

**Texas County & District Retirement System
Minutes of the Board of Trustees' Meeting
June 27, 2019**

Agenda Number	Description
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	Employee recognition
5	Consider consent agenda items
a	April 2019 regular meeting minutes
b	Quarterly financial statements
c	Participation of new districts
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	Consider report of consulting actuary, including actuarial education, report on valuation and approve 2020 contribution rates
12	Consider report of independent financial auditor
13	Receive report on operations
14	Consider amendment(s) to board's governance policies
15	Receive report of legal counsel
16	Receive report of deputy executive director
17	Receive report of executive director
18	Receive report of chair
19	Consider compliance at this meeting with board's governance policies
20	Adjournment

The Board of Trustees of the Texas County & District Retirement System met on June 27, 2019 in Austin, TX.

Attendees:

Trustees:

1. Robert A. Eckels, Chair
2. Bob Willis, Vice-Chair
3. Chris Davis
4. Susan Fletcher
5. Deborah M. Hunt
6. Bridget McDowell
7. Mary Louise Nicholson
8. Kara Sands

Staff:

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

Consultants:

Mark Olleman, Milliman, Inc.
Nick Collier, Milliman, Inc.
Kathy Barchick, Cliffwater, LLC
Susan Warren, KPMG, Inc.
Chris Stone, KPMG, Inc.
Roy A. Cobb, KPMG, Inc.
Chuck Campbell, Jackson Walker
Chris Mugica, Jackson Walker

Others:

Shain Carrizal, Harris County

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

4637 (agenda no. 1) Call meeting to order

Chair Eckels called the meeting to order at 8:35 a.m.

4638 (agenda no. 2) Receive report of fiduciary counsel

Chuck Campbell, with Jackson Walker, had no fiduciary counsel report at this meeting.

4639 (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

No executive session was conducted.

4640 (agenda no. 4) Employee recognition

Amy Bishop, Executive Director, discussed the employee recognition program recently implemented to recognize those employees that embody TCDRS' core values of integrity, care and anticipation. She introduced the employees who were recognized for their outstanding service: Erika Nieto, Employer Services Representative; Robert Bechtol, Systems Administrator; Kelly Lindner, Communications Specialist; Joshua Garcia, Private Equity Analyst; Jake Barnett, Network Security Administrator; and Doug Fielding, Database Administrator.

4641 (agenda no. 5) Consider consent agenda items

Amy Bishop presented three consent agenda items.

5a. Approval of April 2019 regular meeting minutes.

5b. Approval of quarterly financial statements as of March 31, 2019.

5c. Approval of participation of 12 new districts to join the system (Bastrop Travis Counties Emergency Services District No.1, Brazoria County Emergency Services District No. 3, Brookeland Fresh Water Supply District, Brush Country Groundwater Conservation District, Comanche Central Appraisal District, Harris County Emergency Services District No. 4, Hays County Emergency Services District No.4, Liberty County Water Control & Improvement District No.1, Nevada Special Utility District, Northeast Gaines County Emergency Services District No.1, Port O'Connor Improvement District and Victoria County Water Control & Improvement District No. 1).

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

4642 (agenda no. 6) Consider executive director's monitoring report

Amy Bishop presented the executive director's monitoring report, which included the annual *EL2 – Services to Members and Employers* and the quarterly *EL5 – Financial Activities*. She 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 Nicholson seconded. Motion carried.

4643 (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 quarterly *EL5 – Financial Activities* and *ELI1 – 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 Davis made a motion to approve the chief investment officer's monitoring report. Trustee Fletcher seconded. Motion carried.

4644 (agenda no. 8) Receive investment performance measurement and investment consultant reports

Casey Wolf and Kathy Barchick, with Cliffwater, presented the investment performance measurement and investment consultant reports for the period which ended March 31, 2019.

4645 (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 4644 above.

Motion: After discussion, Trustee Hunt made a motion to accept the *Board Resolution for Approval of Investments*, proposed by Cliffwater and the chief investment officer, regarding acquiring equity interests in hedge funds, distressed debt, direct lending, private equity investments, strategic credit and real estate. Trustee Fletcher 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 June 27, 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:

Buyout	\$200 million	Distressed Debt	\$150 million or equivalent in € or £
Venture Capital	\$100 million	Real Estate	\$150 million or equivalent in € or £
Real Assets	\$200 million	Direct Lending commingled funds	\$250 million or equivalent in € or £
Non-U.S.	\$200 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

Cheyne Real Estate Credit Fund IV
Silver Point fund of one

Strategic Credit

Brigade fund of one
CQS Capital Regulatory Relief

Private Real Estate Investment Funds

Pennybacker EIV – Opportunistic

Private Equity & Co-Investments

Carnelian Energy Capital III – Real Assets
Consonance Capital II – Buyout
KPS Small Cap – Buyout
KPS V – Buyout
Madison Dearborn VIII – Buyout
Marlin Co-Invest I – Buyout
ONCAP V (Onex – Buyout
OpCapita III – Non-US OpenView
VI – Venture
Sky9 Capital Fund IV – Non-US
Sky9 MVP Fund – Non-US
Threshold III – Venture (previously approved as DFJ XIII) Vista
Foundation IV – Buyout
Wynnchurch V – Buyout
Xiang He Fund II – Non-US
ZMC III (Zelnick) – 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 Investments page on the TCDRS website.

4646 (agenda no. 10) Consider amendment(s) and update(s) to investment policy

There were no amendments or updates presented at this meeting.

4647 (agenda no. 11) Consider report of consulting actuary and approve 2020 contribution rates

Mark Olleman and Nick Collier, both with Milliman, presented the report of the consulting actuary.

Mr. Olleman provided education on the valuation process including the purpose of the valuation, how employer contribution rates are determined and how to read the valuation report. Mr. Collier presented the Dec. 31, 2018 actuarial valuation.

Mr. Olleman and Mr. Collier recommended that the board adopt the required pension plan contribution rates for plans with no changes for 2020 as shown in Appendix A of Milliman's [System-Wide Actuarial Valuation as of December 31, 2018](#), and to authorize Milliman to calculate 2020 required rates for employers that adopt changes to plan provisions and as necessary to reflect special situations that require rate revisions. They also recommended the board adopt premium rates for employers electing coverage under the Group Term Life Fund for 2020 as shown in Appendix-C of Milliman's [valuation report](#).

Motion: After discussion, Trustee McDowell made a motion to approve the 2020 retirement plan employer contribution rates for plans with no changes and the 2020 premium rates for the Group Term Life Fund as recommended by Milliman in the [System-Wide Actuarial Valuation as of Dec. 31, 2018](#) and to authorize Milliman to calculate the 2020 employer contribution rates for employer plans that adopt plan changes. Trustees Hunt and Nicholson seconded. Motion carried.

4648 (agenda no. 12) Consider report of independent financial auditor

Susan Warren, Chris Stone and Roy Cobb, all with KPMG, presented the results from KPMG's independent financial audit of TCDRS' Dec. 31, 2018 financial statements. The report included a discussion of the responsibilities of management, trustees and KPMG regarding the audit. Ms. Warren stated that TCDRS received an unmodified ("clean") opinion.

She also reviewed the results of the SOC-I audit which gives employers' auditors assurance that the data provided for their financial reports are reliable. TCDRS received an unqualified ("clean") SOC-I audit.

Motion: After discussion, Trustee Fletcher made a motion to accept the audit report by KPMG. Trustee Sands seconded. Motion carried.

4649 (agenda no. 13) Receive report on operations

Karen Correa, Chief Administrative Officer, Amy Bishop, Executive Director, and Kathy Thrift, Chief Customer Officer, presented the report on operations.

Ms. Correa presented the [2018 TCDRS Comprehensive Annual Financial Report \(CAFR\)](#). Ms. Correa highlighted the various sections of the CAFR and several key stats including that our assets have grown to \$30 billion.

Ms. Bishop delivered an update on the strategic plan and an overview of projects completed and ongoing for 2019. Projects completed included the web application firewall, an enhanced authentication and fraud detection program, employer payroll cycle reporting, technical architecture and workflow assessment among others. Projects in progress included mobile device management, database security program, claim your account campaign, information security assessment, launch of the online benefits application, and software upgrades.

Ms. Thrift presented the new online application process for retirement, withdrawals and banking updates which will be deployed later this summer. She also reviewed the new authentication tools for the call center.

4650 (agenda no. 14) Consider amendments to board's governance policies

Ms. Bishop presented an overview of the board's governance policies GPI – GP4. The board took no action.

4651 (agenda no. 15) Receive report of legal counsel

Ms. McGeehan reported a TCDRS beneficiary determination was challenged and the case has been referred to the State Office of Administrative Hearings.

4652 (agenda no. 16) Receive report of deputy executive director

Tom Harrison, Deputy Director, presented the deputy director's report that included a leasing activity report for the rentable space not occupied by TCDRS in the building that it owns and a report on completed and remaining building improvements to the TCDRS building.

Mr. Harrison also included in his report that Chuck Campbell, the board's fiduciary counsel, was recognized by his peers and awarded the 2019 Lawyer of the Year for Employee Benefits Law. In addition, Mr. Harrison provided a brief update on SB322 and SB2224, which passed in the 86th Regular Session. Neither bill has a significant impact on the system as TCDRS already complies with the requirements of the two new laws.

4653 (agenda no. 17) Receive report of executive director

Amy Bishop presented the director's report which included a reminder and invitation to the board to attend the annual TCDRS conference held July 24-26, 2019.

4654 (agenda no. 18) Consider report of chair

Chair Eckels praised TCDRS for its strong commitment to customer service.

4655 (agenda no. 19) Consider compliance at this meeting with the board's governance policies

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

4656 (agenda no. 20) Adjournment

There being no further business to come before the board, Chair Eckels adjourned the meeting at 1:00 p.m.

APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 12TH DAY OF SEPTEMBER 2019.

ATTESTED BY:



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

10-23-19

Date