

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

May 28, 2020 – 11:30 a.m.

On May 28, 2020, the Board of Trustees of the Texas Municipal Retirement System (TMRS) convened for a meeting at 11:30 a.m. at TMRS Headquarters, located at 1200 North IH 35 in Austin, Texas, with the following members present:

Board of Trustees

Bill Philibert, Chair

Board of Trustees participating via telephone conference call

David Landis, Vice Chair

Julie Oakley

Jesus Garza

Anali Alanis

Johnny Huizar

Present also were:

David Gavia, Executive Director

Eric Davis, Deputy Executive Director

TJ Carlson, Chief Investment Officer

Christine Sweeney, General Counsel

Dan Wattles, Director of Governmental Relations

Karen Jackson, Executive Assistant

Present via telephone conferencing:

Bill Wallace, Director of Communications

Leslee Hardy, Director of Actuarial Services

Debbie Munoz, Director of 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

Michelle Mellon-Werch, Assistant General Counsel

Nick O'Keefe, Lead Investment Attorney

Kelsey Baldwin, Investment Attorney

Stacy White, Executive Assistant

Robert Klausner, Klausner, Kaufman, Jensen & Levinson

Marcia Beard, RVK

Spencer Hunter, RVK

Joe Newton, GRS

Brad Stewart, GRS
Ron Lewis, Ron Lewis & Associates
Amy McDuffee, Mosaic Governance Advisors
Keith Brainard, National Association of State Retirement Administrators
Dr. A. Gary Shilling, A. Gary Shilling & Co., Inc.
Greg Shipley, Combined Law Enforcement Association of Texas
Scott Leeton, Combined Law Enforcement Association of Texas
Casey Srader, Government Finance Officers Association of Texas
Keith Dagen, Government Finance Officer Association of Texas

Mr. Philibert called the meeting to order at 11:30 a.m. and Mr. Philibert gave the invocation.

A roll call was taken of the Board, Senior Staff and Consultants and all were present.

1. Consider and Act on Consent Agenda and Receive Report on Private Market Investments

The Consent Agenda includes minutes from the March 24, 2020 meeting. There were no questions on the minutes. The Report on Private Market Investments is included as an informational only report required as part of the new investment approval process contained in the amended Investment Policy Statement (IPS), dated effective February 15, 2020. Mar. Carlson provided an overview of the Private Market Investment Report.

Mr. Landis moved that the Board adopt the Consent Agenda. Ms. Oakley seconded the motion. A roll call vote was taken of the Board members, and the motion passed 6-0.

2. Consider and Act on Proposed TMRS Rule Amendments

Mr. Gavia introduced Ms. Sweeney and Ms. Mellon-Werch and thanked staff for all the work on this extensive project. Legal Staff is in the process of reviewing all of the chapters in the Texas Administrative Code (TAC) relating to TMRS in order to clarify and modernize the Board's rules generally, and to make changes necessary to implement statutory changes made by Senate Bill 1337.

Ms. Sweeney noted the purpose of this agenda item is to continue 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, including efficiency and effectiveness, and to determine whether to initiate legislation or rule changes.

At the February 13, 2020 Board meeting, Staff presented proposed revisions to the Board Rules, TAC Chapter 121 - Practice and Procedure Regarding Claims, to be accomplished by repealing the existing rules and replacing them with a new Chapter 121. The Board approved the proposed changes and authorized Mr. Gavia to submit the proposed changes to the Governor's office for review. Ms. Sweeney reported that the Governor's Office had non-

substantive edits that were made and the proposed repeal of Chapter 121 and the new proposed rules were filed with the *Texas Register*. In conversations with the *Texas Register*, staff anticipates that the rules will be published in the June 5, 2020 publication of the *Texas Register*. Ms. Sweeney stated that once the rules are published, there is a 30-day public comment period. Once this period ends, any comments will be reviewed and final rules will be brought for approval by the Board before final publication.

Ms. Sweeney then introduced the proposed revisions to TAC Chapter 123 – Actuarial Tables and Benefit Requirements, and explained that this would be the first of two parts regarding this Chapter, because of the breadth of the subject matter. She also reviewed the Board’s authority to adopt rules. Ms. Sweeney stated that staff from multiple departments had provided expertise and invaluable assistance with the development of the rules.

Ms. Sweeney mentioned one rule change in particular that was made as a result of changes made by Senate Bill 1337 to the TMRS Act. Because of the addition of various actuarial concepts into the Act, various subsections of Rule 123.7, Authority to Make Actuarial Changes, were no longer necessary.

Ms. Mellon-Werch then discussed the remaining rules. She stated there were three rules reviewed by staff that do not require any changes: Rules §123.1 Actuarial Tables, §123.2 Supplemental Disability Benefits Not Reduced by Certain Increases in Base Benefit, and §123.8 Updated Service Credit Calculations.

Staff recommends that the following rules be repealed because they have been codified or are no longer necessary: Rules §123.4 Interest in Calculations of Benefits Based on Completed Service and §123.6 Retirement Benefit Calculation. Staff also recommends revising the following rules in order to modernize and clarify: Rules §123.3 Month of Credited Service and Year of Credited Service Defined, §123.5 Requirement of Spousal Consent and §123.7 Authority to make Actuarial Changes. Ms. Mellon-Werch next reviewed four new rules being proposed relating to: 1) definition of department; 2) post- retirement contributions; 3) retiree supplemental death benefits; and 4) certain convicted elected officials ineligible for retirement annuity.

Mr. Garza asked about the process for recommending changes to the TMRS rules, which Ms. Sweeney answered. Mr. Garza also asked how much flexibility there was in the definition of “department”. Ms. Sweeney discussed the legal precedent and basis for this rule and the need to give cities guidance on this issue.

Mr. Landis moved that the Board authorize the Executive Director (i) to submit the proposed repeal of Chapter 123 and new Chapter 123 of the TMRS Rules, in substantially the form provided to the Board to the Governor’s Officer for review; (ii) to make non-substantive changes to the proposed Chapter 123 rules that might be suggested by the Governor’s staff; (iii) once the Governor’s review is complete, to file the proposed repeal of Chapter 123 and proposed new Chapter 123 of the TMRS Rules with the *Texas Register* for publication (with any final adoption of the amended rules to take place at a later Board meeting), and (iv) to make non-substantive changes to the attached proposed rule amendments as necessary or

desirable to renumber the rules as described to the Board and/or conform the rule amendments to *Texas Register* requirements. Ms. Alanis seconded the motion. A roll call vote was taken of the Board members, and the motion passed 6-0.

3. Governance Manual Update and Consider and Act on Possible Amendments to the Board's Bylaws and Other Governance Documents

Ms. Sweeney and Ms. McDuffee presented the proposed amendments to the Board's Bylaws and other Governance documents. Ms. McDuffee stated that today's discussion pertained to the Budget and Compensation Committee Charter, Board Bylaws, and Board Administrative Governance Policy.

The Board had requested a comprehensive Governance Manual and Ms. McDuffee reviewed the proposed Table of Contents. The Board is on a path to review and amend, as needed, all of the policies to be included in this manual.

Ms. Sweeney reviewed the new draft Charter for the Budget and Compensation Committee. This Charter encompassed all of the previous provisions of the two separate Charters. It does add authority for a compensation consultant and ability to develop a work plan for the Committee. The concept of the work plan was discussed. This would set out an intentional plan for the Committee's anticipated activities each year. The primary focus is expected to be more on the budget side, and more ad-hoc on the compensation side. Ms. Oakley did not want the work plan too structured or too rigid to allow the Board flexibility in the Committees. It was suggested the Committee's work plan would not have to be approved by the full Board.

Ms. Oakley moved to approve the Charter, subject to Ms. Sweeney revising the Charter language to provide for an annual informal work plan with the ability for the Committee to make changes to the plan throughout the year. Mr. Landis seconded the motion. A roll call vote was taken of the Board members, and the motion passed 6-0.

Discussion next moved to the Board's Bylaws. The red-lined document shows all proposed changes to the current version of the Bylaws, which was approved in December 2019. Since most of the proposed changes were included in the draft Bylaws presented at the February 2020 Board meeting, the new red-lined changes added since February were shown with yellow highlights. Ms. Sweeney reviewed the highlighted changes.

Mr. Garza asked how the Board's legislative consultant was addressed in the Bylaws. Ms. McDuffee noted where in the Bylaws it is addressed. Ms. Oakley asked where in the document the hiring/releasing of a consultant is discussed. She also asked that a couple of Board Members be included in the scoring and evaluation of Board consultants. Ms. Sweeney noted that the Bylaws include provisions for hiring and terminating Board consultants, but that part of the Governance Manual Project includes the development of a new separate Board policy regarding the retention and evaluation of Board consultants.

Mr. Garza asked why the Bylaws include a preference to telephone meetings versus video conference meetings. Ms. Sweeney noted that this was the Board's preference noted at the

February Board meeting. The statute allows for videoconference meetings, but in February the Board indicated a preference to still meet in person followed by telephone conference calls. Due to the COVID pandemic, the preference for meetings by telephone conference call over videoconference may be changing.

Ms. Oakley moved to approve the amendments to the Bylaws, subject to changing Section 2.1.6 to have the flexibility to have telephone conference or videoconference meetings without a hierarchy of preference. Mr. Garza seconded the motion. A roll call vote was taken of the Board members, and the motion passed 6-0.

Ms. McDuffee then reviewed the Administrative Governance Policy and highlighted the agenda development and distribution. Attendance at Board meetings was reviewed. The Executive Director performance and compensation review provision was discussed, which is duplicative of provisions in the Board's Bylaws. Board member professional development and travel expenses section was reviewed and Ms. McDuffee suggested these items should be included in a separate policy.

Mr. Philibert and Mr. Landis suggested to table this item as development of the Governance Manual continues. Ms. Oakley agreed with the pause but would like for all Board policies to be contained in one item. Ms. Sweeney noted that the Bylaws' table of contents anticipates that the various Board policies will be included as appendices to the Bylaws.

Board roll call was taken to ensure a quorum existed. All Trustees were present.

4. Review and Discussion of 2021 Legislative Agenda and Consider and Assign Topics to the Advisory Committee on Benefit Design

Mr. Gavia introduced Mr. Wattles, Mr. Davis, Ms. Sweeney and Mr. Lewis to discuss the 2021 Legislative Agenda and possible topics for the Board to consider to assign to the Advisory Committee on Benefit Design (Committee) prior to the 87th Legislative Session. Mr. Wattles welcomed the Advisory Committee members and introduced the new Committee member for the Individual Class, Barry Sullivan.

The 2018-2022 TMRS Strategic Plan includes an objective to "Develop and Promote Legislation and Rule Amendments to Clarify Certain Aspects of the TMRS Act" (Goal 1, Objective C). The purpose of the objective is to review the TMRS Act and Administrative Rules to identify the need for possible statutory or rule changes that would improve TMRS' plan design and operations. To address this objective, TMRS staff initiated the "TMRS Act Review Project" (Project) to develop an inventory of possible changes and clarifications to the TMRS Act and Rules to be used in the process for developing a legislative agenda.

The goal of the Project is to create a Legislative agenda and have the Advisory Committee study necessary topics. Mr. Wattles reviewed the Project summary to date noting the number of proposals identified by staff, approved by the Board, and enacted in SB 1337. Mr. Philibert asked how ad-hoc amendments to the TMRS Act that are proposed by others are addressed. Mr. Wattles and Mr. Lewis discussed keeping the focus on what is best for the System.

For this interim, staff presented eleven medium and high priority items and provided a more detailed description of each of the proposals. Mr. Wattles provided a brief background and summary of the eleven proposed items. None of the eleven proposals are critical to the operations of TMRS.

Mr. Davis gave an overview of the first five proposals. The first two proposals are related to benefit design: Cost of Living Adjustment (COLA) and Return to Work. The next three proposals are Administrative: authority to require mandatory electronic submission of city payroll contributions and reports, payments to formerly participating municipalities and repeal the Statutory Maximum Rate of Contribution ("Stat Max").

Ms. Sweeney discussed proposed items six and seven relating to Administrative Governance: clarify Trustees eligibility to serve on the Board and clarify oath of office requirements for new Trustees.

Mr. Gavia reviewed proposed item eight regarding staff's suggested amendments to the investment authority. He reviewed other Systems' investment authority.

Mr. Davis highlighted suggested proposal item nine, interest on late contributions.

Item ten was discussed which would move certain ministerial/administrative duties from the Board to the System. Ms. Sweeney indicated there have been over twenty items identified which could be amended. She concluded with reviewing item 11, repeal obsolete provisions and other clarifying or "clean-up" changes.

The updated project timeline was discussed and Mr. Wattles reviewed the next steps moving forward. In line with the 2018 format, the Advisory Committee was scheduled to meet before this Board meeting, but was postponed due to the ongoing pandemic. Mr. Landis was hopeful that an in-person meeting of the Advisory Committee can be held in June before that Board meeting.

Mr. Wattles asked the Board for their feedback with regard to the eleven proposals. Mr. Philibert proposed moving forward with the proposals and Mr. Garza agreed.

Mr. Klausner suggested drafting bill language now to make it easier to make a final decision on a strategy. The direction from the Board was to continue moving forward and begin drafting proposed bill language.

5. Consider and Act on Results of 2019 Actuarial Valuation and Approval of 2021

Retirement Contribution Rates and Supplemental Death Benefit Contribution Rates

Mr. Gavia introduced Ms. Hardy and from GRS, Mr. Randall, Mr. Newton and Mr. Stewart, to present the 2019 Actuarial Valuation. The TMRS Act provides that the consulting actuary will annually prepare an actuarial valuation of the assets and liabilities of the funds of the retirement system. This section of the TMRS Act also provides that, on the basis of rates and tables adopted by the Board, the actuary shall annually compute the normal contribution rate,

prior service contribution rate, and supplemental death benefit rate for each participating municipality in accordance with the TMRS Act. The actuary also prepares a reconciliation of the required contribution rates from the prior valuation to enable member cities to recognize individual factors which affected their contribution rate. Mr. Gavia noted the results are the culmination of ten years' worth of work and consistent funding progress system-wide.

Mr. Randall began by stating this is a very positive report and a lot of the work began in 2009 with House Bill 360 and again in 2011 with Senate Bill 350. However, things have changed since December 31, 2019 and next year may be a difficult year due to the pandemic. Mr. Randall pointed out the fact that assets outgrew liabilities and he noted improvements in funding periods and funded ratios.

Mr. Newton stated that positive means a little better than expected. This is confirmation that the policies in place are working and those policies will continue to take TMRS towards being fully funded and stable rates over time. The main output from the Actuarial Valuation is the contribution rate. The rate distribution is a nice tight bell curve, shifting up slightly due to known factors – assumption changes. Over a smoothed basis, the assets have kept pace with the liabilities. Positive amortization is occurring and more principal than interest is being paid. Mr. Newton discussed yields based on Market Value of Assets which showed the interest credits given to the Benefit Accumulation Fund (BAF). From 2015 to 2019, the volatility is expanding and this is exactly why asset smoothing is used. A history of liabilities and assets was reviewed and Mr. Newton noted that all trends are going exactly how we expect. The funded ratio is trending upward which is the goal, and it will continue to be a slow and methodical process of improvement. Regarding TMRS' funded ratio compared to peers, TMRS' funded ratio is improving and the Public Plans Data for peers is trending downward. The Projected Funded Ratio (longer term) was reviewed.

Mr. Newton discussed how this funding improvement is affecting almost all participating municipalities with only 99 of the 888 cities being less than 80% funded. The historical contribution rate for cities has been very stable and the single equivalent period for amortization continues to tick downward. The distribution of rate changes by city was reviewed. The impact of the assumption changes did cause some slight rate increases, but these are expected.

The Sustainability Checklist was reviewed. This is the stress testing of the System's funding policies and can be used to assess the sustainability of a pension plan. Based on this checklist and our results, TMRS is in a very sustainable position. The overall message is that the System-wide health continues to improve and the expectation is for a slowly increasing funded ratio over the next few valuations and continued stability in the contribution rates, System-wide.

Mr. Newton did review projected System-wide results as of December 2020 based on potential market returns during 2020 ranging from negative 14% to positive 7%. This range was chosen to include potential negative returns that could result from the current pandemic.

Mr. Landis moved that the Board accept the December 31, 2019 actuarial valuation prepared by its consulting actuary and certify the contribution rates for municipalities for 2021. Ms. Oakley seconded the motion. A roll call vote was taken of the Board members, and the motion passed 6-0.

6. Public Pension Trends Presentation

Mr. Gavia introduced Mr. Brainard, Research Director of the National Association of State Retirement Administrators, and provided a highlight of his career and his credentials.

Mr. Brainard provided an update for the public pension community in the United States and how TMRS compares. He echoed Mr. Newton's comments that TMRS has a solid funding policy and really is a model plan in the public pension system community.

He reviewed the demographics of the public pension community as well as public pensions in Texas. On a national basis, employers contribute approximately 70% and employees 30%. The growth in assets has been volatile but moving upward. The median funded ratio in the public pension community is 72.7%; therefore, TMRS is in a strong position. The change in funding levels was reviewed, which was similar to GRS' presentation. TMRS stands out not only in its performance, but also in its consistency. Mr. Brainard discussed the change in the distribution of Investment Return Assumptions which showed the trend to lower return assumptions. TMRS' decision to move to a lower assumption has played well in the plan's continued funding improvement.

The relative change in employment for public and private sectors was reviewed. For the generic pension plan, a decline in employment does have actuarial impact. The active to annuitant ratios were highlighted and TMRS shows as a less mature plan by this ratio. TMRS' stronger funded ratio plays in its favor. External cash flow was discussed and TMRS is ahead of the median with regard to external cash flow.

The effects of a bear market and economic recession on public pensions were discussed and Mr. Brainard focused on investment return assumptions, economic recession, and lower inflation and interest rates and projected returns.

Mr. Brainard concluded with a "forecast". Subpar investment returns will increase unfunded actuarial liabilities. Sustained low inflation and low interest rates will add pressure for reduced investment return assumptions. Employers are likely to face pressure from lower revenues as pension costs rise. More reforms are likely to be made to plans which result in more risk-sharing, lower benefit levels and finally, higher employee contributions.

7. Annual Economic Outlook Presentation

Mr. Gavia introduced Dr. Shilling to present the annual economic outlook and provided a highlight of his career and his credentials. Dr. Shilling began by stating the coronavirus is the biggest global shock since WW II and could possibly have long lasting impact. He began by reviewing stock market performance during the Great Depression and current market conditions are very similar to this period. He discussed that a sharp "V" recovery is not

likely and he feels the recession may be "L" shaped. This is similar to the pattern of 1929 and the early 1930's. Dr. Shilling reviewed how much more significant unemployment is now than during the great recession. What makes this more difficult is that most people were unprepared financially for this. This has caused an increase in the personal savings rate. Consumers are being more cautious and we will likely see reorientation of the currently disrupted supply chains. The bond market is likely predicting low inflation, if not even deflation.

Globalization is the biggest phenomenon in the last 40 years due to the movement of U.S. manufacturing out of the United States to China, where costs are much less. The actual level of manufacturing has been going down which is a very good indication of what globalization has done to shift this.

Another trend enforced by pandemic is the shift to on-line shopping. Malls are in trouble and there will be a need for more warehouses. Rents get pushed down, but there will be more infrastructure spending. Interest rates continue to decline despite continued increase in the government's deficit. The big fiscal stimulus packages will continue if the recession drags on.

Commodities are very sensitive to supply demand conditions and Dr. Shilling thinks there will be continued excess supply which will put a downward pressure on prices. He indicated that this period could not only be low inflation, but even deflation because of this crisis and the slow growth in the aftermath. Dr. Shilling foresees a period of low interest rates for a long time. He also does not expect a roaring stock market after we get past the pandemic. Purchasing power has not increased in over a decade and income redistribution is a big issue in this country.

Dr. Shilling concluded by stating he expects long-term slow growth, low returns and continued recession. Many pension funds are underfunded and there could be a nation-wide pressure to restructure pension funds.

8. Review and Discussion of SB 322 Investment Practices Report

Marcia Beard and Spencer Hunter with RVK discussed their Senate Bill 322 (SB 322) Investment Practices Report. In the 2019 Texas Legislative Session, SB 322 was passed and one portion of the bill added a new Section 802.109 to the Texas Government Code, which applies to all public retirements systems. TMRS is now periodically required to retain a knowledgeable, independent firm to evaluate many aspects of TMRS' ongoing investment practices and performance. RVK, TMRS's General Investment Consultant, was engaged to perform the first independent evaluation.

Ms. Beard introduced Mr. Hunter who led the discussion on the report. The report begins with a review of the Investment Policy Statement (IPS), Investment Committee Charter and Internal Procedures. RVK recommends that staff should finalize the Investment Beliefs and Fee Policy to assist investment decisions. It was suggested that, where possible, simplification and concise statements be used to improve the IPS.

Section Two is an Evaluation of Investment Practices and includes a detailed review of the retirement system's investment allocation. RVK recommends the use of more differentiated portfolios in future asset/liability modeling.

Section Three is a review of the appropriateness of investment fees and commissions paid by the retirement system. RVK found that the overall aggregate level of investment fees and commissions paid by TMRS is below market for its asset allocation.

Section Four is a review of the governance processes related to investment activities. RVK found that TMRS' governance has been carefully constructed to reflect industry best practices. Also, the separation of policy from procedures is an attractive characteristic.

Section Five, is a review of investment manager selection and monitoring process. RVK found that the TMRS investment manager selection and monitoring process is well-defined and thoughtful in its approach. The recommendation here is to consider adding to the IPS expectations for mandatory reporting by consultants and asset class directors to the Board.

The Board approved forwarding the report to the Pension Review Board by the June 1, 2020 deadline.

9. RVK Quarterly Report/Asset Class Updates

Ms. Beard provided the quarterly report for the first quarter of 2020. She noted that risk assets struggled in the quarter due to the flight to safety. Things began to improve in late March, and April was a positive month for equities.

Asset allocation and performance were discussed and Ms. Beard noted that actual allocations are mostly in line with target allocations. Total Fund Performance shows that for the most recent quarter, managers did not add value. However, over the long term, returns show that the managers did add value based on comparison to manager benchmarks.

Total Fund Objectives and Performance showed five-year returns did not meet the long-term actuarial rate of return, but returns did meet the actual allocation benchmark. Total Fund Performance versus Peers was reviewed. TMRS had a lower allocation to equities and higher allocation to fixed income than peers. Performance was better than median for the quarter. In general, TMRS has moved in the right direction with less risk than peers.

Ms. Beard next reviewed performance for each asset class. Each asset class was individually reviewed for returns compared to the benchmark, risk/return characteristics, up/down market analysis, and peer group analysis.

Mr. Carlson recognized that RVK has been awarded the 2019 Greenwich Quality Leader Award for the third year in a row from Greenwich Associates.

TMRS outperformed the median public fund by between 4% and 5% during the first quarter of the year. Mr. Carlson noted that by using a lower risk portfolio implementation style, TMRS was able to stay closer to our 6.75% target.

10. Discussion of Investment Beliefs

Ms. McDuffee and Ms. Beard continued the discussion about Investment Beliefs and the efforts of the Board and its consultants with regard to reviewing and updating existing Investment Beliefs found in the Board's IPS. This effort is being conducted in connection with TMRS' Strategic Plan, Goal 1, Objective B.

Ms. McDuffee began with the review and definition of Investment Beliefs. She also reviewed steps already taken during the process including the Investment Beliefs survey previously given to the Board. The first topic from the survey has been completed, however there are three additional topics to complete. The goal over the next several meetings is to arrive at Board consensus on eight to twelve Investment Belief statements which encompass all four of the categories: Investment Policy and Governance, Risk, Portfolio Construction, and Implementation.

Ms. Beard gave a historical background of the TMRS portfolio and how the investment philosophy has evolved with the diversification of the portfolio. She reviewed the results from the Investment Beliefs survey, focusing on Mission, Vision and Value, and highlighted the Board's responses. Next steps were discussed and Ms. Beard provided Sample Investment Beliefs from other funds for the Board's consideration to encourage discussion.

Questions on Investment Policy and Governance were reviewed and sample Investment Beliefs were provided.

Ms. Beard highlighted the recommended process to complete the Investment Beliefs project. As the next step, she suggested the Board continue to address the survey statements centered on Investment Policy and Governance. Included in next steps, the Board could include education on and a discussion of Environmental, Social and Governance (ESG) investing. Separate, but also related to Investment Policy, is to explore the Board's views on proxy voting.

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

Mr. Carlson noted an offer has been extended to a candidate for the Real Asset Analyst position and they are currently in the early recruiting stages for the Absolute Return Analyst.

For the first quarter of 2020, staff took over 533 meetings, but that may increase even more for the second quarter during this highly volatile time.

Returns at the bottom in March were -13%, but we have since recovered to -5.95%; with still more time in the year to recover. Mr. Carlson also shared that the twelve month number was still positive at 1.4%. We are ahead of this year compared to where we were a year ago.

12. Executive Director Update

Mr. Gavia noted that staff continues to work remotely, rotating skeleton crew, and continue to work efficiently. Staff stays in contact with the Governor's Office and are periodically providing regular updates.

Our processes are remaining at the normal pace regarding enrollments, retirement, refunds, calls, etc. Morale is generally good and the new "normal" may include more remote work.

The Communications groups have been communicating more frequently to all our constituent groups as well as other retirement systems. We are following similar procedures as our retirement system peers and we are on similar schedules with regard to returning to the office.

13. Executive Session

At 5:22 p.m., the Board entered into Executive Session, pursuant to Texas Government Code §§551.071, 551.074, and 855.007 to consult with Legal Counsel to receive legal advice, to discuss personnel matters, and to discuss matters allowed under §855.007. No action was taken during the Executive Session. The meeting was opened to the public again at 6:14 p.m. and all members of the Board that were present before the Executive Session were still present.

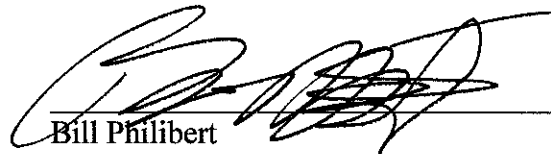
14. Call for Future Agenda Items

No agenda items were requested.

A roll call was taken and all Board members were present.

At 6:15 p.m., the meeting was adjourned.

David Gavia
Executive Director



Bill Philibert
Chair, Board of Trustees