

**Texas Emergency Services Retirement System**

Board Meeting Minutes

August 18, 2022 8:00 a.m.

Hyatt Place Austin Airport – Longhorn Room

9532 Spirit of Austin Ln., Austin, TX 78719

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**Members Present:**

Pilar Rodriguez, Vice Chairman

Jerry Romero, Secretary

Matt Glaves, Trustee

Rod Ryalls, Trustee

Edward Keenan, Trustee

Stephanie Wagner, Trustee

Brian Smith, Trustee

Nathan Douglas, Trustee

**Members Absent:**

Jenny Moore, Chairman

**Staff and Others Present:**

David Tropea, CPA, Interim Executive Director, TESRS

Jessica O'Brien, Data & Technology Officer, TESRS

Chana Kramer, Contract Specialist, CTCD, CTCM, TESRS

Scott Miller, Business Development, TESRS

Cassandra Davis, CTCD, CTCM, Staff Services Officer, TESRS

Tiffany White

Jonathan D Breth, CFP, AndCo Consulting LLC

Marcia Beard, RVK, INC

David Gullen, CFA, CAIA, Boston Partners

Rosalind Hunt, Assistant Attorney General

Vice-Chairman Rodriguez called the meeting to order at 8:06 a.m.

**1. Roll Call and Excuse of Board Member Absences**

Cassandra Davis, Staff Services Officer, called the roll. Seven board members were present. Vice-Chairman Rodriguez and Trustee Wagner were absent. Vice-Chairman Rodriguez announced that a quorum of the board was present.

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

<b>Board Members</b>	<b>Vote</b>
Jerry Romero	Yay
Matt Glaves	Yay
Rod Ryalls	Yay

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Edward Keenan	Yay
Nathan Douglas	Yay
Brian Smith	Yay

**2. Invitation for Public Comment**

Vice-Chairman Rodriguez called for public comment. No public comments were made.

No action was taken on this agenda item.

**3. Approval of Minutes for May 19th, 2022**

Trustee Glaves moved to adopt the minutes for May 19th, 2022 as presented. The motion was seconded by Secretary Romero and unanimously passed by the board.

<b>Board Members</b>	<b>Vote</b>
Jerry Romero	Yay
Matt Glaves	Yay
Rod Ryalls	Yay
Edward Keenan	Yay
Nathan Douglas	Yay
Brian Smith	Yay

Trustee Wagner joined the meeting at 8:16.

Vice-Chairman Rodriguez moved out of order to agenda item 5.

**5. Investment Consultant Report on Investment Performance**

- A. Investment Performance Report for Quarter Ending June 30, 2022**
- B. Investment Watch List**
- C. Written Investment Policy and Asset Allocation**

Jon Breth, CFP, AndCo Consulting LLC, presented his report entitled *Investment Performance Review Period ending June 30, 2022*. Mr. Breth began by announcing that AndCo had been awarded the Greenwich Quality Leader award for midsize consulting firms. His report then included an overview of the market environment and economy for Q2 2022, domestic and international equities, fixed income, and market themes. Mr. Breth also provided an overview of the system's asset allocations and then went on to summarize the performance of each of the system's money managers.

Mr. Breth explained that fixed income struggled over the quarter and described the performance issues that Jackson Square has been experiencing, but said that he felt that they were likely set up for long term returns.

Secretary Romero moved, based on the recommendation of the investment consultant, that the board maintain Allspring Emerging Markets on the watch list. The motion was seconded by

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Trustee Keenan and unanimously passed by the board.

Asset Class	Amount	Percent
Domestic Equities	\$35,625,794	29.8%
International Equities	\$20,060,383	16.8%
Fixed Income	\$38,397,486	32.1%
US Core Real Estate	\$14,721,488	12.3%
Multi-Asset Investments	\$4,727,709	3.9%
Global Infrastructure	\$5,353,496	4.5%
Money Market	\$799,492	.6%
<b>Total</b>	<b>\$119,685,847</b>	<b>100.0%</b>

See page 15 of Texas Emergency Services Retirement System Investment Performance-Period ending June 30, 2022.

Comparative Performance	QTR	FYTD	YTD	1 YR	3 YR	5 YR	7 YR	Inception
Total Retirement System	-9.64	14.56%	-14.75%	-13.80%	3.77%	5.42%	4.98%	6.14%
Total Fund Policy	-10.16%	-12.83%	-14.22%	-11.25%	3.37%	4.94%	5.19%	7.01%
<b>Difference</b>	0.52	-1.73%	-0.53%	-2.55%	0.40%	0.48%	-0.21%	-0.87%

See page 17 of Texas Emergency Services Retirement System Investment Performance-Period ending June 30, 2022.

Board Members	Vote
Jerry Romero	Yay
Matt Glaves	Yay
Rod Ryalls	Yay
Edward Keenan	Yay
Nathan Douglas	Yay
Brian Smith	Yay
Stephanie Wagner	Yay

Secretary Romero moved, based on the recommendation of the investment consultant, that the investment committee conduct a peer review of the Allspring strategy and report their findings to the board, the motion was seconded by Trustee Glaves and pass unanimously by the board.

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<b>Board Members</b>	<b>Vote</b>
Jerry Romero	Yay
Matt Glaves	Yay
Rod Ryalls	Yay
Edward Keenan	Yay
Nathan Douglas	Yay
Brian Smith	Yay
Stephanie Wagner	Yay

Vice-Chairman Rodriguez moved out of order to agenda item 4.

#### **4. Domestic Equity Fund Manager Presentations**

##### **A. Boston Partners-David Gullen**

Jon Breth explained that it is important for the board to receive periodic updates from their money managers, and introduced David Gullen, CFA, CAIA, from Boston Partners in order to provide such an update. Mr. Gullen presented his report entitled *Large Cap Value-Prepared for Texas Emergency Services Retirement System*. Mr. Gullen's report covered the Boston Partners team, stock selection process, investment performance and an overview of portfolio holdings and positioning.

No action was taken on this agenda item.

The board reconvened at 9:23 A.M. after a brief break.

Vice-Chairman Rodriguez moved to Agenda Item 6.

#### **6. Chief Financial Officer's Budget Report**

##### **A. FY2022 Non-Appropriated Budget and Expenditures**

##### **B. FY2022 Appropriated Budget and Expenditures**

##### **C. Legislative Appropriations Request Update**

David Tropea, CPA, Interim Executive Director, presented his handout entitled *FY2022 Non-Appropriated Budget and Expenditures*. Mr. Tropea's handout covered budget line item updates for FY2022 expenses recorded through July 2022. He advised that not all expenses had been recorded for the fiscal year, but that he anticipated that all outstanding invoices and expenses would be reconciled before the end of the year and that all non-appropriated expenses would be recorded in the proper period.

In response to a question from Secretary Romero, Mr. Tropea noted that invoices for the TOL database enhancements had not yet been submitted by the vendor, but were expected to come in soon.

Mr. Tropea then presented his handout entitled *Appropriated Fund Budget for FY 2022*. He explained that the handout detailed expenses related to the administration of the

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pension fund that had been recorded through July 2022.

In response to a question from Trustee Ryalls, Mr. Tropea explained that the other personnel cost line item included longevity pay, one-time merit expenses and other employee salary supplements.

Secretary Romero requested that a separate line item be created for the marketing and recruiting related travel. He stated that a greater level of budgeting detail would be a resource for the marketing specialist. Trustee Graves added that more tools were needed in order to recruit new departments.

Mr. Tropea then moved on to provide a legislative appropriations request update. He advised that the budget for 2024 and 2025 had been submitted and would be presented to committees in September. He described the purpose of the report and advised that it would be presented at the December meeting.

No action was taken on this agenda item.

## **7. Interim Executive Director's Report on System Activity**

David Tropea presented his report entitled *Executive Director's Report August 18, 2022*. His report included an overview of pension system activity as well as recruiting and technical assistance. Mr. Tropea described how many applications had been processed for February 2022 through July 2022 as well as the average application processing time. He then went on to provide data for the number of active members, payees, total benefits paid and the monthly average of benefit payments.

In response to questions from Vice-Chairman Rodriguez and Trustee Graves, Mr. Tropea explained specific issues that contributed to months with higher than average total benefits paid and average application processing time.

Mr. Tropea then moved on to describe the number and type of transactions completed by department online users.

Trustee Ryalls noted that he would like to see more detail in the termination transaction type. He explained that he feels that there is value in knowing the member's status at the time of termination.

Mr. Tropea then called on Scott Miller, Business Development, to provide an overview of his recruiting efforts. Mr. Miller listed the departments that he had met with over the quarter that were interested in joining the system. He then provided the board with a list of the on-site visits that he had made during the 4<sup>th</sup> quarter of FY2022.

No action was taken on this agenda item.

## **8. Update on Board Strategic Planning Activities**

Scott Miller, Business Development, presented his handout entitled *Texas Emergency Services Retirement System Strategic Planning Update* to describe the action taken to address the goals discussed at the strategic planning retreat that was held in April. He explained that special projects had been organized to address goals identified by the board in order to:

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- Increase membership
- Create a Marketing and Branding Plan
- Build a Legislative Relationship

Trustee Ryalls briefly described the structure and purpose of the proposed outreach committee and explained how it could assist Mr. Miller with his recruitment efforts. Trustee Graves added that it would be helpful to have individuals across Texas able to champion the system.

Mr. Miller advised that due to staff turnover, there hadn't been much progress made by the marketing and branding group, but that they would refocus after a new Executive Director was hired.

Mr. Miller then asked Jessica O'Brien, Data & Technology Officer, to provide an update for the Legislative Relationship group. Ms. Obrien explained that she had collected a lot of data and that she had created a spreadsheet that details the leadership for each participating department, including senators, committee members, and appointees.

Secretary Romero noted that the goals of the group included identifying current oversight committee members by jurisdiction, providing board members with contact information for the officials in their region, and also to identify secondary elected officials within communities.

Trustee Ryalls noted that Legislative Day in March would be a good opportunity to start making connections.

No action was taken on this agenda item.

Vice-Chairman Rodriguez moved out of order to Agenda item 11.

## **11. Presentation of Investment Practices and Performance Evaluation Report**

Marcia Beard, RVK INC, presented her handout entitled *Executive Summary Evaluation of Investment Practices and Performance*. Ms. Beard explained that the full report was also included in the board materials, but she would focus her presentation on the executive summary document. She briefly described her firm and explained how RVK INC is uniquely qualified to perform this type of evaluation. She explained that no major concerns were discovered, but that there were opportunities to provide clarity in some of the system's processes.

Ms. Beard made the following recommendations:

### Recommendations for the Board's Investment Policy Statement

- The addition of a statement to remind the reader that the overall general objective is to provide promised benefits to its members and their beneficiaries in a timely, effective, and efficient manner.
- The addition of a schedule for completing asset/liability studies, at least every 7 years or as needed, would be appropriate.
- The addition of an introductory statement reminding the reader that the Board is

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ultimately responsible for the administration of the System and its investment program. Also consider clarifying that the Board hires the Executive Director, investment consultants, and custodian.

- The addition of the responsibility of the Investment Committee to provide regular reports to the Board documenting their meetings and the process taken for the recommendations made to the Board.
- The addition of a responsibility of the Executive Director is to provide concise documentation of the actions taken during the quarter to implement the Board's investment decisions that add clarity and provide confirmation of the action taken.
- The addition of a formalized rebalancing process to the IPS.
- A Board discussion and IPS clarification regarding measurement period for performance monitoring as well as clarifying whether the performance being monitored is net or gross of fees.
- An edit made to reference the benchmarks listed in Section XI.C. for the individual target allocations.
- The addition of a section to the IPS stating the Evaluation and Due Diligence Process for Traditional, Publicly Traded Mandates.

Recommendations for the Board's Asset Allocation

- Consideration of extending the projection period for analyzing the contribution, benefit payments, growth of corpus and the funded ratio for a more realistic picture of the long-term financial health of the System.
- Consideration of including Projected Annual Rate of Return to reach full funding in Asset/Liability studies.

Recommendations concerning Investment Fees

- Conduct an annual review of availability of fund vehicles.
- Conduct Asset Class Structure studies.

Recommendations for Governance and Board Education

- The addition of a schedule for completing asset/liability studies, at least every 7 years or as needed would be appropriate.
- The addition of the responsibility of the Investment Committee to provide regular reports to the Board documenting their meetings and the process taken for the recommendations made to the Board.
- The addition of a responsibility of the Executive Director is to provide concise documentation of the actions taken during the quarter to implement the Board's investment decisions that add clarity and provide confirmation of the action taken.
- Documentation of Investment Consultant recommendations to the Investment Committee in the form of a simple memo.

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- Consider other avenues to encourage all Board members to become compliant with mandated educational requirements.

Recommendation for Manager Selection and Monitoring

- The addition of a section to the Investment Policy Statement stating the Evaluation and Due Diligence Process for Traditional, Publicly Traded Mandates.

In response to a question from Trustee Smith, Ms. Beard advised that the amount of fees being paid are in-line for active management and when compared to peers, the fees were in the low-medium range.

No action was taken on this agenda item.

Vice-Chairman Rodriguez moved out of order to agenda item 10 and 12A.

**10. Security Assessment and Penetration Test**

Vice-Chairman Rodriguez announced that the time is 10:55 AM on August 18, 2022 and that the System would be going into closed session pursuant to Texas Government Code Section 551.089 to discuss security assessments or deployments relating to information resources technology under agenda item number 10; and Texas Government Code Section 551.074 to discuss personnel matters under agenda item numbers 12A and 12B. The System requests that all non-System members leave the room except for legal counsel.

Vice-Chairman Rodriguez announced that it is 11:54 AM on August 18, 2022 and the System is now in open session and that no action was taken in closed session.

Vice-Chairman moved out of order to item 12B.

**12. Executive Director Hiring Committee Update****A. Application Selection Process, Evaluation, and Criteria****B. Personnel matters regarding appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of the Executive Director**

Vice-Chairman Rodriguez requested that the evaluation committee make a recommendation on the hiring of TESRS Executive Director.

Secretary Romero made a motion based on the recommendation of the hiring committee, to prepare an offer for Tiffany White to be the next executive director of TESRS at a salary of \$100,000, the motion was seconded by Trustee Keenan, and was passed unanimously by the board.

Secretary Romero directed TESRS staff to perform necessary background checks to ensure that she could begin work as soon as possible.

<b>Board Members</b>	<b>Vote</b>
Jerry Romero	Yay
Matt Glaves	Yay
Rod Ryalls	Yay



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Edward Keenan	Yay
Nathan Douglas	Yay
Brian Smith	Yay
Stephanie Wagner	Yay

**9. Cybersecurity Services-CBIZ Presentations**

Vice-Chairman stated that he had directed Interim Executive Director David Tropea to postpone the cybersecurity services presentation until the December meeting when the full board would be present.

Vice-Chairman Rodriguez moved to agenda item 13

**13.Election of Board Officers**

Vice-Chairman Rodriguez noted that Jenny Moore currently serves as Chairman and Jerry Romero serves as Secretary. He then explained that Jenny Moore is holdover until she is replaced.

Secretary Romero made a motion for Pilar Rodriguez to serve as Chairman, the motion was seconded by Trustee Keenan and was passed unanimously by the board.

<b>Board Members</b>	<b>Vote</b>
Jerry Romero	Yay
Matt Glaves	Yay
Rod Ryalls	Yay
Edward Keenan	Yay
Nathan Douglas	Yay
Brian Smith	Yay
Stephanie Wagner	Yay

Trustee Douglas made a motion for Jerry Romero to serve as Vice-Chairman, the motion was seconded by Edward Keenan, and was passed unanimously by the board.

<b>Board Members</b>	<b>Vote</b>
Jerry Romero	Yay
Matt Glaves	Yay
Rod Ryalls	Yay
Edward Keenan	Yay
Nathan Douglas	Yay
Brian Smith	Yay
Stephanie Wagner	Yay

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Trustee Ryalls made a motion for Edward Keenan to serve as Secretary and the motion was passed unanimously by the board.

Board Members	Vote
Jerry Romero	Yay
Matt Glaves	Yay
Rod Ryalls	Yay
Edward Keenan	Yay
Nathan Douglas	Yay
Brian Smith	Yay
Stephanie Wagner	Yay

#### 14. Appointment of Committee Members

Vice-Chairman Rodriguez appointed Jerry Romero to serve as the chairman of the investment committee and appointed Brian Smith to serve on the committee to replace Courtney Bechtol.

No action taken on this agenda item.

#### 15. Proposed Board Meeting Dates and Agenda Items

Trustee Glaves noted that if possible, the board should meet in March during Legislative Day when the date is announced.

After discussion, tentative board meeting dates were set:

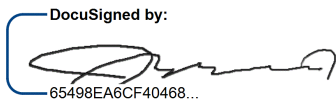
- December 8, 2022
- February 23, 2023
- May 25, 2023
- August 24, 2023

#### 16. Adjourn

Chairman Rodriguez called for a motion to adjourn at 12:06 PM.

The motion was made by Secretary Romero, seconded by Trustee Keenan and unanimously passed by the board.

Minutes Approved by:

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12/2/2022 | 17:38:28 MST

Jerry Romero, Secretary

Date