

**Texas County & District Retirement System**  
**Minutes of the Board of Trustees' Meeting**  
**September 13, 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	June 2018 regular meeting minutes
b	Quarterly financial statements
c	Participation of new districts
d	Plan termination of Hopkins-Rains Soil and Water Conservation District
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	Consider investment-grade fixed income and TIPS managers due diligence review
10	Consider amendment(s) and update(s) to investment policy
11	Receive report on board's linkage policy
12	Consider amendment(s) to board governance policies
13	Consider Strategic Plan for 2019 - 2022
14	Information security program update and training
15	Receive report of consulting actuary
16	Consider adoption of proposed amendments to Chapter 109 of the Texas Administrative Code approved for publishing by the board at the June 2018 board meeting
17	Consider publishing of proposed amendments to Section 105.5 of the Texas Administrative Code
18	Receive report of legal counsel
19	Receive report of deputy director
20	Receive report of executive director
21	Receive report of chair
22	Consider compliance at this meeting with board's governance policies
23	Adjournment

The Board of Trustees of the Texas County & District Retirement System met on September 13, 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. Bridget McDowell
6. Kristeen Roe

**Trustee(s) not attending:**

7. Mary Louise Garcia
8. Deborah Hunt
9. Bill Metzger

**Staff:**

Amy Bishop, Executive Director  
Casey Wolf, Chief Investment Officer  
Tom Harrison, Deputy Director  
Sandra Bragg, Deputy Investment Officer  
Ann McGeehan, General Counsel  
Natalia Ashley, Staff Attorney  
Chris Bucknall, Director, Actuarial Services  
Karen Correa, Chief Administrative Officer  
Kris Valenta, Chief Strategic Officer  
Kathy Thrift, Chief Customer Officer  
Brad Watkins, Manager, Network Support  
Erika Nieto, Employer Services Representative  
John Hawes, Director, Finance  
Julie Dwiggin, Executive Assistant  
Chad Estes, Business Analyst

**Consultants:**

Mark Olleman, Milliman, Inc.  
Kathy Barchick, Cliffwater, LLC  
Chuck Campbell, Jackson Walker  
Alyca Riley, Jackson Walker

**Others:**

Jason McElvaney, McElvaney Public Affairs  
Robin Vincent, Harris County

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

**4558 (agenda no. 1) Call meeting to order**

Chair Eckels called the meeting to order at 8:30 a.m.

**4559 (agenda no. 2) Receive report of fiduciary counsel**

Chuck Campbell, with Jackson Walker, gave the report of the fiduciary counsel. Mr. Campbell discussed the importance of the Ends Policy (E1) and the proposed strategic plan, which will be considered at this meeting.

**4560 (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.

**4561 (agenda no. 4) Consider consent agenda items**

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

4a. Approval of Jun. 21, 2018 regular meeting minutes.

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

4c. Approval of participation of five new districts (Blanco County Emergency Services District No. 2, Donley County Hospital District, Galveston County Water Control & Improvement District No. 8, High Point Special Utility District, and Wilson County Emergency Services District #3).

4d. Plan termination of Hopkins-Rains Soil and Water Conservation District.

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

**4562 (agenda no. 5) Consider executive director's monitoring report**

Amy Bishop presented the executive director's monitoring report, which included the annual report on the Ends Policy (E1) and the quarterly monitoring report on Executive Limitation 5 – Financial Activities (EL5). Ms. Bishop gave an overview of the strategic planning process and then discussed each monitoring report and reported compliance with two exceptions to EL5. The first exception concerned two invoices which were paid outside the required 30-day period but for which no fees were incurred. The second exception related to benefit payment timeliness for lump sum withdrawals that was slightly outside the threshold, but Ms. Bishop explained that overall timeliness is improving since the initial implementation of the new pension administration system.

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

**4563 (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 Ends Policy (EI) report and the quarterly monitoring reports on Executive Limitation 5 – Financial Activities (EL5) and Executive Limitation 11-Investment Policies (EL11). Mr. Wolf discussed various elements of each monitoring report and reported compliance.

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

**4564 (agenda no. 7) 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 June 30, 2018.

**4565 (agenda no. 8) Consider hedge funds, distressed debt, private real estate, opportunistic 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 4564 above.

**Motion:** After discussion, Trustee McDowell 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, private real estate, direct lending and private equity investments. 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 September 13, 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	Real Assets	\$150 million
Venture Capital	\$75 million	Distressed Debt	\$100 million or equivalent in € or £
Non-U.S.	\$150 million or equivalent in € or £	Real Estate	\$125 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 strategic credit and direct lending 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 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 of an existing TCDRS investment 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**

#### **Hedge Funds**

Chatham High Yield Master – Credit  
River Birch Capital – Credit

OZ RE Fund IV – Opportunistic  
Rockpoint Growth & Income III – Value-Added  
Rockwood Real Estate XI – Value-Added

#### **Direct Lending**

Ares Capital Europe fund of one  
OrbiMed Royalty Opportunities III  
Tennenbaum fund of one

#### **Strategic Credit**

Arbour Lane-TX and Arbour Lane Credit Opp II (*previously approved as Arbour Ln*)  
Redwood Opportunity Fund  
River Birch Alternative Credit

#### **Real Estate Investment Funds**

Blackstone Real Estate Partners IX – Opportunistic

**Private Equity & Co-Investments**

Advent International GPE IX – Non-US  
Advent Latin American PE VII – Non-US  
Carnelian II – Real Assets  
CORE Industrial Partners I – Buyout  
Genstar VIII Overage – co-invest  
Genstar Capital IX – Buyout  
Joy Capital Opportunity Fund – Non-US  
Nautic Partners IX – Buyout  
Odyssey Investment Partners VI – Buyout

ParkerGale Capital II – Buyout  
Prospect Partners IV – Buyout  
Roark Capital Partners V – Buyout  
Summa Equity II – Non-US  
Summit Partners Growth Equity X – Buyout  
TA Associates XIII – Buyout  
The Column Group IV – Venture  
TSG 8 – Buyout  
WindRose V – Buyout

**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 Our Investments page on the TCDRS website. (<https://www.tcdrs.org/OurInvestments/Pages/OurInvestments.aspx>)**

**4566 (agenda no. 9) Consider investment-grade fixed income and TIPS managers due diligence review**

Kathy Barchick presented a formal review of the managers in the TCDRS core fixed income and TIPS asset classes.

**Motion:** After discussion, Trustee Davis made a motion to approve Cliffwater's due diligence review report on the investment-grade fixed income and TIPS managers and to retain the current managers as recommended by the chief investment officer and Cliffwater. Trustee McDowell seconded. Motion carried.

**4567 (agenda no. 10) Consider amendment(s) and update(s) to investment policy**

There were no amendments or updates to the investment policy at this meeting.

**4568 (agenda no. 11) Receive report on board's linkage policy**

Kathy Thrift, Chief Customer Officer, presented the results of the 2018 board linkage survey that was used to gather input from participating counties and districts. The board uses this input to ensure the appropriate linkage between the board and the participating employers as required by governance policy Governance Process 5 – Agenda Planning (GP-5) and to develop and modify the strategic goals of the organization. Ms. Thrift's report included methods used to collect customer feedback, results from the survey and member feedback.

**4569 (agenda no. 12) Consider amendments to board's governance policies**

There were no amendments presented at this meeting.

**4570 (agenda no. 13) Consider Strategic Plan for 2019 - 2022**

Amy Bishop and Kris Valenta, Chief Strategy Officer, presented a report on the 2019-2022 Strategic Plan. The report included an overview of the strategic planning process and an update on the strategic plan accomplishments achieved during 2017-2018 including the completion of the new pension administration system.

Mr. Valenta reported that the strategic plan is based on the mission and strategic goals (Ends) established by the board. The four-year plan is updated every two years based on customer needs and the changing environment. Mr. Valenta explained six strategic initiatives included in the plan: protecting sensitive information; connecting anytime, anywhere; preparing members for retirement; enhancing employer decision-making; making administration easier for employers; and strengthening organizational effectiveness.

**Motion:** After discussion, Trustee Cazalas made a motion to approve the 2019-2022 Strategic Plan. Trustee McDowell seconded. Motion carried.

**4571 (agenda no. 14) Information security program update and training**

Kris Valenta and Brad Watkins, Manager, Network Support, presented an update on TCDRS' information security program.

Mr. Valenta presented a history of the information security program and 2018 priorities, which included mobile device management, improved website security and enhanced identity verification and fraud protection.

Mr. Watkins presented training on how to identify and handle phishing emails.

**4572 (agenda no. 15) Receive report of consulting actuary**

Mark Olleman, with Milliman, and Erika Nieto, TCDRS Employer Services Representative, presented the consulting actuary report.

Mr. Olleman presented a report explaining the new Actuarial Standard of Practice on Risk (ASOP 51) concerning assessment and disclosure of risk associated with measuring pension obligations and determining pension plan contributions. He also discussed the implications of plan maturity on funding.

Ms. Nieto presented a report on the new education program designed to help employers consider funding strategies to improve rate stability as plans mature.

**4573 (agenda no. 16) Consider adoption of proposed amendments to Chapter 109 of the Texas Administrative Code approved for publishing by the board at the June 2018 board meeting**

Ann McGeehan, General Counsel, discussed the four proposed administrative rule changes to Chapter 109 concerning the administration of qualified domestic orders (QDROs) that were approved for proposal and publication by the board at their June 2018 meeting, and that were published in the Aug. 3, 2018 edition of the Texas Register. No comments were received.

**Motion:** After discussion, Trustee Davis made a motion to adopt the proposed amendments to Chapter 109 of the Texas Administrative Code with an effective date of January 1, 2019. Trustee McDowell seconded. Motion carried.

**4574 (agenda no. 17) Consider publishing of proposed amendment to Section 105.5 of the Texas Administrative Code**

Ann McGeehan presented a proposed amendment to Section 105.5 of the Texas Administrative Code concerning the employer correction of error process. Due to accounting and income allocation improvements that were a result of the TCDRS fund consolidation bill passed by the legislature in 2015 and with the deployment of improved technology with the new pension administration system, the rule amendment clarifies the contributions required by the employer to make a correction of error to a member's account.

**Motion:** After discussion, Trustee Davis made a motion to approve the publishing of proposed amendments to Section 105.5 of the Texas Administrative Code. Vice-chair Willis seconded. Motion carried.

**4575 (agenda no. 18) Receive report of legal counsel**

Ann McGeehan presented the report of legal counsel and reported no unusual activity.

**4576 (agenda no. 19) Receive report of deputy 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. In addition, he informed the board that the House Pensions committee will hold a public hearing on the interim charges in Houston on Oct. 12, 2018.

**4577 (agenda no. 20) Receive report of executive director**

Amy Bishop presented the executive director's report in which she discussed scheduling visits with the trustees to discuss the 2019 operating plan and budget.

**4578 (agenda no. 21) Receive report of chair**

Chair Eckels presented the report of the Chair. Chair Eckels emphasized the importance of attention to security procedures in all facets of the organization, including the call center, and congratulated Deputy Director Tom Harrison on his 50<sup>th</sup> anniversary of practicing law in Texas.

**4579 (agenda no. 22) Consider compliance at this meeting with the board's governance policies**

The board discussed and determined its compliance with their governance policies during this meeting as required by Governance Process 5 – Agenda Planning (GP5).

**4580 (agenda no. 23) Adjournment**

There being no further business to come before the board, Chair Eckels adjourned the meeting at 11:48 a.m.



**APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 6<sup>th</sup> DAY OF  
DECEMBER 2018.**

**ATTESTED BY:**



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

12/12/18

\_\_\_\_\_  
Date