference and Certificate Program and the reports of David L. Keller, Jr and Brett R. Besselman on their attendance at the Blackrock Training Academy and the Blackrock iShares Factor Investing Leaders Circle (Conference).

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Francis “Frank” Maher requested a discussion at the next Board meeting on the manner of “*breaking a tie*” on votes cast by the Board of Trustees.

There was a motion by Francis “Frank” X. Maher, seconded by Carroll G. Robinson, to re-open and further discuss the “*Risk Sharing Valuation Study*” prepared in the implementation of Senate Bill 2190. The motion carried.

There being no further business, the meeting adjourned at 12:47 p.m. on a motion by Carroll G. Robinson, seconded by Stephen R. Whitehead. The motion carried.

Respectfully submitted,

Francis “Frank” X. Maher  
Secretary