

Texas Municipal Retirement System Charter for the Budget and Compensation Committee

This charter has been created and adopted by resolution of the Board of Trustees (“Board”) of the Texas Municipal Retirement System (“System” or “TMRS”).

I. Purpose

The primary purpose of the Budget and Compensation Committee (“Budget and Compensation Committee” or “Committee”) is to advise and assist the Board in fulfilling its fiduciary oversight responsibilities with respect to:

- the annual budget process;
- any special assignments relating to TMRS budget matters;
- the System’s compensation policies to support the successful recruitment, and retention of talent to meet the strategic goals and objectives of the System, including, without limitation, succession planning goals and objectives;
- the TMRS Compensation Administration Guidelines approved by the Board;
- the periodic selection and evaluation of a compensation consultant to assist the Board, if desired, with advice concerning the compensation of staff positions that are direct reports to the Board, and
- any special assignments relating to TMRS compensation matters.

The Committee is an advisory committee to the Board and does not have delegated authority to act on behalf of the Board unless, and then only to the extent, expressly stated in this charter.

II. Composition

In accordance with the TMRS Bylaws, including Chapter 3 – Committees, the Committee’s structure will be as follows:

A. *Members.* The Committee will be composed of two (2) members of the Board, named by the Board Chair, subject to Board approval.

B. *Terms*

- i. The Board Chair will appoint the Committee Chair.
- ii. Members of the Committee will serve one-year terms, unless otherwise provided by Board resolution, but may be reappointed.
- iii. The Board will review the composition of the Committee each December and will make appointments or reappointments to be effective in January.
- iv. The Board Chair will fill any vacancies, as needed, with Board approval at its next meeting.
- v. Interim appointments are permitted to serve immediately, pending Board approval.

C. *Resources*

- i. The following Resource Team of TMRS staff (“Staff”) may attend and participate in Committee Meetings:
 - a. the Executive Director;

- b. the Director of Finance, as needed;
 - c. the Director of Human Resources, as needed; and
 - d. as needed, the Deputy Executive Director and/or General Counsel.
- ii. The Committee Chair will appoint a member of the TMRS staff, which may be the same as or different from one of the Staff as defined in clause (i) above, to serve as Secretary to the Committee.
- iii. The Committee may retain special accounting, compensation, legal, or other consultants or experts and/or utilize the services of any other TMRS staff as it considers necessary or desirable in the performance of its duties; provided, however, that the retention of any external consultants or experts will be subject to the availability of funds in the TMRS budget to pay for such services.
- iv. Committee members are encouraged to take advantage of educational opportunities to stay up-to-date on important governance oversight trends affecting the organization's budget and its compensation structure, subject to existing Board policies on training and education and availability of funds in the TMRS budget to pay for such educational activities.

III. Meetings

- A. The Committee will meet at least one time each year, with the authority to convene additional meetings, as circumstances require. Any Committee member or the Executive Director may call a meeting. A quorum of the Committee shall consist of two members. Concurrence of two members is required to adopt recommendations to the Board or take other Committee action.
- B. Subject to applicable requirements of the Texas Open Meetings Act ("TOMA"), if any, the Committee may hold meetings in person or by telephone or video conference call. It is the intent of the Board that this Committee is an advisory committee to the Board, with less than a quorum of Board members participating. Unless otherwise specified by the Committee, meetings are not open to the public.
- C. The Committee Chair and Staff will develop the meeting agendas. Meeting agendas will be provided in advance to Committee members and the Resource Team, along with appropriate briefing materials, if any.
- D. The Committee will report on its activities to the Board through the Committee minutes and special presentations as deemed necessary or desirable by the Committee members. Members of the Resource Team may also provide more frequent updates, including email updates, to the Board on Committee activities.
- E. Committee members are expected to attend all meetings in person or via telephone or video conference calls.
- F. The Executive Director may make a request to the Committee Chair to meet in "closed session" with the Committee (i.e. with Committee members only) if there are significant matters that need to be addressed involving the office of the Director of Finance, the office of the Director of Human Resources, or any other part of the organization.
- G. The Committee may invite additional members of TMRS staff, experts, consultants and/or others to attend meetings (including "closed session" meetings) and provide pertinent information, as deemed necessary or desirable by the Committee members.

IV. Responsibilities and Duties

To fulfill its responsibilities, the Budget and Compensation Committee will carry out the following duties:

- A. Develop an annual informal work plan for the Committee, with the ability to make changes to the plan throughout the year.
- B. Review and provide input to, and when appropriate provide recommendations to, the Board on preliminary and updated drafts of an annual operating and capital outlay budget prepared by staff and the Executive Director for submission to the Board that is designed to fulfill the mission and strategic vision of the organization.
- C. Review and provide input, as necessary or desirable, to the Board and/or staff on the quarterly “budget to actual” comparison expense reports prepared by staff.
- D. Review and recommend to the Board any proposed budget amendments prepared by staff.
- E. Review and provide input to, and when appropriate provide recommendations to, the Board and staff on the financial aspects of major proposed administrative transactions and/or major new programs and services developed by staff that would likely have an impact on current or future budgets, but which are not already anticipated in the existing budget or budget projections.
- F. Provide oversight of the Board approved compensation philosophy and strategy (“Compensation Guidelines”) and ensure that the overall compensation program is properly designed to support organizational objectives.
- G. Periodically review and provide input to, and when appropriate provide recommendations to, the Board on the Board’s existing Compensation Guidelines to ensure their design is assisting, and will continue to assist, the System and the Executive Director in recruiting, and retaining, talent in order to help fulfill the mission and strategic vision of the organization.
- H. In connection with any compensation studies to be performed by TMRS with the assistance of outside professional services, (i) review and provide input to the Staff on the general scope and significant parameters of the study, and (ii) review and provide input to, and when appropriate provide recommendations to, the Board and the Staff on the results of the study and any staff salary or other compensation adjustments that may be proposed as a result of the study.
- I. Review and provide input to, and when appropriate provide recommendations to, the Board on the overall structure of other employee compensation items that may be proposed by the Staff but which may not have a direct impact on the budget, such as the structure of vacation or sick leave accruals for employees under the TMRS employee manual.
- J. To the extent that Board approval is required, under the TMRS Bylaws or Compensation Guidelines, for any reclassification, raise, or other compensation adjustment for any individual TMRS employee(s) recommended by the Executive Director, the Board hereby delegates to the Committee the authority to approve any such reclassifications, raises, and/or other compensation adjustments.
- K. Periodically receive information from, and provide input to, the Executive Director with regard to his/her succession planning efforts for TMRS staff positions that do not report directly to the Board.
- L. Review and approve Committee meeting minutes.

M. Report to the Board on the Committee's activities.

V. Charter Review and History

This charter will be reviewed at least every four years.

The Board adopted each of the initial Budget Committee Charter and the initial Compensation Committee Charter on December 6, 2018. Both of those Charters are superseded by the adoption of this Charter.

The Board adopted this Charter for the Budget and Compensation Committee on May 28, 2020.

Modifications/changes to this Charter are as follows:

Date: