**Texas County & District Retirement System**  
**Minutes of the Board of Trustees' Meeting**  
**April 11, 2019**

<table>
<thead>
<tr>
<th>Agenda Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Call meeting to order</td>
</tr>
<tr>
<td>2</td>
<td>Receive report of fiduciary counsel</td>
</tr>
<tr>
<td>3</td>
<td>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</td>
</tr>
<tr>
<td>4</td>
<td>Consider consent agenda items</td>
</tr>
<tr>
<td>4a</td>
<td>December 2018 regular meeting and February 2019 special meeting minutes</td>
</tr>
<tr>
<td>4b</td>
<td>Quarterly financial statements</td>
</tr>
<tr>
<td>4c</td>
<td>Participation of new districts</td>
</tr>
<tr>
<td>5</td>
<td>Employee recognition</td>
</tr>
<tr>
<td>6</td>
<td>Consider executive director's monitoring report</td>
</tr>
<tr>
<td>7</td>
<td>Consider chief investment officer's monitoring report</td>
</tr>
<tr>
<td>8</td>
<td>Receive investment performance measurement and investment consultant reports</td>
</tr>
<tr>
<td>9</td>
<td>Consider hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments</td>
</tr>
<tr>
<td>10</td>
<td>Consider review and retention of actively managed international equity managers</td>
</tr>
<tr>
<td>11</td>
<td>Consider 2019 capital market assumptions and asset allocation plan</td>
</tr>
<tr>
<td>12</td>
<td>Consider amendment(s) and update(s) to investment policy</td>
</tr>
<tr>
<td>13</td>
<td>Executive session in accordance with Texas Government Code Section 551.074 for the purpose of discussing chief investment officer's salary</td>
</tr>
<tr>
<td>14</td>
<td>Consider adjustments to chief investment officer's salary</td>
</tr>
<tr>
<td>15</td>
<td>Consider means to be used by board to ensure linkage between board and member counties and districts</td>
</tr>
<tr>
<td>16</td>
<td>Receive report of consulting actuary</td>
</tr>
<tr>
<td>17</td>
<td>Receive report on operations</td>
</tr>
<tr>
<td>18</td>
<td>Consider arrangements and contracts for services from providers hired by the board</td>
</tr>
<tr>
<td>19</td>
<td>Consider 2019 budget amendment</td>
</tr>
<tr>
<td>20</td>
<td>Receive report of legal counsel</td>
</tr>
<tr>
<td>21</td>
<td>Receive report on educational opportunities for 2019</td>
</tr>
<tr>
<td>22</td>
<td>Receive report of executive deputy director</td>
</tr>
<tr>
<td>23</td>
<td>Receive report of executive director</td>
</tr>
<tr>
<td>24</td>
<td>Receive report of chair</td>
</tr>
<tr>
<td>25</td>
<td>Consider amendment(s) to board's governance policies</td>
</tr>
<tr>
<td>26</td>
<td>Consider compliance at this meeting with board's governance policies</td>
</tr>
<tr>
<td>27</td>
<td>Adjournment</td>
</tr>
</tbody>
</table>
The Board of Trustees of the Texas County & District Retirement System met on April 11, 2019 in Austin, TX.

Attendees

Trustees:
1. Robert A. Eckels, Chair
2. Bob Willis, Vice-chair
3. H.C. “Chuck” Cazalas
4. Chris Davis
5. Deborah M. Hunt
6. Bridget McDowell
7. Bill Metzger
8. Mary Louise Nicholson
9. Kristeen Roe

Staff:
Amy Bishop, Executive Director
Tom Harrison, Executive Deputy Director
Casey Wolf, Chief Investment Officer
Sandra Bragg, Deputy Investment Officer
Ann McGeehan, General Counsel
Chris Bucknall, Director, Actuarial Services
Karen Correa, Chief Administrative Officer
Kathy Thrift, Chief Customer Officer
Kris Valenta, Chief Strategy Officer
John Hawes, Director, Finance
Natalia Ashley, Staff Attorney
Julie Dwiggins, Executive Assistant
Tina Siguero, Legal Assistant
Chad Estes, Business Analyst

Consultants:
Nick Collier, Milliman, Inc.
Kathy Barchick, Cliffwater, LLC
Stephen Nesbitt, Cliffwater, LLC
Chuck Campbell, Jackson Walker L.L.P.
Alyca Riley, Jackson Walker L.L.P.
Others:
Shain Carrizal, Harris County

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

4616 (agenda no. 1) Call meeting to order
Chair Eckels called the meeting to order at 8:44 a.m.

4617 (agenda no. 5) Employee recognition
Amy Bishop, Executive Director, discussed the new employee recognition program recently implemented to recognize those employees that embody our core values of integrity, care and anticipation. She introduced the employees who were recognized for their outstanding service: Tyler Garni, Employer Plan Management Analyst; Richard Ashcraft, Member Services Field Representative; Nicole Bossard, Senior IT Operations Analyst; Gilbert Grissom, Member Benefits Analyst; Lisa Izzi, Administrative Project Coordinator; and Kristina Fox, Employer Services Representative.

4618 (agenda no. 2) Consider report of fiduciary counsel
Chuck Campbell, with Jackson Walker L.L.P., had no report for this meeting.

4619 (agenda no. 3) 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
The executive session in accordance with Texas Government Code Section 551.071 was not held at this meeting.

4620 (agenda no. 4) Consider consent agenda items
Amy Bishop presented three consent agenda items.

4a. Approval of December 2018 regular meeting and February 2019 special meeting minutes.


4c. Approval of participation of eight new districts to join the system (Carson County Appraisal District, Colorado County Central Appraisal District, Housing Authority of the City of Decatur, Hurst Creek Municipal Utility District, McMullen Central Appraisal District, North Hays County Emergency Services District No. 1, Waller-Harris County Emergency Services District 200 and Williamson County Emergency Services District #7).

Motion: Trustee Cazalas made a motion to approve the consent agenda items. Trustee Roe seconded. Motion carried.
4621 (agenda no. 6) Consider executive director's monitoring report
Amy Bishop presented the executive director's monitoring report, which included EL1 – Global Executive Constraints, EL4 – Operational Budgets, EL8 – Plan Funding and EL10 – Pension Plan Financial Planning and reported compliance with the executive limitations. Ms. Bishop also presented the monitoring report for EL5 - Financial Activities and discussed exceptions to EL5 Policy #6 and Policy #7 regarding benefit payment timeliness and accuracy.

Motion: After discussion, Trustee Hunt made a motion to approve the executive director’s monitoring report. Trustee McDowell seconded. Motion carried.

4622 (agenda no. 7) Consider chief investment officer's monitoring report
Casey Wolf, Chief Investment Officer, presented the chief investment officer's monitoring report, which included the annual EL1 – Global Executive Constraints, EL4 – Operational Budgets and EL10 – Pension Plan Financial Planning and the quarterly EL5 – Financial Activities and EL11 – Investment Policies. Mr. Wolf discussed each monitoring report and reported compliance with the executive limitations as required by the Board of Trustees’ Policy Manual.

Motion: After discussion, Trustee McDowell made a motion to approve the chief investment officer’s monitoring report. Trustee Roe seconded. Motion carried.

4623 (agenda no. 8) 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, 2018.

4624 (agenda no. 9) Consider hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments
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, 2018, and proposed a forward calendar of investments which would authorize possible investment in listed funds subject to completion of investment and legal due diligence.

Motion: After discussion, Trustee Metzger made a motion to accept the Board Resolution for Approval of Investments. Trustee Nicholson 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 April 11, 2019, 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyout</td>
<td>$200 million</td>
</tr>
<tr>
<td>Venture Capital</td>
<td>$100 million</td>
</tr>
<tr>
<td>Real Assets</td>
<td>$200 million</td>
</tr>
<tr>
<td>Non-U.S.</td>
<td>$200 million or equivalent in € or £</td>
</tr>
<tr>
<td>Distressed Debt</td>
<td>$150 million or equivalent in € or £</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$150 million or equivalent in € or £</td>
</tr>
<tr>
<td>Direct Lending commingled funds</td>
<td>$250 million or equivalent in € or £</td>
</tr>
</tbody>
</table>

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 13 of the TCDRS Investment Policy and the allocation bands in Table 1 of the TCDRS Investment Policy.

RESOLVED, that for all strategic credit funds 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 11 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) a Non-Scheduled Fund, (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 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**

**Hedge Funds**
- Graham Absolute Return – Global Macro

**Direct Lending**
- Apollo/Athena Dedicated Investment Program
- Blackstone Real Estate Debt Strategies (BREDS) IV
- Marlin Credit Opportunities
- Metric IV
- Shamrock EIP II
- Silver Point Specialty Credit II

**Distressed Debt**
- Ares Special Opportunities
- Davidson Kempner (DK) Long-Term Distressed Opportunities Fund V

**Real Estate Investment Funds**
- Prospect Ridge U.S. REP III – Opportunistic
- Pennybacker V – Opportunistic
- Related RE III – Opportunistic

**Strategic Credit**
- 400 Capital Credit Opportunities
- One Williams St Master Fund
- Serengeti fund of one

**Private Equity & Co-Investments**
- Charlesbank Technology – Buyout
- Cortec VII – Buyout
- Flexpoint IV – Buyout
- HIG Middle Market III – Buyout
- HIG Capital VI – Buyout
- Platinum V – Buyout
- Shoreview IV – Buyout
- Veritas VII – Buyout
- Vista Endeavor II – Buyout
- IDG China Capital IV – Non-US
- Joy Capital III – Non-US
- Sovereign V – Non-US
- Synova IV – Non-US

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.

**4625 (agenda no. 10) Consider review and retention of actively managed international equity managers**

Kathy Barchick presented a formal review of TCDRS’ actively managed international equity managers. Ms. Barchick recommended retention of most of the current managers, but recommended terminating Causeway and AQR. In addition, Ms. Barchick recommended that the board invest in the emerging market and the global equity portfolios maintained by one of its current hedge fund managers, Marshall Wace.

**Motion:** After discussion, Trustee Davis made a motion to retain the current active international equity managers except for Causeway and AQR. Trustee McDowell seconded. Motion carried.

**Motion:** After discussion, Trustee Hunt made a motion to approve retention of Marshall Wace to manage a global equity portfolio and an emerging markets equity portfolio. Trustee Roe seconded. Motion carried.
4626 (agenda no. 11) Consider report on 2019 capital market assumptions and asset allocation plan

Stephen Nesbitt, with Cliffwater, presented a report on recommended 2019 capital market assumptions and recommended adjustments to the asset allocation plan.

Motion: The motion for this agenda item was combined with agenda item 4627 below.

4627 (agenda no. 12) Consider amendment(s) and update(s) to investment policy

Casey Wolf provided a review of the amendments to the TCDRS investment policy which included the updates to the capital markets assumptions and asset allocations as recommended by Cliffwater, and some clarifications and updates to text as recommended by Mr. Wolf. See TCDRS Investment Policy.

Motion: After discussion, Trustee Metzger made a motion to adopt the 2019 capital market assumptions and asset allocation plan as presented by Cliffwater and to amend the investment policy incorporating the new capital market assumptions, adjustments to the asset allocation plan, and clarifications and updates to text as recommended by Mr. Wolf. Trustee McDowell seconded. Motion carried.

4628 (agenda no. 16) Receive report of consulting actuary

Chris Bucknall, Director, Actuarial Services and Nick Collier, with Milliman Inc., presented the report of the consulting actuary.

Mr. Bucknall presented his report which included an overview of the role of the actuary and the actuarial valuation.

Mr. Collier provided a preliminary report on the upcoming Dec. 31, 2018 valuation results which are used to determine 2020 required contribution rates. Mr. Collier also discussed the TCDRS funding policy and the anticipated impact of the 2018 valuation on employer contribution rates.

4629 (agenda no. 15) Consider means to be used by board to ensure linkage between board and member counties and districts

Kathy Thrift, Chief Customer Officer, 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 two ways to gather input from employers: 1) conduct an electronic survey of all employers; and 2) gather feedback from field staff that interact with our employers. The results of these efforts will be presented at the September 2019 regular meeting prior to the board's annual review of its Ends policies.

Motion: After discussion, Trustee McDowell made a motion to adopt the linkage plan recommended by staff. Trustee Hunt seconded. Motion carried.

4630 (agenda no. 17) Receive report on operations

Kris Valenta, Chief Strategy Officer, presented the operations report. Mr. Valenta reported on the positive feedback received concerning the October 2018 rollout of phase I of the member portal, and information about phase II, which is scheduled for release in June 2019. Phase II will include online withdrawal, retirement applications, and banking updates. Phase II also includes new call center tools to prevent fraud.
4631 (agenda no. 19) Consider 2019 budget amendment
Amy Bishop explained that there will be 27 pay periods in calendar year 2019 instead of the regular 26 pay period cycle and requested a budget amendment of $664,700 to cover the additional pay period.

**Motion:** After discussion, Trustee Davis made a motion to accept staff recommendation for a budget amendment for $664,700 to cover the 27th pay period in 2019. Trustee McDowell seconded. Motion carried.

4632 (agenda no. 18) Consider arrangements and contracts for services from providers hired by the board
Amy Bishop presented a report in accordance with governance policy GPS - Agenda Planning concerning the review of contracts for services from providers hired by the board.

Casey Wolf reviewed the investment consultant’s contract which included their primary functions as well as their fee structure. Mr. Wolf’s recommended that the board retain Cliffwater as TCDRS’ Investment Consultant.

**Motion:** After discussion, Vice-chair Willis made a motion to accept staff recommendation to retain Cliffwater as Investment Consultant. Trustee Cazalas seconded. Motion carried.

*Note: The meeting was recessed for lunch at 12:37 p.m. and reconvened at 1:14 p.m.*

*Note: Trustee Davis left the meeting at 12:56 p.m. Eight trustees were present for the remainder of the meeting.*

4633 (agenda no. 13) Executive session in accordance with Texas Government Code Section 551.074 for the purpose of discussing chief investment officer's salary
At 1:14 p.m., the open meeting of the board was recessed. An executive session convened in accordance with Texas Government Code 551.074 to discuss the Chief Investment Officer’s salary. The open meeting reconvened at 1:37 p.m. No action, decision or vote was taken by the board while in executive session.

4634 (agenda no. 18) Consider adjustments to chief investment officer’s salary
The board requested that Tom Harrison, Deputy Executive Director, coordinate a salary survey so that the board can compare how executive management in other public retirement systems is compensated.

4635 (agenda no. 20) Receive report of legal counsel
Ann McGeehan, General Counsel, had no report for this meeting.

4636 (agenda no. 21) Receive report on educational opportunities for 2019
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 reported that all trustees are in compliance with the educational requirements.

**4637 (agenda no. 22) Receive report of deputy executive director**

Tom Harrison, Deputy Executive Director, reported that the building is 100% leased and explained upcoming maintenance scheduled for the building, including restroom renovations and increased security measures. Mr. Harrison also presented an update on the legislative session, and reported that the governor appointed two new trustees, Commissioner Susan Fletcher and Kara Sands to replace trustees Chuck Cazalas and Kristeen Roe, whose terms expired. The governor reappointed Mary Louise Nicholson.

**4532 (agenda no. 22) Receive report of executive director**

Amy Bishop presented the executive director’s report concerning recent and upcoming activities including the State of System webinar recorded in March, an ongoing review of the pension system architecture, implementation of member online banking options, issuance of 2020 employer rates, campaign for members to claim their online accounts, receipt of the Certificate of Achievement for Excellence in Financial Reporting issued by the GFOA for the 2018 CAFR, the July Conference for TCDRS Employers, and a new project to define the TCDRS customer journey. Ms. Bishop also reminded trustees of the deadline to file their personal financial statements with the Texas Ethics Commission.

**4533 (agenda no. 23) Receive report of chair**

Chair Eckels recognized outgoing trustees Chuck Cazalas and Kristeen Roe and thanked them for their outstanding service on the board.

**4528 (agenda no. 18) Consider amendment(s) to board’s governance policies**

Amy Bishop presented an amendment to GP5 — Agenda Planning that updates the future review date for the investment consultant contract in 2023. Ms. Bishop also presented a proposed schedule for the board to review its compliance with the board’s governance policies as the board requested at its December 2018 meeting.

**Motion:** After discussion, Trustee Cazalas made a motion to approve the proposed changes to GP5 — Agenda Planning and the schedule to review the board’s governance policies for the next year.

**4535 (agenda no. 25) 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.

**4536 (agenda no. 26) Adjournment**

There being no further business to come before the board, Chair Eckels adjourned the meeting at 1:58 p.m.
APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 27th DAY OF JUNE 2019.

ATTESTED BY:

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

7/8/19
Date