

Texas Emergency Services Retirement System

Board Meeting Minutes

June 5, 2019 8:30 a.m.

Hyatt Place Austin Airport, 9532 Spirit of Austin Ln., Austin, TX 78719

Members Present:

Frank Torres, Chairman
Jenny Moore, Vice-Chair
Courtney Gibson Bechtol, Trustee
Ed Keenan, Trustee
Dan Key, Trustee
Pilar Rodriguez, Trustee
Rod Ryalls, Trustee
Stephanie Wagner, Trustee

Members Present Via Video Conference Call:

Taylor Allen, Trustee

Staff and Others Present:

Kevin Deiters, Executive Director, TESRS
Susannah Jones, Staff Services Officer, CTPM, TESRS
Jessica O'Brien, Data and Technology Officer, TESRS
Charles, Bray, Marketing Specialist, TESRS
David Gordon, Assistant Attorney General
Jonathan D. Breth, CFP, AndCo Consulting, LLC
~~Mark Fenlaw, F.S.A., Rudd and Wisdom, Inc.~~
Rebecca Morris, F.S.A., Rudd and Wisdom, Inc.
Katy Fallon Brown, Legislative Budget Board
Matt Snider, Denim Group
Joe Stallings III, Denim Group
Jacob Lagrone, Denim Group
David Stacy, Midland Fire
Rebecca Roberie, Senior Vice President, BOK Financial
Steve Hustoles, Assistant Vice President, BOK Financial

Chairman Torres called the meeting to order at 8:32 a.m.

1. Roll Call

Vice-Chairman Moore called the roll and announced that a quorum of the Board was present. Eight trustees were present. (Taylor Allen joined the meeting later during the meeting).

2. Invitation for Public Comment

No public comments were made.

3. Introductions of New Members

Chairman Torres introduced Trustees Keenan, Ryalls, and Wagner to the Board and he thanked departing Trustees Larson, Shipman and Williams for their service.

Chairman Torres moved to Agenda Item 10.

10. FY 2019-2021 Planning Schedule– Discussion and Possible Action

Executive Director Kevin Deiters provided the Board with an overview of the Board's project schedule for FY 2019 through FY2021.

Chairman Torres discussed the benefits of strategic planning and he encouraged the Board to consider holding a retreat to focus on the long-term needs of the pension system in the light of the many changes facing volunteer fire departments. He also discussed the need to conduct an actuarial experience study, asset-liability study, and a review of department contribution rates.

11. Request for Future Agenda Items and Meeting Dates

The Board agreed to set the next meetings on September 10, 2019 and December 10, 2019. The following items should be included on the agenda for the September 10th meeting:

- Budget items;
- Draft administrative rules;
- Presentation about the actuarial assumption study;
- Presentation about the asset-liability study; and
- Executive director evaluation.

Chairman Torres moved to Agenda Item 14.

14. Election of Board Officers

Chairman Torres called for the election of Board Officers for terms beginning September 1, 2019.

Trustee Moore was elected Chairman by acclamation (motion by Trustee Keenan and second by Trustee Rodriguez).

Trustee Rodriguez was elected Vice-Chairman by acclamation (motion by Trustee Bechtol and second by Trustee Ryalls).

Trustee Bechtol was elected Secretary by acclamation (motion by Trustee Rodriguez and second by Trustee Kennan).

15. Appointment of Committee Members– Discussion and Possible Action

Chairman Torres made the following appointments:

Administration and Actuarial Committee:

- Trustee Rodriquez, Chairman
- Trustee Keenan
- Trustee Moore

Investment Committee:

- Trustee Bechtol, Chairman
- Trustee Allen
- Trustee Wagner

Rules Committee

- Trustee Key, Chairman
- Trustee Ryalls
- Trustee Torres

Chairman Torres moved to Agenda Item 4.

4. Approval of Minutes for February 28, 2019

Vice-Chairman Moore moved to adopt the minutes of the meeting of February 28, 2019 as presented. The motion was seconded by Trustee Bechtol and passed by unanimous consent.

5. Investment Custody Services Contract Presentations - Discussion and Possible Action

Mr. Deiters advised the Board that Trustee Allen recused himself from the evaluation of proposals because several of the proposals included money market funds offered by his employer. Trustee Bechtol replaced Trustee Allen on the Evaluation Committee.

Trustee Bechtol provided an overview of the Evaluation Committee's report entitled *Custody Bank Proposal Evaluations* that summarized the request for proposal process (RFP) and the qualifications of the four firms that submitted proposals in response to the April 3, 2019 RFP.

Trustee Bechtol concluded her presentation by stating the Investment Committee's recommendation to the Board that it interview BOK Financial for the investment custody contract. This recommendation was based on:

- demonstrated competence, knowledge, and qualifications;
- reasonableness of cost proposal; and

- quality of services provided to the Board since 2013.

Rebecca Roberie and Steve Hustoles, made the presentation on behalf of BOK Financial from a handout entitled *Custody Services*. Their presentation covered the structure of the firm, an overview of custody services provided, and a fee proposal.

Trustee Bechtol moved to negotiate a contract for investment custody services with the BOK. The motion was seconded by Trustee Key and unanimously passed by the Board.

