

**Texas Emergency Services Retirement System  
Meeting Minutes of November 15 - 16, 2016**

Wyndham Garden Austin 3401 S. IH 35 Frontage Rd., Austin, Texas 78741

**Members Present:**

Frank Torres, Chairman  
Gracie Flores, Vice-Chair  
Jenny Moore, Secretary  
Dan Key, Trustee  
Dennis Rice, Trustee  
Don Shipman, Trustee  
Ron Larson, Trustee  
Steve Williams, Trustee  
Taylor Allen, Trustee (arrived at 8:09 am on November 16, 2016)

**Members Absent:**

N/A

**Staff:**

Kevin Deiters, Judy Johnson, Susannah Jones, Shirley Hays, Patrick McReynolds, William Langford

**Others present:**

David Gordon, Assistant Attorney General  
Mark Fenlaw, Rudd and Wisdom, Inc.  
Jeff Chalk, Milliman  
Chuck Campbell, Jackson Walker, L.L.P.  
David Gullen, Boston Partners  
Kay Ceserani and Eric White, Pension Consulting Alliance  
Steve Gordon, Al DiCristofaro and Jonathan D. Breth, The Bogdahn Group  
Marcia Beard, Spencer L. Hunter and Joe Ledgerwood, RVK, Inc.

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Chairman Torres called the meeting to order at 4:00 p.m. and made welcoming remarks.

**1. Roll call of Board Members and Excusal of Absences**

Secretary Moore called the roll and announced that a quorum of the Board was present. Eight Trustees were present and Trustee Allen was absent.

**2. Invitation for Public Comment**

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

### **3. Approval of Minutes for September 20, 2016**

Chairman Torres requested a motion to adopt the minutes of meeting of September 20, 2016.

A motion was made by Trustee Key, seconded by Secretary Moore and passed unanimously.

### **4. Merger of Existing Pension Plan (City of Donna) into the Texas Emergency Services Retirement System – Discussion and Possible Action**

Mr. William Langford, Recruiting Specialist, provided the Board with an overview of the proposed merger of the City of Donna Volunteer Fire Fighter Retirement Fund into TESRS.

Mr. Langford reported that the Donna City Council voted on September 20, 2016, to merge its existing Texas Local Firefighter Retirement plan into TESRS. Under the terms of the agreement, Donna will transfer all assets and liabilities of its retirement program to TESRS as of December 1, 2016, and TESRS will assume responsibility for the administration and payment of current and future annuitants. The merger will cover 21 active volunteers, nine current annuitants, and two vested terminated members.

At the request of Chairman Torres, System Actuary Mark described the assumptions that he used to calculate the cost of the proposed merger and he reported the cost to the City of Donna was based upon the present value of future benefits for the pensioners (\$201, 879) and the updated prior service cost for the 21 active members of the department (\$37,915).

In response to a question from Chairman Torres, Mr. Fenlaw stated that the vested terminated members not currently receiving benefit payments from the City of Donna would not be eligible to receive retroactive benefits from TESRS.

Chairman Torres called for a motion to allow the City of Donna Texas Local Fire Fighter Retirement plan to merge into the Texas Emergency Services Retirement System and to authorize the staff to take any and all action necessary.

The motion was made by Trustee Rice, seconded by Trustee Williams and passed unanimously.

### **5. Review of Texas Government Code Chapter §861.001 Definitions and discussion of possible rule relating to definition of Volunteer – Discussion and Possible Action**

Ms. Hays provided the Board with an overview of Texas Government Code §861 and the definitions of “volunteer,” “auxiliary employee” and “support staff” and Outside Counsel Chuck Campbell discussed the distinction between support staff and auxiliary employee and the distinction between volunteers and auxiliary employee.

Mr. Campbell summarized Texas Government Code §861 and he provided the Board with two options for recognizing the compensation practices of participating departments. The first option would require a legislative change removing the reference to compensation in the definition of Volunteer in Section 861.001(12). The second option would require the Board to adopt a rule to

interpret “monetary compensation” under Section 861.001(12) of the TESRS statute in accordance with the Fair Labor Standards Act. Mr. Campbell stated that the second option was a stop-gap effort intended to address the problem until a legislature change could be made.

David Gordon cautioned that the second option involves an interpretation of the statute that may not be construed as being in harmony with the statute and could therefore be invalidated if challenged. He stated that the general authority of the Agency under the statute is to adopt rules that are consistent with the enabling statute.

No action taken.

#### **6. Review of Texas Administrative Code §310.6 Local Contributions – Discussion and Possible Action**

Mr. Campbell provided the Board with an overview of Board Rule §310.6 Local Contributions and recommended changes to the rule intended to clarify the administration of Part 2 Contributions charges and to clarify the requirement that departments pay contributions for members when they return to volunteer status after completing military duty.

No action taken.

*Note: The Board went into recess at 6:05 p. m and it reconvened the following day at 8:04 a. m.*

Chairman Torres reconvened the meeting at 8:04 a.m. on November 16, 2016, and he announced that a quorum of the Board was present.

#### **7. Investment Manager Presentation – Boston Partners Large Cap Value**

Mr. David Gullen made a presentation on behalf of Boston Partners Large Cap Value fund. His presentation covered the structure of the firm; portfolio management; the investment process; and the historical performance for the portfolio.

No action taken.

#### **8. Selection of a Small Cap Value Equity Manager – Discussion and Possible Action**

Chairman Torres called upon the Board’s investment consultant, Jeff Chalk to present his recommendation to the Board for a small cap value equity manager to replace Luther King Asset Management.

Mr. Chalk provided the Board with an overview of a report entitled *Texas Emergency Services Retirement System Small Cap Value Index Manager Search dated September 20, 2016*. In his presentation, Mr. Chalk described the manager search process and he provided a high-level overview of the fund structure, investment process and investment performance for the following funds that Milliman is recommending to the Board for the allocation to the small cap value equity manager:

- BlackRock Fund Advisors iShares Russell 2000 Value ETF; and
- RhumbLine Russell 2000 Value Index (Separate Account).

Mr. Chalk concluded his presentation with a recommendation to the Board that it select BlackRock Fund Advisors iShares Russell 2000 Value ETF to replace Luther King Asset Management.

After discussion, Chairman Torres called for a motion to accept the consultant's recommendation to select the BlackRock Fund Advisors iShares Russell 2000 Value ETF and to authorize the staff to take any and all action necessary.

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

#### **9. Investment Consultant Presentation – Pension Consulting Alliance**

Kay Ceserani and Eric White made a presentation on behalf of Pension Consulting Alliance and its proposal to provide investment consulting services to the Board. Their presentation provided an overview and structure of the firm, the firm's mission statement, core values, philosophy and process, industry trends and the TESRS portfolio.

#### **10. Investment Consultant Presentation – Bogdan Group**

Mr. Steve Gordon, Mr. Al DiCristofaro and Mr. Jonathan D. Breth made a presentation on behalf of the Bogdan Group and its proposal to provide investment consulting services to the Board. Their presentation provided an overview of the firm, portfolio review, fee proposal and transition plan.

#### **11. Investment Consultant Presentation – RVK, Inc.**

Marcia Beard, Spencer L. Hunter and Joe Ledgerwood made a presentation on behalf of the RVK, Inc. and its proposal to provide investment consulting services to the Board. Their presentation provided an overview of the firm, philosophy and process, manager research capabilities, TESRS portfolio and investment policy, and transition plan.

#### **12. Selection of Investment Consultant – Discussion and Possible Action**

After discussion, Chairman Torres called for a motion to hire The Bogdahn Group as the Board's investment consultant effective January 1, 2017 and to authorize the staff to take any and all action necessary.

The motion was made by Trustee Key, seconded by Trustee Larson and passed unanimously.

**13. Election of Officers**

After Discussion, Trustee Williams made a motion to elect the existing slate of officers (Chairman Torres, Vice-Chair Flores, and Secretary Moore) as Board officers by acclimation. The motion was seconded by Trustee Shipman and passed unanimously.

**14. Request for future agenda items and meeting dates**


Chairman Torres noted that the Board will meet on December 13, 2016 in Austin. Trustee Key requested that the Agency represent the System at the Texas State Association of Fire and Emergency Districts (SAFE-D) annual conference on March 9-11, 2017 in San Marcos.

**15. Adjourn**

Chairman Torres called for a motion to adjourn.

A motion was made by Secretary Moore, which was seconded by Trustee Williams to adjourn the meeting at 4:10 p.m. and passed unanimously.

Minutes Approved By:

  
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Signature: Secretary Moore

12-13-2016  
Date: