

## Texas Emergency Services Retirement System

### Board Meeting Minutes

September 10, 2019 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  
Pilar Rodriguez, Vice-Chairman  
Courtney Gibson Bechtol, Secretary  
Frank Torres, Trustee  
Ed Keenan, Trustee  
Dan Key, Trustee  
Rod Ryalls, Trustee  
Stephanie Wagner, Trustee  
Taylor Allen, Trustee

#### **Staff and Others Present:**

Kevin Deiters, Executive Director, TESRS  
Chana Kramer, Staff Services Officer, TESRS  
Jessica O'Brien, Data and Technology Officer, TESRS  
Shirley Hays, Contract Manager, CTCM, TESRS  
Wayne Oberhoff, CPA, TESRS  
David Gordon, Assistant Attorney General  
Chuck Campbell, Jackson Walker, LLP  
Alyca Riley, Jackson Walker, LLP  
Jonathan D. Breth, CFP, AndCo Consulting, LLC  
Mark Fenlaw, F.S.A., Rudd and Wisdom, Inc.  
Matt Snider, Denim Group  
Joe Stallings III, Denim Group  
Jeremy Cubey, Denim Group  
Matt Glaves, Alvin Fire Department  
Allen Scopel, Rosenberg Fire Department

Chairman Moore called the meeting to order at 8:36 a.m.

#### **1. Roll Call**

Chairman Moore called the roll and announced that a quorum of the Board was present. Nine trustees were present.

#### **2. Invitation for Public Comment**

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

**3. Approval of Minutes from June 5, 2019**

Trustee Key made a motion to adopt the minutes of the meeting of June 5, 2019. The motion was seconded by Trustee Keenan and unanimously passed by the Board.

**4. Asset Liability Study Overview- Discussion and Possible Action**

Jonathan D. Breth, CFP, AndCo Consulting, LLC, presented his proposal entitled *ALM Project Discussion Document July 25, 2019*. He advised that asset liability modeling will forecast liabilities, benefits, and portfolio returns. It will then apply funding policies and relevant pension regulations to forecast contributions, funded ratios, assets and other key financial and risk metrics. The timeline of the project is estimated at 8 weeks and the expense is covered by the existing contract.

Secretary Bechtol moved to authorize AndCo to perform the asset study and the motion was seconded by Trustee Wagner and was passed unanimously by the board.

**5. Investment Consultant Report on Investment Performance, Asset Allocation, and Investment Policy - Discussion and Possible Action**

- A. Investment Performance Report for the Quarter Ending June 30, 2019**
- B. Investment Manager Watch List Report - Discussion and Possible Action**
- C. Written Investment Policy and Asset Allocation - Discussion and Possible Action**

Jonathan D. Breth, CFP, AndCo Consulting, LLC, presented his report entitled *Texas Emergency Services Retirement System Investment Performance – Period Ending July 31, 2019*. He provided an overview of the capital markets, the economy, and TESRS investment performance during the quarter ending June 30, 2019.

<b>Asset Class</b>	<b>Amount</b>	<b>Percent</b>
Domestic Equities	\$52,671,141	45.8%
International Equities	\$21,979,547	19.1%
Fixed Income	\$24,755,007	21.5%
US Core Real Estate	\$5,130,394	4.5%
Master Limited Partnership	\$4,365,198	3.8%
Multi-Asset Investments	\$5,786,085	5.0%
Money Market	\$191,187	0.2%
<b>Total</b>	<b>\$114,878,559</b>	<b>100.0%</b>

Comparative Performance	Qtr	FYTD	YTD	1 Yr	3 Yr	5 Yr	7 Yr	Inception
Total Retirement System	3.17%	2.40%	13.55%	6.04%	9.34%	4.89%	8.16%	6.50%
Total Fund Policy	3.28%	2.50%	14.10%	6.43%	9.41%	5.39%	8.35%	7.58%
Difference	0.11%	0.10%	0.55%	0.39%	0.07%	0.50%	0.19%	1.08%

Mr. Breth recommended no changes to the asset allocation or to the investment policy at this time; however, he did recommend that the Board maintain both Invesco International Growth Fund and Richmond Capital on the watch list.

Trustee Allen moved to maintain Invesco and Richmond Capital on the watch list and the motion was seconded by Trustee Keenan and passed unanimously by the board.

**6. Actuarial Experience Study – Discussion and Possible Action**

System Actuary Mark Fenlaw, F.S.A., Rudd and Wisdom, Inc. presented his proposal entitled *Proposal for Experience Study and Assumptions Review*.

Mr. Fenlaw explained that the study would examine the retirement, termination, on-duty disability, and on-duty death experience of the System over the six-year period prior to August 31, 2018.

Mr. Fenlaw advised the Board that he anticipated the study would be completed in time for the System’s board meeting in May 2020 and the cost, while based on hourly rates, would not exceed \$55,000.00.

Vice Chairman Rodriguez moved to accept the proposal from Rudd and Wisdom to perform an experience study and assumption review and to present the Board’s meeting in May 2020 at a cost not to exceed \$55,000.00. The motion was seconded by Trustee Keenan and was passed unanimously by the Board.

Chairman Moore reconvened the meeting at 9:48 after a brief break and moved to agenda item 9.

**9. Chief Financial Officer Report – Discussion and Possible Action**

**A. FY 2019 Non-Appropriated Fund Budget**

Wayne Oberhoff, Chief Financial Officer, introduced himself and provided an overview of the report *Texas Emergency Services Retirement System Non-Appropriated Fund Budget for FY 2019 and Cash Basis Expenditures as of August 31, 2019*

No action was taken regarding this agenda item.

**B. FY 2019 Appropriated Fund Budget**

Mr. Oberhoff provided an overview of the report *Texas Emergency Services Retirement System 2019 Appropriated Fund Budget Comparison*.

No action was taken regarding this agenda item.

**C. FY 2020 Non-Appropriated Fund Budget**

Mr. Oberhoff provided an overview of the report Texas Emergency Services Retirement System Proposed Non-Appropriated Fund Budget for FY 2020.

Vice Chairman Rodriguez moved to accept the FY 2020 Board Non-Appropriated Budget as presented today. The motion was seconded by Trustee Keenan and unanimously passed by the Board.

**D. FY 2020 Appropriated Fund Budget**

Mr. Oberhoff provided an overview of the report entitled *Texas Emergency Services Retirement System 2019 Appropriated Fund Budget Comparison*.

No action taken regarding this agenda item.

**E. FY 2020 Cash Management Procedures**

Mr. Oberhoff provided an overview of the report entitled *Texas Emergency Services Retirement System Projected Cash Draws FY2020*.

Vice-Chairman Rodriguez moved in recognition of the financial obligations of the system during fiscal year 2020, to maintain in the state treasury the state contributions of \$1,329,224 received pursuant to Government Code section §865.014, and to authorize the CFO to work with the investment consultant to drawdown additional funds as needed up to \$2,807,939.00. The motion was seconded by Trustee Torres and was unanimously passed by the board.

**10. Executive Director's Report**

Kevin Deiters, Executive Director, provided the Board with an overview of the report *Texas Emergency Services Retirement System: Executive Director's Report on System Administration September 10, 2019*.

Mr. Deiters introduced the board to new Agency employees, Wayne Oberhoff, Chief Financial Officer, and Scott Miller, Business Development, and advised the Board of Agency staff changes.

Scott Miller, Business Development, supplied the Board with his first impressions and key takeaways of the technical assistance and site visits that he conducted during August 2019.

No action taken regarding this agenda item.

**11. Board Educational Opportunities – Discussion and Possible Action**

Mr. Deiters provided an overview of educational opportunities available to Board members as described in the handout entitled *Certificate in Retirement Plans*.

Vice-Chairman Rodriguez moved to authorize Board members to attend any of the educational opportunities provided by the International Foundation of Benefit Plans. Trustee Key seconded the motion and it was passed unanimously by the Board.

**8. Discussion and Possible Action Regarding the Publication of Proposed Rules in the Texas Register for Public Comment.**

**a) Chapter 302 - General Provisions Relating to the Texas Emergency Services Retirement System**

- i) Proposed Amendment of Rule §302.2 Benefit Distributions**
- ii) Proposed Amendment of Rule §302.3 Trustee-to-Trustee Transfer**
- iii) Proposed Amendment of Rule §302.4 Reduction or Revocation of Benefits**
- iv) Proposed Amendment of Rule §302.5 Corrections of Errors and Contributions Past Due**
- v) Proposed Amendment of Rule §302.7 Auxiliary Employee**
- vi) Proposed Amendment of Rule §302.9 Certification of Physical Fitness**

**b) CHAPTER 304 - MEMBERSHIP IN THE TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**

- i) Proposed Amendment of Rule §304.1 Participation by Department**

**c) CHAPTER 306 - CREDITABLE SERVICE FOR MEMBERS OF THE TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**

- i) Proposed Amendment of Rule §306.1 Prior Service Credit for Members of Participating Departments**
- ii) Proposed Amendment of Rule §306.2 Merger of Existing Pension Plan into Pension System**
- iii) Proposed Amendment of Rule §306.3 Qualified Service Credit for Eligible Active Military Duty under the Uniformed Services Employment and Re-Employment Rights Act**

**d) CHAPTER 308 - BENEFITS FROM THE TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**

- i) Proposed Amendment of Rule §308.1 Eligibility for Retirement Annuity**
- ii) Proposed Amendment of Rule §308.2 Service Retirement Annuity**
- ii) Proposed Amendment of Rule §308.3 Disability Retirement Benefits**

**iv) Proposed Amendment of Rule §308.4 Death Benefits**

**e) CHAPTER 310 - ADMINISTRATION OF THE TEXAS EMERGENCY SERVICES  
RETIREMENT SYSTEM**

- i) Proposed Amendment of Rule §310.2 Additional Duties of State Board**
- ii) Proposed Amendment of Rule §310.4 Standard of Conduct for Financial Advisors and Service Providers**
- iii) Proposed Amendment of Rule §310.5 Local Board of Trustees**
- iv) Proposed Amendment of Rule §310.6 Local Contributions**
- v) Proposed Amendment of Rule §310.8 Billing**
- vi) Proposed Amendment of Rule §310.9 Periodic Reports; Administrative Penalties**
- vii) Proposed Amendment of Rule §310.10 Voluntary Payments by Departments**
- viii) Proposed Amendment of Rule §310.12 Access to Information about Members, Annuitants, and Beneficiaries**

Trustee Dan Key provided the Board with an outline of the process for adoption of rule changes due to the passing of H.B. 3247.

Chuck Campbell, Jackson Walker, LLP and Alyca Riley, Jackson Walker, LLP provided the board with a high level overview of rule changes listed in H.B. 3247.

Kevin Deiters, Executive Director, and David Gordon, Assistant Attorney General briefed the Board on the process for filing the rule changes with the Office of Secretary of State as well as the importance of receiving public commentary.

Trustee Dan Key moved to authorize the Executive Director, with the advice and consent of the rules committee and outside council, to publish the proposed rule amendments in the Texas Register for public comment for a period of at least 30 days. Trustee Ryalls seconded the motion and the motion was passed unanimously by the board.

Chairman Moore reconvened the meeting at 12:48 p.m. after a break for lunch. She announced that Vice-Chairman Rodriguez and Trustee Key had left the meeting but that a quorum still existed. She then moved to agenda item 7.

**7. Cybersecurity Consultant Security Briefing – Discussion and Possible Action**

Matt Snider, Manager of Information Security, Denim Group, presented a report entitled *TESRS Security Program Board of Trustees Briefing*. He briefed the board on the current threat landscape and general strategies for response and minimizing cybersecurity risk.

No action was taken regarding this agenda item.

Chairman Moore moved to agenda item 12.

**12. Request for Future Agenda Items and Meeting Dates**

Chairman Moore announced that the date for the next Board meeting would be December 10, 2019. Trustee Torres advised the Board that a limited actuarial audit should be considered because one had not been performed recently.

No action taken regarding this agenda item.

**13. Executive Director Evaluation and Compensation – Discussion and Possible Action**

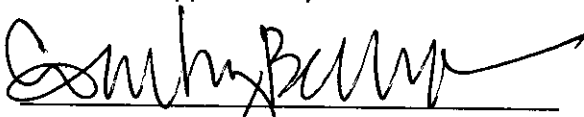
Chairman Moore announced that the Executive Director Evaluation would be tabled until the Board meeting on December 10, 2019.

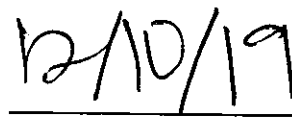
**14. Adjourn**

Chairman Moore requested a motion to adjourn at 1:24

The motion was made by Secretary Gibson Bechtol and seconded by Trustee Keenan and unanimously passed by the Board.

Minutes Approved by:

  
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Courtney Bechtol, Secretary

  
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Date:

