

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

September 17, 2020 – 1:00 p.m.

The Board of Trustees of the Texas Municipal Retirement System (TMRS) convened for a meeting at 1:00 p.m. at TMRS Headquarters, located at 1200 North IH 35 in Austin, Texas, with the following Trustees present: Bill Philibert, Chair, David Landis, Vice Chair (via Zoom), Jesús Garza (via Zoom), Anali Alanis (via Zoom), Johnny Huizar (via Zoom) and Bob Scott (via Zoom).

Staff present included: David Wescoe, Executive Director, Eric Davis, Chief Services Officer, T.J. Carlson, Chief Investment Officer, Christine Sweeney, Chief Legal Officer, Debbie Munoz, Director of Member Services, Dan Wattles, Director of Governmental Relations, Tom Masthay, Director of Private Equity, Marc Leavitt, Director of Absolute Return, Karen Jackson, Executive Assistant, Michelle Mellon-Werch, Assistant General Counsel, and Chris Gillis, Network/Systems Administrator.

Advisory Committee on Benefit Design attendees (via Zoom): Keith Dagen, Government Finance Officers of Texas, Mitch Landry, Texas Municipal Police Association, Scott Leeton, Combined Law Enforcement Association of Texas, and Paul Parker.

Mr. Philibert called the meeting to order at 1:00 p.m., did a roll call, and all Trustees were present.

Consent Agenda

1. Consider and Act on Consent Agenda

Mr. Philibert introduced the Consent Agenda and asked if there were any questions or comments.

Mr. Landis moved that the Board adopt the minutes from the August 20, 2020 Board meeting. Mr. Garza seconded the motion, which passed 6-0.

Executive Director Reports

2. Executive Director's Report

Mr. Wescoe stated that he has been meeting with stakeholder groups and TMRS staff. He announced the promotion of Anthony Mills to Director of City Services after internal interviews. He described the creation of new internal teams to facilitate administration, communications and technology issues. He singled out several employees for recognition, including Mike Dominkowitz and Ricardo Zavala. Staff is preparing the 2021 budget and the 2020 Action Plan.

Mr. Wescoe announced that Bill Wallace, Director of Communications, will be retiring at the end of the month and thanked him for his service and contributions.

3. Senior Staff Quarterly Reports

Mr. Wescoe discussed the Senior Staff Reports and stated that if the Board has any questions or comments about them to contact him or staff.

Mr. Scott thanked Mr. Wescoe for the changes to the agenda and the meeting materials. He also congratulated Mr. Mills on his promotion.

Legal Report

4. Consider and Act on Amendments to Bylaws of the Board of Trustees and to the Charter for Advisory Committee on Benefit Design

Ms. Sweeney summarized the changes to the Bylaws to create more flexibility in Board Committee appointments, as requested by the Board at the August Board meeting.

Mr. Landis moved that the Board approve the proposed amendments to the Bylaws and to the Charter for Advisory Committee on Benefit Design. Mr. Scott seconded the motion, which passed 6-0.

Advisory Committee on Benefit Design Report

5. Report on Advisory Committee on Benefit Design's September Meeting

Committee Chair David Landis began by stating that the Advisory Committee on Benefit Design meeting was well attended and that there was a good discussion of the issues presented. Mr. Davis described the two benefits design changes proposed by staff and discussed by the Committee. He then reviewed the advantages and disadvantages raised by the Committee members for each proposal.

The Trustees asked various questions regarding the proposals, and Mr. Landis and Mr. Garza discussed their opinions and the thoughts of the Committee regarding whether or not to pursue legislation. The Board directed staff to draft proposed legislation, including providing drafts to Legislative Council and begin discussing the proposals with legislators and stakeholders.

Internal Audit Committee Report

6. Report on Internal Audit Committee's September Meeting

Committee Chair David Landis stated that the Internal Audit Committee meeting went well. Sandra Vice, Director of Internal Audit, reviewed the items discussed at the Internal Audit Committee's September meeting. All of the items presented were provided to the Board.

Investment Reports

7. Chief Investment Officer Report

Mr. Carlson reviewed his CIO Report and responded to questions from Trustees.

8. Receive Private Market Investment Report

Mr. Carlson reviewed the private market investments that were approved by the Staff Investment Committee since the last Board meeting and answered questions from Trustees regarding the investments.

Mr. Carlson reported that there were no public market investments since the August Board meeting.

9. Discussion of Investment Beliefs: Environmental, Social and Governance (ESG)

Mr. Carlson introduced the subject by providing an overview of ESG and how the concept has developed over the years, including TMRS' current practices.

Marcia Beard described the way that RVK provides information regarding ESG to its clients. Ms. Beard reviewed various ESG models and discussed where TMRS is currently on the spectrum based on the Investment Policy and Governance Survey Statement Questions that relate to ESG. Mr. Carlson reviewed Texas laws that require limitations on certain investments, and proxy voting policies and processes currently in the Investment Policy Statement. He then explained how staff tracks emerging managers.

The Trustees discussed the proposed investment belief statements. There was consensus by the Trustees regarding the governance strategy regarding ESG.

Break

The meeting recessed for a five minute break at 2:35 p.m. and reconvened at 2:40 p.m., with all Trustees present.

10. Consider and Act on Private Equity Manager Search Recommendation

Mr. Masthay explained that staff and Albourne are recommending a co-investment over four years for \$400 million with HarbourVest Partners. Mr. Masthay discussed the strategy and the reduction in fees of the opportunity. He reviewed the reasons why staff selected this allocation and recommended that the Board approve staff's recommendation.

Mr. Scott 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 TMRS Staff Memo to Board, 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)
HarbourVest Partners, LLC	Buy-out & Growth Equity	\$400M	Yes

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

Ms. Alanis seconded the motion, which passed 6-0.

11. Annual Asset Class Review: Absolute Return

Mr. Leavitt reviewed the Absolute Return asset class and explained the objectives of the Absolute Return portfolio and gave a history of the allocation. Mr. Leavitt reviewed the portfolio construction, and discussed fees, liquidity, performance and various other factors. He answered questions from the Trustees.

Board Executive Session

12. Executive Session

There was no Executive Session.

Future Board Agenda Items

13. Call for Future Agenda Items

Mr. Philibert called for future agenda items. Mr. Scott indicated he would like to have a non-technical, high level discussion on the investment risk tolerance of the Trustees. The Trustees and staff discussed the possibility of making this an education session and discussion.

There being no further business, Mr. Huizar moved that the meeting adjourn at 3:40 p.m. Mr. Scott seconded the motion, which passed 6-0.

ATTEST:



 David B. Wescoe
 Executive Director

SIGNED:



 Bill Philibert
 Chair, Board of Trustees