

**Texas Emergency Services Retirement System**  
**Board Meeting Minutes**  
**August 16, 2018 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  
Ron Larson, Secretary  
Taylor Allen, Trustee  
Courtney Gibson Bechtol, Trustee  
Dan Key, Trustee  
Pilar Rodriguez, Trustee  
Don Shipman, Trustee  
Steve Williams, Trustee

**Staff and Other Present**

Kevin Deiters, Executive Director, TESRS  
Judy Johnson, Chief Financial Officer, CPA, TESRS  
Susannah Jones, Staff Services Officer, CTPM, TESRS  
Shirley Hays, Contract Manager, CTCM, TESRS  
Jessica O'Brien, Data and Technology Officer, TESRS  
Charles Bray, Marketing Specialist, TESRS  
David Gordon, Assistant Attorney General  
Katy Fallon-Brown, Legislative Budget Board  
Louellen Lowe, Legislative Budget Board  
Jonathan D. Breth, CFP, AndCo Consulting, LLC  
Mark Fenlaw, F.S.A., Rudd and Wisdom, Inc.  
Chuck Campbell, Jackson Walker  
Aylca Riley, Jackson Walker  
Thomas Rose, CFA, BlackRock  
Michael Alexander, CIMA, BlackRock  
Jonathan Alden, BlackRock  
Kathleen Hurley, J.P. Morgan  
Maddi Dessner, CFA, J.P. Morgan

Chairman Torres called the meeting to order at 8:31 a.m.

**1. Roll Call**

Secretary Larson called the roll and announced that a quorum of the Board was present. All Board members were present.

**2. Invitation for Public Comment – Discussion and Possible Action**

Chairman Torres called for public comment. No public comments were made.

**3. Approval of Minutes for July 20, 2018**

Trustee Bechtol made a motion to adopt the minutes of the meeting of July 20, 2018.

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

**4. Tactical Allocation Manager Presentations and Contract Award – Discussion and Possible Action**

**A. J. P. Morgan Income Builder Fund (JNBZX)**

Kathleen Hurley, Vice President, Institutional Americas and Maddi Dessner, CFA, Managing Director, GIM Solutions – GMAG, J.P. Morgan made the presentation on behalf of J.P. Morgan Asset Management from her report entitled *Texas Emergency Services Retirement System dated August 16, 2018*. Their presentation covered Investment Philosophy and Process, Portfolio Positioning, Yield and Performance Results.

**B. BlackRock Multi-Asset Income Fund (BKMIX)**

Thomas Rose, Director, Michael Alexander, CIMA, Director, and Jonathan Alden, BlackRock made the presentation on behalf of BlackRock from their report entitled *BlackRock Multi-Asset Income Fund Prepared for: Texas Emergency Services Retirement System Third Quarter 2018*. Their presentation covered an overview about the firm; Multi-Asset Income Fund including Product Overview, Results, Case Studies, and Investment Process.

Trustee Allen made a motion pursuant to Board's investment authority under Government Code Section 865.008 to select BlackRock as the Tactical Allocation Manager and to authorize the staff to take any and all action necessary to execute an agreement on behalf of the Board.

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

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

**A. Investment Performance Report for the Quarter Ending June 30, 2018**

**B. Investment Manager Watch List Report - Discussion and Possible Action**

**C. Written Investment Policy and Asset Allocation - Discussion and Possible Action**

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#### D. International Equity Manager Search Overview- Discussion and Possible Action

Jonathan D. Breth, CFP, AndCo Consulting, LLC, presented his report entitled *Texas Emergency Services Retirement System Investment Performance – Period Ending June 30, 2018*. He provided an overview of the capital markets, the economy, and TESRS investment performance during the second quarter of 2018.

As of June 30, 2018, the total assets were \$109.36 million. The net return for the quarter was 1.16%, which underperformed the Policy Index by .85%. Over the past twelve months, the Fund's net return was 9.88%. The asset allocation as of June 30, 2018 was:

• International Equities	\$22.44 million	20.5 %
• Domestic Equities	\$55.01 million	50.3 %
• Fixed Equities	\$25.11 million	23.0 %
• Alternatives Equities	\$6.80 million	6.2 %

Mr. Breth provided an overview of proposed changes to the asset allocation that were needed to fund the allocation to multi-asset investments.

Trustee Bechtol made a motion pursuant to Board's investment authority under Government Code Section 865.008 to accept the investment consultant's recommended changes to the written investment policy and asset allocation by:

- adding a target allocation of five percent to multi-asset investments;
- reducing the target allocation to U.S. large cap value equities by one percent;
- reducing the target allocation to U.S. large cap growth equities by one percent;
- reducing the target allocation to core fixed income by three percent; and
- authorizing the staff to take any and all action necessary to reallocate the appropriate funds.

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

Trustee Allen made a motion to invite Harris Associates' Oakmark International Fund and Polaris Capital Management, LLC to present at the November board meeting regarding their international equity value funds.

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

#### 6. Financing Options for Prior Service Credit Purchase - Discussion and Possible Action

Charles Bray, Marketing Specialist, presented a report entitled *Financing of Prior Service Credit Purchases* that included a summary of prior-service buy back options available to

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departments under Texas Government Code §863.004.

No action was taken regarding this agenda item.

**7. Strategic Planning Update and Statutory Review – Discussion and Possible Action**

Trustee Key provided the Board with an overview of the planning committee meeting of August 15, 2018 with outside counsel Chuck Campbell and Alyca Riley regarding a review of the enabling statute, the responsibilities of local boards, and the enrollment of paid members into the pension system.

He explained that the objective of the meeting was to identify statutory changes that could reduce the administrative burden placed on local boards by authorizing routine administrative tasks (enrollment, member termination) to be performed by an authorized representative of the department or governing entity.

Trustee Key moved to authorize the planning committee to continue to work with the outside counsel, executive director, and participating departments regarding proposed changes to the TESRS statute intended as outlined today and to report back to the Board at a later date.

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

**8. Chief Financial Officer Report - Discussion and Possible Action**

**A. FY 2018 Non-Appropriated Fund Budget**

Judy Johnson, Chief Financial Officer, provided an overview of the report *Texas Emergency Services Retirement System Non-Appropriated Fund Budget for FY 2018 and Cash Basis Expenditures as of July 30, 2018*.

No action was taken regarding this agenda item.

**B. FY 2019 Non-Appropriated Fund Budget**

Ms. Johnson provided an overview of the report *Texas Emergency Services Retirement System Proposed Non-Appropriated Fund Budget for FY 2019*.

Trustee Rodriguez made a motion to accept the FY 2019 Board Non-Appropriated Budget as presented today.

The motion was seconded by Vice-Chair Moore and unanimously passed by the Board.

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**C. FY 2019 Cash Management Procedures**

Ms. Johnson provided an overview of the report entitled *Cash Drawdown Request dated August 10, 2018*.

Trustee Rodriguez made a motion in recognition of the financial obligations of the system during fiscal year 2019, to maintain in the state treasury the state contributions of \$1,329,224 received pursuant to Government Code section §865.014, and to authorize the CFO to work with the investment consultant to drawdown additional funds as needed up to \$2,200,000.

The motion was seconded by Vice-Chair Moore and unanimously passed by the Board.

**9. Retention Policies - Discussion and Possible Action**

David Gordon, Assistant Attorney General, provided an overview of the records retention requirements for the Board.

No action was taken regarding this agenda item.

**10. Vendor Evaluations – Discussion and Possible Action**

Kevin Deiters, Executive Director, updated the Board about annual vendor evaluations as summarized in the report entitled *TESRS Vendor Performance for FY 2018 dated August 15, 2018*. The vendors evaluated were AndCo Consulting (Investment Consulting), Jackson Walker (outside Legal Counsel), Rudd & Wisdom (Actuarial Services), Weaver (Audit Services) and Denim Group (Cyber Security Services).

No action was taken regarding this agenda item.

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

Mr. Deiters provided the Board with an update on the administrative activities of the agency as of August 1, 2018.

No action was taken regarding this agenda item.

**12. Educational Opportunities – Discussion and Possible Action**

The Board discussed educational opportunities with the International Foundation of Employee Benefit Plans (IFEB) New Trustee Institute and the National Conference on Public Employee Retirement Systems (NCPERS) Accredited Fiduciary Program.

Vice-Chair Moore made a motion to authorize Board members to attend IFEB or NCPERS conferences outlined in the Board meeting packet.

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

Note: Chairman Torres moved to Agenda Item 15 to discuss the Elections of Board Officers.

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**15. Elections of Board Officers**

Trustee Williams made a motion to re-elect the current slate of Board officers:

- Frank Torres, Chair
- Virginia Moore, Vice Chair
- Ron Larson, Secretary

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

Note: Chairman Torres moved to Agenda Item 14 to discuss the Executive Director Evaluation and Compensation.

**14. Executive Director Evaluation and Compensation - Discussion and Possible Action (Closed Session)**

Trustee Rodriguez made a motion move the Executive Director Evaluation and Compensation to the November meeting.

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

Note: Chairman Torres moved to Agenda Item 13 to discuss Request for Future Agenda Items and Meeting Dates.

**13. Request for Future Agenda Items and Meeting Dates**


Chairman Torres announced that the next Board meeting will be November 29, 2018 in Austin and he requested that the Board submit any requests for agenda items to the Executive Director.

**16. Adjourn**

Chairman Torres requested a motion to adjourn at 2:36 p.m.

The motion was made by Vice-Chair Moore, was seconded by Trustee Shipman and unanimously passed by the Board.

Minutes Approved By:

  
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Ron Larson, Secretary

  
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Date:

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