

**MINUTES OF THE
TEXAS MUNICIPAL RETIREMENT SYSTEM
Finance & Audit Committee of the Board of Trustees**

December 7, 2007

On December 7, 2007, the Finance & Audit Committee (Committee) of the Board of Trustees of the Texas Municipal Retirement System (TMRS) convened for a meeting at 11:05 a.m. at TMRS Headquarters, located at 1200 North IH 35, Austin, Texas, with the following members present:

Finance & Audit Committee

Roel 'Roy' Rodriguez, PE, Chair
Carolyn Linér
April Nixon

The following member of the Board of Trustees was present but did not participate in discussions or deliberations:

H. Frank Simpson

Present also were:

Eric Henry, Executive Director
Rhonda Covarrubias, Director of Finance
Gary Craig, Director of Investments
Eric Davis, Deputy Executive Director
Bernie Eldridge, Director of Human Resources
David Gavia, General Counsel
Nancy Goerdel, Investment Officer
Michelle Mellon-Werch, Associate General Counsel
Eddie Solis, Director of Government Relations
Patricia Brown, Executive Assistant
Terrence Kendall, Legal Counsel
Steve Harding, Independent Fiduciary Services

Guests:

Natalie Foerster, Governor's Office
Max S. Duplant, City of Irving
Dean Frigo, City of Amarillo
Darlene Lanham, TMPA
Jim Moore, City of Mesquite
Jim Parrish, City of Amarillo

The meeting was called to order at 11:05 a.m. and Ms. Nixon gave the invocation.

Consider and Act on Adoption of Minutes of November 15, 2007 Board of Trustees Finance & Audit Committee Meeting

Mr. Rodriguez announced that he had no corrections to the minutes of the November 15, 2007 meeting, and asked Ms. Linér and Ms. Nixon for comment. They also had no questions or comments, accepting the minutes as presented at the meeting.

Ms. Linér moved to adopt the minutes of the November 15, 2007 Finance & Audit Committee meeting; Ms. Nixon seconded the motion, which carried unanimously.

Consider and Act on Draft RFP for External Actuary

Mr. Henry introduced this item and reported that TMRS has contracted with the present actuary for the past fifteen years and has not sent out an RFP for competitive pricing and services during that time. A timeline was laid out for implementation of the RFP process. Rather than use the tentative timeline proposed by staff, the Committee would like to look at a draft RFP at a meeting in late January or early February to help expedite the process.

Ms. Nixon moved to issue an RFP for actuarial services in 2008 and make the appropriate recommendation to the Board. Ms. Liner seconded the motion, which carried unanimously.

Review System's Quarterly Financial Statements as of October for Trust and Expense Funds

Mr. Henry introduced this item and deferred discussion to Ms. Covarrubias and Mr. Harding. Ms. Covarrubias explained the statements provided. She noted that investments must be reported at market value and explained the stated depreciation in the portfolio. She discussed the securities lending income, as well as the increase in benefit payments of about 9%.

Ms. Covarrubias explained the unrealized gain in the portfolio. The expense fund reserve was discussed. It was also mentioned that the money in the expense fund actually stays in the trust, and is only shifted out of the trust when expenses are paid; therefore, the funds stay fully invested.

Inquire of Management and Legal Counsel Regarding Status of Compliance with Laws, Regulations, and Board Policies

Mr. Gavia gave an overview of the major regulatory and legal issues TMRS monitors, namely, changes in state and federal law, income tax regulations, and attorney general opinions.

Mr. Gavia stated that most of these issues are included in his staff report to the full Board. He then stated he would develop a report, upon the request of Mr. Rodriguez, to be provided quarterly to the Committee as well.

Consider Any Other Business to Come Before Committee

Mr. Henry reminded the Committee that the Director of Internal Auditing will begin employment with TMRS on Monday, December 17, 2007.

There being no further business to come before the Committee, the meeting was adjourned at 11:30 a.m.

Eric Henry
Executive Director
& Chief Investment Officer

Roel 'Roy' Rodriguez, PE
Committee Chair