



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

October 24, 2024 – 9:00 a.m.

The Board of Trustees of the Texas Municipal Retirement System (TMRS) met at 9:00 a.m. at the La Cantera Resort, located at 16641 La Cantera Parkway, San Antonio, Texas, with all Trustees present: Chair Bill Philibert, Vice Chair David Landis, Tommy Gonzalez, Tricia Mirabelle, Jim Parrish, and Bob Scott.

Staff present included: David Wescoe, Debbie Muñoz, Anali Alanis, Jac Greene, Yup Kim, Nick O’Keefe, Madison Jechow, and Karen Jackson. Consultants present included: Sam Austin, Christian McCormick, and Bob Klausner. Jarvis Hollingsworth and Dr. Anthony Picchioni also attended.

Mr. Wescoe provided the Board copies of a letter dated October 6, 2024, from Justin Flores with the Private Equity Stakeholder Project.

1. Welcome.

Mr. Philibert gave welcome remarks.

2. Consider and Act on Consent Agenda.

Ms. Mirabelle moved that the Board adopt the Consent Agenda, including but not limited to the Minutes from the September 19, 2024 Board meeting. Mr. Landis seconded the motion, which passed 6-0.

3. Receive Update on 2023-2025 Strategic Plan.

Mr. Wescoe reviewed the 2023-2025 Strategic Plan.

4. Consider and Act on Potential Legislative Matters.

Ms. Muñoz presented four proposals reviewed and supported by the Stakeholder Advisory Committee.

Item 1 would make city plan changes effective January 1, except for city participation ordinances.

Item 2 would repeal statutory limits on maximum city contribution rates. Mr. Parrish said that repeal has been a long time coming.

Item 3 would decouple updated service credit (USC) and cost-of-living adjustment (COLA) benefits. Ms. Muñoz said decoupling would make COLAs less expensive while providing cities more benefit options. Mr. Scott said the SAC heard concerns about reductions in benefits from decoupling, but TMRS' experience is that very few cities reduce benefits even though that can be done now. The SAC came to a consensus that decoupling makes sense because it currently only works against COLAs. Decoupling gives rapidly growing cities options to enhance benefits one step at a time. Mr. Parrish asked if public safety representatives to the SAC supported decoupling. Mr. Scott said that the firefighters' association representative agreed with it, while police association representatives were non-committal. Ms. Mirabelle said the SAC meetings provided education and lots of opportunities for members to ask questions, and Mr. Scott said the SAC added an extra meeting to discuss these issues fully.

Item 4 would provide additional COLA options for cities by:

- Making HB 2464's non-retroactive COLA option permanent, without current restrictions, and
- Adding 40% and 60% COLA percentage options for both retroactive and non-retroactive COLAS.

Ms. Alanis presented item 5, which would update requirements relating to using a Small Estate Affidavit so that the TMRS Act is consistent with the Estates Code and does not limit heirs to three. She also presented item 6, which would add venue provisions for state court and administrative hearings proceedings so that claims against TMRS are in Travis County. She said that in September staff discussed with the Board possible changes regarding qualified domestic relations orders, but after further staff review of that issue and resources needed for the changes, staff recommends postponing to a future legislative session.

Mr. Landis moved to approve the six items proposed by staff for submission in the 2025 Texas Legislative Session, to authorize the Executive Director to secure House and Senate bill sponsors, and to take such other actions as the Executive Director deems necessary to pursue the legislative proposals. Mr. Gonzalez seconded the motion. Mr. Scott asked whether the proposals include a COLA option of an 80% non-retroactive COLA, and he said that option might make the other changes more acceptable to public safety representatives. Mr. Wescoe said after TMRS' actuary Joe Newton spoke to the SAC about the 80% COLA, the SAC consensus was not to support it, and staff's proposal does not include the 80% non-retroactive COLA. Mr. Parrish said he was comfortable excluding the 80% option. Ms. Mirabelle said that public safety representatives had the chance to express interest in the 80% COLA option in SAC meetings but did not. The Board approved the motion 6-0.

5. Board Education: Co-Investments.

Mr. Kim provided an overview of private market investments and co-investments.

Mr. Scott asked about minimum investment thresholds for co-investments, and Mr. Kim said that TMRS is attractive to general partners offering co-investment opportunities because TMRS can provide a range between \$25 million and \$200 million in capital for co-investments. Mr. Scott asked what TMRS does as a co-investor as compared to a limited partner. Mr. Kim said a general partner invites TMRS to look at a company alongside the general partner. In most cases, the general partner has done 80% of the work reviewing a company but is seeking additional capital calls. If a general partner needs \$200 million to close a deal, but only has raised \$100 million, the general partner will call on co-investors like TMRS. TMRS seeks to be the first or second call for general partners. Having relationships with general partners is key to receiving those calls, and TMRS has the ability to respond nimbly to the calls.

Mr. Parrish asked about the biggest risks of shifting to Private Equity. Mr. Kim said that because of the well-funded status of TMRS, and its liquidity status with modest net cash outflow, the asset allocation is very reasonable. The problem for other institutional investors is when they have to sell private market investments as a forced sale to meet liquidity needs. Mr. Landis asked about the costs for recruiting investment professionals from general partners. Mr. Kim said that for billions of dollars in potential overperformance in private markets, the return on investing in human capital with general partner experience is worth it.

6. Executive Session.

The Board went into Executive Session at 11:05 a.m. The Board reconvened in Open Meeting at 12:17 p.m. All Members of the Board who were present before the Executive Session were present and no action was taken in Executive Session.

7. Consider and Act on Selection of an Executive Director.

Mr. Parrish moved that the Board select Debbie Muñoz to become the Executive Director effective on September 1, 2025 or earlier, upon the departure of the current Executive Director, upon such terms and conditions as the then Board Chair and Ms. Muñoz agree, as evidenced by their execution of an employment agreement. Mr. Gonzalez seconded the motion, and the Board approved it 6-0.

8. Presentation: “Improving Executive Decision Making in a Turbulent World.”

Dr. Douglas Kiel had to cancel his previously scheduled presentation due to a health issue. Jarvis Hollingsworth replaced him and discussed leadership topics. Mr. Hollingsworth, a lawyer and

investment professional, served two terms as Chair of the Board of Trustees for the Teacher Retirement System of Texas during significant transitions in its investments portfolio and return assumptions.

Mr. Philibert adjourned the meeting at 2:17 p.m.



David B. Wescoe
Executive Director



Bill Philibert
Chair, Board of Trustees