

**Texas County & District Retirement System**  
**Minutes of the Board of Trustees' Meeting**  
**December 6, 2018**

<b>Agenda Number</b>	<b>Description</b>
1	Call meeting to order
2	Receive 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	September 2018 regular meeting minutes
b	Quarterly financial statements
c	Participation of new districts
5	Consider executive director's monitoring report
6	Consider chief investment officer's monitoring report
7	Receive investment performance measurement and investment consultant reports
8	Consider hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments
9	Receive 2019 alternative investments annual plan
10	Consider amendment(s) and update(s) to investment policy
11	Receive report of consulting actuary
12	Consider executive director's and chief investment officer's compliance with EL9 — <i>Communication and Support to the Board</i>
13	Receive external auditor report on pre-audit planning
14	Consider retirement plan options for TCDRS as an employer for 2019
15	Consider operating plan and budget for 2019
16	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
17	Consider 2019 salary for executive director and chief investment officer
18	Consider resolution to transfer funds for 2019 operations
19	Consider amendment(s) to board's governance policies
20	Consider adoption of proposed amendment to Section 105.5 of the Texas Administrative Code approved for publishing by the board at the September 2018 meeting
21	Receive report of legal counsel
22	Receive report of deputy director
23	Receive report of director
24	Receive report of chair

- 25 Election of chair and vice-chair for terms beginning after this fourth regular meeting and ending after the fourth regular meeting in 2019
- 26 Consider 2019 trustee meeting dates
- 27 Consider compliance at this meeting with board's governance policies
- 28 Adjournment

The Board of Trustees of the Texas County & District Retirement System met on December 6, 2018 in Austin, TX.

**Attendees**

**Trustees:**

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

**Trustee(s) not attending:**

1. Robert A. Eckels, Chair

**Staff:**

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

**Consultants:**

Mark Olleman, Milliman, Inc.  
Kathy Barchick, Cliffwater, LLC  
Susan Warren, KPMG LLP  
Roy Cobb, KPMG LLP  
Chuck Campbell, Jackson Walker L.L.P.

**Others:**

Shain Carrizal, Harris County

Jason McElvaney, McElvaney Public Affairs

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

**4581 (agenda no. 1) Call meeting to order**

Vice-chair Willis called the meeting to order at 8:34 a.m.

**4582 (agenda no. 2) Receive report of fiduciary counsel**

Chuck Campbell of Jackson Walker L.L.P. presented the report of the fiduciary counsel. Mr. Campbell stated that the West Coast Investment trip was educational and beneficial from a business perspective. He also discussed the importance of the amendments to the investment policy, which will be discussed at this meeting.

**4583 (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**

There was no executive session held at this meeting.

**4584 (agenda no. 4) Consider consent agenda items**

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

4a. Approval of September 2018 regular meeting minutes.

4b. Approval of quarterly financial statements as of Sept. 30, 2018.

4c. Approval of participation for eight (8) new districts to join the system (Canyon Regional Water Authority, Hamilton County Hospital District, Housing Authority of Starr County, Housing Authority of the City of Kirbyville, North Blanco County Emergency Services District No. 1, Panhandle Groundwater Conservation District, San Jacinto County Emergency Services District and Wilson County Emergency Services District #1).

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

**4585 (agenda no. 5) 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 various elements of each monitoring report and reported compliance for EL3, EL6, and EL7, and discussed exceptions to EL5 Policy #3 and Policy #6 regarding payments of invoices and benefits.

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

**4586 (agenda no. 6) Consider chief investment officer's monitoring report**

Casey Wolf, Chief Investment Officer, 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.

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

**4587 (agenda no. 7) Receive investment performance measurement and investment consultant reports**

Casey Wolf and Kathy Barchick of Cliffwater presented the investment performance measurement report as of Sept. 30, 2018.

**4588 (agenda no. 8) 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 4587 above.

**Motion:** After discussion, Trustee McDowell made a motion to approve the *Board Resolution for Approval of Investments* as proposed by Cliffwater and the chief investment officer. Trustee Roe 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 I 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 6, 2018, 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	\$150 million	Distressed Debt	\$150 million or equivalent in € or £
Venture Capital	\$75 million	Real Estate	\$150 million or equivalent in € or £
Real Assets	\$150 million	Direct Lending commingled funds	\$200 million or equivalent in € or £
Non-U.S.	\$150 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 13 of the TCDRS Investment Policy and the allocation bands in Table I 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 I 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 I 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 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 I 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

### Direct Lending

Antares Revolver Opportunity SMA (fund of one)

### Distressed Debt

AnaCap Credit Opportunities IV (CIO used interim authority)

### Real Estate Investment Funds

SCP Real Estate Opportunities Fund I (Stockdale) – Opportunistic

Blackstone RE Europe VI – Opportunistic

### Strategic Credit

Canyon CLO Fund II

Serengeti Lycaon Fund

Solus fund of one

### Private Equity & Co-Investments

C-Bridge Fund IV – Non-US

Hahn & Co III – Non-US

Lightspeed China Partners IV– Non-US

Lightspeed China Select I– Non-US RRJ  
IV– Non-US

Sky9 Capital Fund V– Non-US

Source Code Fund IV– Non-US

Source Code Growth Fund II– Non-US

Orion Mine Finance III – Real Assets

Taurus Mining Finance 3 – Real Assets

Alpine VII – Buyout

Parthenon VI – Buyout

Tower Arch II – Buyout

NEA 17 – Venture Spark

VI – Venture

Spark Growth III – Venture

Summit Ventures VI – Venture

Trinity Ventures XIII – Venture

TSG Co-Invest I – Buyout

**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>

### **4589 (agenda no. 9) Receive 2019 alternative investments annual plan**

Kathy Barchick presented a report and recommendations on the 2019 alternative investments annual plan.

### **4590 (agenda no. 10) Consider amendment(s) and update(s) to investment policy**

Casey Wolf presented an amendment to the investment policy to reflect the clarification of co-investment guidelines, limiting co-investments to opportunities alongside of existing general partners.

**Motion:** After discussion, Trustee Cazalas made a motion to amend the TCDRS investment policy to revise co-investment restrictions as recommended by the chief investment officer and investment consultant. Trustee McDowell seconded. Motion carried.

**4591 (agenda no. 11) Receive report of consulting actuary**

Mark Olleman had no formal report, but Mr. Olleman did report that Milliman continues to work on evaluating tools to mitigate rate volatility.

**4592 (agenda no. 12) Consider executive director's and chief investment officer's compliance with EL9 – *Communication and Support to the Board***

Amy Bishop 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 sufficient 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 Metzger seconded. Motion carried.

**4593 (agenda no. 14) Consider retirement plan options for TCDRS as an employer for 2019**

Chris Bucknall, Director, Actuarial Services, discussed TCDRS' current plan of benefits for TCDRS employees and retirees and made a recommendation to make no plan changes for members, retain a 10.5% elected employer contribution rate for 2019 and to make a lump sum payment of \$350,000 from savings experienced in the 2018 budget.

**Motion:** After discussion, Trustee Roe made a motion to approve the retirement plan for TCDRS as an employer including no plan changes for members, a 10.5% elected employer contribution rate for 2019 and a \$350,000 lump-sum contribution. Trustee Garcia seconded. Motion carried. Trustee Hunt was not present for the vote.

**4594 (agenda no. 15) Consider operating plan and budget for 2019**

Amy Bishop, Casey Wolf and Tom Harrison presented the administrative operations, investments and building operations plans and budgets for 2019.

**Motion:** After discussion, Trustee Hunt made a motion to approve the operating plan and budget for 2019. Trustee Metzger seconded. Motion carried.

**4595 (agenda no. 13) Receive external auditor report on pre-audit planning**

Susan Warren and Roy Cobb, 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' 2018 financial statements.

**4596 (agenda no. 18) Consider resolution to transfer funds for 2019 operations**

Amy Bishop discussed the amount necessary to fund all administrative, investments and building expenses in the budget adopted for 2019.



**Motion:** After discussion, Trustee Davis made a motion to approve the *Resolution for 2019 Expense Funding* with a transfer amount of \$12,000,000. Trustee McDowell seconded. Motion carried.

### **Resolution for 2019 Expense Funding**

In accordance with Section 845.310 of the Texas Government Code, the Board orders that on or after Jan. 1, 2019, \$12,000,000 be transferred from the Endowment Fund to the Expense Fund in order to adequately fund all administrative and investment expenses for 2019.

#### **4597 (agenda no. 20) Consider adoption of proposed amendment to Section 105.5 of the Texas Administrative Code approved for publishing by the board at the September 2018 meeting**

Ann McGeehan, General Counsel, requested that the board adopt the amendments to the Texas Administrative Code, Section 105.5 with no changes to its published format. The rule clarifies the requirements for the correction of error process, which no longer requires interest to be paid at the time of the correction. The rule was presented for proposal at the June 2018 meeting and the proposed rule was published in the Oct. 26, 2018 issue of the Texas Register. No public comments were received.

**Motion:** After discussion, Trustee Garcia made a motion to approve the adoption of proposed amendments to Section 105.5 of the Texas Administrative Code. Trustee McDowell seconded. Motion carried.

#### **4598 (agenda no. 21) Consider report of legal counsel**

Ann McGeehan presented a brief report on how all of the TCDRS trustees have met compliance with the Pension Review Board's (PRB) educational requirements.

#### **4599 (agenda no. 19) Consider amendment(s) to board's governance policies**

Trustee Deborah Hunt presented a summary of the CAPPP (Certificate of Achievement in Public Plan Policy) seminar she attended in October and proposed to the board that they consider self-assessing the board's performance. Ms. Hunt provided samples from the CAPPP seminar and a report from the National Association of Corporate Directors (NACD) as reference points. The trustees discussed that they would review and discuss sections of their board policy regarding the Governance Process and Board Staff Relationship at each meeting.

*Note: The meeting was recessed for lunch at 11:48 a.m. and reconvened at 12:35 p.m.*

#### **4600 (agenda no. 16) 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**

At 12:35 p.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 2:04 p.m. No action, decision or vote was taken by the board while in executive session.

**4601 (agenda no. 17) Consider 2019 salary for executive director and chief investment officer**

**Motion:** Trustee Hunt made a motion that beginning the first pay period of 2019, the Executive Director's salary be increased to \$335,000. Trustee McDowell seconded. Motion carried.

**Motion:** Trustee Garcia made a motion that beginning the first pay period of 2019, the Chief Investment Officer's salary be increased to \$365,000. Trustee Metzger seconded. Motion carried.

In addition, the board requested that the chief investment officer provide more information on a compensation program.

**4602 (agenda no. 22) Consider report of deputy executive director**

Tom Harrison, Deputy Executive Director, reviewed the building lease reports and discussed the building and garage appraisal that were completed in September 2018. Mr. Harrison also reported on the 86<sup>th</sup> legislative session.

**4603 (agenda no. 23) Consider report of executive director**

Amy Bishop reminded the board that the February teleconference would be focused on the allocation of 2018 investment results to employers' plans. She also announced the successful launch of the new online member account that is mobile friendly and customized to the member's specific career stage and that includes an improved estimator that displays all seven benefit options and a document upload feature. She mentioned that in the first quarter of 2019 staff were working on delivering improved authentication tools for the call center, the ability for members to apply for benefits online and enhancements to the information security program.

**4604 (agenda no. 24) Consider report of chair**

Vice-chair Willis had no report for this meeting.

**4605 (agenda no. 25) Election of chair and vice-chair for terms beginning after this fourth regular meeting and ending after the fourth regular meeting in 2018**

**Motion:** Trustee McDowell made a motion that Robert Eckels serve as Chair and Bob Willis serve as Vice-chair for terms beginning after the fourth regular meeting of 2018 and ending after the fourth regular meeting in 2019. Trustee Hunt seconded. Motion carried.

**4606 (agenda no. 26) Consider 2019 trustee meeting dates**

The board discussed the dates and locations for the 2019 meetings.

**Motion:** After discussion, Trustee McDowell made a motion that February 13 be the date of the special meeting held by teleconference with a start time of 10:00 a.m. and the physical location be in Austin at the TCDRS offices. Further, that the first through fourth regular meetings be held in Austin at the TCDRS offices on April 11, June 27, September 11 & 12 (workshop and board meeting) and December 5 and that the tentative dates for the Investments East Coast and West Coast manager site visits be the week of June 17 and the week of October 14. Trustee Cazalas seconded. Motion carried.

**4607 (agenda no. 27) Consider compliance at this meeting with board's governance policies**

The board discussed and determined its compliance with the governance policy concerning *GP5 - Agenda Planning* for this meeting.

**4608 (agenda no. 28) Adjournment**

There being no further business to come before the board, Vice-chair Willis adjourned the meeting at 2:15 p.m.

**APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 11<sup>TH</sup> DAY OF APRIL 2019.**

**ATTESTED BY:**



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



\_\_\_\_\_  
Date