MINUTES OF THE
TEXAS MUNICIPAL RETIREMENT SYSTEM
Meeting of the Board of Trustees

June 20, 2019 – 1:30 p.m.

On June 20, 2019, the Board of Trustees of the Texas Municipal Retirement System (TMRS) convened for a meeting at 1:30 p.m. at TMRS Headquarters, located at 1200 North IH 35 in Austin, Texas, with the following members present:

Board of Trustees
Bill Philibert, Chair
David Landis, Vice Chair
   Jim Parrish
   Jim Jeffers
   Jesús Garza

Absent: Julie Oakley

Present also were:

David Gavia, Executive Director
Eric Davis, Deputy Executive Director
TJ Carlson, Chief Investment Officer
Dan Wattles, Director of Governmental Relations
Leslee Hardy, Director of Actuarial Services
Debbie Munoz, Director Member Services
Scott Willrich, Director of Information Resources
Rhonda Covarrubias, Director of Finance
Jesse Pittman, Senior Project Manager
Sandra Vice, Director of Internal Audit
Leslie Ritter, Director of Human Resources
Bill Wallace, Director of Communications
Kristin Qualls, Director of Public Equity
Chris Schelling, Director of Private Equity
Marc Leavitt, Director of Absolute Return Strategies
Jason Weiner, Director of Fixed Income
Dimitry Shishkoff, Director of Risk Management
Karen Jackson, Executive Assistant
Stacy White, Executive Assistant
Robert Klausner, Klausner, Kaufman, Jensen & Levinson
Marcia Beard, RVK
Amy McDuffee, Mosaic Governance Advisors
Mark Randall, GRS Retirement Consulting
Joe Newton, GRS Retirement Consulting
Mike Ello, StepStone Group, LP
Brian Borton, StepStone Group, LP
Lincoln Smith, Albourne America
Spencer Edge, Albourne America
Ron Lewis, Ron Lewis & Associates
Jason Ostroski, CLA
Brittany Smith, CLA
Anthony Picchioni, Ph.D.

Also in attendance:
Michelle Mellon-Werch, Assistant General Counsel
Madison Jechow, Assistant General Counsel
Nick O'Keefe, Lead Investment Attorney
Kelsey Baldwin, Investment Attorney
David Rodriguez, Senior Regional Manager – City Services
Sean Thompson, Regional Manager – City Services
Melanie Thomas, Process and Content Management Specialist
Eddie Schultz, Investment Manager
Debbie Farahmandi, Investment Operations Specialist
Geldon Vlahu, Investment Operations Analyst
Ryan Conner, Risk Management Analyst
Melissa Jerkins, Quantitative Analyst
Kurt Cressotti, Compliance Officer
German Gaymer, Fixed Income Analyst
Peter Teneriello, Private Equity Analyst
Jacob Bowland, Fixed Income Analyst
Kevin Notaro, Absolute Return Analyst
Celise Cobos, Real Assets Analyst
Andi Focht-Williams, Senior Auditor
Peter Jeske, Project Specialist
Paula Nguyen, Investment Accountant
Kenneth Oliver, Actuarial Analyst
Pete Krnavek, Information Systems Manager
David Riggs, Texas State Association of Fire Fighters
George Kauffman, City of Garland Retiree
Casey Srader, Government Finance Officers Association of Texas
Scott Leeton, Combined Law Enforcement Association of Texas
Devon Waters, City of Arlington

Mr. Philibert called the meeting to order at 1:30 p.m. and Mr. Landis gave the invocation.

1. **Consent Agenda**
Staff had nothing to add to the consent agenda as presented. There were no changes suggested by the Board.

Mr. Jeffers moved that the Board adopt the consent agenda as presented. Mr. Landis seconded the motion, which passed 5-0.
2. **Legislative Update and Overview of the 86th Legislative Session, Including Discussion on Status of TMRS Legislation (SB 1337 and HB 2821) and Other Filed and Proposed Legislation, Pension-Related Seminars and Briefings, and Filed Federal Legislation**

Mr. Wattles and Mr. Lewis presented an update of the 86th Legislative Session. Since the May Board meeting, the Legislative Committee received updates from staff on the progress of SB 1337, which was signed by the Governor on June 14, 2019 and it will go into effect on January 1, 2020. Mr. Lewis gave credit for the passage of the bill to the two bill sponsors, State Senator Joan Huffman and State Representative Dan Flynn. He also cited TMRS’s reputation as a factor that helped ensure bill passage. Mr. Lewis recommended that the Board consider making a final determination to propose legislative changes by September of the year preceding the Session.

Mr. Wattles provided a summary of the Session. A total of 7,795 bills and resolutions were filed during the session. Of this total, TMRS tracked 327 bills and resolutions. Of the 7,795 total bills filed, 1,562 ultimately passed. Of the 327 bills tracked, 101 were pension bills; nine of these passed. Mr. Wattles noted that only one out of every five bills filed, or 20%, actually passed. In addition, the Governor vetoed over 50 bills. Three leadership priority bills passed (property tax reform, school finance reform, and TRS funding and an increase in teacher’ salaries). The Pension Review Board (PRB) intends on providing guidance on two of the pension-related bills that passed, SB 322 and SB 2224, which will require action by TMRS with regard to investment reporting and funding policies respectively. Mr. Wattles also briefly reviewed the bills that would have affected TMRS but did not pass.

Mr. Garza thanked the Advisory Committee for their input and efforts during this Legislative Session.

Mr. Parrish thanked everyone involved for the hard work and the efforts in the process that led to a successful conclusion.

Mr. Landis also thanked the Advisory Committee and Mr. Lewis for their insight and assistance during the 86th Legislative Session.

3. **Consider and Act on Resolutions Honoring Senator Joan Huffman and Representative Dan Flynn**

During their careers in the Texas Legislature, State Senator Joan Huffman and State Representative Dan Flynn have been steadfast supporters of TMRS. During the 86th Regular Session, Senator Huffman authored, Representative Flynn sponsored, and both successfully passed Senate Bill 1337.

To honor Senator Huffman and Representative Flynn, Mr. Wattles described proposed Resolutions honoring Senator Huffman and Representative Flynn for their work in carrying the TMRS legislation.

Senator Huffman is a four term Senator who carried a heavy legislative load in addition to her duties as chair of the Senate State Affairs Committee. This traditionally is a very busy committee, so it was a real honor to have her to carry Senate Bill 1337.
Representative Flynn is a nine term representative who has carried a lot of significant pension legislation in past sessions as well as serving as Committee Chair on the House Pension Committee during the 84th and 85th Legislative Sessions.

Both of their efforts were invaluable in helping pass Senate Bill 1337. Mr. Lewis pointed out that Representative Murphy, Chair of the Pensions, Investments and Financial Services Committee (PIFS) and Representative Geanie Morrison were also critical in the passage of the Senate Bill 1337.

Mr. Parrish moved that the Board adopt the Resolutions for Senator Joan Huffman and Representative Dan Flynn, at which time the original document will be processed appropriately. Mr. Landis seconded the motion, which passed 5-0.

4. Overview of Upcoming Asset Liability, Asset Allocation and Actuarial Experience Studies
Ms. Hardy, as well as Mr. Randall and Mr. Newton from GRS Retirement Consulting (GRS) presented an overview of the three major projects – the asset/liability modeling study, the asset allocation study and the four-year experience study. Each of these projects have both an actuarial and investment component, the results of which are all interrelated in assessing TMRS’ overall strategies for funding benefits.

Ms. Hardy reviewed what each of these studies include and how they are related. The activities are coordinated and presented so that the Board can ultimately make a decision on the final actuarial assumption set. The proposed timeline for the projects was highlighted.

Mr. Newton discussed the primary purpose of TMRS which is to pay benefits to retirees and their beneficiaries. To meet this purpose, there are two sources from which to pay the benefits: contributions and investment earnings. If one goes down, the other must compensate. The strategic plan will help with setting administrative policies, along with ongoing management. Where the money will come from is addressed by the following three studies: experience study, asset allocation study and asset/liability study. Mr. Newton gave a brief overview of each of these studies.

The TMRS Act requires an experience study to be performed at least every five years. Current Board policy is to conduct an experience study every four years, with the last experience study performed in 2015. The experience study is the process of examining the current assumption set and determining if any changes are warranted based on actual experience.

The asset allocation decision is considered the most important investment decision the Board makes. The Investment Policy Statement requires that a formal asset allocation study be conducted at least every three years to verify or amend the current strategic target allocation. The last full formal asset allocation study was performed in 2015; however the target allocation is reviewed annually. This study looks at what should happen on investment
returns if everything goes as planned under alternative portfolios. The analysis will seek to find possible improvements to the risk/return balance for the System.

The asset/liability study takes the current data, processes, financial information, assumptions, etc. and assumes assumptions are not met, looking for a range of possible outcomes and how metrics may change from year-to-year. This process provides input into the asset allocation study about liquidity concerns, potential shock risks, and sensitivity of the liability to price and/or wage inflation. Mr. Newton discussed the flow of information between various decision points. Efforts should be taken to narrow the range of possible outcomes, and then develop strategies that will provide an appropriate and sustainable path to the eventual outcome.

Mr. Newton explained the funding equation: Contributions + Investments = Benefits + Expenditures and discussed where risk enters the equation. Investment risk, benefit risk and contribution risk were discussed. There are limitations on these policies; not all possible choices are appropriate. Once the inappropriate options have been ruled out, it is very likely there will be more than one option that is acceptable and meets the appropriate purpose. A “priority” will be defined as a preferred outcome. Some priorities will oppose one another and some will balance one another.

Knowing that these pieces interplay and that there are opposing choices, is the reason why this should be viewed as one large review of the overall funding process. There should not be a mindset opposed to change, and there should not be mindset looking for change. The mindset should be to come to the best conclusions, defend our positions, and improve the sustainability of the System.

Mr. Parrish pointed out that over time city revenue caps are going to play into this funding process and Mr. Newton agreed that is possible.

5. Consider and Act on Absolute Return Manager Search Recommendation(s)
Mr. Leavitt, Mr. Smith and Mr. Edge of Albourne America (Albourne) presented the manager recommendation for Absolute Return Strategy (ARS). Mr. Leavitt noted the Albourne team will be transitioning due to the departure of Mr. Smith and the addition of Spencer Edge. Mr. Edge gave a brief overview of his professional background and expertise.

Mr. Leavitt reviewed the ARS strategy diversification and position sizing. Southern Ridges Macro Fund (Southern Ridges) spun out from BlueCrest in Singapore and runs a multi-portfolio manager model, investing primarily in Emerging Market macro strategies, both directionally as well as with relative value approaches. They employ a team of twenty-three with fifteen members dedicated to the investment team. In addition to U.S. Rates and FX exposure, specialization is broadly biased towards India and Association of Southeast Asian Nations (ASEAN) countries (Indonesia, Malaysia, Philippines, Singapore, Thailand, etc.). Southern Ridges offers a unique, niche approach to investing which is a high alpha and high Sharpe Ratio play. Mr. Leavitt discussed the issues to watch.
Mr. Smith commented that this is not a very broad market with regard to managers, but Albourne supports the proposed recommendation of Southern Ridges.

Southern Ridges is a top-down trading strategy with approximately 120 lines, or about 10 lines per manager. From a portfolio construction standpoint, the manager can be identified as a risk-reducer in the ARS portfolio. Mr. Smith noted that this has low correlation to the current TMRS portfolio because they have a very impressive and consistent income stream.

Mr. Klausner asked about the key person risk and the key person’s involvement in the investment team. Mr. Leavitt responded that this has been mitigated by adding to the investment team. There is a two year lock-up, but the underlying portfolio is very liquid.

Mr. Parrish asked for clarification on the requested allocation and how the amount of the allocation was determined, both of which were discussed.

Mr. Phillibert requested clarification on how the key man risk would be triggered, which was answered.

Mr. Parrish moved to approve the following:

(i) Authorize the following allocation(s), each as proposed and in accordance with the TMRS Investment Policy Statement, with an initial investment allocation up to the amount set out below and at fees no greater than presented in the TMRS Staff Memo to Board, each individually contingent on favorable background checks, if required below, and successful negotiation of the investment agreements:

<table>
<thead>
<tr>
<th>Name of Investment Manager, Investment Fund, or Fund Strategy</th>
<th>Asset Class Strategy</th>
<th>Initial Investment Allocation</th>
<th>Background Check Required (Yes or No)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern Ridges Macro Fund (“Southern Ridges”)</td>
<td>Absolute Return Macro</td>
<td>$125M</td>
<td>Yes</td>
</tr>
</tbody>
</table>

(ii) Approve and incorporate by reference for all purposes the Board Standard Investment Authorizations for each such investment allocation.

Mr. Jeffers seconded the motion, which passed 5-0.

6. **Consider and Act on Private Equity Manager Search Recommendation(s)**

Mr. Schelling, Mr. Teneriello, and Mr. Elio and Mr. Borton of StepStone Group (StepStone) presented the manager recommendation for Private Equity. Mr. Schelling noted that Mr. Teneriello has been accepted into the Kauffman Fellows Program. The Kauffman Fellows Program is a two-year program that develops the next generation of venture capital investors. Since TMRS has grown in venture capital exposure, committing to this program could potentially increase exposure to other top venture firms.
Mr. Teneriello discussed the manager recommendation, Northlane Capital Partners II LP (Northlane II), and reviewed the due diligence process and the portfolio statistics with the addition of this fund. TMRS’ focus is on taking a measured approach to global geographic diversification. The target portfolio keeps a conservative stance on international exposure.

Northlane II is a Washington D.C. based buyout firm that focuses on acquiring lower middle market companies in the business services and healthcare sectors. The group is a deep and senior team of investors. This is Fund II and will employ the same investment strategy used in Fund I. Fund I had impressive returns and very low loss ratios.

Mr. Borton reiterated that this is an experienced and cohesive team with a risk profile of a team that has been together for a long time. The economics of the investment are good.

Mr. Jeffers moved to approve the following:

(i) Authorize the following allocations(s), each as proposed and in accordance with the TMRS Investment Policy Statement, with an initial investment allocation up to the amount set out below and at fees no greater than presented in the TMRS Staff Memo to Board, each individually contingent on favorable background checks, if required below, and successful negotiation of the investment agreements:

<table>
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<tr>
<th>Name of Investment Manager, Investment Fund, or Fund Strategy</th>
<th>Asset Class Strategy</th>
<th>Initial Investment Allocation</th>
<th>Background Check Required (Yes or No)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northlane Capital Partners II LP (“Northlane II”)</td>
<td>Buy-Out</td>
<td>$60 million</td>
<td>Yes</td>
</tr>
</tbody>
</table>

(ii) Approve and incorporate by reference for all purposes the Board Standard Investment Authorizations for each such investment allocation.

Mr. Garza seconded the motion, which passed 5-0.

7. **Executive Session**
At 3:25 p.m., the Board entered into Executive Session, pursuant to Texas Government Code §§551.071 and 551.074 to consult with Legal Counsel to receive legal advice, and to discuss personnel matters. No action was taken during the Executive Session and all members of the Board that were present before the Executive Session were still present. The meeting was opened to the public again at 5:20 p.m.

In the Open Meeting, Mr. Landis made a motion to adjust the Director of Internal Audit’s salary by 5%, effective with the staff’s merit increases and to also adjust the General Counsel’s salary by 5%, effective with the staff’s merit increases. Mr. Garza seconded the motion, which passed 5-0
8. **Consider and Act on Creation of Board Committee(s)**

A recent announcement was made that Mr. Gavia, TMRS Executive Director, will retire in May 2020 and the TMRS Board of Trustees (Board) will need to conduct a search for a new Executive Director. Mr. Gavia explained the TMRS Bylaws regarding the creation of committees of the Board.

Ms. McDuffee asked the Board if they would consider using an executive search firm to replace the retiring Executive Director position. The Board indicated they did want to use an executive search firm. An invitation should be issued to at least three firms and Ms. McDuffee should bring information on the firms to the Board. Ms. McDuffee will work with Mr. Klausner and TMRS’ General Counsel during the search process.

The Board may want to consider if it prefers to conduct all search related activities at the full Board level or if it wants to create a Board committee to perform various search related activities. The consensus of the Board was that the Board as a whole should be involved with the search firm and the screening and vetting of candidates. A committee would not be formed at this time.

Ms. McDuffee will begin working on a position description and core competencies. She may provide an update to the Board regarding the position description during the July Governance Workshop.

At 5:29 p.m. the meeting was recessed until 9:00 a.m. on Friday, June 21, 2019.

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David Gavia  
Executive Director

Bill Philibert  
Chair, Board of Trustees
MINUTES OF THE
TEXAS MUNICIPAL RETIREMENT SYSTEM
Meeting of the Board of Trustees

June 21, 2019 - 9:00 a.m.

On June 21, 2019, the Board of Trustees of the Texas Municipal Retirement System (TMRS) reconvened for a meeting at 9:00 a.m. at TMRS Headquarters, located at 1200 North IH 35 in Austin, Texas, with the following members present:

**Board of Trustees**
Bill Philibert, Chair
David Landis, Vice Chair
   Julie Oakley
   Jim Parrish
   Jim Jeffers
   Jesus Garza

Present also were:
   David Gavia, Executive Director
   Eric Davis, Deputy Executive Director
   TJ Carlson, Chief Investment Officer
   Bill Wallace, Director of Communications
   Dan Wattles, Director of Governmental Relations
   Leslee Hardy, Director of Actuarial Services
   Debbie Munoz, Director Member Services
   Scott Willrich, Director of Information Resources
   Rhonda Covarrubias, Director of Finance
   Sandra Vice, Director of Internal Audit
   Leslie Ritter, Director of Human Resources
   Jason Weiner, Director of Fixed Income
   Robert Klausner, Klausner, Kaufman, Jensen & Levinson
   Karen Jackson, Executive Assistant
   Marcia Beard, RVK
   Amy McDuffee, Mosaic Governance Advisors
   Jason Ostroski, CLA
   Brittany Smith, CLA

Also in attendance:
   Michelle Mellon-Werch, Assistant General Counsel
   Madison Jechow, Assistant General Counsel
   Nick O’Keefe, Lead Investment Attorney
   Kelsey Baldwin, Investment Attorney
   David Rodriguez, Senior Regional Manager—City Services
   Sean Thompson, Regional Manager — City Services
   Melanie Thomas, Process and Content Management Specialist
   Eddie Schultz, Investment Manager
Mr. Philibert called the meeting to order and the meeting was reconvened at 9:00 a.m.

9. **TMRS Trustee Education: Governance Discussion**
Ms. McDuffee continued the discussion regarding governance and the connection with the TMRS Strategic Plan, Goal 3. She wanted to refresh awareness of significant required responsibilities and preferences of the Board. The proposed agenda for the July Governance Workshop was reviewed. The proposed agenda would include discussion regarding the Board’s governance structure and responsibilities, followed by investment beliefs, and concluding with a review of the Board’s governance documents. Ms. McDuffee thanked Madison Jecchow and Christine Sweeney for their assistance locating and organizing the various documents. She reviewed the roadmap this process has taken and highlighted potential outcomes for the July meeting. The July 2019 Governance Workshop is part of a broader picture (Strategic Plan, Goal 3). Potential outcomes from workshop include updating the Board’s Bylaws if needed, updating charters and policies, and developing a consultant evaluation framework. Other suggested changes may include the number of Board meetings, the structure of the agendas and discussion of the scope and role of both Committees and consultants. Mr. Parrish and Mr. Philibert noted that this was in line with their thoughts. Mr. Philibert asked if this would result in a Board training/action manual and Ms. McDuffee indicated that it would.

The Board and the Executive Director responsibilities were discussed. Ms. McDuffee reviewed the foundational governance structure of TMRS. TMRS governance involves multiple parties including: the Governor, the Legislature, the Board, and the Executive Director and staff. Governance structure is found in the following critical areas of documentation: applicable laws and rules, Bylaws, Charters, policies and records of Board actions. The scope of governance includes Board actions, organizational governance, and
plan governance. Some of the Board responsibilities are required, others are undertaken by choice, preference or practice over time. Patterns of work have been established and evolved to support responsibilities. If any responsibilities need to change, those changes should occur for the right reasons.

Ms. McDuffee set the stage for the July meeting by reviewing various areas of Board action and the types of actions within those overarching categories. Both the Board and Executive Director are responsible for administration of the System and investment of assets. A list of questions was reviewed that would help the Board to choose where to retain responsibility and how it would go about accomplishing its work. Differentiating between significant responsibilities of the Board and Executive Director is important. The Board would be able to determine how it would like to govern.

Mr. Philibert asked how to keep this process and the deliverables (Board Governance Policy Manual) evergreen and if there is adequate “knowledge management” processes and tools. This process is ongoing.

Ms. Beard discussed the Board’s Investment Beliefs and reviewed the definition of Investment Beliefs. Investment beliefs set the direction for the Board's investment policy, investment practice and organizational culture. The Board, Executive Director and investment staff are key to translating investment beliefs into investment practice. It is critical that these stakeholders are closely involved in the process of developing the investment beliefs.

The Board and key investment staff anonymously completed an investment belief survey designed to assist in identifying investment beliefs. The survey responses were grouped into areas of where there are similar views or where there is not: high degree of similarity, some similar views, and little similarity. The goal of the survey is to discuss differences in beliefs, analyze and ultimately agree on a set of investment beliefs.

Ms. Beard moved the discussion to the responses where there was a high degree of similarity under the broader categories of: investment policy and governance, investment policy and governance, risk, portfolio construction, and implementation and monitoring. Sample investment beliefs were also discussed with relation to the survey results that showed high degree of similarity.

The Board’s role is to focus on mission, vision and policy to make sure the governance structure and resources are in place to allow the System to meet its objectives. Discussion on next steps will begin at the July Governance Workshop and areas that require clarification. Work in this area will also tie into the work on the asset allocation study that is going on simultaneously.

10. Receive Report on 2018 Financial Statement Audit Results; System and Organization Controls (SOC) Audit Results; and Auditor Report to the Board of Trustees (SAS 144)

Mr. Ostroski and Ms. Smith from CliftonLarsonAllen LLP (CLA) presented the results of the financial statement audit for the year ended December 31, 2018. In addition, CLA has
completed the System and Organization Controls (SOC) audit for the period covering May 1, 2018 through April 30, 2019. The SOC-1 Type 2 report is a key component of the GASB pension disclosure requirements.

The financial audit received an unmodified “clean” opinion. Mr. Ostroski noted limited procedures were performed, and no opinion was rendered on Management’s Discussion and Analysis, Required Supplementary Information, and the Introductory, Investment, Actuarial and Statistical sections. Limited procedures were also performed, and an “in relation to” opinion was rendered on other supplementary information (Schedule of Changes in Fiduciary Net Position—by Fund; administrative expenses; professional services; and investment expenses).

The Schedule of Changes in Fiduciary Net Position by Participating Municipality also received an unmodified “clean” opinion under GAAP.

The SOC I Type 2 Audit resulted in an unmodified “clean” opinion. Mr. Ostroski noted exceptions during the audit. All exceptions must be noted in the report, but none were significant enough to cause a change in the opinion.

Mr. Ostroski next reviewed the required governing body communications (SAS 114) with no significant items to note.

Ms. Smith gave an overview of the data analytics performed which look for anomalies in the data. She reviewed the data analysis methodology and highlighted the analytics and test ideas she developed. Ms. Smith noted that no identified anomalies were unresolved; she noted that Staff displayed a strong understanding of the underlying data.

Mr. Ostroski concluded with a few highlights from the 2018 Comprehensive Annual Financial Report.

Ms. Covarrubias and Ms. Nolte presented this overview of the 2018 Comprehensive Annual Financial Report (CAFR). Ms. Covarrubias thanked everyone involved in the development of the CAFR. The CAFR has been prepared in accordance with Generally Accepted Accounting Principles (GAAP), the Government Finance Officers Association (GFOA) Certificate of Achievement program guidelines and all applicable Governmental Accounting Standards Board (GASB) requirements. TMRS has received the GFOA Certificate of Achievement for thirty-one consecutive years and also received an award from the Public Pension Coordinating Council.

Ms. Covarrubias reviewed the five sections of the CAFR. The Introductory Section includes highlighted awards, the letter of transmittal which includes brief funding and actuarial overviews, TMRS’ Board of Trustees, and a Summary of the TMRS Plan Provisions.
The Financial Section includes the Independent Auditor’s Report and Management’s Discussion and Analysis. This section also includes the Statement of Fiduciary Net Position (Balance Sheet) and Statement of Changes in Fiduciary Net Position (Income Statement); these statements have columns for both the Pension Trust Fund and the Supplemental Death Benefits Fund. Ms. Covarrubias reviewed several items on the Statement of Changes in Fiduciary Net Position. A significant portion of this section are the notes to these financial statements. She highlighted critical notes of interest to the readers regarding Fair Value of Investment and Investment Risks. The section concludes with Required Supplementary Information and several supplemental schedules.

The third section is the Investment Section. This section provides a report on investment activity (from RVK), Outline of Investment Policies, Asset Allocation as of year-end, Summary of Investments, 2018 Investment Results and a Schedule of Investment Expenses. Ms. Nolte mentioned the modification of how fees are reported, which will be more consistent with the way our Texas peers report fees.

Ms. Covarrubias then noted that there were no changes in the Actuarial Section from the preceding year. This section includes certifications from GRS for both the Pension Trust and Supplemental Death Benefits Fund.

The final section is the Statistical Section which is presented consistent with the provisions of GASB Statement 44 (Economic Condition Reporting). Ms. Covarrubias reviewed several of the tables and graphs included in this section. She highlighted Additions and Deductions over the past ten fiscal years for the Schedule of Changes in Fiduciary Net Position (graphically), and also highlighted the Schedule of Average Benefit Payments, Retired Members by Type of Benefit and the Schedule of Principal Participating Employers. This section concludes with the Plan Provisions for Participating Municipalities.

The CAFR will be added to the TMRS website as soon as the Board approves distribution, along with the Schedule of Changes in Fiduciary Net Position (by Participating Municipality).

Mr. Landis moved that the Board approve distribution of the 2018 Comprehensive Annual Financial Report and the 2018 Schedule of Changes in Fiduciary Net Position (by employer) to TMRS member cities and interested parties. Mr. Garza seconded the motion, which passed 6-0.

12. Chief Investment Officer Management Update, Including Governance, Personnel, Manager Updates and Other Investment Related Matters
Mr. Carlson noted that we have had a nice recovery so far this year; should be just over $30 billion with about an 8% return.

Mr. Carlson requested if the Board needs clarification on any information, or prefers to receive additional information -- or even less information -- in the Board materials, please let him or Investment staff know.
13. **Executive Director and Staff Reports, Including Reports from Administration, Actuarial Services, Communications, Finance Governmental Relations, Human Resources, Information Resources, Internal Audit, Legal, Member Services, Project Management and Pension Administration System Assessment Update**

Mr. Gavia noted TMRS is participating in the Cost Effective Measurement (CEM) analysis for 2018. Documents are currently still being finalized and the results will be presented at a future Board meeting.

The Pension Administration System Assessment (PASA) is progressing and several preliminary milestones have been reached. Mr. Gavia stated a presentation of the results is expected for the September meeting.

14. **Call for Future Agenda Items**

   No items were discussed.

   There being no further business, the meeting was adjourned at 10:45 a.m.

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David Gavia  
Executive Director

Bill Philibert  
Chair, Board of Trustees