

**Texas Emergency Services Retirement System**  
**Board Meeting Minutes**  
**June 11, 2020 9:00 a.m.**  
Virtual Meeting Only, No Physical Location

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**Members Present via Teleconference:**

Jenny Moore, Chairman  
Courtney Gibson Bechtol, Secretary  
Frank Torres, Trustee  
Ed Keenan, Trustee  
Dan Key, Trustee  
Rod Ryalls, Trustee  
Taylor Allen, Trustee  
Stephanie Wagner, Trustee

**Members Absent:**

Pilar Rodriguez, Vice-Chairman

**Staff and Others Present Via Teleconference:**

Kevin Deiters, Executive Director, TESRS  
Shirley Hays, Contract Manager, CTCM, TESRS  
Jessica O'Brien, Data and Technology Officer, TESRS  
Wayne Oberhoff, CPA, Chief Financial Officer, TESRS  
Chana Kramer, Staff Services Officer, CTCD, CTCM, TESRS  
David Gordon, Assistant Attorney General  
Chuck Campbell, Jackson Walker, L.L.P.  
Alyca Garrison, Jackson Walker, L.L.P.  
Jonathan D. Breth, CFP, AndCo Consulting, L.L.C.  
Mark Fenlaw, F.S.A., Rudd and Wisdom, Inc.  
Bryan Burnham, Pension Review Board  
Janice Babcock, City of Lucas  
Larry Bowman, City of Lucas

Chairman Moore called the meeting to order at 9:00 a.m.

**1. Roll Call**

Secretary Bechtol called the roll. Six trustees were present. Vice-Chairman Rodriguez, Trustee Torres and Trustee Wagner were absent. Chairman Moore announced that a quorum of the Board was present.

Chairman Moore announced that due to safety concerns related to COVID-19, the meeting would be virtual and would be limited to 90 minutes.

Trustee Wagner joined the meeting at 9:02 a.m.

**2. Invitation for Public Comment**

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

The Chairman moved out of agenda order to Agenda Item 6.

### **6. Consultation with Legal Counsel Regarding Indemnification and Limitation of Liability in the Procurement and Contracting Process**

David Gordon, Assistant Attorney General, provided the Board with a high level overview of the procurement process and considerations that may arise for the agency during contract creation and negotiation.

Mr. Gordon advised that State agencies are prohibited by Texas Constitution Article III, Section 49 from creating State debt unless authorized by legislation. Mr. Gordon further advised that there are required limitation of liability and indemnity clauses that must be included in State contracts as detailed in the Texas Procurement Management Guide. He added that it is not recommended to allow vendors to limit their liability, which would put a cap on the amount of damages that a contractor would pay to TESRS if TESRS suffered a loss due to the contract. Exceptions are allowed only in specific cases, such as not being able to find an alternative contractor, and the reasons must be documented in the procurement file. Lastly, Mr. Gordon described the indemnification clause, which would require a contractor to cover TESRS's losses against a third party in the event the contract creates a liability. Mr. Gordon cautioned against allowing vendors to place a cap on their indemnification unless no other option is available because of the potential of the creation of State debt if damages exceed the cap amount listed in the contract.

No action was taken regarding this agenda item.

### **7. Request for Proposal for Actuarial Audit Services – Discussion and Possible Action**

Kevin Deiters, Executive Director, requested the Board's authority to issue a request for proposal (RFP) to receive competitive bids for actuarial audit services.

Trustee Keenan moved that the Board authorize the staff to issue a request for proposal for actuarial audit services. The motion was seconded by Trustee Key and passed unanimously by the Board.

The Chairman returned to Agenda Item 3.

### **3. Approval of Minutes from June 11, 2020**

Secretary Bechtol made a motion to adopt the minutes of the meeting of June 11, 2020 as presented. The motion was seconded by Trustee Ryalls and unanimously passed by the Board.

Trustee Torres joined the meeting at 9:16 a.m.

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

Mr. Breth presented his report entitled *Texas Emergency Services Retirement System Investment Performance Review Monthly Flash Report– Period Ending May 31, 2020*. He

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provided an overview of the capital markets, the economy, and TESRS investment performance for the period ending May 31, 2020. He explained to the Board that although the first quarter had been volatile, the fund ended slightly positive for fiscal year to date.

Asset Class	Amount	Percent
Domestic Equities	\$52,357,206	46.3%
International Equities	\$19,780,559	17.5%
Fixed Income	\$26,759,268	23.6%
US Core Real Estate	\$5,160,309	4.6%
Master Limited Partnership	\$2,912,521	2.6%
Multi-Asset Investments	\$5,748,490	5.1%
Money Market	\$353,569	0.3%
<b>Total</b>	<b>\$113,071,923</b>	<b>100.0%</b>

See page 4 of Texas Emergency Services Retirement System Investment Performance Flash Report – Period Ending May 31, 2020.

No action was taken regarding this agenda item.

#### 5. Executive Director's Report on State Mandated Budget Reductions and the Impact upon TESRS Administration – Discussion and Possible Action

Kevin Deiters provided an overview of a May 20, 2020 letter sent by the Governor, Lieutenant Governor, and the Speaker of the House to agencies and universities directing them to immediately reduce spending due to expected loss of state revenues caused by COVID-19 pandemic.

The leadership directed agencies to reduce their operating budgets for the current biennium by at least five-percent and to submit a plan detailing the cost savings to the Legislative Budget Board and the Office of the Governor by June 15, 2020.

Mr. Deiters then presented his report entitled *Texas Emergency Services Retirement System FY 2020-2021 Budget Reductions*. He described the agency budget structure and outlined two possible options to achieve the five percent reduction to general and general revenue related appropriations.

##### Option One

- Reduce State contributions to pension fund by \$132k
- Charge departments a Part II Contributions of 4% to make up for lost revenue
- Delay filling vacancies
- Reduce travel

##### Option Two

- Reallocate agency budget to replace lost State pension contributions of \$132k
- No Part II contributions charges
- Eliminate 2 staff positions
- Cut staff pay by 10%
- Reduce Travel

Mr. Deiters recommended that the Board select Option One in order to best serve the members of TESRS while maintaining the actuarial soundness of the pension system.

Trustee Key moved that the Board accept the recommendation of the Executive Director to propose the cost savings identified in Option One as needed to reduce the agency budget for the current biennium by five percent as directed by the leadership. The motion was seconded by Trustee Keenan and passed unanimously by the Board.

## **8. Adoption of Board Rules as Published in the Texas Register on April 24, 2020 - Discussion and Possible Action**

Trustee Key explained to the Board that the proposed rule changes were published in the Texas Register on April 24, 2020, and that no public comments were submitted. Mr. Key recommended that the Board adopt the proposed new rules.

### **A. Chapter 302 General Provisions Relating to the Texas Emergency Services Retirement System**

#### **1) Proposed Amendment of Rule §302.2 Benefit Distributions**

Trustee Key moved that the Board adopt the amendment to Chapter 302, General Provisions Relating to the Texas Emergency Services Retirement System, §§302. as published in the Texas Register on April 24, 2020. The motion was seconded by Trustee Ryalls and was passed unanimously by the Board.

### **B. Chapter 304 - Membership in the Texas Emergency Services Retirement System**

#### **1) Proposed New Rule §304.2 Revocation of Participation in the Pension System**

#### **2) Proposed New Rule §304.3 Determination of Accrued Benefit**

#### **3) Proposed New Rule §304.4 Employees of Participating Departments**

Trustee Key moved that the Board adopt the new rules for Chapter 304, Membership in the Texas Emergency Services Retirement System, §§304.2-304.4, as published in the Texas Register on April 24, 2020. The motion was seconded by Trustee Ryalls and passed unanimously by the Board.

### **C. Chapter 310 - Administration of the Texas Emergency Services Retirement System**

#### **1) Proposed Amendment of Rule §310.5 Local Board of Trustees**

#### **2) Proposed New Rule §310.13 Delegation of Local Board Duties to Executive Director**

#### **3) Proposed New Rule §310.14 Delegation of Duties Upon Discontinuance of Participation in the Pension System**

Trustee Key moved that the Board adopt the amendment to Chapter 310, Administration of the Texas Emergency Services Retirement System, §310.5 as published in the Texas Register on April 24, 2020. The motion was seconded by Trustee Ryalls and passed unanimously by the Board.

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Trustee Key moved the Board adopt new rules to Chapter 310, Administration of the Texas Emergency Services Retirement System §§ 310.13 and 310.14 as published in the Texas Register on April 24, 2020. The motion was seconded by Trustee Ryalls and passed unanimously by the Board.

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

Kevin Deiters advised that the Board would need to meet in August to consider:

- the TESRS Legislative Appropriation Request;
- actuarial experience study;
- the assessment of Part II contributions;
- investment reports; and
- Board officer elections.

No action taken regarding this agenda item.

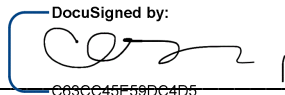
Chairman Moore moved to agenda item 21.

**10. Adjourn**

Chairman Moore requested a motion to adjourn at 10:11 a.m.

Trustee Keenan made a motion to adjourn the meeting, was seconded by Trustee Key and was passed unanimously by the Board.

Minutes Approved by:

DocuSigned by:  
  
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Courtney Bechtol, Secretary

8/12/2020 | 10:20:21 EDT

Date: