

Texas Emergency Services Retirement System
Board Meeting Minutes
August 18, 2020 8:30 a.m.
Virtual Meeting Only, No Physical Location

Members Present via Teleconference:

Jenny Moore, Chairman
Pilar Rodriguez, Vice-Chairman
Courtney Gibson Bechtol, Secretary
Nathan Douglas, Trustee
Matt Graves, Trustee
Ed Keenan, Trustee
Jerry Romero, Trustee
Rod Ryalls, Trustee
Stephanie Wagner, Trustee

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
Scott Miller, Business Development, TESRS
Wayne Oberhoff, CPA, Chief Financial Officer, TESRS
Chana Kramer, Staff Services Officer, CTCD, CTCM, TESRS
David Gordon, Assistant Attorney General
Jonathan D. Breth, CFP, AndCo Consulting, L.L.C.
Mark Fenlaw, F.S.A., Rudd and Wisdom, Inc.
Rebecca Morris, A.S.A., Rudd and Wisdom, Inc.
Brandon Fuller, F.S.A., Rudd and Wisdom, Inc.

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

1. Roll Call

Chana Kramer, Staff Services Officer, called the roll. Nine trustees were present. No trustees were absent. Chairman Moore announced that a quorum of the Board was present.

Chairman Moore explained that due to safety concerns related to COVID-19, the meeting would be virtual. Chairman Moore further explained that for clarity, voting would be done by roll call.

2. Invitation for Public Comment

Chairman Moore called for public comment. No public comments were made.
No action was taken regarding this agenda item.

3. Approval of Minutes for August 11, 2020

Secretary Bechtol moved to adopt the minutes as presented, the motion was seconded by Trustee Wagner and passed unanimously by the board.

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Board Members	Vote
Pilar Rodriguez	Yay
Courtney Bechtol	Yay
Nathan Douglas	Yay
Matt Graves	Yay
Edward Keenan	Yay
Jerry Romero	Yay
Rodney Ryalls	Yay
Stephanie Wagner	Yay

4. Actuarial Experience Study - Discussion and Possible Action

Mark Fenlaw, F.S.A., Rudd and Wisdom, Inc., Brandon Fuller, F.S.A., Rudd and Wisdom, Inc., and Rebecca Morris, A.S.A., Rudd and Wisdom, Inc. presented their report entitled *Texas Emergency Services Retirement System 2020 Experience Study and Review of Assumptions*. Mr. Fenlaw advised that he and his team would be providing the Board with a summary presentation of key assumptions.

Mr. Fenlaw explained that the study had been conducted in order to determine whether the assumptions used in the FY 2018 actuarial valuation should be adjusted to reflect recent experience and to recommend the assumptions for the August 31, 2020 actuarial valuation of the System.

Mr. Fenlaw further explained that actual plan experience over the six-year period from August 31, 2012 to August 31, 2018 has been studied in order to evaluate the following assumptions:

- Retirement Rates
- Termination Rates
- Disability Rates
- Deferred Benefit Commencement
- Marital Status at Benefit Commencement

In addition to the review of actual plan experience, Mr. Fenlaw explained that the review of the investment return assumption examined four elements of the building block analytical approach:

- 1) the asset allocation by investment class,
- 2) the gross annual real rate of investment return assumption for each investment class,
- 3) the estimated annual rate of investment expenses for each investment manager, and
- 4) the assumed annual rate of price inflation.

Mr. Fuller, Ms. Morris, and Mr. Fenlaw described the methodology of analysis for evaluating each of the assumptions as well as recommendations for assumption changes, and the impact of accepting the recommended assumption changes.

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Assumption	Recommendation
Investment Return	Lower rate from 7.75% to 7.5%
Retirement Rates	Change retirement rates to reflect experience (minor adjustments)
Termination Rates	Increase termination rates to reflect experience of higher termination rates
Disability Rates	Reduce to 55% of current assumed rates
Mortality Rates	Update to new PubS-2010 below-median income mortality projected generationally with MP-2019 (longer life expectancies) and reduce the rate of on-duty deaths
Deferred Benefit Commencement	Increase from age 56 to age 58
Marital Status	Change assumed married at benefit commencement to 90% of males and 50% of females, with males two years older than their spouse (all minor adjustments)

5. Adoption of Actuarial Assumptions - Discussion and Possible Action

Vice-Chairman Rodriguez advised that there was a consensus from the Administrative and Actuarial committee that all recommendations that were generated by the experience study be presented to the full Board for consideration, and the committee had no objections.

Vice-Chairman Rodriguez made a motion to adopt all the actuarial assumptions as identified in Section 4 of the experience study as recommended by Rudd and Wisdom, the motion was seconded by Trustee Keenan and was passed unanimously by the Board.

Board Members	Vote
Pilar Rodriguez	Yay
Courtney Bechtol	Yay
Nathan Douglas	Yay
Matt Glaves	Yay
Edward Keenan	Yay
Jerry Romero	Yay
Rodney Ryalls	Yay
Stephanie Wagner	Yay

6. Written Investment Policy - Discussion and Possible Action

Chairman Moore advised that TESRS staff is recommending two changes to the investment policy statement: the lowering of the assumed rate of return to 7.5%; and clarifying that the investment consultant serves as a fiduciary to the System.

Jonathan D. Breth, CFP, AndCo Consulting, L.L.C. recommended making both changes to the written investment policy. He explained that assumed rate of return target in the investment policy needed to reflect the assumed rate of return that was adopted during

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Agenda Item 5.

Mr. Breth explained to the Board that AndCo has always served as a fiduciary to the System, and he agreed with the proposed amendment to the investment policy clarifying responsibilities of the investment consultant.

Secretary Bechtol moved to adopt the staff recommendation to amend the investment policy statement as presented, the motion was seconded by Trustee Keenan and passed unanimously by the Board.

Board Members	Vote
Pilar Rodriguez	Yay
Courtney Bechtol	Yay
Nathan Douglas	Yay
Matt Graves	Yay
Edward Keenan	Yay
Jerry Romero	Yay
Rodney Ryalls	Yay
Stephanie Wagner	Yay

7. Audit Services Agreement Award– Discussion and Possible Action

Chairman Moore advised that the Board's contract with its auditor is due to expire August 31, 2020. A Request for Qualifications was issued on January 30, 2020, that resulted in one firm submitting a proposal. The Board authorized staff at the March 10, 2020 meeting to negotiate an agreement with Weaver and Tidwell L.L.P for external audit services and report back with a recommendation.

Chairman Moore explained that the proposed contract with Weaver and Tidwell, L.L.P, has an initial term of September 1, 2020 through August 31, 2023 and would cover both financial statement audits and GASB 67 and 68 opinions for fiscal years 2020, 2021 and 2022.

Wayne Oberhoff, CPA, Chief Financial Officer, TESRS, presented his memorandum entitled *Professional Audit Services Contract, Weaver and Tidwell L.L.P.* Mr. Oberhoff provided an overview of the contract terms and recommended that the Board execute the contract.

Vice-Chairman Rodriguez made a motion to authorize staff to execute the Audit Services Agreement with Weaver and Tidwell L.L.P as presented for a three-year term in an amount not to exceed \$92,000. The motion was seconded by Trustee Romero and was passed unanimously by the Board.

Board Members	Vote
Pilar Rodriguez	Yay
Courtney Bechtol	Yay
Nathan Douglas	Yay
Matt Graves	Yay
Edward Keenan	Yay

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Jerry Romero	Yay
Rodney Ryalls	Yay
Stephanie Wagner	Yay

8. FY 2021 Non-Appropriated Fund Budget - Discussion and Possible Action

Mr. Oberhoff presented his report entitled *Texas Emergency Services Retirement System Proposed Non-Appropriated Fund Budget for FY 2021*. He provided an overview of the proposed budget for fiscal year 2021 including contractual obligations, training fees, investment consulting, and Board travel.

Vice-Chairman Rodriguez moved to adopt the FY 2021 Board budget as presented in an amount not to exceed \$472,025, the motion was seconded by Trustee Keenan and was passed unanimously by the Board.

Board Members	Vote
Pilar Rodriguez	Yay
Courtney Bechtol	Yay
Nathan Douglas	Yay
Matt Graves	Yay
Edward Keenan	Yay
Jerry Romero	Yay
Rodney Ryalls	Yay
Stephanie Wagner	Yay

Mr. Oberhoff provided an overview of cash drawdown authority and projected cash needs for FY 2021 as described in his memorandum entitled *Cash Drawdown Request*.

Vice-Chairman Rodriguez made a motion, in recognition of the financial obligations of the system during FY 2021, to authorize the CFO to work with the investment consultant to drawdown additional funds as needed in an amount not to exceed \$3.1 million. The motion was seconded by Trustee Keenan, and passed unanimously by the Board.

Board Members	Vote
Pilar Rodriguez	Yay
Courtney Bechtol	Yay
Nathan Douglas	Yay
Matt Graves	Yay
Edward Keenan	Yay
Jerry Romero	Yay
Rodney Ryalls	Yay
Stephanie Wagner	Yay

9. Legislative Appropriation Request - Discussion and Possible Action

Kevin Deiters, Executive Director, advised that the instructions for the Legislative Appropriation Request had not yet been issued by the Legislative Budget Board. Chairman Moore announced that after the instructions have been issued, and a draft has been created, the Board would convene in order to approve the Legislative Appropriation

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Request.

No action taken regarding this agenda item.

10. Executive Director's Report on Administrative and Financial Activities of the System

Mr. Deiters presented his report entitled *Executive Director's Report on System Administration August 18, 2020*. The report covered required trustee training, current staff projects, benefit payments and contribution revenue, and an overview of System statistics.

No action taken regarding this agenda item.

11. Election of Board Officers– Discussion and Possible Action

Trustee Keenan nominated Jenny Moore to serve as Chairman, the motion was seconded by Pilar Rodriguez, and was passed by acclamation.

Trustee Keenan nominated Pilar Rodriguez to serve as Vice-Chairman, the motion was seconded by Trustee Glaves and was passed by acclamation.

Trustee Wagner nominated Courtney Bechtol to serve as Secretary, the motion was seconded by Trustee Romero and was passed by acclamation.

12. Appointment of Committee Members– Discussion and Possible Action

Chairman Moore announced the following committee appointments:

Administrative and Actuarial Committee

- Pilar Rodriguez (Chairman)
- Ed Keenan
- Jenny Moore

Legislative and Rules Committee

- Rod Ryalls (Chairman)
- Nathan Douglas
- Matt Glaves

Investment Committee

- Courtney Bechtol (Chairman)
- Stephanie Wagner
- Jerry Romero

No action taken regarding this agenda item.

13. Request for Future Agenda Items and Meeting Dates

Chairman Moore advised that the next Board meeting will be tentatively scheduled for December 1, 2020 and would be held virtually.

Mr. Deiters advised that agenda items for upcoming meetings should include the annual

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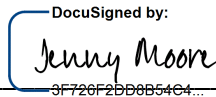
financial report, the results of the actuarial valuation, quarterly investment reporting and consideration of required training hours for members during COVID-19.

14. Adjourn

Chairman Moore requested a motion to adjourn at 10:33 a.m.

Secretary Bechtol made a motion to adjourn the meeting, the motion was seconded by Trustee Romero and was passed unanimously by the Board.

Minutes Approved by:

DocuSigned by:

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Jenny Moore, Chairman

9/24/2020 | 16:09:05 PDT

Date: