

**Texas County & District Retirement System
Minutes of the Board of Trustees' Meeting
April 2, 2020**

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	Consider consent agenda items
a	December 2019 regular meeting and February 2020 special 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 report on investment practices and performance evaluation as required by Tx Gov Code 802.109
10	Consider review and retention of master limited partnership manager(s)
11	Receive 2020 capital market assumptions and asset allocation plan
12	Consider amendment(s) and update(s) to investment policy
13	Consider means to be used by board to ensure linkage between board and member counties and districts
14	Receive report of consulting actuary
15	Receive report on operations, strategic projects and information security assessment
16	Consider arrangements and contracts for services from providers hired by the board
17	Receive report of legal counsel
18	Receive report on educational opportunities for 2020
19	Receive report of deputy executive director
20	Receive report of executive director
21	Receive report of chair
22	Review governance policy and consider amendment(s) to board's governance policies
23	Consider compliance at this meeting with board's governance policies
24	Adjournment

The Board of Trustees of the Texas County & District Retirement System met on April 2, 2020 by telephone conference call, with the physical location of the meeting at the TCDRS offices located at 901 South MoPac, Bldg 4, in Austin, TX. In accordance with Section 845.007(f)(2) of the TCDRS Act that at least one trustee be present at stated location, Chair Eckels physically attended the meeting at the TCDRS offices.

Attendees

Trustees:

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

Trustee not attending:

1. Chris Hill

Staff:

Amy Bishop, Executive Director
Tom Harrison, Deputy Executive 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
Julie Dwiggin, Executive Assistant
Chad Estes, Business Analyst

Consultants:

Mark Olleman, Milliman, Inc.
Nick Collier, Milliman, Inc.
Kathy Barchick, Cliffwater, LLC
Chuck Campbell, Jackson Walker L.L.P.

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

Note: There were seven (7) trustees present at the beginning of the meeting.

4716 (agenda no. 1) Call meeting to order

Chair Eckels called the meeting to order at 8:32 a.m.

4717 (agenda no. 2) Consider report of fiduciary counsel

Chuck Campbell, with Jackson Walker L.L.P., had no report for this meeting.

4718 (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 mater 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.

4719 (agenda no. 4) Consider consent agenda items

Amy Bishop presented three consent agenda items.

4a. Approval of December 2019 regular meeting and February 2020 special meeting minutes.

4b. Approval of quarterly financial statements as of Dec. 31, 2019.

4c. Approval of participation of four new districts to join the system (Bexar County Emergency Services District #12; East Texas Municipal Utility District of Smith County; Throckmorton Central Appraisal District; and Uvalde County Hospital Authority).

Motion: Motion for agenda item 4719 was combined with agenda item 4721 below.

4720 (agenda no. 5) 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 an exception to *EL5 Policy #3* regarding payment of invoices.

Motion: Motion for agenda item 4720 was also combined with agenda item 4721 below.

4721 (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 *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 reported compliance with the executive limitations.

Motion: After discussion, Trustee Fletcher made a motion to approve the consent agenda items (agenda item 4719), executive director's monitoring report (agenda item 4720) and the chief investment officer's monitoring report. Vice-chair Nicholson seconded. Motion carried.

4722 (agenda no. 7) 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, 2019.

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, 2019, and proposed a forward calendar of investments which would authorize possible investment in listed funds subject to completion of investment and legal due diligence.

4723 (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 4722 above.

Motion: After discussion, Trustee Hunt made a motion to accept the *Board of Resolution for Approval of Investments*. Vice-chair 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 2, 2020, 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 commingled funds	\$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 14 of the TCDRS Investment Policy and the allocation bands in Table 1 of the TCDRS Investment Policy.

RESOLVED, that for all strategic credit funds, distressed debt funds-of-one, 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 13 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) 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 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

Direct Lending

- Ares Pathfinder Fund
- * Comvest Credit Partners III
- * Owl Rock III BDC

Distressed Debt

- * Hayfin fund of one
- Cheyne European Strategic Value (previously approved as strategic credit)
- Arbour Lane Credit Opp II (previously approved as strategic credit)

Private Real Estate

- * Longpoint Realty II – Opportunistic

Private Equity & Co-Investments

- Arbor V – Buyout
- * Entrepreneurial Equity Partners I (E2P) – Buyout
(Jordan Co.) Resolute Fund V – Buyout
- * Leeds Equity Partners VII – Buyout
- * Sterling Group Partners V – Buyout
- Nautic Co-Invest I – co-investment
- * Canvas Ventures III – Venture
- DC Bio II (Data Collective) – Venture
- Khosla Ventures VII – Venture
- Khosla Ventures Seed E – Venture
- Spectrum IX & Overage Fund – Venture
- * Blue Lake Capital III – Non-US
- Hillhouse PE Fund V Series – Non-US
- Joy Capital Opportunity II – Non-US
- Marlin Heritage Europe II – Non-US

* potential new manager relationship

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.

4723 (agenda no. 10) Consider review and retention of master limited partnership manager(s)

Kathy Barchick presented a formal review of TCDRS' master limited partnership manager and recommended retention of the sole master limited partnership manager, Harvest Fund Advisors.

Motion: After discussion, Trustee Davis made a motion to retain Harvest Fund Advisors as the master limited partnership manager. Trustee McDowell seconded. Motion carried.

4724 (agenda no. 12) Consider amendment(s) and update(s) to investment policy

Casey Wolf discussed proposed amendments to the TCDRS investment policy to remove Credit from the Private Equity asset class and create a separate asset class for Credit. The Credit asset class includes Distressed Debt, Direct Lending and Strategic Credit. See [Investment Policy](#).

Motion: After discussion, Trustee Hunt made a motion to amend the investment policy as recommended by the Chief Investment Officer. Trustee Fletcher seconded. Motion carried.

Note: Trustee Sands joined the meeting at 9:19 a.m. Eight (8) trustees were present for the remainder of the meeting.

4725 (agenda no. 13) Consider means to be used by board to ensure linkage between board and member counties and districts

Amy Bishop 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 that input from employers be gathered through service-related surveys and field staff interactions.

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

4726 (agenda no. 16) 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 review of contracts for services hired by the board. There were two contracts up for review, the Depository Bank and the TCDRS Medical Board.

Ms. Bishop explained that staff contracted with a financial consulting firm with significant public sector experience, to review depository bank options. The consultant determined that the system's current depository bank, JP Morgan Chase, continues to provide attractive and competitive services, and staff recommended that the executive director be authorized to negotiate a new 5-year agreement with JP Morgan Chase.

Ms. Bishop also reviewed the Medical Board contracts, which included their primary function to review disability retirements, a list of the doctors that make up the medical board and their fee structure. Staff recommended that the currently appointed medical doctors be reappointed to the board for a new term and to increase fees to \$275 for the chair and \$230 for the other physicians per disability review.

Motion: Motion for agenda item 4726 was combined with agenda item 4727 below.

4727 (agenda no. 22) Review governance policy and consider amendment(s) to boards governance policies

Ms. Bishop presented an amendment to GP-5 Agenda Planning that updates the future review dates for the depository bank and medical board to 2025.

Motion: After discussion, Vice-chair Nicholson made a motion to authorize the Executive Director to negotiate a new contract with JPMorgan Chase as depository bank, to reappoint the current medical doctors to the TCDRS medical board and to approve proposed changes to GP5 – Agenda Planning. Trustee Sands seconded. Motion carried.

4728 (agenda no. 9) Receive report on investment practices and performance evaluation as required by Tx Gov Code 802.109

Kathy Barchick presented a report on TCDRS investment practices and performance evaluation as required by Section 802.109 of the Texas Government Code.

4729 (agenda no. 11) Receive 2020 capital market assumptions and asset allocation plan

Kathy Barchick presented the 2020 capital market assumptions and asset allocation plan. The board took no action at this meeting and deferred any action until the June 2020 meeting due to significant market changes that have occurred since January 2020 due to the coronavirus pandemic.

4730 (agenda no. 14) Receive report of consulting actuary

Mark Olleman, with Milliman Inc., presented the report of the consulting actuary which included a preliminary report on the upcoming Dec. 31, 2019 valuation results which are used to determine 2021 required contribution rates.

4731 (agenda no. 15) Receive report on operations, strategic projects and information security assessment

Amy Bishop presented this report under agenda item 4735.

4732 (agenda no. 17) Receive report of legal counsel

Ann McGeehan, General Counsel, had no report for this meeting.

4733 (agenda no. 18) Receive report on educational opportunities for 2020

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 were in compliance with the educational requirements.

4734 (agenda no. 19) Receive report of deputy executive director

Tom Harrison, Deputy Executive Director, reported that the building is 95% leased and explained upcoming improvements scheduled for the building, including replacing the original fire pump in the basement and other renovations on the 4th floor.

4735 (agenda no. 20) Receive report of executive director

Amy Bishop presented the executive director's report which included the operations report (agenda no. 4731) concerning updates on how TCDRS is currently operating remotely under its business continuity plan, and updates on strategic initiatives including key software upgrades, the mobile friendly website and the information security assessment roadmap.

4736 (agenda no. 21) Receive report of chair

Chair Eckels thanked the trustees for participating in the teleconference meeting during this difficult time.

4737 (agenda no. 23) 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*.

4738 (agenda no. 24) Adjournment

There being no further business to come before the board, Chair Eckels adjourned the meeting at 10:19 a.m.

APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 25th DAY OF JUNE 2020.

ATTESTED BY:



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

06/25/2020

Date