

Texas Emergency Services Retirement System

Board Meeting Minutes

November 14, 2024 8:30 a.m.

Cambria Hotel Austin Airport

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

Members Present:

Pilar Rodriguez, Chairman
Jerry Romero, Vice Chair
Edward Keenan, Secretary
Matthew Glaves, Trustee
Rod Ryalls, Trustee
Nathan Douglas, Trustee
Rupal Chaudhari, Trustee
Brian Smith, Trustee
Brad Landi, Trustee

Members Absent:

None

Staff and Others Present:

Jessica Almaguer, Executive Director, TESRS
Michael Villanueva, Executive Assistant, TESRS
Scott Miller, Director of Compliance and Marketing, TESRS
Tiara Bouldwin, Data & Technology Officer, TESRS
Juan Hawkins, Benefits Specialist, TESRS
Rosalind Hunt, Assistant Attorney General, OAG
Emily Ponte, Dennis W. Holder Scholarship Fund (Via Zoom)
Kim Bradley, CBIZ Risk & Advisory Services, LLC
George Peterson, CBIZ Risk & Advisory Services, LLC
Mark Fenlaw, Rudd & Wisdom, Inc.
Rebecca Morris, Rudd & Wisdom, Inc.
Alyca Garrison, Jackson Walker, L.L.P.
Peter Brown, Mariner Consulting L.L.C.
Lindsey Rappeport, Lauterbach & Amen, L.L.P. (Via Zoom)

Chairman Rodriguez 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. Nine board members were present. Chairman Rodriguez announced that a quorum of the board was present.

2) Invitation for Public Comment

Chairman Rodriguez called for public comment. Public comment was submitted by Emily Ponte, Executive Director of Dennis W. Holder Scholarship Fund.

Chairman Rodriguez called on Ms. Ponte to speak to the board.

Ms. Ponte discussed the expanding infrastructure issues in Texas, particularly the shortage of individuals willing to serve as firefighters, EMS, and other emergency services personnel.

Ms. Ponte proposed discussing an idea to support the expansion of Education Code 54.353, which pertains to firefighters enrolled in fire science courses. She suggested that the code be modified to also include the children and grandchildren of firefighters, EMS personnel, and other emergency service workers. Ms. Ponte emphasized that expanding the education code in this way would encourage the next generation to follow in their family's footsteps and help address the current shortage in the field.

No action was taken on this agenda item.

3) Approval of Minutes for August 29, 2024, Meeting

Secretary Keenan moved to adopt the minutes for August 29, 2024, as presented. The motion was seconded by Vice Chairman Romero and unanimously passed by the board.

4) Investment Committee

A. Investment Consultant Report on Investment Performance

B. Investment Performance Report for the Quarter Ending September 30, 2024

Peter Brown from Mariner Consulting L.L.C., attended the meeting on the behalf of Jon Breth to present the report entitled Investment Performance Review Period Ending September 30, 2024, report included an overview of the market environment and economy, domestic and international equities, fixed income, and market themes.

C. Investment Manager Watch List Report

Mr. Brown presented the Investment Manager Watch List Report. Mr. Brown stated that Clarkson Partners Fund has been terminated as Money Manager and Garcia Hamilton will continue to stay on the watch list. This will give the investment committee time to review the performance of Garcia to see if any improvement or changes will happen.

D. Written Investment Policy and Asset Allocation

Mr. Brown provided an update on the Written Investment Policy and Asset Allocation. He wanted to remind the board about the rate of return discussed at the last meeting in August. The assumed rate of return has changed from 7.5 % to 7.25 %, as recommended by the actuary.

No Action was taken regarding the agenda item.

5) Financial Budget Report

- A. FY2024 Non-Appropriated Budget and Expenditures**
- B. FY2024 Appropriated Budget and Expenditures**
- C. FY 2025 Appropriated Budget Adoption**
- D. FY2025 Non-Appropriated Budget Adoption**
- E. Cash Flow Projection**

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, FY2025 Appropriated Budget Adoption, FY 2025 Non-Appropriated Budget Adoption and Cash Flow Projection.

Secretary Keenan inquired about the unbudgeted amounts in the General Fund Strategy 3991 related to payroll expenditures, specifically the cost of \$25,096.49. He wanted to understand what this amount covered. Ms. Rappeport explained that it pertained to payroll expenses within the executive director's budget, as this is classified as an exempt budget line. She mentioned that she would need to gather more information regarding this issue and would either provide an update to Jessica or bring it up at the next board meeting.

No Action was taken regarding the agenda item.

6) Administration Actuarial Committee Report

A. TESRS Visit at Capitol Regarding Actuarial

Scott Miller, the Director of Compliance & Marketing, presented an update on the TESRS visit to the Capitol concerning actuarial matters. He discussed recent meetings with senators and representatives regarding the Legislative Appropriations Request (LAR). Overall, the feedback from these meetings was positive, with indications that much of the requested funding may be granted. However, the focus has now shifted to addressing the issue of unfunded liabilities.

The TESRS staff, along with Mark Fenlaw from Rudd & Wisdom, Inc., met with the staff of Senator Huffman to present their LAR and discuss a proposed \$30 million request to tackle the unfunded liability issue. During this meeting, Senator Huffman's staff inquired why the state should assist with the unfunded liability if TESRS isn't addressing it internally.

Following this, the TESRS team met with the Administration Actuarial Committee. Vice Chairman Romero requested suggestions on how TESRS plans to manage its unfunded liability. In response, Mr. Miller presented a slide outlining potential options for improving the unfunded liability such as:

- Request additional funding from the Legislature
- Reduce the compounding interest from 6.2% to 4.0%
- Reduce the benefit multiplier from 6X to 5X
- Ask for the maximum 15% for part two contribution from departments
- Increase the maximum part two contribution from departments to 20%
- Increase the minimum contribution rate from \$36.00 to \$50.00 per month per member. Stair step per year
- Increase the retirement age from 55 to 60 for Active and VTM members

Mr. Miller wanted to point out that a lot of our members, you know, they may know this information. Mr. Miller stated this information will be posted and it will help the member become more aware about this and it will have a good impact on our unfunded liability and reduce the benefit multiplier.

Trustee Smith had a question regarding the compounding interest received by a member. Mr. Miller informed Trustee Smith that every year in excess of the fifteen years, their annuity multiply by 6.2% annually.

Vice Chairman Romero stated that the committee and staff are trying to accomplish with the slide was to develop a clear, compelling message for elected officials about why funding is needed. The team acknowledged that while the financial rationale makes sense, they must also consider the reactions of firefighters. They stressed the importance of crafting a strong elevator speech that tells a story, rather than just stating the need due to a deficit. The board's collaboration is key to finalizing this message.

There was discussion between trustees regarding Improving Unfunded Liability.

Mark Fenlaw, Rudd & Wisdom, Inc also spoke about the visit to capitol with TESRS staff regarding the unfunded liability and answer questions that the trustees had.

No Action was taken regarding the agenda item.

B. Actuarial Evaluation

Mark Fenlaw from Rudd & Wisdom, Inc. provided an update on the Actuarial Valuations. He informed the trustees that the report has not yet been completed, but he wanted to share some preliminary estimates regarding the Actuarial Valuation.

Jessica Almaguer, the Executive Director, asked Mr. Fenlaw about the timeline for completing the Actuarial Evaluation and whether a special board meeting is needed to approve the Actuarial Evaluation to be scheduled. Mr. Fenlaw responded that the report is expected to be finished in the first week of December. Mr. Fenlaw stated that they can present the Actuarial Evaluation to TESRS Administration Actuarial Committee before the special board meeting.

Ms. Almaguer stated they will work with Mr. Fenlaw and trustees to setup a special board meeting in December. Ms. Almaguer also informed Mr. Fenlaw that the Comptroller's office is waiting for the Audited Financial Report and GASB Report by November 29th and would this delay in getting this evaluation completed. Mr. Fenlaw stated that it wouldn't delay the completion of the report.

No Action was taken regarding the agenda item

C. Possible Deem Revocation

Jessica Almaguer, the Executive Director, presented information regarding potential deemed revocation. She informed the trustees about overdue invoices from five departments dating back to 2019. Ms. Almaguer asked the Administration Actuarial Committee what actions could be taken to ensure that these contributions are paid. She inquired whether it would be possible to withhold state funds and send a letter discussing a waiver or potential revocation of the departments.

Ms. Almaguer reported that approximately \$42,000 is still owed by these five departments. She noted that the agency has reached out to them, but there has been no response, which may be attributed to multiple staff turnovers within the departments, city, or county. Ms. Almaguer indicated that she will be working on strategies to collect the owed funds from these departments

No Action was taken regarding the agenda item.

The board took a break at 10:01 a.m. and Board reconvened at 10:16 a.m.

7) Rules Committee Report

A. TESRS Review Rules Update

Jessica Almaguer, the Executive Director, provided an update on the TESRS Review Rules. Ms. Almaguer stated that TESRS has published an announcement in the Texas Register regarding the readoption of the rules, completing the review process.

No Action was taken regarding the agenda item

B. Common Law Marriage

Alyca Garrison, Jackson Walker, L.L.P., presented information regarding Legal Issues Related to Common Law Marriage for Pension Funds. Ms. Garrison stated that the issue of common law marriage is increasingly relevant for pension funds, as it can complicate the distribution of benefits. In Texas, common law marriage requires three conditions: mutual agreement to marry, cohabitation as husband and wife, and public representation of the marriage.

Additionally, both parties must be legally eligible to marry. Common law marriage typically comes into play when a member dies and their spouse claims pension benefits without formal proof of marriage. In such cases, pension systems must investigate and verify the marriage, which can be challenging, especially without a specific definition of "spouse" in the system's rules. Evidence such as tax filings, cohabitation records, and witness statements can help establish whether the marriage existed. However, these situations can become contentious, especially if there is conflicting testimony from family or other parties.

The trustees discussed adding Common Law Marriage to the TESRS Rules for the Pension System. They would like staff to collaborate with Jackson Walker, L.L.P. on implementing this rule.

No Action was taken regarding the agenda item

C. GASB RULE §304.2 Departmental Revocation of Participation in the Pension System
D. Revocation Merge (MTES)

Jessica Almaguer, Executive Director and Alyca Garrison, Jackson Walker, L.L.P., presented information regarding GASB RULE §304.2 Departmental Revocation of Participation in the Pension System and Revocation Merge (MTES). Ms. Almaguer stated that GASB Rule §304.2 Departmental Revocation of Participation in the Pension System was previous review for amendment, but it didn't move forward. Ms. Almaguer would like to revisit GASB Rule to make a change regarding revocation change.

Ms. Garrison also spoke regarding the GASB §304.2 Departmental Revocation of Participation in the Pension System and Revocation Merge (MTIES). Ms. Garrison informed the trustees the current rule regarding the GASB and present information what Revocation Merge (MTES) changes they wanted to make to the rule.

No Action was taken regarding the agenda item

E. Tuition Exemption

Jessica Almaguer, the Executive Director, provided information on Tuition Exemption. She aimed to address a public comment made earlier in the meeting regarding the inclusion of children and grandchildren in this rule. Ms. Almaguer stated that she would collaborate with the TESRS Rules Committee to discuss potential changes to the rule.

No Action was taken regarding the agenda item

8) IT Committee Report

A. CBIZ Cybersecurity Presentation

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, remediating items on the TESRS 2024 Information Resources Corrective Action Plan (IR-CAP), developing TESRS cybersecurity policies & procedures, conducting cybersecurity awareness training and addressing TESRS cybersecurity question, concerns and guidance.

Ms. Bradley and Mr. Peterson reported that CBIZ is continuing to collaborate with TESRS staff and the IT Committee on the development of documentation for the Security Incident Response Plan (IRP) and the Disaster Recovery Plan (DRP). She highlighted that several projects have been completed, including meetings between CBIZ and TESRS IT vendors, Vintage and AT&T, to understand the procedures for detecting and responding to cybersecurity incidents that support TESRS.

Additionally, CBIZ has been working on creating procedures for DocuSign administrators and users, conducting walkthroughs with the TESRS DocuSign administrator and the Executive Director. On August 22, 2024, CBIZ held in-person Cybersecurity Awareness Training for TESRS staff.

Furthermore, TESRS and CBIZ met with potential IT vendors Semper Feye and W3IT to explore their offerings related to data centers, data backups, and IT help desks.

CBIZ's next steps include continuing to assist TESRS in addressing the findings from the Cybersecurity Framework (CSF) report and the IR-CAP items. They will hold weekly workshops to review and update the drafted plans for the IRP and DRP, draft additional policies and documents—expected to include the Information Security Policy—and provide other necessary cyber assistance. This assistance may include assessing backup and recovery processes, testing backup procedures, conducting a DIR Information Security Gap Assessment, and implementing a Vendor Risk Management Program. No motion was taken during the closed session agenda items.

No Action was taken regarding the agenda item

B. TESRS 1099 Project Update

Jessica Almaguer, the Executive Director, provided an update on the 1099 Project to the trustees. She noted that there had been a change in the Statement of Work due to the addition of new fields. The programming team has made updates, but those updates still need to be tested. Ms. Almaguer also presented a timeline to the trustees as follows:

- By November 15, 2024, the DBA should complete programming changes due to additional fields needed
- By November 20, 2024, the Agency and DBA should complete all testing
- The Agency will provide the DBA with a letter of acceptance upon successful implementation of the requested processes
- All invoices must be submitted by the DBA on or before February 28, 2025

No Action was taken regarding the agenda item

C. DIR Data Center Migration Update

Jessica Almaguer, Executive Director, presented an update on the DIR Data Center Migration. She noted Department of Information Resources (DIR) has added the agency's request to their LAR for FY26. DIR has come back to agency to inform us that they overcommitted the amount request and made a significantly reduced the amount, but the agency is still part of DIR LAR request. Ms. Almaguer mentioned is working with Vintage on dates to move the VDI to DIR for FY25.

No Action was taken regarding the agenda item

9) Director of Compliance & Marketing Update

A. Department Recruiting & Visits

Scott Miller, the Director of Compliance and Marketing, provided an update on department recruiting and visits. He announced that 12 new departments, including Washington County ESD, Cooper VFD, and Beach City VFD, will be joining the TESRS pension system. In total, there will be 145 active members, and the average contributions will be \$38.43.

Mr. Miller provided an update on recruitment for several departments, including Armstrong County, Randall County ESD, Kenedy County Fire & Rescue, Upshur County ESD 1, and Robinson VFD. Membership for these departments has been approved; however, they are still waiting for some required documentation and funding to be finalized.

Additionally, Mr. Miller shared the FY 2024-2020 report regarding active members, department contributions, average contributions, retirees, retirees' payments, average payouts, and death and disability payments. He also provided department updates and mentioned the departments rewarding members, as well as the average age of members.

No Action was taken regarding the agenda item.

10) Executive Director Report

A. Joint Budget Hearing

Jessica Almaguer, Executive Director, presented information on the Joint Budget Hearing.

No Action was taken regarding the agenda item.

B. Weaver Internal Audit Update

Jessica Almaguer, Executive Director, provided an update on the Weaver Internal Audit. Ms. Almaguer state that internal audit has begun, following our original request. We received a new list from the auditors, which includes a 70-item task list. As a result, the team will be very busy in the coming month gathering the required documentation. While the audit report is expected in February, we are on track to meet the requested information that was due on November 8th. Additionally, we have a new request with a deadline set for next week.

No Action was taken regarding the agenda item.

