

Texas Emergency Services Retirement System

Board Meeting Minutes

May 16, 2024 8:30 a.m.

Cambria Hotel Austin Airport

7800 E. Ben White Blvd., Austin, TX 78741

Members Present:

Jerry Romero, Vice Chair
Edward Keenan, Secretary
Matthew Glaves, Trustee
Rod Ryalls, Trustee
Nathan Douglas, Trustee
Rupal Chaudhari, Trustee
Brian Smith, Trustee

Members Absent:

Pilar Rodriguez, Chairman
Brad Landi, Trustee

Staff and Others Present:

Jessica O'Brien, Executive Director, TESRS
Michael Villanueva, Executive Assistant, TESRS
Krystyn Garcia, Contract Manager, TESRS
Scott Miller, Director of Compliance and Marketing, TESRS
Brent Zunker, Benefits Specialist, TESRS
Eliana Martinez, Accountant, TESRS
Rosalind Hunt, Assistant Attorney General, OAG
James Cox, State Office of Risk Management
Stephen Vollbrecht, State Office of Risk Management
Belinda Castillo, State Office of Risk Management
Mark Fenlaw, Rudd & Wisdom, Inc.
Rebecca Morris, Rudd & Wisdom, Inc.
Rebecca Darling, Weaver and Tidwell, L.L.P.
Kim Bradley, CBIZ Risk & Advisory Services, LLC
George Peterson, CBIZ Risk & Advisory Services, LLC
Jon Breth, Mariner Consulting L.L.C.
A.J. Weber, Lauterbach & Amen, L.L.P. (Via Zoom)
Lindsey Rappeport, Lauterbach & Amen, L.L.P. (Via Zoom)

Vice Chairman Romero called the meeting to order at 8:30 a.m.

1) Roll Call and Excuse of Board Member Absences

Michael Villanueva, Executive Assistant, called the roll. Seven board members were present. Chairman Rodriguez and Trustee Landi were absent. Vice Chairman Romero announced that a quorum of the board was present.

Vice-Chairman Romero called for a motion to excuse the absent members. The motion to excuse the absent members was made by Trustee Glaves, seconded by Trustee Ryalls and unanimously passed by the board.

Trustee Smith arrived at 8:32.

2) Invitation for Public Comment

Vice Chairman Romero called for public comment. Michael Villanueva, Executive Assistant, read two online public comments.

First public comment comes from Kim Stellhorn in an email stating:

There should be more transparency available in regards to who is receiving retirement benefits and how much from local departments

Example in my case after almost 40 + years of service I was asked to change my membership status based on " dept needing open membership spots" I was moved to " life member" I did not realize I lost my retirement from then on till someone asked me if I was collecting retirement, which was no, when I checked on, not only had the above happened, I was also classified for about a year that I lost a whole year of benefits...it was changed but with the original changing my status I get a big 83.00 a year and there are folks now getting over a \$1200 a year.

Second public comment comes from Victor Mendoza in an email stating:

Hello, I was not aware of public meetings or names of board members, I am glad to see there is a event.

I sure wished i knew then so I could have bought my case forward in regards to my pension retirement benefit. I wanted to appeal the decision on my monthly benefit. I felt it was unjustified would like to speak to someone in board, who can closely look at these decisions. I have spoken to other members who were volunteered as much time as I did.

Thank you. God bless

No action was taken on this agenda item.

3) Approval of Minutes for February 29, 2024 and April 18, 2024 Meetings

Trustee Glaves moved to adopt the minutes for February 29, 2024 and April 18, 2024 as presented. The motion was seconded by Trustee Ryalls and unanimously passed by the board.

4) Financial Budget Report

- A. FY2024 Non-Appropriated Budget and Expenditures
- B. FY2024 Appropriated Budget and Expenditures
- C. Cash Flow Projection

A.J. Weber and Lindsey Rappeport, Lauterbach & Amen, L.L.P. via Zoom presented information regarding the FY 2024 Non-Appropriated Fund Budget and Expenditures, FY 2024 Appropriated Budget and Expenditures, and Cash Flow Projection.

No Action was taken regarding the agenda item.