6. Investment Consultant Report on Investment Performance, Asset Allocation, and Investment Policy

Jonathan D. Breth, CFP, AndCo Consulting, LLC, presented the following reports:

- Texas Emergency Services Retirement System Investment Performance Monthly Flash Report – Period Ending April 30, 2019;
- Investment Performance Review – Period Ending March 31, 2019; and
- Quarterly Manager Analysis – Period Ending March 31, 2019.

He provided an overview of the capital markets, the economy, and TESRS investment performance during the first quarter of 2019.

| Asset Class | Amount | Percent |
|----------------------------|----------------------|---------------|
| Domestic Equities | \$51,557,645 | 46.0% |
| International Equities | \$21,169,201 | 18.9% |
| Fixed Income | \$24,105,880 | 21.5% |
| US Core Real Estate | \$5,087,856 | 4.5% |
| Master Limited Partnership | \$4,376,614 | 3.9% |
| Multi-Asset Investments | \$5,630,954 | 5.0% |
| Money Market | \$139,200 | 0.1% |
| Total | \$112,067,350 | 100.0% |

| Comparative Performance | Qtr | FYTD | YTD | 1 Yr | 3 Yr | 5 Yr | 7 Yr | Inception |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| Total Retirement System | 10.06% | -0.75% | 10.06% | 3.97% | 8.83% | 4.64% | 7.10% | 6.42% |
| Total Fund Policy | 10.47% | -0.76% | 10.47% | 5.12% | 9.14% | 5.52% | 7.35% | 7.50% |
| Difference | -0.41% | 0.01% | -0.41% | -1.15% | -0.31% | -0.88% | -0.25% | -1.08% |

Mr. Breth recommended no changes to the asset allocation or to the investment policy; however, he did recommend that Richmond Capital be placed on the watch list because of the retirement of a senior professional and because the firm had experienced significant asset outflows in early 2019.

Trustee Bechtol moved to accept the consultant's recommendation to maintain OFI on the watch list and to add Richmond Capital. The motion was seconded by Trustee Wagner. The motion was unanimously passed by the Board.

7. Cybersecurity Consultant Security Briefing – Discussion and Possible Action

Matt Snider and Joe Stallings III briefed the Board about cybersecurity issues as described in the report entitled *TESRS Security Program Board of Trustees Briefing*. The presentation included a discussion about the current threat landscape and an overview of the TESRS cybersecurity program.

No action was taken regarding this agenda item.

Mr. Deiters advised that Trustee Allen had joined the meeting via teleconference.

8. Legislative Session Update

Mr. Deiters provided the Board with an update about the legislative session update as from his report entitled *86th Legislative Session-Overview of Bills Impacting TESRS*. The report included a summary about the Board nominations, the appropriations bill, and investments related legislation.

David Stacy, Trustee for the Midland Firemen's Relief and Retirement Fund, discussed S.B. 322 (by Huffman) that expands annual investment reporting requirements for certain public pension funds and that directs those the funds to hire an "independent firm" to evaluate investment practices and make recommendations for improvement.

Mr. Deiters provided an overview of H.B. 3247 (by Martinez), the primary bill effecting TESRS. The bill reduces the administrative burden placed on volunteer fire departments and their local boards by the pension system's governing statutes.

H.B. 3247:

- does not change benefits or funding;
- streamlines the member enrollment process; and
- reduces the number of meetings required of the local board.

Under H.B. 3247, the Chief (or designee) of a participating department is responsible for enrolling and terminating members into the pension system instead of requiring a six-member local board to meet and approve routine transactions.

The proposal eliminates the need for the local board to meet and approve retirement applications that are not contested by the applicant. The local board retains responsibility for reviewing and approving claims for line-of-duty death benefits, off-duty death benefits, temporary disability benefits, and contested retirement applications.

No action was taken regarding this agenda item.

9. Board Educational Opportunities – Discussion and Possible Action

Mr. Deiters provided an overview of state-mandated training requirements for trustees and various educational opportunities available to Board members as described in the report entitled *Educational Opportunities*.

No action was taken regarding this agenda item.

Chairman Torres moved to Agenda Item 12

12. Executive Director's Report on System Administrative Activities for the period ending May 31, 2019

Kevin Deiters, Executive Director, provided the Board with an update on the administrative activities of the agency as of May 31, 2019.

No action was taken regarding this agenda item.

Chairman Torres moved to Agenda Item 13.

13. Chief Financial Officer Report

Eliana Martinez, Staff Accountant, provided an overview of TESRS appropriated fund and non-appropriated fund budgets as of April 30, 2019.

No action was taken regarding this agenda item.

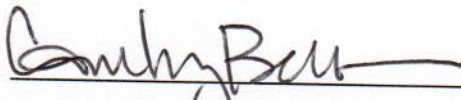
Chairman Torres moved to Agenda Item 16.

16. Adjourn

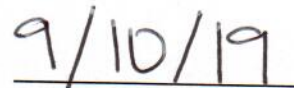
Chairman Torres requested a motion to adjourn at 12:47 p.m.

The motion was made by Trustee Key and seconded by Trustee Bechtol and unanimously passed by the Board.

Minutes Approved By:



Courtney Bechtol, Secretary



Date: