



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

June 27, 2024 – 9:00 a.m.

The Board of Trustees of the Texas Municipal Retirement System (TMRS) convened for a meeting at 9:00 a.m. at the TMRS office, located at 2717 Perseverance, Suite 300 in Austin, Texas, with the following Trustees present: Chair Bill Philibert, Vice Chair David Landis, Tommy Gonzalez, and Tricia Mirabelle. Trustees Roy Rodriguez and Bob Scott were absent.

Staff present included: David Wescoe, Debbie Muñoz, Christine Sweeney, Anali Alanis, Jac Greene, Yup Kim, Nick O’Keefe, Kristyn Scoggins, Tom Masthay and Madison Jechow. Consultants present included: Christian McCormick and Brittany Smith.

1. Consider and Act on Consent Agenda.

Mr. Gonzalez moved that the Board adopt the Consent Agenda, including but not limited to the Minutes from the May 23, 2024 meeting. Ms. Mirabelle seconded the motion, which passed 4-0.

2. Executive Director’s Report.

Mr. Wescoe said Monica Huffer was selected the Rising Star in the State of Texas as awarded by Governor Abbott. TMRS received Pioneer Level and Engagement Level awards from the Quality Texas Foundation. The City of Weston became TMRS’ 938th city. TMRS’ Member Service Center had a median time of seven seconds in responding to phone calls last week. Mr. Gonzalez said the Quality Texas awards shows TMRS’ commitment to good service measured by benchmarks.

3. Receive Senior Staff Quarterly Reports.

Mr. Wescoe presented the Senior Staff Quarterly Reports to the Board.

4. Report on Audit Committee Meeting.

Mr. Landis said the Audit Committee met on June 6, 2024, and received an update on the external assessment of TMRS’ Internal Auditor that is expected to be complete in August. The Committee also received Ms. Scoggins’ updates on internal audits regarding cybersecurity and city contributions expected later this year and an internal audit of benefit payments expected in 2025. Mr. O’Keefe provided the Committee with a performance review and salary adjustment recommendation for Ms. Scoggins. Mr. Landis moved that the Board approve the recommended 7.7% salary adjustment. Mr. Philibert seconded the motion, which passed 4-0.

5. Report on Stakeholder Advisory Committee Meeting.

Ms. Mirabelle said the Stakeholder Advisory Committee met on June 6, 2024. At prior meetings, the Committee reached consensus on making all city benefit changes effective January 1 after adoption and removing the statutory maximum contribution rate for cities. On June 6, the Committee continued discussions on decoupling Updated Service Credits (USC) from Cost of Living Adjustments (COLAs) and providing additional COLA options for cities. The additional COLA options discussed included making the non-retroactive COLA permanent and providing additional COLA percentage levels. All Committee members who voiced an opinion were in favor of the changes. The Committee also discussed an 80% non-retroactive repeating COLA option, but there was less enthusiasm for that. The proposed changes and Committee input will be further discussed with the Board at its September meeting.

6. Consider and Act on Renewal of Governmental Relations Consultant Contract.

Mr. Wescoe recommended renewing TMRS' agreement with governmental relations consultant Ron Lewis & Associates. Mr. Landis moved that the Board retain Ron Lewis & Associates for another two years, with the option to renew for an additional two-year term, at the rate of \$9,000 a month. Ms. Mirabelle seconded the motion, which passed 4-0.

7. Receive System and Organization Controls (SOC) Audit Results.

Brittany Smith, CliftonLarsonAllen LLP (CLA) Engagement Manager, reported that CLA provided a clean, unmodified opinion on the System and Organization Controls (SOC) Audit Report around the controls presented by TMRS, and that they were fairly presented, adequately designed and operating effectively during the period for May 1, 2022, through April 30, 2023. Ms. Smith said no exceptions were noted, which takes a lot of effort to achieve.

8. Receive 2023 Financial Statement and the Schedule of Changes in Fiduciary Net Position by Participating City Audit Results.

Ms. Smith presented the results of the 2023 Financial Statements and Schedule of Changes in Fiduciary Net Position audits. Ms. Smith informed the Board that CLA provided a clean, unmodified opinion on TMRS Financial Statements. CLA also completed its audit of the Schedule of Changes in Fiduciary Net Position (by Participating City) and gave a clean, unmodified opinion of the City information in relation to the TMRS financial statements as a whole.

9. Receive Required Auditor Communications to the Board of Trustees.

Ms. Smith provided information to the Board required under AICPA auditing standards. She reminded the Board of CLA's responsibilities under U.S. Generally Accepted Auditing Standards. She stated that no new TMRS accounting policies were implemented, there were no adjustments to financial statements, no significant new transactions were observed, and TMRS management was very cooperative during the audit process. There were no disagreements with management, no difficulties encountered during the audit, management did not consult with other accountants, and a letter with management representations was provided.

10. Receive and Approve Distribution of 2023 Annual Comprehensive Financial Report.

Mr. O’Keefe recommended that the Board approve the distribution of the Annual Comprehensive Financial Report for the year ended December 31, 2023, and he reviewed its contents. Mr. Landis said that it was phenomenal that CLA found no adjustments in reviewing the financial statements, and he moved that the Board accept and approve the distribution of the 2023 Annual Comprehensive Financial Report. Mr. Gonzalez seconded the motion, which passed 4-0.

11. Investment Reports.

Mr. Kim announced the TMRS Booth Summer Fellowship, named in honor of David Booth, Founder and Chairman of Dimensional Fund Advisors of Austin, and he welcomed Kash Molwani, a former Vice President at Blackstone and an MBA candidate at Harvard Business School, as the inaugural Booth Summer Fellow. Mr. Kim said that private market portfolio pacing and construction are on target, and the Trust Fund asset allocation complies with its Board-approved ranges. TMRS is increasing its co-investments, currently 5.3% of private market assets, with a goal of 30% of the private markets allocation within five years. TMRS net returns exceeded benchmarks and the actuarial rate assumption of 6.75% and placed TMRS in the second quartile of peers in the last year while taking less risk than peers. In the first quarter, completed investments totaled \$445 million.

12. General Investment Consultant Quarterly Report.

Mr. McCormick said all the news is directionally positive. TMRS’ Trust Fund performance exceeded benchmarks in the one-year and five-year periods, and assets now exceed \$40 billion. Mr. Gonzalez asked for comparison of TMRS’ funded status to other funds. Mr. McCormick said TMRS is 90% funded, which is better than most other funds with \$10 billion or more in assets. TMRS was in the second quartile among peers last year though continuing to be in the fourth quartile for the five-year period. The direction of travel is positive since the Trust Fund further diversified and added strategies three years ago. Mr. Gonzalez asked where TMRS fell in terms of being fully funded, and Mr. McCormick said closer to the top although there was a wide variety of funding levels among peers. Mr. Wescoe said that while TMRS in whole is 90% funded, more than 30% of cities in TMRS are 100% funded.

13. Consider and Act on Amendments to the Investment Policy Statement.

Mr. Kim presented proposed amendments to the Investment Policy Statement (IPS) to align the IPS with the current investment strategy of pursuing a benchmark-aware global public markets portfolio and concentrating the private markets portfolio with world class managers while seeking co-investment opportunities. The proposed amendments also strengthen controls and clarify the IPS.

After Mr. Kim’s presentation, Mr. Philibert recognized Brynn Paiva with the Laborers’ International Union of North America to make a public comment on this Agenda item. Ms. Paiva said the higher standards proposed in the IPS amendments should integrate environmental, social

and governance factors consistent with IPS section III.B., investment belief number 11. Ms. Paiva said LIUNA was concerned about human capital risks related to a \$200 million residential project of Madison Realty Capital, an investment manager to TMRS, and its developer, Kushner Companies. Ms. Paiva encouraged use of qualified and responsible contractors at this project consistent with the IPS.

Mr. Gonzalez moved that the Board approve the amendments to the Investment Policy Statement. Mr. Landis seconded the motion, which passed 4-0.

14. Board Education: Real Assets.

Mr. Masthay presented an educational session on TMRS' Real Assets portfolio. The portfolio is designed to enhance return and provide diversification for the Trust Fund. Real estate and infrastructure have been among TMRS' highest performing asset classes. Mr. Masthay reviewed the various types of real estate, infrastructure and other private markets real assets. Mr. Gonzalez inquired about office real estate market difficulties. Mr. Masthay said TMRS holds about half of the weight in office real estate compared to the benchmark, and TMRS is in position to hold what assets TMRS owns until the market comes back. Real estate outperformed its benchmark and also outperformed public equities in the past decade although it was negative last year. Infrastructure has been TMRS' second highest performing asset class since 2017, and other private markets has produced about 11% since inception. Mr. Masthay said TMRS was on pace to achieve its investment goals for 2024 and expand its co-investment efforts.

15. Executive Session.

The Board did not go into Executive Session.

16. Call for Future Agenda Items.

There being no further business, Mr. Philibert adjourned the meeting at 10 a.m.



David B. Wescoe
Executive Director



Bill Philibert
Chair, Board of Trustees