

**Texas County & District Retirement System**  
**Minutes of the Board of Trustees' Meeting**  
**April 5, 2018**

<b>Agenda Number</b>	<b>Description</b>
1	Call meeting to order
2	Consider report of fiduciary counsel
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
4	Consider consent agenda items
a	December 2017 regular meeting and February 2018 special meeting minutes
b	Quarterly financial statements
c	Participation of new districts
5	Consider director's monitoring report
6	Consider investment officer's monitoring report
7	Consider report on 2018 asset return and risk assumptions, asset allocation and manager mandates
8	Consider amendments and updates to investment policy
9	Consider hedge funds, distressed debt, private real estate, opportunistic credit, direct lending and private equity investments
10	Receive investment performance measurement and investment consultant reports
11	Consider appointment of Chief Investment Officer
12	Executive session in accordance with Texas Government Code Section 551.074 for the purpose of discussing chief investment officer's salary
13	Consider chief investment officer's salary
14	Consider means to be used by board to ensure linkage between board and member counties and districts
15	Receive report of consulting actuary
16	Receive report on operations
17	Consider arrangements and contracts for services from providers hired by the board
18	Consider amendment(s) to board's governance policies
19	Receive report of legal counsel
20	Receive report on educational opportunities for 2018
21	Receive report of deputy director
22	Receive report of director
23	Receive report of chair
24	Consider Resolution of Appreciation
25	Consider compliance at this meeting with board's governance policies
26	Adjournment

The Board of Trustees of the Texas County & District Retirement System met on April 5, 2018 in Austin, TX.

**Attendees**

**Trustees:**

1. Robert A. Eckels, Chair
2. Bob Willis, Vice-chair
3. H.C. "Chuck" Cazalas
4. Chris Davis
5. Mary Louise Garcia
6. Deborah M. Hunt
7. Bill Metzger
8. Kristeen Roe

**Trustee(s) not attending:**

9. Bridget McDowell

**Staff:**

Amy Bishop, Executive Director  
Tom Harrison, Deputy Director  
Paul Williams, Chief Investment Officer  
Sandra Bragg, Deputy Investment Officer  
Casey Wolf, 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 Strategic Officer  
Carlos Martinez, Manager, Member Services Field Representative  
Julie Duggins, Executive Assistant  
Tina Silguero, Legal Assistant  
Chad Estes, Business Analyst

**Consultants:**

Mark Olleman, 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

Jason McElvaney, McElvaney Public Affairs

Jordan Williford, Governor's office

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

**4510 (agenda no. 1) Call meeting to order**

Chair Eckels called the meeting to order at 8:43 a.m.

**4511 (agenda no. 2) Consider report of fiduciary counsel**

Chuck Campbell, with Jackson Walker L.L.P., presented the report of fiduciary counsel which included discussion of the new monitoring report created for *Executive Limitation I – Global Executive Constraints (ELI)*. Based on the amendment to the board governance policy adopted in September 2017, the director and chief investment officer must annually report to the board on ELI, which requires that the director and chief investment officer perform as fiduciaries and comply with the TCDRS Code of Ethics.

**4512 (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.

**4513 (agenda no. 12) Executive session in accordance with Texas Government Code Section 551.074 for the purpose of discussing chief investment officer's salary**

At 8:45 a.m., the open meeting of the board was recessed. An executive session convened in accordance with Texas Government Code 551.074 to discuss the appointment and salary of Casey Wolf as Chief Investment Officer for TCDRS. The open meeting reconvened at 8:54 a.m. No action, decision or vote was taken by the board while in executive session.

**4514 (agenda no. 4) Consider consent agenda items**

Amy Bishop, Executive Director, presented three consent agenda items.

4a. Approval of December 2017 regular meeting and February 2018 special meeting minutes.

4b. Approval of quarterly financial statements as of Dec. 31, 2017.

4c. Approval of participation of two new districts to join the system (Hardin County Emergency Services District #2 and Harris County Municipal Utility District No. 50).

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

**4515 (agenda no. 5) Consider director's monitoring report**

Amy Bishop presented the director's monitoring report, which included *EL1 – Global Executive Constraints, EL4 – Operational Budgets, EL5 – Financial Activities, EL8 – Plan Funding* and *EL10 – Pension Plan Financial Planning*. Ms. Bishop discussed each monitoring report and reported compliance with one exception to EL5 related to payment timeliness. She explained the exception was due to the conversion to the new pension administration system and year-end processing. She expected the delays to continue into the first quarter of 2018.

**Motion:** After discussion, Trustee Roe made a motion to approve the director's monitoring report. Trustee Hunt seconded. Motion carried.

**4516 (agenda no. 6) Consider investment officer's monitoring report**

Paul Williams, Chief Investment Officer, presented the 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. Williams discussed each monitoring report and reported compliance with the executive limitations as required by the Board of Trustees' Policy Manual.

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

**4517 (agenda no. 7) Consider report on 2018 asset return and risk assumptions, asset allocation and manager mandates**

Stephen Nesbitt, with Cliffwater, presented a report on the asset return and risk assumptions, asset allocation and manager mandates.

**Motion:** The motion for this agenda item was combined with agenda item 4518.

**4518 (agenda no. 8) Consider amendments and updates to investment policy**

Paul Williams presented amendments to the Investment Policy to update the capital market assumptions and to rename the alternate investment class formerly called opportunistic credit to now be identified as strategic credit and slightly revised the underlying definition to better reflect this class of alternative investment. Mr. Williams also presented updates to Table 1 (Asset Allocation Parameters), Table 2 (Individual Investment Manager Portfolio Parameters) and Table 3 (Capital Market Assumptions—Expected Return, Risk and Correlations between Asset Classes) of the TCDRS investment policy. See [TCDRS Investment Policy](#).

**Motion:** After discussion, Trustee Hunt made a motion to adopt the January 2018 capital market assumptions as presented in Cliffwater's 2018 Asset Allocation Report, adopt the proposed asset allocation plan presented in the Cliffwater Investment Strategy Review report, amend the investment policy and update the tables to the investment policy to reflect the new capital market assumptions and asset allocation plan. Trustee Roe seconded. Motion carried.

**4519 (agenda no. 9) Consider hedge funds, distressed debt, private real estate, opportunistic credit, direct lending and private equity investments**

Kathy Barchick, with Cliffwater, and Paul Williams presented a report on hedge funds, distressed debt, private real estate, opportunistic credit, direct lending and private equity investments as of Dec. 31, 2017, and also 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 Roe made a motion to accept the *Board Resolution for Approval of Investments*, proposed by Cliffwater and the chief investment officer, regarding acquiring interests in hedge funds, distressed debt, direct lending, private equity, opportunistic credit and real estate. Trustee Cazalas seconded. Motion carried.

**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.*

**4520 (agenda no. 10) Receive investment performance measurement and investment consultant reports**

Kathy Barchick and Paul Williams presented the investment performance measurement and investment consultant reports for the period which ended Dec. 31, 2017.

*Note: Chair Eckels paused agenda item 10 to bring forward agenda items 11 and 13 regarding the appointment and salary of Chief Investment Officer, Casey Wolf, prior to Chair Eckels leaving the meeting.*

**4521 (agenda no. 11) Consider appointment of Chief Investment Officer**

**Motion:** Chair Eckels made a motion that pursuant to Section 845.301(b) of the Texas Government Code, Casey Wolf is hereby duly employed and appointed by the board of TCDRS as the Chief Investment Officer of TCDRS. Mr. Wolf has been granted by the board all duties and powers necessary to exercise control of the investment operations of TCDRS, including but not limited to, the power to execute and enter into and/or terminate investment contracts involving assets of TCDRS. Trustee Roe seconded. Motion carried.

**4522 (agenda no. 13) Consider chief investment officer's salary**

**Motion:** Trustee Garcia made a motion to approve an annual salary of \$350,000 for Casey Wolf, Chief Investment Officer, beginning April 9, 2018. Trustee Hunt seconded. Motion carried.

*Note: Chair Eckels left the meeting at 10:50 a.m. Vice-chair Willis acted as Chair and seven trustees were present.*

**4523 (agenda no. 10) Receive investment performance measurement and investment consultant reports**

Mr. Williams presented a report on the history of how TCDRS' portfolio has changed during his tenure, which included 10-year rolling year returns, active manager reviews and performance breakdown by asset class. Mr. Williams also reviewed the diversification of the TCDRS portfolio from 1996 to the present.

**4524 (agenda no. 14) 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 2018 regular meeting prior to the board's annual review of its Ends policies.

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

**4525 (agenda no. 15) Receive report of consulting actuary**

Mark Olleman, with Milliman Inc., presented the report of the consulting actuary which included a report on the upcoming actuarial valuation as of Dec. 31, 2018 and contribution rates for 2019.

**4526 (agenda no. 16) Receive report on operations**

Carlos Martinez, Manager, Member Services Field Representative, and Kathy Thrift presented the operations report.

Mr. Martinez presented an overview of the new TCDRS video counseling program and a mock demonstration. The next steps will be to introduce the program at the annual TCDRS annual conference, add to the TCDRS website and create communications to be sent to both employers and members.

Ms. Thrift presented an update on member year-end communications including redesigned annual benefit statements, changes to the withholding tables and 1099Rs.

**4527 (agenda no. 17) Consider arrangements and contracts for services from providers hired by the board**

Amy Bishop presented a report in accordance with governance policy *GP5 - Agenda Planning* concerning the schedule by which the board reviews contracts for services from providers hired by the board. This year, there were no contracts that were scheduled for review.

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

There were no amendments presented at this meeting.

**4529 (agenda no. 19) Receive report of legal counsel**

The legal counsel report was combined with agenda item 4530.

**4530 (agenda no. 20) Receive report on educational opportunities for 2018**

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

Ms. McGeehan discussed that the trustee education program consists of state mandated training required by the state Pension Review Board and education required by *GP4 - Trustee Education* of the TCDRS Governance Policy. She reviewed the requirements and upcoming educational opportunities.

*Note: Chair Eckels returned to the meeting and eight trustees were present for the remainder of the meeting.*

**4531 (agenda no. 21) Receive report of deputy director**

Tom Harrison, Deputy Director, reviewed the building lease report and upcoming maintenance scheduled for the building. Mr. Harrison gave a summary of the Senate State Affairs Interim Hearing on Pensions held on April 4, 2018, including Ms. Bishop's presentation to the committee. He also reminded the trustees that their personal financial statements must be filed with the Texas Ethics Commission by April 30, 2018.

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

Amy Bishop presented the director's report including a report on TCDRS' annual conference which will be held on July 18-20, 2018. The conference has been accredited for continuing education credits to include auditors, commissioners, county clerks, treasurers, tax assessor-collectors. In addition, Ms. Bishop announced recent organizational staffing changes and introduced Karen Correa as Chief Administrative Officer, Kathy Thrift as Chief Customer Officer and Kris Valenta as Chief Strategy Officer.

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

Chair Eckels expressed his appreciation to be working with this board and staff.

**4534 (agenda no. 24) Consider Resolution of Appreciation**

Chair Eckels, on behalf of the entire board, thanked Paul Williams for his commitment and exemplary leadership of TCDRS and presented him with a Resolution of Appreciation.

**Motion:** Chair Eckels made a motion to approve the Resolution of Appreciation for Paul Williams. Trustee Hunt seconded. Motion carried.

**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 12:32 p.m.

**APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 21<sup>st</sup> DAY OF JUNE, 2018.**

**ATTESTED BY:**



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



\_\_\_\_\_  
Date