5) Investment Committee

A. Investment Consultant Report on Investment Performance

Jon Breth, CFP, Mariner Consulting L.L.C., was in person to present his report to the board instead of being on Zoom. Mr. Breth brought news about Mariner Consulting L.L.C. reports and how their new style of reports they will be proving to TESRS.

No Action was taken regarding the agenda item.

B. Investment Performance Report for the Quarter Ending March 31, 2024

Mr. Breth presented his report entitled Investment Consultant Report on Investment Performance and Investment Performance Report for the Quarter Ending March 31, 2024. Mr. Breth report included an overview of the market environment and economy, domestic and international equities, fixed income, and market themes.

No Action was taken regarding the agenda item.

C. Investment Manager Watch List Report

Mr. Breth presented the Investment Manager Watch List Report. Mr. Breth and the Investment Committee recommend to the board to place Clarkston Partners Fund and Garcia Hamilton on the watch list. After some discussions the board wanted to add Oakmark International Fund to the watch list and liquidate Allsprings Emerging Markets Fund and invest the proceeds of the liquidation into the Fidelity International Index Fund.

Trustee Chaudhari made the motion to accept the recommendation to add Clarkston Partners Fund and Garcia Hamilton to watch list and to liquidate Oakmark International Fund and Allsprings Emerging Markets Fund and invest the proceeds of the liquidation into the Fidelity International Index Fund. The motion was second by Trustee Glaves and unanimously passed by the board.

D. Written Investment Policy and Asset Allocation

Mr. Breth provided an update on the Written Investment Policy and Asset Allocation. Mr. Breth wanted remind the board that the recent changes were approved in the first quarter and currently we don't have any further changes right now.

No Action was taken regarding the agenda item.

6) Actuarial Best Practice by Rudd & Wisdom, Inc.

Mark Fenlaw and Rebecca Morris, Rudd & Wisdom Consulting Actuaries, presented the history and overview of the services that they provide to TESRS and the system.

No Action was taken regarding the agenda item.

7) State Office of Risk Management (SORM)

Stephen Vollbrecht, Executive Director and James Cox, Chief of Strategic Programs, State Office of Risk Management, presented an overview of the state agency and the services that State Office of Risk Management provides. The agency provides risk management, continuity of operations, risk transfer and risk retention.

No Action was taken regarding the agenda item.

The board took a break at 9:58 a.m.

The board reconvened at 10:17 a.m. after a brief break. Michael Villanueva, Executive Assistant called the roll. Seven board members were present and two were absent. Vice Chairman Romero announced that a quorum of the board was still present.

8) IT Committee Report

A. CBIZ Cybersecurity Project Update

Kim Bradley and George Peterson, CBIZ Risk & Advisory Service LLC, presented overview of the CBIZ Cybersecurity Project Status Update. Ms. Bradley discussed the key items that CBIZ Risk and Advisory, is providing to TESRS are remediating TESRS Cybersecurity Framework (CSF) Assessment reporting findings, developing TESRS cybersecurity policies & procedures, conducting cybersecurity awareness training and addressing TESRS cybersecurity question, concerns and guidance.

Ms. Bradley noted what was in progress as of May 16, 2024. Such as the drafted cybersecurity polices for Acceptable Use, Change and Configuration Management, Continuity of Operations, Data Classification and Management, Disaster Recover, Electronic Communication, Mobile Device Management, Password, Preventing Use of Prohibited Technology, Security Incident Response and Telework. CBIZ continues working with TESRS Staff and IT Committee on drafted documentation for Information Technology Committee Charter and Continuity of Operations Plan (COOP). Ms. Bradley stated the next steps for polices was for TESRS management review, finalize policies, TESRS Board approval and rollout policies to the agency. The next stops for Continuity of Operations Plan (COOP) was for State Office of Risk Management (SORM) review and make recommendations, finalize COOP, TESRS Board approval and rollout COOP to the agency.

Ms. Bradley discussed the next steps planned for May 2024 through August 2024, to finalize drafted polices and COOP. That CBIZ will continue to provide assistances to TESRS to remediate CSF report findings, 2024 Information Resources Deployment Review (IRDR) and continue to draft additional policies and documentation, expected to include Disaster Recovery, Incident Response and Reporting and Information Security.

No Action was taken regarding the agenda item.

B. CBIZ Contract Extension for FY 2025

Jessica O'Brien, Executive Director presented the CBIZ Risk and Advisory Services, LLC (CBIZ) Statement of Work (SOW) – Cybersecurity Consulting Services.

Ms. O'Brien had asked Kim Bradley, CBIZ Risk & Advisory Services, LLC to discussed key items that CBIZ, is proving to TESRS regarding Cybersecurity Consulting Service are the timeline, scope, deliverable and estimated fees and payment schedule.

The Board of Trustee members had several questions for CBIZ. CBIZ was able to provide answer to board questions.

Secretary Keenan made the motion to accept the approve of the contract extension for CBIZ Risk & Advisory Services, LLC for Fiscal Year 2025. The motion was second by Trustee Chaudhari and unanimously passed by the board.

C. Cybersecurity Security Assessments and Deployment (CLOSED SESSION)

D. TESRS Network Administration and Budget (CLOSED SESSION)

Vice Chairman Romero announced that the time is 10:30 a.m. and the board will now go into executive closed session to discuss Item 8C and 8D on the agenda, pursuant to Texas Government Code Section 551.089. The board will discuss security assessments deployment related to information resources technology.

The board reconvened the open meeting at 11:54 a.m. on May 16, 2024.

No motion was taken during the closed session agenda items.

9) Rules Committee Report

Jessica O'Brien, Executive Director, provided an update on Rules Committee Report. Ms. O'Brien discussed that all staff members had met informally to go over each rule. Ms. O'Brien stated that the staff have comments for each rule and would like for legal counsel to review those comments. Once legal counsel has reviewed the comments and have made their suggestions. We will request a meeting with the rules committee during the week of June 24th and 26th. During the meeting we will compile staff's, rules committee and legal counsel recommendations.

Rosalind Hunt, OAG Legal Counsel explained that the agency has already posted the rules review to register. What follows next at the next board meeting is that reading pursuant to four-year rule review. We would readopt all rules, but then based on what the committee comes up and the staff recommendations, agency may start a new rule making process to make amendments to the rule which is based on the comments

The board had asked if we received any public comments. Jessica informed the board that we have only received two comments.

No Action was taken regarding the agenda item.

10) New Office Facility Update

Jessica O'Brien, Executive Director, presented an update on the new office facility location. Ms. O'Brien stated that we have completed phase 1, which was finding an office location, tour facilities and office layout. TESRS agree that the location suites our agency. Ms. O'Brien stated we are currently in phase 2, which is requesting permission to sign the design agreement. This agreement will secure a procurement engineer to go out and take a look at the proposed floor plan that has already been submitted. This will begin the engineering process and the scope of work. The engineer will need upfront cost, which is going to be an estimated \$20,000. This is for the engineer to go in and see the walls we requested to be put up, the office we want to close, or any HVAC or electricity that needs to be moved around.

Trustee Graves made the motion to authorize the Executive Director to sign the design service agreement and also the additional funds for the design engineer services. The motion was second by Secretary Keenan and unanimously passed by the board.

11) Director of Compliance & Marketing Update

A. Department Recruiting and Department Visits

Scott Miller, Director of Compliance and Marketing, presented the Department Recruiting and Department Visit. Mr. Miller gave brief department update stating that about 12 or 13 total departments are coming in slowly but it takes about a year or two to get them all on board.

Mr. Miller provided recruiting update for Kenedy County Fire & Rescue that TESRS staff member Brent Zunker had been working with the department and they have asked for additional information. With information they received they were going to take it back to their board. The department is interested in about the physical fitness portion and that's their hang up. A board member asked what does it mean for physical fitness. Mr. Miller stated that being a new member you have to be at least 18 years of age and have a current or have a form of physical fitness from your provider. That TESRS doesn't care how old the physical fitness form is. Mr. Miller stated that department get paranoid about us being a state agency asking for physical fitness form. He assures them that we don't have own form and we don't request you to turn in your physical fitness form to our agency but instead turn into their fire chief. That the agency doesn't need to know their health information.

