

**Texas County & District Retirement System  
Minutes of the Board of Trustees' Meeting  
March 9, 2023**

<b>Agenda Number</b>	<b>Description</b>
1	Call meeting to order
2	Receive report of executive director
3	Receive report of fiduciary counsel
4	Executive session in accordance with Texas Government Code Section 551.071 for the purpose of seeking advice of legal counsel on a matter subject to attorney-client confidentiality
5	Public comment
6	Consider consent agenda items
a	December 2022 regular meeting minutes
b	Quarterly financial statements
c	Participation of new districts
d	Plan termination of Jim Hogg County Emergency Services District #1
e	Special service provision for County Line Special Utility District
f	Special service provision for Frognot Special Utility District
g	Employers' flat-rate COLA limit for 2023
h	Small annuity payoffs
7	Consider executive director's monitoring report
8	Consider chief investment officer's monitoring report
9	Receive investment performance measurement and investment consultant reports
10	Consider hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments
11	Education on capital market assumptions and asset allocation and adopt 2023 capital market assumptions and asset allocation plan
12	Consider amendment(s) and update(s) to investment policy
13	Consider allocation of 2022 investment results
14	Receive report of consulting actuary
15	Consider arrangements and contracts for services from providers hired by the board
16	Consider means to be used by board to ensure linkage between board and member counties and districts
17	Receive operations report
18	Benefits administration training
19	Receive report of legal counsel
20	Receive report on educational opportunities for 2023
21	Receive report of chair
22	Review governance policy and consider amendment(s) to board's governance policies
23	Consider compliance at this meeting with board's governance policies
24	Adjournment

The Board of Trustees of the Texas County & District Retirement System met on March 9, 2023, in Austin, TX.

**Attendees**

**Trustees:**

1. Mary Louise Nicholson, Chair
2. Deborah M. Hunt, Vice-chair
3. Tammy Biggar
4. Chris Davis
5. Sammy Farias
6. Susan Fletcher
7. Kara Sands
8. Christopher Taylor
9. Holly Williamson

**Staff:**

Amy Bishop, Executive Director  
Karen Correa, Deputy Executive Director  
Casey Wolf, Chief Investment Officer  
Jon Shoen, Deputy Chief Investment Officer  
Sandra Bragg, Deputy Investment Officer - Operations  
Ann McGeehan, General Counsel  
Michelle Kranes, Chief Operating Officer  
Kathy Thrift, Chief Experience Officer  
Chris Bucknall, Director, Actuarial Services  
Nathan Joiner, Accounting Manager, Finance  
Julie Dwiggin, Executive Assistant  
Cynthia Gonzales, Member Services Field Representative  
Tina Silguero, Records Management Analyst  
Chad Estes, Business Analyst

**Consultants:**

Matt Larrabee, Milliman, Inc.  
Kathy Barchick, Cliffwater, LLC  
Chuck Campbell, Jackson Walker L.L.P.

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

**5005 (agenda no. 1) Call meeting to order**

Chair Nicholson called the meeting to order at 8:34 a.m.

**5006 (agenda no. 2) Consider report of executive director**

Amy Bishop, Executive Director, presented the executive director's report which included a save-the-date for TCDRS' Annual Conference to be held on July 20-21, 2023. Ms. Bishop highlighted the 2021 Economic Impact Study, which reports that TCDRS paid out \$1.9 billion of benefits to members and former members creating nearly \$3 billion of economic activity in Texas. Ms. Bishop presented upcoming employer activities including the State of the System webinar in March and the distribution of plan assessments with 2024 employer contribution rates in April. Ms. Bishop also reported on the publishing of 1099s and annual statements for members and retirees, organizational structure changes and an update on the building remodel project.

**5007 (agenda no. 3) Consider report of fiduciary counsel**

Chuck Campbell, with Jackson Walker L.L.P., had no report for this meeting.

**5008 (agenda no. 4) Executive session in accordance with Texas Government Code Section 551.071 for the purpose of seeking advice of legal counsel on a matter subject to attorney-client confidentiality and relating to a current agenda item**

At 8:46 a.m., the open meeting of the board was recessed. An executive session convened in accordance with Texas Government Code Section 551.071, to seek advice of legal counsel on a matter subject to attorney-client confidentiality. The open meeting reconvened at 9:16 a.m. No action, decision or vote was taken by the board while in executive session.

**5009 (agenda no. 5) Public comment**

There was no public comment at the meeting.

**5010 (agenda no. 6) Consider consent agenda items**

Karen Correa, Deputy Executive Director, presented eight consent agenda items for approval:

6a. December 2022 regular meeting minutes.

6b. Quarterly financial statements as of Dec. 31, 2022.

6c. Participation of six new districts to join the system (Briscoe County Appraisal District, Cibolo Creek Municipal Authority, Denton County Emergency Services District #1, Hays County Emergency Services District No. 3, Schleicher County Hospital District and Ward County Irrigation District No. 1).

6d. Plan termination of Jim Hogg County Emergency Services District #1 effective March 1, 2023.

6e. Special service provision for County Line Special Utility District.

6f. Special service provision for Frognot Special Utility District.

6g. Flat-rate COLA maximum limit of 6% for plan year 2024.

6h. Small annuity payoffs.

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

#### **5011 (agenda no. 7) Consider executive director's monitoring report**

Amy Bishop presented the executive director's monitoring report, which included the annual *ELI – Global Executive Constraints*, *EL4 – Operational Budgets*, *EL8 – Plan Funding* and *EL10 – Pension Plan Financial Planning* and the quarterly *EL5 - Financial Activities*. Ms. Bishop discussed each monitoring report and reported compliance with one exception to EL5 Policy #8.

**Motion:** After discussion, Vice-chair Hunt made a motion to approve the executive director's monitoring report. Trustee Davis seconded. Motion carried. Trustee Williamson was temporarily absent from the meeting and not present for the vote.

#### **5012 (agenda no. 8) Consider chief investment officer's monitoring report**

Casey Wolf, Chief Investment Officer, presented the chief investment officer's monitoring report, which included the annual *ELI – Global Executive Constraints*, *EL4 – Operational Budgets* and *EL10 – Pension Plan Financial Planning* and the quarterly *EL5 – Financial Activities* and *ELI I – Investment Policies*. Mr. Wolf discussed various elements of each monitoring report and reported compliance.

**Motion:** After discussion, Trustee Farias made a motion to approve the chief investment officer's monitoring report. Vice-chair Hunt seconded. Motion carried.

#### **5013 (agenda no. 9) Receive investment performance measurement and investment consultant reports**

Kathy Barchick, with Cliffwater, and Casey Wolf presented the investment performance measurement and investment consultant reports for the period which ended Dec. 31, 2022.

Kathy Barchick and Casey Wolf presented a report on hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments as of Dec. 31, 2022, and proposed a forward calendar of investments which would authorize possible investment in listed funds subject to completion of investment and legal due diligence.

#### **5014 (agenda no. 10) 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 5013 above.

**Motion:** After discussion, Trustee Davis made a motion to accept the *Board of Resolution for Approval of Investments*. Trustee Taylor seconded. Motion carried.

### **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 March 9, 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 Bison Rollover Fund– from Riverstone Global Energy & Power Fund V approved 12/2/10

**Direct Lending**

Beach Point CRE Debt WTI Fund XI

**Distressed Debt**

\* FP Credit Partners III

**Private Equity & Co-Investments**

Advent Co-Invest 1 – Buyout EIV Capital Fund V – Real Assets

Juxtapose Capital Partners – Venture KPS VI & KPS Midcap II – Buyout

MPE IV – Buyout

O2 Partners IV – Buyout

Source Code VI & Source Code Growth III – Non-US TCG Crossover II – Venture

**Private Real Estate**

Whitman Peterson V – Opportunistic

**Strategic Credit**

Taconic CRE IV

**\* 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 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 [Investments](#) page on the TCDRS website.**

*Note: Meeting recessed for a break at 11:00 a.m. and reconvened at 11:28 a.m.*

### **5015 (agenda no. 11) Education on capital market assumptions and asset allocation and adopt 2023 capital market assumptions and asset allocation plan**

Kathy Barchick made an educational presentation on capital markets and asset allocations and reviewed the methodology for developing forecasts and the 10-year forecasted returns by asset class. In addition, Ms. Barchick presented Cliffwater's January 2023 capital market assumptions and asset allocation recommendations.

Based on the updated forecasts, no changes in asset allocation were recommended.

**Motion:** After discussion, Trustee Sands made a motion to adopt proposed 2023 capital market assumptions as presented by the Chief Investment Officer and the Investment Consultant. Trustee Fletcher seconded. Motion carried.

*Note: Meeting recessed for lunch at 12:25 p.m. and reconvened at 12:40 p.m.*

### **5016 (agenda no. 12) Consider amendment(s) and update(s) to investment policy**

Casey Wolf discussed proposed amendments to the TCDRS investment policy to reflect the updates to the capital market assumptions. See [Investment Policy](#).

**Motion:** After discussion, Trustee Davis made a motion to amend the investment policy as recommended by the Chief Investment Officer. Trustee Farias seconded. Motion carried. Trustee Sands was temporarily absent from the meeting and not present for the vote.

### **5017 (agenda no. 13) Consider allocation of 2021 investment results**

Casey Wolf gave a brief update on TCDRS' estimated investment results as of Dec. 31, 2022. The estimated investment return for 2022 was -7.0%, net of fees.

Amy Bishop presented staff's recommendation for the allocation of 2022 investment results. Based on the investment losses as of Dec. 31, 2022, staff recommended an allocation of 2.0% to employers' total plan assets. The estimated impact of the recommendation is that the average employer contribution rate is projected to increase from 12.12% to 12.31% of payroll. The reserves balance will decrease to approximately \$1.5 billion, and the aggregate funded ratio is estimated to remain stable at 89%.

**Motion:** After discussion, Vice-chair Hunt made a motion to approve the *Resolution for the Allocation of 2022 Investment Results*. Trustee Biggar seconded. Motion carried with Trustee Williamson voting no.

### **Resolution for the Allocation of 2022 Investment Results**

In accordance with Section 845.315 of the TCDRS Act, the board of trustees shall annually make allocations that in aggregate equal the net investment income or loss for the year.

*Therefore, be it resolved and ordered by the Board of Trustees of the Texas County & District Retirement System:*

- (1) Pursuant to Subsections 845.315(a)(1), (2), and (4) of the TCDRS Act, the required interest allocations will be made to the Employee Savings Fund, the Optional Group Term Life Fund, and the Closed Subdivision Annuity Reserve Fund.
- (2) For purposes of determining the allocation to the account of each subdivision under Section 845.315(a)(5), the total assets of the subdivision are equal to the sum of the Jan. 1, 2022, balance of each participating subdivision's Subdivision Accumulation Fund and

the subdivision's respective Employee Savings Fund. The allocation to each participating subdivision shall be determined by multiplying the subdivision's total assets as described by **2.0%**. If needed, amounts shall be transferred from the general reserves to complete this allocation.

- (3) Pursuant to Section 845.307 of the TCDRS Act, the allocation to each participating subdivision is credited to the Subdivision Accumulation Fund effective Dec. 31, 2022, and equals the amount described in (2) minus the required interest allocated to the respective subdivision's Employee Savings Fund for 2022.
- (4) After the above allocations, any remaining net investment income amounts will be transferred to the general reserves account of the endowment fund effective Dec. 31, 2022, pursuant to Section 845.315(a)(3).

#### **5018 (agenda no. 14) Receive report of consulting actuary**

Matt Larrabee, Consulting Actuary with Milliman Inc., presented an overview of the valuation process and the components of the actuarial contribution rate calculations.

#### **5019 (agenda no. 15) Consider arrangements and contracts for services from providers hired by the board**

Amy Bishop and Casey Wolf presented a report in accordance with governance policy GP5-Agenda Planning concerning the review of contracts for services hired by the board. There were two contracts up for review, the Consulting Actuary and the Investment Consultant. Casey Wolf recommended retention of Cliffwater. Amy Bishop presented the recommendation of staff to retain Milliman.

**Motion:** After discussion, Trustee Farias made a motion to retain Cliffwater as the investment consultant, and to retain Milliman as the consulting actuary and authorize staff to execute a four-year contract extension. Trustee Sands seconded. Motion carried.

#### **5020 (agenda no. 16) Consider means to be used by board to ensure linkage between board and member counties and districts**

Amy Bishop discussed methods to help ensure the appropriate linkage between the board and participating counties and districts as required by governance policy GP5-Agenda Planning. Staff recommended that input from employers be gathered through an electronic survey.

**Motion:** After discussion, Vice-chair Davis made a motion to adopt the linkage plan recommended by staff. Trustee Farias seconded. Motion carried.

#### **5021 (agenda no. 17) Receive operations report**

Karen Correa discussed progress on the TCDRS information security program including findings from the 2022 Gartner Security assessment. Ms. Correa covered governance risk compliance, data security, identity access management, vulnerability management, application security, change-configuration management monitoring, and business continuity.

Michelle Kranes, Chief Operating Officer, presented an update on recent and upcoming service enhancements including the ability to apply for retirement via the phone and other work optimization features such as smart automation, daily payment processing and automated communications.

#### **5022 (agenda no. 18) Benefits administration training**



Cynthia Gonzales, Member Services Field Representative, presented education on Benefits Administration. The presentation reviewed how the TCDRS plan works including how service is earned, eligibility and how benefits are determined.

**5023 (agenda no. 19) Receive report of legal counsel**

Ann McGeehan, General Counsel, presented a report on leasing activity in the TCDRS building, reporting that the building was fully leased, and on upcoming building improvements for 2023.

Ms. McGeehan presented a report on federal and state legislative issues. Ms. McGeehan reviewed the provisions of the Secure Act 2.0 which will impact TCDRS, including an increase in the required minimum distribution age and changes to the HELPs program. Ms. McGeehan provided a brief overview of the current Texas legislative session and noted that the TCDRS would track bills with potential impact for TCDRS.

**5024 (agenda no. 19) Receive report on educational opportunities for 2023**

Ann McGeehan presented a report on the board's governance policy *GP4 - Trustee Education* concerning trustee education requirements and guidelines.

Ms. McGeehan reviewed the trustee education program components required by the Texas Pension Review Board (PRB) and by TCDRS Governance Policy — GP4 and discussed several potential training opportunities, including the TCDRS Annual Conference.

**5025 (agenda no. 21) Receive report of chair**

Chair Nicholson thanked TCDRS staff for their hard work in 2022 and thanked the trustees for their active engagement.

**5026 (agenda no. 22) Review governance policy and consider amendment(s) to boards governance policies**

Amy Bishop presented the governance policies that were up for review in the first quarter according to the board's governance policy monitoring schedule. The policies up for review were *GP1 – Global Governance Commitment*, *GP – 2 Governing Style*, *GP3 – Board Job Description*, *BSR1 – Global Board-Staff Relationship* and *BSR2 – Unity of Control*. Ms. Bishop also presented an amendment to GP-5 Agenda Planning that updated the future review dates for the consulting actuary and investment consultant. See [Governance Policy](#).

**Motion:** After discussion, Trustee Williamson made a motion to approve the proposed changes to *GP5 – Agenda Planning*. Vice-chair Hunt seconded. Motion carried.

**5027 (agenda no. 23) Consider compliance at this meeting with board's governance policies**

The board discussed and determined its compliance during this meeting as required by governance policy *GP5 - Agenda Planning*.

**5028 (agenda no. 24) Adjournment**

There being no further business to come before the board, Chair Nicholson adjourned the meeting at 3:18 p.m.

**APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 22nd DAY OF JUNE 2023.**

**ATTESTED BY:**

*Amy Bishop*

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

June 30, 2023

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Date