

**MINUTES OF THE  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
Investment Committee of the Board of Trustees**

**September 7, 2007**

On September 7, 2007, the Investment Committee (Committee) of the Board of Trustees of the Texas Municipal Retirement System (TMRS) convened for a meeting at 8:30 a.m. at the Renaissance Austin Hotel, located at 9721 Arboretum Boulevard, Austin, Texas, with the following members present:

**Investment Committee**

Rick Menchaca  
H. Frank Simpson

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

Pat Hernandez, Chair

Present also were:

Eric Henry, Executive Director  
Eric Davis, Deputy Executive Director  
Gary Craig, Director of Investments  
Bernie Eldridge, Director of Human Resources  
David Gavia, General Counsel  
Nancy Goerdel, Investment Officer  
Eddie Solis, Director of Government Relations  
Patricia Brown, Executive Assistant  
Steve Harding, Independent Fiduciary Services  
Terrence Kendall, Legal Counsel  
Bob Klausner, Klausner & Kaufman, PA

The meeting was called to order at 8:30 a.m. and Mr. Simpson gave the invocation.

**Consider and Act on Adoption of Minutes of August 17, 2007 Board of Trustees Investment Committee Meeting**

Mr. Henry introduced this agenda item. Mr. Simpson announced that he had no corrections to the minutes of the August 17, 2007 meeting, and asked Mr. Menchaca for comment. He also had no questions or comments, accepting the minutes presented at the meeting.

Mr. Menchaca moved to adopt the minutes of the August 17, 2007 Investment Committee meeting; Mr. Simpson seconded the motion, which carried unanimously.

## **Reconsider and Act on Committee's Recommendation Regarding Selection of Investment Consultant**

Mr. Simpson introduced this item, asking Mr. Henry to provide a synopsis to the Committee of the process to date, which included previously having selected EnnisKnupp as the TMRS investment consultant. Mr. Henry stated that while contract negotiations were being conducted with EnnisKnupp, EnnisKnupp informed TMRS that Mr. Guy Cooper had resigned from the firm. Mr. Cooper had been a major factor in the proposed hiring of that firm. Mr. Henry reported that EnnisKnupp proposed to staff the engagement with Steve Cummings, CEO and Mary Bates, associate as the primary consultants. TMRS staff met with EnnisKnupp to discuss the personnel changes. After the meeting, TMRS staff had concerns that the personnel assigned to the engagement might not have sufficient time to adequately service the account. After consulting with the Committee, TMRS staff performed additional due diligence procedures on the investment consulting firms who had responded to the earlier Request for Information (RFI) and selected R.V. Kuhns & Associates, Inc. (RVK) for further review.

Mr. Henry then reported on the site visit made by Mr. Craig, Ms. Goerdel, and himself to the RVK firm in Portland, Oregon. Russ Kuhns, founder of the firm, would be the lead consultant for TMRS. Staff found that the consultant and support team that RVK put together to service this engagement was experienced and quite deep and that RVK has sufficient resources to service the TMRS account. The firm demonstrated experience in transitioning organizations from a portfolio such as the TMRS portfolio to a more diversified portfolio. At this time, Mr. Menchaca asked if the firm received fees from investment managers; Mr. Henry responded that RVK's revenues come solely from investment consulting and that they receive no fees directly or indirectly from investment managers. Mr. Craig commented that RVK is one hundred percent employee-owned. Ms. Goerdel stated that the consultant and support team proposed by RVK was superior to the teams put together by the competing firms.

Mr. Simpson asked why this firm was not one of the top three consultants initially chosen by the staff; RVK initially was rated fourth by staff. However, at the time there was not much difference between the third and fourth rated firms. Although RVK was considered to be an excellent firm, the consultant team put together at the time did not appear to have experience comparable to the teams put together by the other three firms. Subsequent due diligence revealed a superior team. Additionally, Mr. Craig explained that RVK based its initial response to TMRS' RFI on the assumption that TMRS was not considering a change to a diversified portfolio; however, when staff explained that diversification was going to be considered, RVK changed the composition of its consultant and support team and responded more favorably to staff's questions.

The fee structure was discussed. Mr. Simpson believes TMRS is getting the best firm in RVK at a reasonable, competitive cost. He commented and Mr. Menchaca agreed that the firm does not need to travel to TMRS to deliver a presentation to the Committee, and that staff should begin contract negotiations with RVK.

Mr. Menchaca moved that the Committee recommend to the Board that it rescind the selection of EnnisKnupp as investment consultant because of subsequent changes in that firm and authorize staff to enter into negotiations with R.V. Kuhns & Associates, Inc.; that a draft of the proposed contract be provided to the Committee members; and that the Executive Director be authorized to sign such a contract on behalf of the System. Mr. Simpson seconded the motion, which carried unanimously.

**Consider and Act on Amendment to Investment Committee Charter**

Mr. Henry explained the addition of the third Board member to the Committee.

This amendment to the charter will be presented to the full Board for approval and adoption at the next meeting.

Mr. Menchaca moved to approve the suggested changes to the Committee charter and present these recommended changes to the full Board for approval; Mr. Simpson seconded the motion, which carried unanimously.

**Executive Session**

At 8:50 a.m., the Committee went into Executive Session to discuss personnel matters pursuant to Texas Government Code, §551.074. No action was taken during the Executive Session and the meeting was opened to the public again at 9:00 a.m. All members of the Board who had been present when the Board went into Executive Session were again present.

There being no further business to come before the Board, the meeting was adjourned at 9:00 a.m.

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Eric Henry  
Executive Director  
& Chief Investment Officer

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Rick Menchaca  
Committee Member

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H. Frank Simpson  
Committee Member