

**Texas Emergency Services Retirement System
Board Meeting Minutes
May 24, 2018 8:30 a.m.**

Hyatt Place Austin Airport, 9532 Spirit of Austin Lane, Austin, TX 78719

Members Present:

Jenny Moore, Vice-Chair
Ron Larson, Secretary
Dan Key, Trustee
Don Shipman, Trustee
Steve Williams, Trustee
Taylor Allen, Trustee
Pilar Rodriguez, Trustee

Members Absent:

Frank Torres, Chairman
Courtney Gibson Bechtol, Trustee

Staff and Other Present

Kevin Deiters, Executive Director, TESRS
Judy Johnson, Chief Financial Officer, CPA, TESRS
Shirley Hays, Contract Manager, CTCM, TESRS
William Langford, Marketing Specialist, TESRS
Jessica O'Brien, Data and Technology Officer, TESRS
Charles Bray, Clerk III, TESRS
David Gordon, Assistant Attorney General
Jonathan D. Breth, CFP, AndCo Consulting, LLC
Mark Fenlaw, F.S.A., Rudd & Wisdom
Rebecca Morris, Rudd & Wisdom
Jerry Malott, Loblolly Consulting
Jeff Schmitt, Loblolly Consulting
Ty Wray, Loblolly Consulting
Brad Dunn, Verizon
Gary Gennarelli, Verizon
Juan Valencia, Verizon
Bryan Guinn, Denim Group
Matt Snider, Denim Group
Adam McCane, Weaver and Tidwell, LLC
Chuck Campbell, Jackson Walker, LLP
Alyca Riley, Jackson Walker, LLP

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Vice-Chair Moore called the meeting to order at 8:33 a.m.

1. Roll Call of Board Members

Secretary Larson called the roll and announced that a quorum of the Board was present. Seven trustees were present. Chairman Torres and Trustee Bechtol were absent.

2. Invitation for Public Comment – Discussion and Possible Action

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

3. Approval of Minutes for March 8, 2018

Trustee Shipman made the motion to adopt the minutes of the meeting of March 8, 2018. The motion was seconded by Trustee Key and unanimously passed by the Board.

4. Public Information Act Compliance for Public Retirement Systems – Report from the Attorney General’s Office

Mr. Gordon of the Office of the Attorney General presented a report entitled *Public Information Act Provisions for Public Retirement Systems*. Government Code, Title 5. Open Government; Ethics Subtitle A, Open Government Chapter 552. Public Information Subchapter A. General Provisions.

No action was taken regarding this agenda item.

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

A. Investment Performance Report for the Quarter Ending March 31, 2018

B. Investment Manager Watch List Report

C. Tactical Asset Allocation Overview – Discussion and Possible Action

D. Investment Policy and Asset Allocation

Jonathan D. Breth, CFP, AndCo Consulting, LLC, presented his report entitled *Texas Emergency Services Retirement System Investment Performance – Period Ending March 31, 2018*. He provided an overview of the capital markets, the economy, and TESRS investment performance during the first quarter of 2018.

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As of March 31, 2018, the total assets were \$108.34 million. The net return for the quarter was 0.39%, which exceeded the Policy Index of -1.32%. Over the past twelve months, the Fund's net return was 12.26%. The asset allocation as of December 31, 2017 was:

• International Equities	\$24.92 million	23.0 %
• Domestic Equities	\$54.58 million	50.4 %
• Fixed Equities	\$25.05 million	23.1 %
• Alternatives Equities	\$3.77 million	3.5 %

Secretary Larson made a motion based upon the recommendation of the investment consultant, to remove Harvest MLP from the Watch List. The motion was seconded by Trustee Allen and unanimously passed by the board.

Trustee Allen made a motion to authorize the investment consultant, under the supervision of the Investment Committee, to invite two tactical asset allocation managers to present to the Board at the August meeting. The motion was seconded by Trustee Shipman and unanimously passed by the Board.

No action was taken regarding asset allocation because the asset allocation was within range of the target allocation.

6. 2018 Actuarial Valuation Assumptions – Discussion and Possible Action

Mr. Fenlaw provided the Board with an overview of the 2018 actuarial valuation assumptions and his recommendations for the actuarial methods and assumptions for the August 31, 2018 valuation as outlined in his letter of May 18, 2018, to the TESRS Board of Trustees.

Trustee Williams made a motion based upon the recommendation of the system actuary, to utilize the same actuarial assumptions and methods used for the 2016 actuarial valuation for the 2018 actuarial valuation. The motion was seconded by Trustee Key and unanimously passed by the Board.

7. Information Management Systems Security Consultant Interviews – Discussion and Possible Action

Jerry Malotte, Jeff Schmidt and Ty Octavius Wray made a presentation on behalf of Loblolly Consulting and its proposal to provide cyber-security consulting services to the to the Board. The presentation provided an overview of the firm, a proposed security governance framework; a proposed beginning governance and operating plan, and a cost estimate.

Brad Dunn, Gary Gennarelli and Juan Valencia made a presentation on behalf of Verizon and its proposal to provide cyber-security consulting services to the Board. The presentation provided

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an overview of the firm and the security services provided by the firm; and its proposal to advise the Board regarding governance, risk, and compliance.

Bryan Guinn and Matt Snider made a presentation on behalf of Denim Group and its proposal to provide cyber-security consulting services to the Board. The presentation provided an overview of the firm and its proposal to advise the Board regarding cyber-security education; risk assessment and governance.

No action was taken regarding this agenda item.

8. Authority to Issue a Request for Qualifications for Accounting Services – Discussion and Possible Action

Trustee Williams made a motion to authorize the executive director, under the supervision of the Administrative Committee, to issue a request for qualifications for accounting services and to extend invitations to qualified firms to present at the August meeting.

The motion was seconded by Secretary Larson and unanimously passed by the Board.

9. Authority to Renew the Custodian Contract with the Bank of Texas – Discussion and Possible Action

Mr. Deiters presented to the board a memorandum dated May 14, 2018 entitled *Bank of Texas Renewal for Custodian Contract with BOK Financial, NA dba Bank of Texas*.

He advised the Board that the custodian contract with the Bank of Texas expires on August 31, 2018 and he recommended to the board that it renew the contract for a one-year term beginning September 1, 2018 under the current fee schedule. Mr. Deiters stated that the Bank of Texas has agreed in principle to the renewal.

Secretary Larson made a motion to renew the custodian contract with the Bank of Texas for a one-year term effective September 1, 2018 as presented today and to authorize the executive director to take any and all action necessary to execute the contract.

The motion was seconded by Trustee Williams and unanimously passed by the Board.

10. FY 2018 Cash Management Procedures – Discussion and Possible Action

Ms. Johnson presented a memorandum dated May 22, 2018 to the Board entitled *Cash Management Procedures* to request for additional cash drawdown authority.

Trustee Rodriguez made a motion, in recognition of the financial obligations of the system during fiscal year 2018, to increase the cash drawdown authority from \$1.5 million to \$1.7 million.

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The motion was seconded by Trustee Shipman and unanimously passed by the Board.

11. Non-Appropriated Budget for the Period Ending April 30, 2018 – Discussion and Possible Action

Ms. Johnson provided an overview of her report entitled *Texas Emergency Services Retirement System Non-Appropriated Fund Budget for FY2018 Cash Basis Expenditures as of April 30, 2018*.

No action was taken regarding this agenda item.

12. Executive Director's Report on System Administrative and Financial Activities for the Period Ending April 30, 2018

Mr. Deiters report to the Board regarding the operations of the agency during the third quarter of FY 2018. His report included an overview of the FY 2018 Appropriated Fund Budget, benefit payments and contribution revenue, and other statistics.

No action was taken regarding this agenda item.

13. Agency State Strategic Plan 2019-2024 – Discussion and Possible Action

Mr. Deiters provided an overview of the draft Texas Emergency Services Retirement System Strategic Plan for 2019-2024.

Trustee Shipman made a motion to authorize the executive director, under the authority of Planning Committee, to submit the Agency strategic plan as required by state law.

The motion was seconded by Trustee Williams and unanimously passed by the Board.

14. Board Educational Opportunities – Discussion and Possible Action

Trustee Shipman made a motion authorizing Board members to attend the TexPers Conference in August.

The motion was seconded by Secretary Larson and unanimously passed by the Board.

15. Request for Future Agenda Items and Meeting Dates

Vice-Chair Moore announced that the next meeting will take place in Austin and the office will contact the board to schedule the meeting.

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16. Adjourn

Trustee Shipman requested a motion to adjourn at 2:50 p.m.
The motion was seconded by Trustee Key and passed unanimously.

Minutes Approved By:

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Ron Larson
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7/24/2018 | 09:48:44 CDT

Ron Larson, Secretary

Date:
