

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

**Thursday, July 18, 2019 – 9:00 a.m.**

On July 18, 2019, the Board of Trustees of the Texas Municipal Retirement System (TMRS) convened for a meeting at 9:00 a.m. at the Hyatt Regency Lost Pines, located at 575 Hyatt Lost Pines Road in Lost Pines, Texas with the following members present:

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

**Present also were:**

David Gavia, Executive Director  
Eric Davis, Deputy Executive Director  
TJ Carlson, Chief Investment Officer  
Christine Sweeney, General Counsel  
Sandra Vice, Director of Internal Audit  
Karen Jackson, Executive Assistant  
Robert Klausner, Klausner, Kaufman, Jensen & Levinson  
Marcia Beard, RVK  
Amy McDuffee, Mosaic Governance Advisors  
Mark Randall, Gabriel, Roeder, Smith & Company  
Joe Newton, Gabriel, Roeder, Smith & Company

**Also in attendance:**

Mitch Landry, Texas Municipal Police Association

Mr. Philibert called the meeting to order at 9:00 a.m. and Mr. Landis gave the invocation.

**1. Governance Workshop, including Discussion of Board of Trustees, Values, Roles and Responsibilities, Communication, Investment Beliefs, Governance Manual and Governance Topics**

Ms. McDuffee thanked Christine Sweeney, Madison Jechow, Karen Jackson, and Stacy White for their work putting the Governance Workshop meeting materials together. She laid out the order of activities and expectations for the day. She also noted that she would summarize what she heard and what the Board decided for the August board meeting.

Ms. McDuffee led the Board in various exercises to prepare them for the governance discussions. One exercise was to discuss at what stage of an organizational lifecycle is TMRS today. There

were various opinions, and it was agreed to proceed with openness, being thought forward, having a blank slate with a focus on TMRS' vision and mission, and ultimately with the Board speaking with one voice.

Ms. McDuffee gave an overview of the governance structure and responsibilities framework and facilitated a Board discussion of various responsibilities. Specifically, the Board discussed:

- the concept of having the Chair serve a two-year term that begins with the Interim Legislative Session and serves through the Legislative Session, with flexibility in case a Trustee doesn't want to serve a second year
- reducing the period of the strategic plan from five years to three years, with the annual review of the strategic plan to coincide with the Board and Executive Director's evaluations
- updating the Board's training policy to clarify what is appropriate training and the approval process

The Board also discussed whether any changes were necessary for the appointment of the system's Internal Auditor, and concluded none were needed.

Ms. Beard provided an overview of the investment policy and Investment Beliefs survey results. The survey showed highly similar views among the Board that its best and most effective use of its time is on setting and monitoring long-term investment objectives, and the least important use of the Board's time allocated to investment related matters was receiving presentations on new investment opportunities. This led to a discussion about delegating investment decisions to TMRS staff. Ms. Sweeney summarized the Board's statutory authority to delegate to the Executive Director; and various delegation options were discussed including the use of a consent agenda, both prospectively and retroactively, setting percentage delegation limits by asset class, and using a forward-looking calendar to direct manager approval. The Board requested that Ms. McDuffee bring the options back to the Board and additional detail on how each could work for its consideration at the August meeting. In light of the discussion, the Board agreed that there was no current need for an investment committee of the Board. Additionally, the Board directed Ms. Beard to design a schedule to accommodate Board education on the topic of internal asset management beginning with the September 2019 Board meeting.

Ms. McDuffee resumed the governance structure and responsibilities framework discussion with a discussion about the Board's committees. The Board attained consensus on the following:

- no change needed to the Legislative Committee, Advisory Committee on Benefit Design, and Internal Audit Committee
- merging the charters for the Compensation and Budget Committees to form one committee
- maintaining the Technology Committee as an ad hoc committee, which does not need a charter

Ms. McDuffee then presented the sample governance policy manual elements with three groupings for developing a TMRS Governance Policy Manual within 18 months. Group 1 policies reflected the immediate policies to work on within the next 9 months. Group 2 policies reflected those to be updated or developed within the next 15 months, and Group 3 policies, the next 15 - 18 months. She asked for feedback on policy topics that may be missing and the Board's reaction to the proposed update list. Ms. Oakley suggested adding a topic to address the Board's new authority, effective January 2020, to participate in Board meetings via video or conference call. Mr. Garza asked that the Service Provider/Board Consultant Selection and Evaluation be moved up from Group 2 to

Group 1.

Ms. McDuffee stated she would summarize the day's discussion and bring potential action items for the Board's consideration at the August board meeting.

**2. Discuss Status Update on Search Process for Executive Search Firm**

Mr. Parrish announced his intention to apply for the position of Executive Director of TMRS and recused himself from this discussion and left the room. The Board discussed what rules apply when a Trustee is a candidate for Executive Director. Ms. Sweeney was asked to research this issue. It was also agreed that any information about the selection process will be available via Diligent only to those Board members who are not recused.

Ms. McDuffee stated that a Request for Information had been sent to four recruitment firms, who must indicate their intent to bid by August 5, 2019. The firms' proposals are due by August 19, 2019, in advance of the Board's August board meeting. Ms. Sweeney, Ms. McDuffee, and Saba Hashmi (analyst with Mosaic Governance Advisors, LLC) will review the proposals and suggest to the Board the firms to interview as finalists at the September 2019 Board meeting.

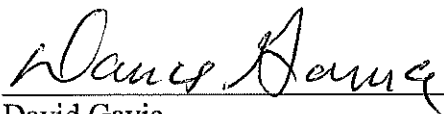
**3. Executive Session**

The Board did not go into Executive Session during this meeting.

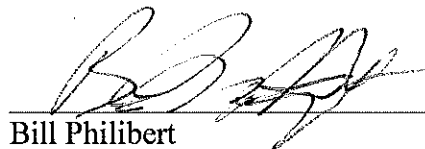
**4. Call for Future Agenda Items**

Mr. Philibert invited Mr. Parrish to return to the meeting. There were no suggestions for future agenda items.

There being no further business, the meeting adjourned at 3:18 p.m.



David Gavia  
Executive Director



Bill Philibert  
Chair, Board of Trustees