

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

September 27, 2018 – 1:30 p.m.

On September 27, 2018, 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

Jim Parrish, Chair
Bill Philibert, Vice Chair
Julie Oakley
David Landis
Jesus Garza

Absent: Jim Jeffers

Present also were:

David Gavia, Executive Director
Eric Davis, Deputy Executive Director
TJ Carlson, Chief Investment Officer
Christine Sweeney, General Counsel
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
Jesse Pittman, Senior Project Manager
Sandra Vice, Director of Internal Audit
Leslie Ritter, Director of Human Resources
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
Marcia Beard, RVK
Jonathan Kowolik, RVK
Amy McDuffee, Mosaic Governance Advisors
Tracy Harris, StepStone Group, LP
Lincoln Smith, Albourne America
Mark Randall, Gabriel, Roeder, Smith & Company

Also in attendance:

Eric Obermier, Assistant Director Information Resources
Madison Jechow, Assistant General Counsel
Michelle Mellon-Werch, Assistant General Counsel
David Rodriguez, Senior Regional Manager – City Services
Sean Thompson, Regional Manager – City Services
Melanie Thomas, Process and Content Management Specialist
Eddie Schultz, Assistant Director Real Assets
Cindy Morse, Investment Support Analyst
Debbie Farahmandi, Investment Operations Specialist
Nick O’Keefe, Lead Investment Attorney
Tish Root, Legal Assistant
Susan Jacques, Investment Performance Analyst
Geldon Vilahu, Investment Operations Analyst
Carol Leung, Equities Investment Analyst III
Ryan Conner, Risk Management Analyst
Kurt Cressotti, Compliance Officer
German Gaymer, Fixed Income Analyst
Jacob Bowland, Fixed Income Analyst
Kevin Notaro, Absolute Return Analyst
Peter Teneriello, Private Equity Analyst
Yvonne Huang, Real Assets Analyst
Jennifer Andrews, Member Services Manager
Peter Jeske, Project Specialist
Paula Nguyen, Investment Accountant
Natalie Garza, Communications Analyst
Kenneth Oliver, Actuarial Analyst
Pete Krnavek, Information Systems Manager
David Riggs, Texas State Association of Fire Fighters
Greg Shipley, Combined Law Enforcement Associations of Texas
Casey Srader, Government Finance Officers Association of Texas
Kathleen Depweg, City of Arlington

Mr. Parrish called the meeting to order at 1:34 p.m. and Mr. Parrish gave the invocation.

1. Consider and Act on Consent Agenda

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

Mr. Philibert moved that the Board adopt the minutes as presented. Mr. Landis seconded the motion, which passed 5-0.

2. Consider and Act on Meeting Dates and Locations for 2019 Board of Trustees Meetings

Under the TMRS Act, the TMRS Board of Trustees is required to hold Board meetings in March, June, September and December. In addition, the Board has also held meetings in May and August, with part of the May meeting being a joint meeting between the Board and the Advisory Committee. For the last several years, the Board has also met in February and October to accommodate increased Board workload.

Mr. Gavia introduced the dates presented in the Board materials and noted potential dates for a standalone Board workshop, separate and apart from the eight requested Board meeting dates.

The dates preferred by the Board for 2019 are as follows:

February 14-15
March 28-29
May 30-31
June 20-21
August 22-23
September 26-27
October 31-November 1
December 5-6

Ms. Oakley requested staff look at one of the upcoming meetings to be held in a Board member city and/or to be held in conjunction with the TMRS Annual Conference.

3. Review and Discussion of the TMRS Act Review and Next Steps

Ms. Sweeney and Mr. Wattles presented the potential legislative changes and continued the discussion on the TMRS Strategic Plan objective to “Develop and Promote Legislation and Rule Amendments to Clarify Certain Aspects of the TMRS Act” (Goal 1, Objective C). In essence, this initiative is designed to identify possible statutory or rule changes that would improve TMRS’ plan design and operations and to determine whether to initiate legislation in the 86th Legislature. Mr. Lewis, Ron Lewis and Associates, was also available for questions or comments. Staff requested direction on whether to proceed with legislation and/or to narrow down the items to include in a potential legislative bill.

Mr. Landis stated that we need to proceed forward with the work on the administrative issues. There was still some uncertainty regarding the three benefit design changes. The Board concurred on the administrative items. Staff will proceed with drafting language for the three benefit design items, but the Board reserves the right to decide whether or not to proceed with a bill on any items, administrative or benefit design.

Ms. Sweeney discussed the benefit design features and the work that has been done on the Cost of Living Adjustment (COLA) amendment. This amendment would keep the CPI based feature, but allows cities to elect to have the “catch-up” feature removed. Another possible amendment is to add 40% and 60% option levels to the COLA choices that cities have. The discussion centered on the potential for increased use of ad hoc adoptions. The Board

requested a focused discussion on the use or adoption of ad hoc COLAs. The Board preferred Option 2 (i.e., only offer removal of the “catch-up” feature) in the draft language.

The Board next moved to discuss the proposed changes to the Retiree Supplemental Death Benefit (SDB). The language of this proposed amendment clarifies how the retiree SDB currently operates with regard to eligibility, provides an option to cities to increase the benefit from \$7500 to \$10,000 for cities that currently have the retiree SDB feature, and provide that for cities beginning participation in the SDB program after the effective date of the legislation, and for cities participating in SDB that cease participation and later resume participation, the retiree SDB amount would be set at \$10,000. The Board’s preference was that if the retiree SDB amount is increased, the new amount be set at \$10,000 but that it should apply to all cities participating in the SDB and should not be optional. More information was requested regarding the number of cities adopting the SDB and the potential cost.

The existing Return to Work (RTW) provisions were discussed and Ms. Sweeney listed the proposed changes. Proposed changes include expressly adding the bona fide termination concept, which essentially means there cannot be a pre-arrangement for an employee to return to work after they retire; adding a one-year break in service requirement, which is used to establish a bona fide termination; and providing that if a person has both a bona fide termination and at least a 1 year break in service since retirement from the city, then their annuity would not be suspended if they returned to work for that city. The proposed amendments would also close the “eight year gap” provision and provide transition rules for retirees who have already returned to work for the city from which they retired. There was discussion about how the other statewide plans handled RTW. The recommendation by tax counsel is for a one year break of service. Staff is still awaiting input from tax counsel on other potential issues. The Board was in favor of staff continuing to work on the RTW proposal.

In summary, of the benefit design options presented, the Board was in favor of continuing to explore the three items: COLA Option 2, mandatory change of SDB from \$7,500 to \$10,000, and RTW based on Staff’s recommendation.

Mr. Parrish recommended staff move forward with work on the three benefit design proposals and have the Advisory Committee on Benefit Design review the three benefit design proposals as well.

Mr. Parrish asked the Board if they had any concerns with any of the administrative items. Ms. Oakley asked if there were too many administrative items to include in one bill. Mr. Wattles indicated the size of the bill does make a difference and Mr. Lewis concurred. It may be a good plan to separate controversial items from non-controversial items.

Mr. Garza suggested having the Legislative Committee and staff work with Mr. Lewis to create a list of controversial and non-controversial items. Mr. Wattles reminded the Board there were a total of 19 priority items and the 19 priority items were ranked into categories of high, medium and low.

Mr. Philibert suggested discussing with the Legislative Committee the nine high priority items and the three benefit design provisions.

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

Mr. Schelling, Mr. Teneriello, and Ms. Harris from StepStone Group LP presented the manager recommendations. The proposed new allocation of two Private Equity managers/two Private Equity vehicles totals \$110 million. The two managers selected are Tritium II (Tritium) and Main Post II (Main Post).

Mr. Schelling discussed the portfolio construction and manager selection portfolio considerations.

