

**Texas Emergency Services Retirement System
Board Meeting Minutes
May 23, 2018 2:00 p.m.**

Hyatt Place Austin Airport, 9532 Spirit of Austin Lane, Austin, TX 78719

Members Present:

Jenny Moore, Vice-Chair
Ron Larson, Secretary
Dan Key, Trustee
Don Shipman, Trustee
Steve Williams, Trustee

Adopted as amended

Members Absent:

Frank Torres, Chairman
Taylor Allen, Trustee
Courtney Gibson Bechtol, Trustee
Pilar Rodriguez, Trustee

Staff and Other Present

Kevin Deiters, TESRS
Judy Johnson, CPA, TESRS
Shirley Hays, TESRS
William Langford, TESRS
~~Jessica O'Brien, TESRS~~
Charles Bray, TESRS
David Gordon, Assistant Attorney General
Ed Keenan, Chairman/Treasurer, Pasadena Volunteer Fire Department
Rex Klesel, Fire Chief, City of Alvin
Allen J. Scopel, Pension Board, Rosenberg Volunteer Fire Department
Gary Warren, Fire Chief, League City Volunteer Fire Department
Otto Rashl, Fire Chief, Llano Volunteer Fire Department

*Chana Kramer
Cassandra Davis*

Vice-Chair Moore called the meeting to order at 2:01 p.m.

1. Roll Call

Secretary Larson called the roll and announced that a quorum of the Board was present. Five Trustees were present and Chairman Torres, Trustee Allen, Trustee Bechtol and Trustee Rodriguez were absent.

TESRS Meeting Minutes

May 23, 2018

Page 2

2. Invitation for Public Comment

Vice-Chair Moore called for public comment.

Ed Keenan spoke on behalf of the Pasadena Volunteer Fire Department in his capacity as local board chairman. He provided an overview about the functioning of the local board and the importance of pension benefits to the recruitment and retention of volunteers.

Mr. Keenan stated the pension program is the best recruiting tool for the department. They focus on recruiting 30-35-year-old fire fighters that have a home in the community and they use the promise of a \$1,000 monthly pension at age 55 as an incentive to new members.

Mr. Keenan commented that the 16-day requirement to approve benefit applications is too short because the Pasadena VFD pension board meets monthly at the beginning of the month. He would like to see the local pension board chair to have more autonomy because he believes that many administrative matters should not require board action.

Mr. Keenan does not support changes to physical fitness requirements; probationary periods, or qualified service; however, he does support the idea of expanding the membership eligibility provision of the program to include paid fire fighters. He would like to see the pension system offer departments a mechanism for rewarding officers for their additional responsibilities.

Fire Chief Rex Klesel spoke on behalf of the Alvin Fire Department and he agreed with Mr. Keenan's statement that the pension system is the best recruitment and retention tool for his department. He would not like to see the local pension board eliminated because he does not believe that a chief should be responsible for the administration of the pension program.

Mr. Klesel does not support changes to physical fitness requirements; probationary periods, or qualified service; however, he does support the idea of expanding the membership eligibility provision of the program to include paid fire fighters. He would also like to see the pension system offer departments a mechanism for rewarding officers.

Mr. Allen Scopel spoke on behalf of the Rosenberg Fire Department local pension board. He does not support changes to local board governance because he believes the local board is critical to obtaining and keeping financial support from the city. He echoed the comments of Keenan and Klesel against changing the requirements for physical fitness, probationary service, and qualified service. He also supported expanding membership eligibility to include paid fire fighters and offering additional mechanisms to reward service.

Chief Garry Warren spoke on behalf of the Leagues City Fire Department and agreed with the comments made by the previous speakers. He also provided the board with an overview of the enrollment problems that he has discovered in his review of the administration of the pension system by the local board.

TESRS Meeting Minutes
May 23, 2018
Page 3

Secretary Larson provided a summary of written comments provided by the following:

- Cuero Fire Department
- Lucas Fire Department
- Randall County Fire

3. Pension System Strategic Planning, Including Local Board Governance, Enrollment, and Qualified Service Processes to Benefit Administration of the Pension System – Discussion and Possible Action

No action was taken regarding this agenda item.

4. Adjourn

Vice-Chair Moore requested a motion to adjourn at 4:48 p.m.

The motion was made by Secretary Laron, seconded by Trustee Shipman and passed unanimously.

Minutes Approved By:

DocuSigned by:
Ron Larson
99A68E66326C435...

7/24/2018 | 09:48:44 CDT

Ron Larson, Secretary

Date:

Carl Krueger

902 N. Gonzales - Cuero, Texas 77954
carlkrueger@yahoo.com

May 22, 2018

Mr. Frank Torres,

My name is Carl Krueger and I am the chairman of the local board for Cuero Volunteer Fire Department. I have held various positions on the local board for many years.

I believe the local board is very necessary, but I do not believe they need to meet for every SRA and MRR. The chairman has ample resources to confirm the information. The board does need to meet for the annual report. This gives the board a chance to review members participation. I do not believe this responsibility should be given to the already over burdened volunteer Chief.

If a paid employee has no other pension plan, I see no reason why they should not be allowed to enter the TESRS plan. Allowing enrollment would be another good recruitment-retainment tool.

Our department enters new members into the pension as soon as possible. We want them in the system to help protect them and the department in case of an accident.

The physical is a good thing. Having a new member pass see a physician to confirm they are fit to perform their duties is very important. I would also like to see a requirement for members to have a periodic fitness checks throughout their career. I know this would be a financial burden to departments, but in my opinion it could save a members life.

The service requirements do help, however, most new members come into the department to help serve their community. I have never heard a new member say they joined for the pension, although after they learn about it, I think it gives them pierce of mind that they are protected and appreciated. I believe service requirements are adequate, so long as the local board has the discretion to not deny a member a year of service because of a short fall in emergencies . There are many facets to a volunteer fire department, and participation and training are the most important. I see no reason for a department to go beyond these requirements.

I am not sure what a "defined" contribution program is. Our city council got tired of seeing me before them, asking for a higher contribution. To remedy this, they wrote an ordinance the automatically increase the contribution by three dollars every two years.

All in all the I believe the board and staff of TESRS have done a great job! The new database and DocuSign are great, and a real time saver. I would like to see some sort online training for new board members.

Sincerely,

*Carl Krueger
Local Board Chairman
Cuero Volunteer Fire Department*



City of Lucas
665 Country Club Road
Lucas, Texas 75002
972.727.8999
www.lucastexas.us

May 21, 2018

Mr. Frank Torres, Chairman
Texas Emergency Services Retirement System
P. O. Box 12577
Austin, Texas 78711
Via Email: info@tesrs.texas.gov

Re: Request for Public Testimony regarding the Texas Emergency Services Retirement System

Dear Chairman Torres,

Thank you for the opportunity to present our insight to the Board of Trustees to help improve the Texas Emergency Services Retirement System (TESRS). First, I would like to mention that the volunteers that we represent on the Lucas Volunteer Firefighter Pension Board are part of a municipal fire-rescue department that is described as a combination department with both paid and volunteer personnel.

The City of Lucas Fire-Rescue has evolved from an all-volunteer organization to one now with 15 full-time firefighters/paramedics/emergency medical technicians and approximately 19 volunteer emergency responders. This evolution to a combination department resulted in many volunteers losing their benefit under the TESRS plan as they had not met the required 10 year minimum vesting. Additionally, the administrative requirements of TESRS within the municipal regulatory environment is difficult. These issues along with the underfunding/poor performance of the fund spurred the attempt to withdraw Lucas Fire-Rescue from the program.

The Texas Emergency Services Retirement System (TESRS) Fund was created in 1977 by the State of Texas to finance a pension system for volunteer firefighters. The volunteer firefighter system today is far different than it was 40 years ago when TESRS was formed, and even the last 10 years have seen significant changes for many municipalities.

In the past, volunteers lived and worked in the communities they served, and they often served as a volunteer until they retired. Due to many changes in society and the economy in general, this traditional respond-from-home volunteer has declined significantly. Today the majority of volunteers can only devote short periods of time to on-duty coverage and many do not live in the community they serve. Many of our volunteers today view their volunteer service as a stepping stone to a paid position in the future. We believe this is typical of volunteer fire service in the rest of the State and other parts of the US. Unfortunately the TESRS plan has not kept pace with the changing organizational structure and how communities develop and change.

We have outlined below a number of issues along with some background information specific to the City of Lucas. We have also addressed our recommendations and requests.

Issues:

The TESRS administration and reporting requirements create additional record keeping requirements. There is also a disconnect between the calculation of the costs with the benefit being provided making it an inefficient cost structure for taxpayers.

- Qualified service requires a volunteer to provide support services for at least 25 percent of the department's emergencies and meet a training requirement during the reporting period. While the report only requires a "Yes" or "No" answer to the two questions, the amount of City staff time required to analyze call data to determine which volunteers provide qualified service is significant.
- Plan contributions are based on a semi-annual Membership Reconciliation Report. The contribution amount is determined based on whether or not the participant was a volunteer during the reporting period, without regard to whether or not the participant met the qualifications for participation in the Plan (as noted above).
- Contributions made on behalf of participants that did not meet the qualified service requirements remain with TESRS (i.e. the municipality does not receive a credit).
- Many participants work as volunteers in order to train, earn their certifications and gain experience with the goal of becoming a full-time firefighter. Since they generally move to a full-time position prior to the 10 year minimum vesting requirement, they lose any benefit they may have begun to accrue under the TESRS plan as it does not transfer. Therefore the Plan is not given any serious consideration by prospective volunteers when they see the 10 year minimum vesting.
- Contributions made on behalf of terminated participants that have not met vesting requirements stay within the TESRS Plan and are not credited against future contributions of the municipality as in substantially all other pension plans.

These issues along with the underfunding and historical poor performance of the fund prompted the Lucas Pension Board to review the program.

Background:

The City of Lucas is located in Collin County, Texas. Lucas volunteer firefighters are part of a municipal fire-rescue combination department - with both paid and volunteer personnel. The City has 15 full-time firefighters/paramedics/emergency medical technicians and approximately 19 volunteer emergency responders that serve a population of 8,000.

The City of Lucas began participating in the TESRS program in 2001.

In 2013, Lucas Fire-Rescue became a combination department and hiring some of the best volunteers as full-time firefighter/paramedics.

In June 2014 the City of Lucas received a letter from TESRS indicating the Plan was significantly under-funded (funding was 67% of the total pension liability). The proposed changes included a significant increase in local contributions. The Lucas Pension Board began to assess the overall benefits of the TESRS pension plan.

On July 28, 2014, Board representatives and City Staff met with Michelle Jordan, Executive Director of TESRS at that time. During the meeting the following points were addressed and confirmed by Ms. Jordan:

- Payments made into the Plan on behalf of a volunteer that leaves the system before vesting occurs are not credited to the City against future contributions (as is the case in typical retirement plans, including TMRS);
- The City could elect to terminate its participation and stop paying into the system;
- All unvested benefits would be forfeited;
- All vested benefits would remain in place.

During the period August 2014 through February 2015 the Pension Board and City Staff evaluated the current TESRS plan and researched alternative plans.

- The Board determined that the average volunteer serves for 2.5 years.
- The TESRS plan included 30 participants, with 90 having been dropped after leaving the City's volunteer program.
- Of the 120 participants over 13 years of participation in the TESRS plan, only 7 were partially or fully vested. This was due to the extraordinarily long vesting period (10 years to achieve 50% and 15 years to achieve 100%).
- The TESRS plan funding was \$36,000 per year and was expected to significantly increase to address the under-funded liability.
- The Board determined the TESRS plan was not an effective recruiting or retention tool and the benefits did not support the cost to the taxpayers.

In February 2015 the Board identified a 457(e) Length of Service Award Program (LOSAP). This defined contribution plan would provide benefits equal to or better than the TESRS plan with a 5 year (vs 15 year) vesting plan at a comparable cost to the TESRS plan.

In April 2015 the Lucas City Council approved the new plan including crediting participants with credit for past service (which would be forfeited upon termination of participation in TESRS). The Council also agreed to withdraw from the TESRS plan.

On September 11, 2015 the City of Lucas notified Michelle Jordan, TESRS Executive Director the City Council and the Pension Board had elected to terminate participation in the TESRS plan.

On September 17, 2015, TESRS informed the City of Lucas it could not opt out of the TESRS Plan.

Summary and Recommendations:

While the TESRS Plan met a need when it was created in 1977, it has not kept pace with the changing landscape within the State of Texas. At a minimum we recommend TESRS engage a public safety pension consultant to review and provide an unbiased look at how TESRS should be providing these services based on best practices, facilitate the development of a plan and provide a framework to implement benefits that truly serve all that participate by:

- Examining the organizational structure and culture of today's volunteers;
- Perform a gap analysis, comparing the "as is" state of the pension fund to the best practices of pension standards;

- Recommend a management framework to ensure accountability, increased efficiency and improved performance;
- Conduct a data-driven forensic analysis to identify and remedy the unfunded liability.


As for the current plan, we recommend the following:

1. Address the vesting requirements. The plan under Title 34 Part II Chapter 308 Rule §308.1 states:
 - a. A member is eligible to retire and receive a service retirement annuity with full benefits from the pension system when the member has at least 15 years of qualified service credited in the system and has attained the age of 55.
 - b. Partial vesting to receive a service retirement annuity accrues at the following rates:
 - (1) 50 percent after the first 10 years of credited qualified services; and
 - (2) 10 percent a year for the next five years of credited service.
 - c. We recommend a shorter vesting requirement (maximum of 5 years). We recognize this will impact the liability; however, it will make the plan more acceptable and in line with other plans.
2. Another option would be to offer participants the opportunity to buy their time to full benefit. This may also help the fund with a cash infusion and for those who are short credited service years to reach the 15-year mark to become 100% vested in the plan.

With respect to the City of Lucas and other municipalities, we believe that due to the changing landscape, many of the 221 participating organizations would consider an alternative plan to meet its current needs over the TESRS plan. There are more viable, cost effective plans available to municipalities to help recruit and retain volunteers. The City of Lucas has very few participants who will ever be able to draw from this plan as it is currently structured. Yet the Lucas taxpayers are forced to continue paying into a plan that will only provide benefits to a small number of participants. Therefore, we request TESRS give cities the option to discontinue its participation in the Texas Emergency Service Retirement Plan.

Governments must transform our current methodologies into a system that would embrace best practices and provide effective and efficient public safety pension services in order to maximize taxpayer funds. It is essential to bring in experts to help us assess the best approach for addressing the current system and meet the needs of the pension participants. Completing an unbiased assessment is in the best interest of the State of Texas volunteer emergency responders to facilitate long-term planning and to create a structure for future success. Additionally, allowing municipalities to consider alternative plans as they grow and evolve would allow them to better serve their volunteers and be fiscally responsible to their taxpayers.

Sincerely,



Larry Bowman, Chairman
Lucas Volunteer Firefighter Pension Board

May 16, 2018

Frank Torres, Chairman
Texas Emergency Services Retirement System
P.O. Box 12577
Austin, Texas 78711

Chairman Torres,

1. Is the Local Board needed?

- **Recommend changes, if any, in Local Board membership, required actions, and responsibilities that would simplify the local administration of the program.**
- **If the Local Board is not required, what are your recommendations for local administration?**

I would like to recommend that the State Board of Trustees seek legislation changing or eliminating the requirement that each participating department is required to maintain a Local Board of Directors. I currently serve on three separate Local Boards. An issue that consistently comes up is that chief administrators of these departments have no say on issues and the resulting actions taken by the Local Boards. It's logical that the person who is responsible for the budget process and the hiring of personnel should have input equal to, if not greater than, the functions the Board.

I would suggest the requirement be removed but have the flexibility for departments to use Local Boards if they feel it's necessary.

2. Plan Design – Membership Requirements

- **What are your recommendations regarding changes to plan design elements of the retirement system that will help your department recruit and retain department members?**
- **Retirement system enrollment criteria:**
 - **Should your department be able to enroll paid employees in the system as long as they are not covered by another pension program?**

Paid firefighters who are not protected by a pension system should be allowed to participate in the Texas Emergency Services Retirement System.

- **What impact would the elimination of the option to enroll a member after a six-month probationary period have on your department?**

There would be no impact at all.

- **Certification of physical fitness by the Local Board:**
- **Would the removal of the retirement system's physical fitness requirement improve your ability to enroll members into the system without reducing your ability to protect the health and welfare of your members?**

I understand the intent for the requirement of physical fitness examination of new enrollees. The issue I see is the physical is a onetime State mandate. For this to be effective, participants should be physically examined every one to two years. This would be detrimental to department's ability to recruit and is financially not feasible.

I believe the State Board has two options. Either seek removal of the requirement of a physical fitness or require a yearly physical.

- **Local Board review and certification of qualified service to earn retirement system credit:**
- **Do the qualified service requirements of the system provide an incentive to members of your department to attend training and respond to emergencies?**

This is individual specific. I see where it influences a few members but not all. It tends to influence members who are later in their career who understand the benefit of a pension.

- **Should departments have the ability to establish higher performance standards for qualified service than those established by the Board?**

I currently serve on a Local Board where the department membership policy is a higher standard. The department will honor the TESRS Standard for pension but may reprimand the member for departmental membership if the requirement drops below departmental standard. I agree a department should be allowed to have higher standards.

- **Are there other aspects of the plan design you recommend changing.**

I understand the State Board has a difficult job, between the differences between different types of departments, geographical issues and addressing the law of the system and the rule of the system. I have three points on this item:

1. Protecting the member shall always come first
2. Examine and reexamine the impact of how a mandate may affect different departments.
3. The Law was changed in 2009 with HB 2751 to allow departments who support firefighting activities to become members. To date I believe only one department has entered. I believe other volunteer public safety departments who support firefighting should be recruited to provide protection for their membership.

Respectfully submitted,



Dennis Rice

Dennis Rice
9100 South Georgia
Amarillo, Texas 79118
806-670-9747
Rice.Dennis@RC-Sheriff.com