

**Texas County & District Retirement System
Minutes of the Board of Trustees' Meeting
December 7, 2023**

Agenda Number	Description
1	Call meeting to order
2	Receive report of executive director
3	Receive report of fiduciary counsel
4	Public comment
5	Consider consent agenda items
5a	September 2023 regular board meeting minutes
5b	Quarterly financial statements
5c	Participation of new districts
5d	Special services provision for Harris County Emergency Services District No. 3
5e	Special services provision for Harris County Emergency Services District No. 21
5f	Special services provision for Denton County Emergency Services District No. 1
6	Consider executive director's monitoring report
7	Consider chief investment officer's monitoring report
8	Receive investment performance measurement and investment consultant reports
9	Consider hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments
10	Consider amendment(s) and update(s) to investment policy
11	Receive 2024 alternative investments annual plan
12	Receive external auditor report on pre-audit planning
13	Receive education on TCDRS Funding Policy
14	Consider updates to TCDRS Funding Policy
15	Consider executive director's and chief investment officer's compliance with EL9 — <i>Communication and Support to the Board</i>
16	Consider retirement plan options for TCDRS as an employer for 2024
17	Consider operating plan and budget for 2024
18	Consider resolution to transfer funds for 2024 operations
19	Executive session in accordance with Texas Government Code Section 551.074 for the purpose of evaluating the performance of executive director and chief investment officer
20	Consider 2024 salary for executive director and chief investment officer
21	Review governance policy and consider amendment(s) to board's governance policies
22	Receive report of legal counsel
23	Receive report of chair

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- 24 Election of chair and vice-chair for terms beginning after this fourth regular meeting and ending after the fourth regular meeting in 2024
- 25 Consider Resolution of Appreciation for Julie Dwiggins
- 26 Consider compliance at this meeting with board's governance policies
- 27 Adjournment

The Board of Trustees of the Texas County & District Retirement System met on December 7, 2023, in Austin, TX.

Attendees

Trustees:

1. Mary Louise Nicholson, Chair
2. Deborah M. Hunt, Vice-Chair
3. Chris Davis
4. Sammy Farias
5. Susan Fletcher
6. Chris Taylor
7. Holly Williamson

Trustees Not Attending:

1. Tammy Biggar
2. Kara Sands

Staff:

Amy Bishop, Executive Director
Casey Wolf, Chief Investment Officer
Karen Correa, Deputy Executive Director
Sandra Bragg, Deputy Investment Officer - Operations
Jon Shoen, Deputy Investment Officer - Investments
Ann McGeehan, General Counsel
Chris Bucknall, Director, Actuarial Services
Kathy Thrift, Chief Experience Officer
Nathan Joiner, Director, Finance
Julie Dwiggin, Executive Assistant
Colleen Clemens, Executive Office Coordinator
Tina Silguero, Records & Information Analyst
Chad Estes, Systems Administrator, User Experience

Consultants:

Matt Larrabee, Milliman, Inc.
Tom Lynch, Cliffwater, LLC
Susan Warren, KPMG LLP
Mona Lisa Suubi, KPMG LLP
Chuck Campbell, Jackson Walker LLP
Jason McElvaney, McElvaney Public Affairs

Note: The following minutes are listed chronologically and referenced by permanent item and agenda numbers.

5070 (agenda no. 1) Call meeting to order

Chair Nicholson called the meeting to order at 8:32 a.m.

5071 (agenda no. 2) Receive report of executive director

Amy Bishop, Executive Director, reported that TCDRS received for the 21st consecutive year the Public Pension Standards Award for Funding and Administration in recognition of meeting professional standards for plan funding and benefit administration. Ms. Bishop also reported on the status of the building remodel project and provided an update on the implementation of the work optimization strategic project. An enhanced digital process will be delivered in January 2024 that improves processes to validate deaths, determine beneficiaries and support beneficiaries applying for survivor benefits including new online and phone channels, and automated communications.

5072 (agenda no. 3) Receive report of fiduciary counsel

Chuck Campbell of Jackson Walker LLP had no report.

5073 (agenda no. 4) Public comment

There was no public comment.

5074 (agenda no. 8) Receive investment performance measurement and investment consultant reports

Casey Wolf, Chief Investment Officer, and Tom Lynch, with Cliffwater, presented the investment performance measurement and investment consultant reports for the period ending Sept. 30, 2023.

5075 (agenda no. 9) Consider hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments

The report on hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments was combined with agenda item 5074 above.

Motion: After discussion, Trustee Williamson made a motion to approve the *Board Resolution for Approval of Investments*, proposed by Cliffwater and the chief investment officer regarding acquiring equity interests in hedge funds, distressed debt, private real estate, direct lending and private equity investments. Trustee Farias seconded. Motion carried. Trustee Taylor was not present for the vote.

Board Resolution for Approval of Investments

WHEREAS, the Board has reviewed the Investment Officer's Investment Recommendations to use TCDRS assets to acquire equity interests (collectively, the "Investments") in those certain private equity, distressed debt, direct lending, strategic credit, real estate, and hedge funds (each, a "Fund" and collectively, the "Funds") named on Schedule 1 attached hereto; and

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed Investments as described in those certain Investment Recommendations dated December 7, 2023, for the Funds be approved; and be it further

RESOLVED, that the Investment Officer be, and he hereby is, authorized to make such further revisions to the terms and provisions of each of the proposed Investments as may be necessary or in the best interests of TCDRS; and be it further

RESOLVED, that for private equity, distressed debt, and real estate funds approved in this and prior Board resolutions, the Investment Officer is authorized to invest an amount in each such approved fund equal to the maximum amount listed below that corresponds to such fund's category of investment:

Buyout	\$300 million	Distressed Debt commingled funds	\$200 million or equivalent in € or £
Venture Capital	\$150 million	Real Estate	\$175 million or equivalent in € or £
Real Assets	\$200 million	Direct Lending commingled funds	\$300 million or equivalent in € or £
Non-U.S.	\$250 million or equivalent in € or £		

RESOLVED, that for hedge funds approved in this and prior Board resolutions, the Investment Officer is authorized to invest amounts in such approved funds consistent with the investment objectives, guidelines, and style targets described in Section 14 of the TCDRS Investment Policy and the allocation bands in Table 1 of the TCDRS Investment Policy.

RESOLVED, that for all strategic credit funds, distressed debt funds-of-one, and direct lending funds-of-one approved in this and prior Board resolutions, the Investment Officer is authorized to invest amounts in such approved funds consistent with the investment objectives and guidelines described in Section 13 of the TCDRS Investment Policy and the allocation bands in Table 1 of the TCDRS Investment Policy.

RESOLVED, that, from the date the Board adopts this resolution until the date of the next regularly scheduled Board meeting (the "Interim Period"), the Investment Officer be, and he hereby is, authorized to use TCDRS assets to acquire (or commit to acquire) an equity interest in a Fund that is not named on Schedule 1 attached hereto or in a prior Board resolution (a "Non-Scheduled Fund"), provided that (A) no more than \$500 million may be used during the Interim Period to acquire (or commit to acquire) Non-Scheduled Funds, (B) such acquisition or commitment is otherwise in compliance with the TCDRS Investment Policy and applicable law, and (C) the Investment Officer promptly notifies the Board of any acquisition of (or commitment to acquire) a Non-Scheduled Fund that occurs during the Interim Period, and be it further

RESOLVED, that during the Interim Period, the Investment Officer be, and he hereby is, authorized to transfer assets from any previously Board-approved private markets fund, as well as commit additional assets, to a continuation vehicle managed by the existing general partner, even though such investments are not named on Schedule 1 attached hereto or in a prior Board resolution, provided that the Investment Officer notifies the Board of the continuation fund investment at the next regularly scheduled meeting of the Board, and be it further

RESOLVED, that during the Interim Period, the Investment Officer be, and he hereby is, authorized to use TCDRS assets to acquire (or commit to acquire) a direct interest in companies or other entities through co-investments with an existing general partner in a private markets fund, even though such investments are not named on Schedule 1 attached hereto or in a prior Board resolution, provided that (A) no more than \$100 million may be used during the Interim Period for co-investments (or commitments for co-investments), (B) such co-investments are otherwise in compliance with the TCDRS Investment Policy and applicable law, and (C) the Investment Officer notifies the Board of co-investments that occur during the Interim Period prior to or at the next regularly scheduled meeting of the Board, and be it further

RESOLVED, that the Investment Officer be, and he hereby is, authorized and empowered to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investments), in the name and on behalf of TCDRS, or otherwise, as the Investment Officer may deem necessary, advisable, or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of TCDRS under the Investments and the instruments referred to therein.

SCHEDULE I

Continuation Funds

Riverstone Nolan Continuation Fund– from Riverstone GEP V approved 12/2/10

Direct Lending

- * Freeport First Lien Loan Fund VI
- * Sky Leasing VI

Distressed Debt

Ares Special Opportunities III
Atalaya Special Opportunities IX
Taconic European Credit Dislocation Fund IV

Private Equity & Co-Investments

- Accel-KKR Co-invest 2 – Buyout
- Thoma Bravo Co-invest 1 – Buyout
- Thoma Bravo Discover Fund V – Buyout
- Thoma Bravo Fund XVI – Buyout
- H.I.G. Capital VII – Buyout
- H.I.G. Growth Buyouts IV – Buyout
- * Percheron II – Buyout
- Shamrock Clover I – Buyout
- Carnelian Energy V – Real Assets
- * Helix Kapital Fund III – Non-US
- * Maguar Capital Fund II – Non-US

* potential new manager relationship

Note: The Resolution for Approval of Investments is essentially a forward calendar of possible investments that may be made by the Chief Investment Officer following successful due diligence. There is no assurance that any of the authorized investments will ultimately result in commitments by TCDRS. Actual commitments are reported as they close on the Our Investments page on the TCDRS website. (<https://www.tcdrs.org/OurInvestments/Pages/OurInvestments.aspx>)

5076 (agenda no. 10) Consider amendment(s) and update(s) to investment policy

There were no amendments or updates to the investment policy at this meeting.

5077 (agenda no. 11) Receive 2024 alternative investments annual plan

Tom Lynch presented a report and recommendations on the 2024 alternative investments annual plan.

5078 (agenda no. 13) Receive education on TCDRS Funding Policy

Matt Larrabee, with Milliman, presented education to the board regarding the TCDRS Funding Policy, which included a proposed change to the amortization method from level-percent-of-pay to level-dollar.

5079 (agenda no. 14) Consider updates to TCDRS Funding Policy

Amy Bishop presented and discussed the updates to the TCDRS Funding Policy. The board then considered the updates recommended by Milliman and TCDRS staff.

Motion: Trustee Davis made a motion to approve the recommended changes by Milliman and staff to the TCDRS Funding Policy. Trustee Fletcher seconded. Motion carried.

5080 (agenda no. 12) Receive external auditor report on pre-audit planning

Susan Warren and Mona Lisa Suubi, with KPMG, conducted a pre-audit planning presentation that included discussion and confirmation by the board of certain items and issues related to the upcoming audit of TCDRS' 2023 financial statements.

5081 (agenda no. 19) Executive session in accordance with Texas Government Code Section 551.074 for the purpose of evaluating the performance of the executive director and chief investment officer

At 10:35 a.m., the open meeting of the board was recessed. An executive session convened in accordance with Texas Government Code Section 551.074 to evaluate the performance of the executive director and chief investment officer. The open meeting reconvened at 12:15 p.m. No action, decision or vote was taken by the board while in executive session.

5082 (agenda no. 20) Consider 2024 salary for executive director and chief investment officer

Motion: Vice-Chair Hunt made a motion that beginning the first pay period of 2024, the Executive Director's salary be increased to \$504,600. Trustee Fletcher seconded. Motion carried.

Motion: Vice-chair Hunt made a motion that beginning the first pay period of 2024, the Chief Investment Officer's salary be increased to \$661,500. Trustee Farias seconded. Motion carried.

Note: Meeting was recessed for lunch at 12:17 p.m. and the meeting reconvened at 12:23 p.m.

5083 (agenda no. 17) Consider operating plan and budget for 2024

Amy Bishop and Casey Wolf presented the administrative operations, investments and building operations plans and budgets for 2024.

Motion: After discussion, Trustee Farias made a motion to approve the operating plan and budget for 2024. Trustee Williamson seconded. Motion carried.

5084 (agenda no. 16) Consider retirement plan options for TCDRS as an employer for 2024

Chris Bucknall, Director, Actuarial Services, discussed TCDRS' current plan of benefits as an employer and made a recommendation to make no plan changes for members, maintain the elected rate of 13.5% for 2024, authorize an 80% CPI-based COLA for the retirees and make a lump-sum payment of \$750,000, funded from 2023 budget savings.

Motion: After discussion, Trustee Williamson made a motion to approve the retirement plan for TCDRS as an employer including no plan changes for members, a 13.5% elected employer contribution rate for 2024, authorize an 80% CPI-based COLA for retirees and a \$750,000 lump-sum contribution from the 2023 budget. Trustee Taylor seconded. Motion carried.

5085 (agenda no. 24) Election of chair and vice-chair for terms beginning after this fourth regular meeting and ending after the fourth regular meeting in 2023

Motion: Trustee Davis made a motion that Mary Louise Nicholson continue to serve as Chair for a term beginning after the fourth regular meeting of 2023 and ending after the fourth regular meeting in 2024. Trustee Farias seconded. Motion carried.

Motion: Trustee Davis made a motion that Deborah Hunt continue to serve as Vice-Chair for a term beginning after the fourth regular meeting of 2023 and ending after the fourth regular meeting in 2024. Trustee Farias seconded. Motion carried.

Note: Chair Nicholson left the meeting at 12:53 p.m. Vice-Chair Hunt began presiding over the meeting and there were six trustees in attendance for the remainder of the meeting.

5086 (agenda no. 15) Consider executive director's and chief investment officer's compliance with EL9 – Communication and Support to the Board

Amy Bishop and Casey Wolf discussed *EL9 – Communication and Support to the Board* by which the board annually monitors the communications it receives from the executive director and the chief investment officer and determines if the information provided has been enough to meet the board's needs in governing TCDRS.

Motion: After discussion, Trustee Davis made a motion to approve the director's and investment officer's compliance with EL9. Trustee Fletcher seconded. Motion carried.

5087 (agenda no. 18) Consider resolution to transfer funds for 2024 operations

Amy Bishop discussed the amount necessary to fund all administrative, investments and building expenses in the budget adopted for 2024.

Motion: After discussion, Trustee Farias made a motion to approve the following *Resolution for 2024 Expense Funding*. Trustee Williamson seconded. Motion carried.

Resolution for 2024 Expense Funding

In accordance with Section 845.310 of the Texas Government Code, the Board orders that on or after Jan. 1, 2024, \$25,000,000 be transferred from the Endowment Fund to the Expense Fund to adequately fund administrative expenses for 2024.

5088 (agenda no. 5) Consider consent agenda items

Karen Correa, Deputy Executive Director, presented six consent agenda items.

5a. Approval of September 2023 regular board meeting minutes.

5b. Approval of quarterly financial statements as of Sept. 30, 2023.

5c. Approval of participation for eight (8) new employers (Bell County Emergency Services District #1, Comal County Emergency Services District No. 1, Mason Central Appraisal District, Shackelford County Hospital District, Sulphur-Cypress Soil & Water Conservation District #419, Trinity-Neches Soil & Water Conservation District #422, Upshur County Appraisal District and Upshur-Gregg Soil & Water Conservation District #417).

5d. Special services provision for Harris County Emergency Services District No. 3

5e. Special services provision for Harris County Emergency Services District No. 21

5f. Special services provision for Denton County Emergency Services District No. 1

Motion: Trustee Fletcher made a motion to approve the consent agenda items. Trustee Taylor seconded. Motion carried.

5089 (agenda no. 6) Consider executive director's monitoring report

Amy Bishop presented the executive director's monitoring report, which included *EL3 – Staff*, *EL6 – Emergency Director Succession and EL7 – Asset Protection* and the quarterly *EL5 – Financial Activities*. Ms. Bishop discussed compliance with each monitoring report and reported compliance with the executive limitations as required by the Board of Trustees' Policy Manual.

Motion: After discussion, Trustee Farias made a motion to approve the executive director's monitoring report. Trustee Fletcher seconded. Motion carried.

5090 (agenda no. 7) Consider chief investment officer's monitoring report

Casey Wolf presented the chief investment officer's monitoring report, which included the annual *EL3 – Staff*, *EL6 – Emergency Investment Officer Succession*, and *EL7 – Asset Protection* and the quarterly *EL5 – Financial Activities* and *EL11 – Investment Policies*. Mr. Wolf discussed various elements of each monitoring report and reported compliance with the executive limitations as required by the Board of Trustees' Policy Manual.

Motion: After discussion, Trustee Williamson made a motion to approve the chief investment officer's monitoring report. Trustee Davis seconded. Motion carried.

5091 (agenda no. 21) Review governance policy and consider amendment(s) to board's governance policies

Amy Bishop presented *GPI0 – Board Expense Reimbursement*, *GPI2 – Independent Financial Audit* and *GPI3 – Consulting Actuary* for board review. *GPI1* is reserved for future use. No amendments were made at this meeting.

5092 (agenda no. 22) Consider report of legal counsel

Ann McGeehan, General Counsel, presented the report of legal counsel. Ms. McGeehan gave an update on building operations, including reporting on the status of improvements made to the building and that the building is 100% leased.

Ms. McGeehan discussed that there was no significant update on the appeal of the administrative decision the board approved at their September 2021 board meeting. The administrative decision is still pending in Travis County district court.

5093 (agenda no. 23) Consider report of chair

Vice-Chair Hunt had no report.

5094 (agenda no. 25) Consider Resolution of Appreciation for Julie Dwiggin

Vice-Chair Hunt read the following Resolution of Appreciation for Julie Dwiggin to be recorded in the minutes.

Motion: Trustee Fletcher made a motion to approve the *Resolution of Appreciation for Julie Dwiggin* as presented by Vice-Chair Hunt. Trustee Farias seconded. Motion carried.

Resolution of Appreciation Honoring the Service of Julie Dwiggins, Executive Administrative Assistant

By the Board of Trustees of the Texas County & District Retirement System

WHEREAS, Julie Dwiggins, “Julie”, has served the Texas County & District Retirement System for 31 years with distinction and honor;

WHEREAS, Julie began her career at TCDRS in December 1992, serving as Executive Administrative Assistant. Julie supported the board and executive leadership as TCDRS grew from a retirement system with 450 participating employers and assets of \$3.2 billion to the second largest retirement system in the state with over 850 participating employers and plan assets of nearly \$45 billion;

WHEREAS, Julie has served as a liaison for the board of trustees including organizing and planning board meetings, producing board materials, managing budgets, and assisting trustees with logistics and expense reporting;

WHEREAS, Julie has onboarded and served over 40 trustees in the past 31 years, helping them to learn the ropes of TCDRS and the governance process, and to become effective trustees;

WHEREAS, Julie was instrumental in modernizing and digitizing the board materials, increasing efficiency and ease-of-use for trustees and staff;

WHEREAS, Julie supported and trained five executive directors — Terry Horton, Joe Froh, Ray Henry, Gene Glass and Amy Bishop — ensuring their success as TCDRS evolved over the years to become one of the best funded, highest performing public pension plans;

WHEREAS, Julie has been a true asset to the organization, bringing her positive attitude, professionalism, energy and attention to detail to staff events, executive meetings, conferences, strategic projects and just about anything that needed to be done;

WHEREAS, when Julie first interviewed with TCDRS in 1992, Patsi Hicks wrote at the top of her application “very good applicant”, and we now know after 31 years how true that statement was;

NOW, THEREFORE, BE IT RESOLVED, that the Board of the Texas County & District Retirement System conveys its deepest gratitude to Julie Dwiggins for distinguished service and congratulates her on her retirement.

5095 (agenda no. 26) Consider compliance at this meeting with board’s governance policies

The board discussed and determined its compliance with the governance policies during this meeting as required by *GP5 – Agenda Planning*.

5096 (agenda no. 27) Adjournment

There being no further business to come before the board, the meeting was adjourned at 1:24 p.m.

APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 21st DAY OF MARCH 2024.

ATTESTED BY:



Mar 21, 2024

Amy Bishop
Executive Director & Secretary to the
TCDRS Board of Trustees

Date