C. New Office Facility Update

Jessica Almaguer, Executive Director, provided an update on the New Office Facility. Ms. Almaguer state that speaking with Texas Facilities Commission (TFC) we haven't received official start date. Ms. Almaguer mentions that TFC has several projects ahead ours and once those are completed, they will start working on constructions.

Ms. Almaguer stated that the agency is responsible for the tear-down reconfiguration and modifying the placement of modular furniture. She mentions the agency will be placing a new portal request for TFC to disconnect the power poles servicing that furniture. We will also surplus unwanted modular furniture. Ms. Almaguer informed the board that the minor construction start date is still pending.

No Action was taken regarding the agenda item.

D. Staff Updates

Jessica Almaguer, the Executive Director, shared an update about TESRS staff. She announced that Tiara Bouldwin has been promoted to Data and Technology Officer. Additionally, Ms. Almaguer welcomed Juan Hawkins, who has been hired as a Benefits Specialist.

No Action was taken regarding the agenda item.

11) Board Education and Training Opportunities

- A. TEXPERS Legislative Workshop in Austin, Texas on February 4 – 5, 2025**
- B. Safe-D 23rd Annual Conference in Round Rock, Texas on February 6 – 8, 2025**
- C. TEXPERS Annual Conference in Austin, Texas on March 30 – April 2, 2025**
- D. Texas Fire Chiefs Association in Waco, Texas on April 14 – 17, 2025**
- E. SFFMA 149th Annual Training Conference and Convention in Frisco, Texas on June 19 – 22, 2025**

Jessica Almaguer, Executive Director, presented information from Michael Villanueva, Executive Assistant, regarding upcoming conference and training opportunities for the Board to consider. The Board will inform Michael about which training sessions they would like to attend.

No Motion was taken on these agenda item.

12) Proposed Board Meeting Dates, Locations and Agenda Items

- A. February 13, 2025**
- B. May 15, 2025 or May 29, 2025 (Future Meeting Date)**

Chairman Rodriguez wanted to confirm with Jessica Almaguer, Executive Director that there will be a special board meeting in December. Ms. Almaguer confirmed that there will be one to approve the Actuarial Evaluation. Chairman Rodriguez instructed Jessica to reach out to trustees to find out a good date in December.

Ms. Almaguer reminded the trustees that the next board meeting is scheduled for February 13, 2025. However, the Board of Trustees expressed interest in changing this date to the first week of February 2025, since many trustees will already be in town for the TEXPERS and Safe-D Conferences that week. The trustees asked Michael to check with them to see what date the first week of February 2025, would be a suitable date. Ms. O'Brien also shared proposed future meeting dates of either May 15 or May 29, 2025. The trustees decided to postpone any decisions regarding the proposed dates in May 2025.

No Motion was taken on these agenda item.

13) Personnel matters regarding the appointment, employment, compensation, evaluation, reassignment, duties, discipline, or dismissal of the Executive Director

Chairman Rodriguez announced that the time 11:32 a.m. and the board will now go into executive closed session to discuss Item 13 on the agenda, pursuant to Texas Government Code Section 551.074. The board will discuss the personnel matters regarding the appointment, employment, compensation, evaluation, reassignment, duties, discipline, or dismissal of the Executive Director.

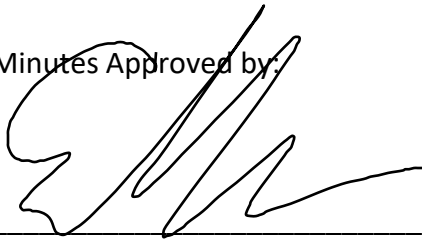
The board reconvened the meeting at 11.58 a.m.

No Action was taken regarding the agenda item.

14) Adjourn

Chairman Rodriguez called for a motion to adjourn at 11:59 a.m. The motion was made by Vice Chairman Romero and second motion by Trustee Glaves, and unanimously passed by the board.

Minutes Approved by:



Edward Keenan, Secretary

February 5, 2025

Date