

**Texas Emergency Services Retirement System**  
**Board Meeting Minutes**  
**November 18, 2021 8:30 A.M.**  
Hyatt Place Austin Airport  
9532 Spirit of Austin Ln., Austin, TX 78719

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**Members Present:**

Jenny Moore, Chairman  
Nathan Douglas, Trustee  
Matt Glaves, Trustee  
Jerry Romero, Secretary  
Rod Ryalls, Trustee  
Stephanie Wagner, Trustee  
Edward Keenan, Trustee

**Members Present via Teleconference:**

Pilar Rodriguez, Vice Chairman

**Members Absent:**

Courtney Bechtol, Trustee

**Staff and Others Present:**

Shirley Hays, Executive Director, TESRS  
Jessica O'Brien, Data & Technology Officer, TESRS  
Chana Kramer, Contract Specialist, CTCD, CTCM, TESRS  
Rosalind Hunt, Assistant Attorney General  
Scott Miller, Business Development, TESRS  
Cassandra Davis, CTCM, Staff Services Officer, TESRS  
Tamika Hobby, CTCM, TESRS  
Jonathan D. Breth, CFP, AndCo Consulting, L.L.C.

Chairman Moore called the meeting to order at 8:32 A.M.

**1. Roll Call and Excuse of Board Member Absences**

Cassandra Davis, Staff Services Officer, called the roll. Seven board members were present. Trustees Bechtol and Wagner were absent. Chairman Moore announced that a quorum of the board was present.

Trustee Wagner arrived at 8:33 A.M

Chairman Moore called for a motion to excuse Trustee Bechtol. The motion to excuse Trustee Bechtol was made by Secretary Romero, seconded by Trustee Glaves and passed unanimously by the board.

**2. Invitation for Public Comment**

Chairman Moore called for public comment. No public comments were made.

No action was taken on this agenda item.

**3. Minutes for August 19, 2021**

Trustee Glaves moved to adopt the minutes for August 19, 2021 as presented. The motion was seconded by Trustee Ryalls and unanimously passed by the board.

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#### 4. Investment Consultant Report on Investment Performance

##### A. Investment Performance Report for the Quarter Ending September 30, 2021

##### B. Investment Manager Watch List Report

##### C. Written Investment Policy and Asset Allocation

Jonathan D. Breth, CFP, AndCo Consulting, L.L.C., presented his report entitled *Investment Performance Review Period Ending September 30, 2021*. His report covered the state of the economy, fixed income, domestic and international equity, and market themes. Mr. Breth noted that growth had slowed during the last month of the third quarter, in part caused by investor pessimism due to the emergence of the delta variant and concern about associated restrictions, a slowing of job growth, higher levels of inflation and concerns relating to potential changes in the Fed's monetary policy.

Mr. Breth went on to summarize the market environment and overall performance of each of the fund's asset classes during the third quarter. He noted that similar to domestic markets, international equity markets also posted disappointing returns, likely due to rising inflation, rising interest rates and the potential default of Evergrande in China. Bond markets returns were muted, with high yield bonds and TIPS outperforming BBB bonds.

Mr. Breth then described the performance of each of the fund's money managers. He explained that Clearbridge Investments LLC is currently on the watch list and they have continued to underperform. He recommended that they remain on the watch list. He also recommended that the investment committee meet to perform a peer review of Clearbridge.

Mr. Breth noted that the \$5M capital call for IFM is due on December 1, 2021. In order to fund the capital call, \$3M would be pulled from Blackrock Multi Asset Income, and by rebalancing domestic equities, the remaining amount would come from Clearbridge and Boston Partners at \$1M each. He further noted that during the most recent committee meeting, the committee had looked closely at Real Estate, which is currently underweight. Mr. Breth noted that in order to stay at the target, he recommended an additional \$2M commitment be made to Morgan Stanley which will be funded through a rebalancing of the portfolio.

Asset Class	Amount	Percent
Domestic Equities	\$46,794,408	33.72%
International Equities	\$27,583,877	19.87%
Fixed Income	\$43,171,261	31.11%
US Core Real Estate	\$10,815,699	7.79%
Master Limited Partnership	\$0	0%
Multi-Asset Investments	\$9,991,382	7.20%
Money Market	\$432,827	0.31%
<b>Total</b>	<b>\$138,789,454</b>	<b>100.0%</b>

See page 15 of Texas Emergency Services Retirement System Investment Performance-Period ending September 30, 2021

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<b>Comparative Performance</b>	<b>Qtr</b>	<b>FYTD</b>	<b>YTD</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>7 Yr</b>	<b>Inception</b>
Total Retirement System	-1.65%	-2.52%	5.03%	17.83%	9.52%	9.84%	7.65%	6.99%
Total Fund Policy	-0.31%	-2.08%	6.29%	16.97%	8.39%	9.26%	7.38%	7.83%
<b>Difference</b>	-1.34%	-0.44%	-1.26%	0.86%	1.13%	0.56%	0.27%	-0.84%

See page 17 of Texas Emergency Services Retirement System Investment Performance-Period ending June 30, 2021.

Chairman Moore requested a motion based on the recommendation of the investment consultant to maintain Clearbridge on the watch list. The motion was made by Secretary Romero, seconded by Trustee Keenan and was passed unanimously by the board.

Chairman Moore then requested a motion based upon the recommendation of the investment consultant, that the investment committee conduct a peer review of the Clearbridge strategy in the first calendar quarter of 2022 and report their findings to the board. The motion was made by Secretary Romero, seconded by Trustee Wagner and was passed unanimously by the board.

Chairman Moore then requested a motion to approve the \$2M commitment to Morgan Stanley. The motion was made by Secretary Romero, seconded by Trustee Glaves and was passed unanimously by the board.

The board reconvened at 9:29 after a brief break and moved to agenda item 5.

## 5. Chief Financial Officer's Report

- A. 2020 Annual Financial Report Update**
- B. General Revenue Appropriated Budgets – FY2021 and FY2022**
- C. Non-appropriated Budgets - FY2021 and FY2022**
- D. TESRS On-line, TESRS Membership Database**

Chairman Moore introduced David Tropea, who was recently hired as Chief Financial Officer for the agency. Mr. Tropea introduced himself and summarized his qualifications. He then explained that there is a typo on the agenda for item 5A, and that he would be providing an update on the 2021 Annual Financial Report. He briefly described the process and advised that there were no issues and that he expected the report to be completed and submitted on time.

Mr. Tropea then presented his handout entitled, *FY21 FY22 General Revenue Appropriated Budgets*. His handout provided the board with an overview of the appropriated budget and expenditures for FY21 as well as the appropriated budget and expenditures for FY22 through October 31, 2021.

Mr. Tropea then presented his handout entitled *Non-Appropriated Fund Budget for FY 2021(Managed) Cash basis Expenditures as of August 31, 2021*. His handout summarized the non-appropriated expenditures of FY21 and FY22 through October 31, 2021.

Mr. Tropea expressed his commitment to providing the board with only accurate and timely accounting information.

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Chairman Moore then explained to the board that the administrative committee had met recently. She called on Vice-Chairman Rodriguez to provide the board with a summary of the committee's discussion.

Vice-Chairman Rodriguez informed the board that the committee met to discuss:

1. The expiration of the Cybersecurity Consulting Services contract with Denim Group.
2. The transition of the TESRS Online (TOL) Database from the general revenue budget to the non-appropriated fund budget.

He then called upon Jessica O'Brien, Data and Technology Officer, to present her handout entitled *TESRS Online (TOL) Maintenance, Support and Programming SFY 2022*. The handout contained an overview of programming enhancements that she recommended be completed during FY22. She explained that these updates were needed due to changes in legislation, to streamline administrative processes, and/or to provide a better user experience for TESRS database users. Ms. O'Brien stated that the cost of the enhancements totaled \$51,000 and the yearly cost for maintenance of the database is \$30,000, for a total of \$81,000.

In response to a question from a board member, Mr. Tropea clarified that the enhancements were a one-time cost, while the maintenance costs were ongoing. For FY22 the total cost to the board would be \$81,000 and going forward it would be \$30,000 per year for maintenance.

Chairman Moore called for a motion for the board to accept the recommendation of the Administrative Committee and move the membership database maintenance, support, and programming to the non-appropriated budget. The motion was made by Trustee Glaves, seconded by Trustee Wagner, and passed unanimously by the board.

## 6. Contracts and Procurement

- A. AndCo Consulting – Authorization of One-year Extension per Contract**
- B. Authorization to Procure Investment Practices and Performance Evaluation Services**
- C. Authorization to Procure Investment Consulting Services**
- D. Cybersecurity Services**

Chana Kramer, Contracts Specialist, presented her memorandum entitled, *Request for authority to exercise optional one-year contract renewal with AndCo Consulting, LLC*. She explained that the investment consulting contract with AndCo Consulting LLC will expire December 2021 and requested the authority of the board to amend the contract in order to exercise the final one-year renewal option. She further explained that if the board acted to extend the contract, the new term would start January 1, 2022 and end December 31, 2022 at a cost of \$75,000.

Chairman Moore requested a motion for the Board to extend the contract with AndCo Consulting for investment consulting services for an additional one-year term to expire on

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December 31, 2022. The motion was made by Trustee Keenan, seconded by Secretary Romero and passed unanimously by the board.

Ms. Kramer then presented her memorandum entitled *Authority to Issue Request for Proposals (RFP) Investment Practices and Performance Evaluations*. She explained to the board members that Texas Government Code §802.109 requires Texas public retirement systems with assets of at least \$100 million to complete an Investment Practices and Performance Evaluation (IPPE) once every 3 years. She further explained that the IPPE had been completed in 2020 and is due again in 2023. She requested the board's authority to issue a request for proposals (RFP) in March of 2022. She noted that staff felt that there was value in completing the IPPE early, in order for the board would have the results before the upcoming solicitation for investment consulting services.

Chairman Moore requested a motion for the board to authorize agency staff to issue a request for proposal in order to solicit bids from qualified firms to conduct an investment practices and performance evaluation. The motion was made by Trustee Glaves, seconded by Trustee Wagner and was passed unanimously by the board.

Ms. Kramer then presented her memorandum entitled *Authority to Issue Request for Proposals (RFP) Investment Consulting Services*. She explained that the current contract for investment consulting services with AndCo will expire December 31, 2022 after the final renewal, and requested the board's authority to issue a request for proposals in order to solicit competitive proposals from qualified firms. She advised that although the contract would not expire for over a year, staff would like additional time to complete this solicitation, due to its complexity and the high number of expected bids.

Chairman Moore requested a motion for the board to authorize agency staff to issue a request for proposal in order to solicit bids from qualified firms to provide investment consulting services. The motion was made by Trustee Glaves, seconded by Trustee Romero, and was passed unanimously by the board.

Ms. Kramer then requested that Chairman Moore call on Vice Chairman Rodriguez to present a summary of the administrative committee's discussion on cybersecurity services. Vice Chairman Rodriguez advised that the cybersecurity consulting services contract had expired as of September 1, 2021 and that staff had been unable to negotiate a new contract with Denim Group. He recommended that staff work with Denim Group or DIR to secure cybersecurity services that were needed on a temporary basis. He then recommended that staff screen DIR approved vendors with cooperative contracts and select two or three to present to the full board.

Chairman Moore made motion that the board accept the recommendation of the Administration Committee and authorize agency staff to research and select two or three DIR-approved cybersecurity services vendors who will present their qualifications at the February board meeting for the Board to consider for execution of a contract. The motion was seconded by Trustee Glaves and passed unanimously by the board.

Chairman Moore moved to authorize agency staff to negotiate and obtain any necessary interim ad hoc cybersecurity services from Denim Group, or other qualified vendor, via purchase order until such time that the board executes a contract with a DIR-approved vendor. The motion was seconded by Trustee Keenan, and passed unanimously by the board.

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## 7. Executive Director's Report

- A. System Activity
- B. Update Regarding the Award of Qualified Service by the Local Board
- C. Update Regarding Compliance Training Videos
- D. Board Evaluations of Vendors

Shirley Hays, Executive Director, presented her report entitled *Executive Director's Report November 18, 2021*. Her report included system administrative and system activity, recruiting and technical assistance, compliance training videos and board evaluation of vendors.

Ms. Hays explained that staff have continued their analysis of the impact on the system of departments that award qualified service to every active member. She summarized the data reviewed by staff and outlined the compliance measures that will be used to collect more information from participating departments.

Ms. Hays then provided an overview of system activity and transactions made by department database users before outlining recruitment and technical assistance efforts. She shared with board members the compliance training videos created by staff. She explained that there were currently seven videos and there were plans for several more.

Ms. Hays then summarized the results of the board evaluation of vendors and advised that due to the low level of participation, the evaluations would be completed by hard copy at a full board meeting for the convenience of the board members going forward.

No action was taken on this agenda item.

## 8. Request for Future Meeting Dates and Agenda Items

After discussion, the board decided to meet again on February 16, 2022.

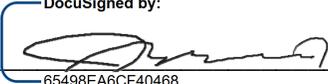
Board members also discussed the importance of having a strategic planning session. Shirley Hays recommended that staff research options for facilitators and venues and present them to the board at the February meeting.

## 9. Adjourn

Chairman Moore requested a motion to adjourn at 12:04 P.M.

A motion was made by Trustee Ryalls, seconded by Trustee Glaves, passed unanimously by the board.

Minutes Approved by:

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Jerry Romero, Secretary

2/18/2022 | 15:19:24 MST

Date