Mr. Miller state that Jones Creek is ready to move forward. Tiki Island is still in the process of learning how to grants for the buyback. Henrietta is waiting on their city council for final approval. Upshur County ESD 1 were provide a presentation on May 13th to departments and ESD and that Upshur is almost fully onboard. Williams County ESD 10 requested the paperwork to start the onboarding process and then Randall County ESD will be adding four more departments by September.

Mr. Miller provided information regarding department site visits update. The performance measures require to visit at least 48 departments. He has visited 24 departments so far this year and he has 24 more to go for June, July and August.

No Action was taken regarding the agenda item.

B. Department Annual Reports

Scott Miller, Director of Compliance and Marketing, presented the Department Annual Reports. Mr. Miller stated that 90% of departments have submitted their Annual Report on time. He wanted to thank TESRS Staff Employees Brent, Tiara and Cassandra for their efforts in working with the departments. Mr. Miller said that there are seven departments that they are still waiting on and plan to visit with them. Mr. Miller informed the board that these departments are same ones that we previously had issues with and that we do coordinate with TESRS Staff Employee Ely to give these departments administrative penalty fee of \$500.00 for not having their reports in time. Ely tracks this information and makes sure that we collect that fee. It was asked by the board if there was a rule in place stating that these can department can be basically taken over by the Executive Director to manage. Mr. Miller answered yes, the Executive Director can manage these repeat department offenders, but Executive Director doesn't want to go that route if needed. There is also additional penalty of \$2,500 that comes with it.

Mr. Miller report that he is currently working with 40 department local boards that have not submitted their 602A forms. As of today, the numbers have improved by seven or eight departments submitted their forms.

Mr. Miller stated a possible process improvement after reviewing agency rules. They are looking into opening annual reports the first of January each year and review the submission of authorized users process.

No Action was taken regarding the agenda item.

C. Texas Panhandle Wildfire Investigation Report

Scott Miller, Director of Compliance and Marketing, presented the Texas Panhandle Wildfire Investigation Report. Mr. Miller stated that this was his first time attending a committee hearing and it was eye opening to the process. Mr. Miller talked about the investigative inquires. lost due to wildfires and the summary and findings of this investigation. One topic that stood out for TESRS was regarding reimbursement to volunteer firefighters for training related expense and that SFFM is questioning volunteer requirements to be in TESRS stating only 10% of VFD meet this requirement. That SFFM president wants to work with TESRS on working on the tuition reimbursement language.

No Action was taken regarding the agenda item.

D. State Firefighters' & Fire Marshalls' Association of Texas (SFFMA) Conference

Scott Miller, Director of Compliance and Marketing, presented the State Firefighters' & Fire Marshalls' Association of Texas (SFFMA) Conference. That TESRS staff will be attending this event and didn't know if trustee's member will be attending. Trustee's Keenan, Glaves and Ryalls said they will attend the event and will help out at the booth.

No Action was taken regarding the agenda item.

12) Executive Director Report

A. Contract Solicitation Update

Krystyn Garcia, Contract Manager, presented update on FY25 Contract Solicitations. Ms. Garcia stated that Investment Master Custodian Services solicitation was submitted to Statewide Purchasing Division (SPD) for review on May 6, 2024 and Planned Issuance Date of June 6, 2024. She stated that we are currently awaiting approval from SPD. Ms. Garcia stated that the Outside Legal Counsel for Investments RFP has been drafted and a kick-off meeting with the Administration and Actuarial Committee will be scheduled. Ms. Garcia stated that the Outside Legal Counsel for Employee Benefits RFP has been drafted and a kick off meeting with the Administration and Actuarial Committee will be scheduled. Ms. Garcia stated that the Investment Accounting and Financial Reporting solicitation was submitted to SPD for review on May 9, 2024 and Planned Issuance Date of June 6, 2024. She stated that we are currently awaiting approval from SPD. Ms. Garcia stated that she will be working on an internal calendar for the contract solicitation process. A trustee member wanted to clarification that outside counsel was with Jackson Walker for employee benefits and for investments was someone else. Everyone informed the trustee that Jackson Walker was outside counsel for investment. That Jackson Walker covers both employee benefits and investments, but it can be two different counsel. That is the reason we have two separate contracts for employee benefits and investment from Jackson Walker incase we choose a different vendor.

Ms. Garcia wanted to inform the trustees about non-disclosure agreements forms (NDA) that they have been receiving. She wanted to inform trustees that according to purchasing policy anyone within the agency that has access or is a part of the solicitation certification. Would have to sign an NDA for each solicitation that we are presenting.

No Action was taken regarding the agenda item.

B. Personnel Updates

Jessica O'Brien, Executive Director, informed the board of trustee that agency will be posting a position for a data technology officer and is currently reviewing what this role would be doing. Ms. O'Brien also stated that they are looking into posting a position for a benefit specialist, but is currently waiting on L Lauterbach to see if we have the budget for the position.

No Action was taken regarding the agenda item.

C. 2025 Legislative Updates

Jessica O'Brien, Executive Director, reported that Michael Villanueva, Executive Assistant, has put together a database of excel files that include the Texas State Representative, State Senators, and everyone listed in slide. This will help turn to leadership for any discussion that the agency may have.

No Action was taken regarding the agenda item.

I. Baseline Reconciliation Report

Jessica O'Brien, Executive Director, report that the agency has submitted the Baseline Reconciliation Report and making sure House Bill 1 is in line with the budget.

No Action was taken regarding the agenda item.

II. 2025 – 2029 Strategic Plan Review

Jessica O'Brien, Executive Director, explained that she and Scott Miller, Director of Compliance & Marketing, had gone through the strategic plan for the agency. Basic strategic plan matters with performance measures was emailed to trustees earlier this week. Ms. O'Brien asked the trustees if they had any questions or suggestion, if not she would like to move forward and request a motion to submit the strategic plan.

Trustee Graves made the motion to approve the 2025 – 2029 Strategic Plan as presented. The motion was second by Secretary Keenan and unanimously passed by the board.

III. Legislative Appropriations Report (LAR)

Jessica O'Brien, Executive Director, presented information regarding the next Legislative Appropriations Report (LAR). That agency will start the process of completing the LAR, but are waiting for instructions to come in on June 1st. Ms. O'Brien stated that if anyone had suggestions, please notify her or Scott Miller.

No Action was taken regarding the agenda item.

13) Board Education and Training Opportunities

Jessica O'Brien, Executive Director, presented information that was provided from Michael Villanueva, Executive Assistant regarding upcoming conference or training opportunities for the board to attend. The trustees asked TESRS staff will attend the SFFMA conference and Texas Annual Fire Training School. Ms. O'Brien stated that some staff will be in attendance.

- A. State Firefighters' & Fire Marshals' Association of Texas (SFFMA) Conference in San Marcos, Texas on June 27 – 30, 2024.**
- B. Texas Annual Fire Training School – Municipal Fire School in College, Texas on July 7 – 12, 2024.**
- C. TEXPERS 2024 Summer Educational Forum in San Antonio, Texas on August 18 – 20, 2024.**

No Motion was taken on these agenda item.

14) Proposed Board Meeting Dates, Locations and Agenda Items

Jessica O'Brien, Executive Director, remind the trustees the next board meeting is on August 29, 2024. Ms. O'Brien had proposed the following next board meeting dates:

- November 14, 2024 or November 21, 2024
- February 13, 2024 or February 20, 2024

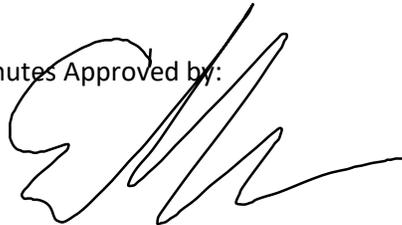
The board members agreed for November 21, 2024 and February 13, 2025.

No Motion was taken on these agenda item.

15) Adjourn

Vice-Chair Romero called for a motion to adjourn at 12:28 p.m. The motion was made by Trustee Glaves and second motion by Secretary Keenan, and unanimously passed by the board.

Minutes Approved by:



Edward Keenan, Secretary

08/29/2024

Date