Tritium Partners is an Austin-based lower middle market growth/buy-out firm that targets companies in internet/information services, supply chain/logistics, and business/financial service businesses. Mr. Schelling indicated that Tritium has a strong track record and good visibility on performance. He also reviewed the issues to watch.

Mr. Teneriello reviewed Main Post. Main Post is a firm that focuses on consumer value chain businesses, specifically in the beauty, restaurant, wellness, branded goods and food and beverage categories. It has a strong track record of performance and, in most cases, they work directly with business founders.

Ms. Harris noted that these are very attractive investments and staff did well in sourcing.

Mr. Philibert moved that the Board 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 Summary of Recommendations chart in the TMRS Staff memo, each individually contingent on favorable background checks, if required below, and successful negotiation of the investment agreements:

Name of Investment Manager, Investment Fund, or Fund Strategy	Asset Class Strategy	Initial Investment Allocation	Background Check Required (Yes or No)
Tritium II, LP (Tritium)	Buy-out	\$60 million	Yes
Main Post Growth Capital II, L.P. (Main Post)	Growth	\$50 million	Yes

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

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

5. Absolute Return Annual Asset Class Review

Mr. Leavitt, Mr. Notaro and Mr. Smith, from Albourne America, presented the Absolute Return Strategies (ARS) annual review. Mr. Leavitt highlighted strategy initiatives and accomplishments. He reviewed the ARS direct funding timeline and reviewed the movement from the Fund of Fund portfolio to the direct investment fund. Funds and capital approved and funded since 2015 were discussed and Mr. Leavitt noted the expected need to add to the ARS team as the portfolio grows in size and complexity.

The manager and consultant scorecard summary was reviewed and all nineteen manager and one consultant relationship assessed are in satisfactory standing. There is constant manager review and due diligence. In 2018, there have been 161 total manager meetings to date with a total of 989 meetings since 2015. Mr. Leavitt reviewed Investment Policy Statement (IPS) Compliance and Absolute Return asset class objectives. The mismatch between the benchmark and portfolio construction was explained. Mr. Leavitt listed the primary goals for the Direct Portfolio.

Mr. Notaro examined the historical returns and noted that returns are in excess of the targets. Volatility remains low while stocks are high valued. Risk sizing was reviewed as well as regional allocations.

The ARS team has spent a total of 120 days off site since last year for due diligence and sourcing. ARS' diversification remains balanced across the strategies. The ARS Direct portfolio had a very strong 2017, outpacing other public pensions and other investors. Mr. Leavitt reviewed the performance and upside/downside capture. ARS' priority is on downside protection in market pullbacks. Strong manager due diligence is a critical factor with the ARS team looking across a multitude of investment strategies to continue building out the portfolio.

Mr. Smith discussed the macro outlook and the four stages of the economic cycle. He stated that currently we are in stage three of the economic cycle and we may begin to see inflation on the rise. Directional (Macro) and Relative Value Strategies are currently in favor.

In conclusion, the Direct Portfolio is achieving its return objectives, as defined in the IPS, both from a relative and absolute perspective. The portfolio is constructed to seek attractive risk-adjusted returns over the long-term while providing performance that has low correlation to traditional asset classes.

6. Consider and Act on Investment Program Transition Management Provider Search Recommendation(s)

Ms. Qualls, Ms. Leung and Jonathan Kowolik from RVK presented the Transition Management Program due diligence search process and the manager recommendations for consideration by the Board. Ms. Leung began by defining transition management and how it may be used by TMRS. The reason for this search process is to determine which transition managers meet the requirements and provide the best services for TMRS' Transition Management Program.

Mr. Kowolik reviewed the Transition Manager search process. After the in-depth due diligence process, five firms have been selected for recommendation to the Board as a “designated pool” of transition managers with highlighted strengths in specific asset classes or transition mandates. The five managers are: BlackRock Institutional Trust Company, N.A., Citigroup Global Markets Inc., Northern Trust Investments, Inc., Pavilion Global Markets Ltd., and Russell Investments Implementation Services, LLC.

Ms. Qualls noted that we are expanding our current bench of three managers by adding two new firms, however the process will remain the same. This will allow a slightly wider pool of transition managers and also allow the use of interim asset management where appropriate. The recommended transition managers may overlap in experience in different asset classes allowing TMRS the flexibility to utilize another firm already in place should a manager’s focus on transition management change. The use of interim management was discussed. Ms. Qualls used Russell as an example of a firm that has strong interim management services and how interim management could assist when transitioning assets.

Mr. Landis moved that the Board of Trustees approve the following:

- (i) Authorize the following transition managers and the related interim management services, each as proposed and to be in accordance with the TMRS Investment Policy Statement, as presented in the TMRS Staff memo, and successful negotiation of the transition management and interim management services agreements:

Name of the Transition Manager	Asset Class Strategy	Initial Investment Allocation	Background Check Required (Yes or No)
BlackRock Institutional Trust Company, N.A.	Transition Management	N/A	No
Citigroup Global Markets Inc.	Transition Management	N/A	No
Northern Trust Investments, Inc.	Transition Management	N/A	No
Pavilion Global Markets Ltd.	Transition Management	N/A	No
Russell Investments Implementation Services, LLC	Transition Management	N/A	No

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

Ms. Oakley seconded the motion, which passed 4-0. (Mr. Philibert was not present for the vote.)

7. Executive Session

At 5:29 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 6:33 p.m.

At 6:33 p.m. the meeting was recessed until 8:30 a.m. on Friday, September 28, 2018



David Gavia
Executive Director



Jim Parrish
Chair, Board of Trustees

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

September 28, 2018 - 8:30 a.m.

On September 28, 2018, the Board of Trustees of the Texas Municipal Retirement System (TMRS) reconvened for a meeting at 8:30 a.m. at TMRS Headquarters, located at 1200 North IH 35 in Austin, Texas, with the following members present:

Board of Trustees

Jim Parrish, Chair
Bill Philibert, Vice Chair
David Landis
Julie Oakley
Jesus Garza

Absent: Jim Jeffers

Present also were:

David Gavia, Executive Director
Eric Davis, Deputy Executive Director
TJ Carlson, Chief Investment Officer
Christine Sweeney, General Counsel
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
Jesse Pittman, Senior Project Manager
Sandra Vice, Director of Internal Audit
Leslie Ritter, Director of Human Resources
Kristin Qualls, Director of Public Equity
Karen Jackson, Executive Assistant
Stacy White, Executive Assistant
Marcia Beard, RVK
Amy McDuffee, Mosaic Governance Advisors
Bob Charlesworth, Charlesworth and Associates
Mark Randall, Gabriel, Roeder, Smith & Company
Joe Newton, Gabriel, Roeder, Smith and Company

Also in attendance:

Eric Obermier, Assistant Director Information Resources
Michelle Mellon-Werch, Assistant General Counsel
Madison Jechow, Assistant General Counsel
Nick O'Keefe, Lead Investment Attorney

Sean Thompson, Regional Manager – City Services
Melanie Thomas, Process and Content Management Specialist
Peter Jeske, Project Specialist
Eddie Schultz, Assistant Director Real Assets
Cindy Morse, Investment Support Analyst
Debbie Farahmandi, Investment Operations Specialist
Geldon Vllahu, Operations Analyst
Susan Jaques, Performance Analyst
Kurt Cressotti, Compliance Officer
German Gaymer, Fixed Income Analyst
Jacob Bowland, Fixed Income Analyst
Kevin Notaro, Absolute Return Analyst
Yvonne Huang, Real Assets Analyst
Kevin Notaro, Absolute Return Analyst
Kenneth Oliver, Actuarial Analyst
Natalie Garza, Communications Analyst
Donna Neal, Senior Technology Design Specialist
Elizabeth Stone, Technical Design Specialist
Shaun Truchard, IT Support Specialist
Bob Scott, City of Carrollton
Greg Shipley, Combined Law Enforcement Associations of Texas
David Riggs, Texas State Association of Fire Fighters
Kathleen Depweg, City of Arlington

Mr. Parrish called the meeting to order and the meeting was reconvened at 8:30 a.m. Ms. Oakley was absent and entered the meeting at 8:47 a.m.

8. Consider and Act on Actuarial Services Contract Recommendation

Ms. Hardy and Mr. Oliver presented the recommendation on the Actuarial Services contract. The Request for Proposal (RFP) was issued as part of the Board's Strategic Goal to review the role of its consultants at the end of each current contract period. Ms. Hardy highlighted the RFP timeline and actuarial consulting firm search process. Six national firms were qualified to perform services and three responded to the RFP. The clarification process, references, ranking factors were discussed as well as the proposals. Phone interviews were completed with the top two ranked companies and the scores did not change after the phone interviews. The top ranked firm was selected for recommendation to the Board for approval.

Ms. Hardy reviewed the due diligence ranking factors and discussed the key factors in each of the five ranking categories that were used in reviewing each of the firms. The reasons for the staff recommendation were highlighted. All three firms have large Public Employee Retirement System (PERS) experience, however the top firm has the most in general. All three proposed well credentialed teams, but the main differences were team stability, no turnover and the ability to "deepen the TMRS team".

The development of the GRID was discussed and the role it had in the scoring. Ms. Hardy compared the fees across the three firms and she reviewed the final ranking. GRS was selected as the finalist and their qualifications were highlighted.

Ms. Oakley joined the meeting at this point of the discussion. GRS' leadership was reviewed and how it has benefited TMRS.

Mr. Philibert asked if there was any concern about reliance on GRS' GRID product. Ms. Hardy explained that it would not cause any issues.

Mr. Newton and Mr. Randall from GRS joined the meeting at this time. Mr. Randall thanked the Board and stated that GRS lives its values. He reviewed the firm's core values and their national perspective as well as listing the PERS they currently work for. A list of the Texas pension clients was reviewed and the service GRS provides to those systems was also discussed. Mr. Randall highlighted TMRS' team and the consistency and leadership GRS brings to TMRS along with being a strategic partner. A few of the accomplishments GRS has attained are rate stabilization techniques, more macro-economic checks and Grid enhancements.

Mr. Randall discussed SB350 and the funding restructure of TMRS. GRS is very proud of their role in that process, to see the suggested changes come to fruition and to attain the benefit gains after successful implementation.

Mr. Newton reviewed the System's progress and the improvements that were made to the System over the last 10 years. The conditions are significantly different than with many of TMRS' peers. The characteristics that differentiates GRS from other firms were highlighted.

Mr. Landis moved that the Board, (i) select Gabriel, Roeder Smith and Company (GRS) as the actuarial consulting firm to provide the actuarial services outlined in the Request for Proposal of Actuarial Consulting Services at the fee set out in their proposal, and (ii) authorize the Executive Director to negotiate, execute, and deliver the Actuarial Consulting Services Agreement with GRS, along with any other agreements or documents the Executive Director deems necessary or appropriate for the transaction, and to do any and all other acts deemed by the Executive Director in his judgment to be necessary or appropriate, in the best interests of TMRS, to give effect to the transaction. Mr. Landis also moved that the Board authorize that the Agreement include an option for a five year extension which would be subject to Board approval. Ms. Oakley seconded the motion, which passed 5-0.

9. Board Education: Governance Discussion

Ms. McDuffee continued the education session started at the August Board meeting. The Pension Review Board's (PRB) training requirements were reviewed. Ms. McDuffee noted one of the key topics of discussion is the Board's self-evaluation.

Oversight of Public Retirement Systems was the first topic for discussion. In Texas, the PRB was established through the Legislature to serve as the oversight body for all public retirement systems in Texas, including all statewide systems. Ms. McDuffee highlighted the

purpose of the PRB and how they work to meet that purpose, including the required reports that have to be filed.

The roles and responsibilities of internal and external experts were discussed as well as the relationships supporting the Board. Clear and defined lines of reporting are a necessity. Delegation of responsibilities is critical for the day-to-day operations and management of the System. Once delegation has occurred, follow-up is also necessary to make sure the Board's needs are met.

Ms. McDuffee reviewed the professional Non-Investment Advisors used by the Board and their roles. One question that must continually be asked is, are we getting fresh ideas? The professional Investment Advisors were discussed. A balance must be maintained between serving the Board, and also working with staff. Ms. McDuffee highlight the best practice trends in consultant relationships. It is important to have a team approach with a common goal of helping to mitigate overall risk of the System. Creating and implementing a process for the Board to review the role of its current consultants is an objective on the Board's Strategic Plan. She reviewed several questions for the Board to consider regarding these consulting relationships. Mr. Parrish stated that the Board would consider those questions and more as they digest this topic.

Board meeting effectiveness and efficiency was discussed and Ms. McDuffee reviewed the requirements regarding meetings, agendas, official actions and executive sessions. Key questions to ask for meeting effectiveness and efficiency were highlighted. Ideas for a future governance workshop was discussed. Areas for consideration include: areas of responsibility, areas where the Board needs assistance, and the use of committees. Ms. McDuffee asked the Board for their thoughts.

Mr. Parrish noted the location of the Board meeting could potentially increase involvement. Mr. Philibert was intrigued with the concept of a zero based agenda development approach.

Ms. Oakley requested that the Board's policies should be reviewed and updated as necessary. She would like these to be discussed in a workshop. Ms. McDuffee noted she and Ms. Sweeney had discussed combining all the Board's policies in a single place. There was an interest on the Board's part to pursue a governance workshop.

Ms. McDuffee recapped the progress of this discussion regarding governance.

10. Review and Discussion of Insurance Risk Management Coverage

Ms. Covarrubias, Mr. Pittman, and Mr. Charlesworth from Charlesworth & Associates (Charlesworth) presented the discussion of insurance risk management coverage. Ms. Covarrubias provided some background regarding this topic. In 2015, she opened a project to review TMRS' insurance risk coverages. A project team was created and the team first reviewed the current Fiduciary Liability policy with our broker, McCall Hibler & Allen. The team determined that TMRS could benefit from an insurance risk review and determined that an experienced consultant in this area was warranted. TMRS issued a Request for

Information (RFI) and conducted interviews of seven firms. Charlesworth was selected to work with staff on determining and fulfilling our insurance needs.

Mr. Charlesworth discussed his credentials and noted that he is not a licensed insurance broker; his firm only handles risk management consulting. He listed the key areas of risk, focusing on the executive risk area: Directors and Officers Liability, Employment practices, Cyber Liability, Crime/Employee Dishonesty and Fiduciary Liability.

The Directors and Officers Liability coverage through the Texas Municipal League was reviewed and Mr. Charlesworth summarized the coverage.

Employment Practices coverage was discussed. It was recommended to combine both the Directors and Officers Liability coverage with the Employment Practice Liabilities for a coverage limit of \$10 million.

Mr. Charlesworth reviewed the newly acquired Cyber Liability coverage. TMRS had a basic plan, but this was expanded through AIG to improve coverage.

The Crime coverage was discussed and Mr. Charlesworth reviewed the coverage of this policy, policy limits and the deductible amounts.

The Fiduciary Liability Policy was discussed as well as the policy limits and deductible amount. This policy is in place for defense costs and damages. A pre-approved list of attorneys is also provided in the coverage. The recommendation would be for a \$5 million limit, but the deductible increases to \$250,000. The \$3 million limit maintains the \$100,000 deductible. The reason to purchase this policy is the surety of having defense and the Board not having to determine who or what will be covered. The Board should consider the higher limit and Mr. Charlesworth reviewed the reasons why the Board should insure this risk. He asked the Board to provide guidance with regard to the limits.

The Board directed Mr. Charlesworth to explore what is available at the \$5 million limit. Mr. Gavia asked about even higher limits. Mr. Charlesworth explained that obtaining higher coverage may be difficult.

11. RVK Quarterly Staff Report

Ms. Beard began by stating that the goal of the quarterly report is to monitor the requirements set by the Board in the Investment Policy Statement (IPS).

The economic environment was reviewed. Ms. Beard stated that the dollar has strengthened. She also stated that the tightening dollar, liquidity pressure and the escalating trade tensions has put significant pressure on non-U.S. assets. The yield curve has also flattened.

Ms. Beard discussed the relative performance of asset classes to past years and compared the changes in performance. Total portfolio asset allocation and performance was reviewed. Beyond the one-quarter period, the total fund has outperformed the benchmark across all periods, net of fees. The composite performance was highlighted and Ms. Beard pointed out

the best and worst performing asset classes for the quarter. To give the Board a general idea of how TMRS is doing, performance versus peers was discussed. Ms. Beard compared TMRS' performance to the public funds universe of funds greater than \$10 billion. TMRS is seeing lower returns but also lower volatility than peers in this universe. TMRS also has a lower return target than most peers.

Ms. Beard reviewed each of the asset classes and discussed why each asset class is included in the portfolio as well as the characteristics of the assets within each class. For example, actively managed versus passively managed, core versus non-core assets, market exposures, etc.

Ms. Oakley asked if we might see improvement in the Core Fixed Income numbers due to action by the Federal Reserve. Mr. Carlson indicated that on the short term, Non-Core should go up, but the Core Fixed Income will not increase as a result of a rate increase by the Federal Reserve and will probably go down.

12. Chief Investment Officer Management Update, Including Governance, Personnel, Manager Updates and Other Investment Related News or Matters

Mr. Carlson indicated there was nothing to report at this time.

13. Executive Director Update: Communications

Mr. Wallace presented the overview of the Communications Department. He reviewed the TMRS website and discussed the redesign to improve accessibility and scalability across all platforms.

The members of the Travel Team were introduced and Mr. Wallace discussed their roles and activities.

He reviewed the publications including the Comprehensive Annual Financial Report and highlighted the new publication, "Pension Intelligence". The TMRS Annual Training Seminar was discussed and the advances that have been made to this year's conference including online registration through an app. Mr. Wallace discussed the videos that are being produced. Press relations and how we work to prevent and correct misunderstandings was reviewed. The audiences that receive the various methods of communication include members, retirees, cities, elected officials and taxpayers.

Executive Workshops, extensive city visits and social media initiatives are some of the recent activities of the Communication Department. A survey was sent to all the cities soliciting their ideas for usage of social media sources, video topics they would like covered and web site suggestions.

Mr. Wallace concluded by discussing initiatives for 2019. They include more video topics, targeting smaller, more specific, groups for communications, outreach to elected officials and education for mid-career members.

Ms. Oakley commented that she appreciates hearing from the various departments and she feels that we have engaged and committed employees throughout the organization. Mr. Parrish noted that he appreciates the use of many difference channels of communication. Mr. Garza stressed the need to maintain, if not increase, communications with elected officials.

14. Executive Director and Staff Reports

Mr. Gavia had nothing to add to the reports.

15. Call for Future Agenda Items

Ms. Oakley asked for a review of the charters for the Budget Committee and Compensation Committee.

Mr. Parrish requested a review of the ad hoc COLAs and SDB.

Mr. Philibert congratulated the Investment Department for their awards nominations. He also requested an update regarding the communications for the new Mission, Vision and Values which were adopted.

There being no further business, the meeting was adjourned at 11:40 p.m.



David Gavia
Executive Director



Jim Parrish
Chair, Board of Trustees