

Texas County & District Retirement System
Minutes of the Board of Trustees' Meeting
December 3, 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	Public comment
5	Receive report of executive director
6	Consider consent agenda items
6a	September 2020 regular board meeting minutes
6b	Quarterly financial statements
6c	Participation of new districts
6d	Plan termination of Hidalgo County Emergency Services District No. 2
7	Consider executive director's monitoring report
8	Consider chief investment officer's monitoring report
9	Receive investment performance measurement and investment consultant reports
10	Consider hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments
11	Receive 2021 alternative investments annual plan
12	Consider amendment(s) and update(s) to investment policy
13	Receive education on investment return assumption
14	Receive report of consulting actuary
15	Consider executive director's and chief investment officer's compliance with EL9 — <i>Communication and Support to the Board</i>
16	Receive external auditor report on pre-audit planning
17	Consider retirement plan options for TCDRS as an employer for 2021
18	Consider operating plan and budget for 2021
19	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
20	Consider 2021 salary for executive director and chief investment officer
21	Consider resolution to transfer funds for 2021 operations
22	Review governance policy and consider amendment(s) to board's governance policies
23	Receive report of legal counsel
24	Receive report of deputy executive director

- 25 Receive report of chair
- 26 Election of chair and vice-chair for terms beginning after this fourth regular meeting and ending after the fourth regular meeting in 2021
- 27 Confirm 2021 board meeting dates
- 28 Consider compliance at this meeting with board's governance policies
- 29 Adjournment

The Board of Trustees of the Texas County & District Retirement System met on December 3, 2020 by telephone conference, with the physical location of the meeting at the TCDRS offices located at 901 S MoPac Expy, 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, Vice-Chair Nicholson, Trustee Davis and Trustee Hill attended the meeting at the TCDRS offices.

Attendees

Trustees:

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

Trustees not attending:

1. Susan Fletcher
2. 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
Natalia Ashley, Staff Attorney
Chris Bucknall, Director, Actuarial Services
Karen Correa, Chief Administrative Officer
Kathy Thrift, Chief Customer Officer
John Hawes, Director, Finance
Julie Dwiggin, Executive Assistant
Tina Silguero, Records & Information Analyst
Chad Estes, Business Analyst
Dave Reed, Sr. Systems Administrator

Consultants:

Mark Olleman, Milliman, Inc.
Nick Collier, Milliman, Inc.

Craig Glyde, Milliman, Inc.
Kathy Barchick, Cliffwater, LLC
Susan Warren, KPMG LLP
Michael Spencer, KPMG LLP
Chuck Campbell, Jackson Walker L.L.P

Others

Jason McElvaney, McElvaney Public Affairs
Shain Carrizal, Harris County, Sr. Director, Human Resources & Risk Management

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

4782 (agenda no. 1) Call meeting to order

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

4783 (agenda no. 2) Receive report of fiduciary counsel

Chuck Campbell of Jackson Walker L.L.P. discussed with the board the importance of agenda item 13 – education on the investment return assumption.

4784 (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.

4785 (agenda no. 4) Public comment

No members of the public were present at this meeting.

4786 (agenda no. 5) Receive report of executive director

Amy Bishop, Executive Director, gave an update on current operations and highlighted that the organization continues to deliver outstanding service levels. She also discussed that a transition team has been tasked with developing return to work recommendations and processes.

4787 (agenda no. 6) Consider consent agenda items

Amy Bishop presented four consent agenda items.

6a. Approval of September 2020 regular board meeting minutes.

6b. Approval of quarterly financial statements as of Sept. 30, 2020.

6c. Approval of participation for four (4) new districts to join the system (Foard County Appraisal District, Morris County Appraisal District, Seis Lagos Utility District and Regional Public Defender Office Local Government Corporation).

6d. Plan termination of Hidalgo County Emergency Services District No. 2

Motion: Trustee Davis made a motion to approve the consent agenda items. Vice-chair Nicholson seconded. Motion carried.

4788 (agenda no. 7) 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 compliance with each monitoring report and reported an exception to EL5 Policy #3 regarding payment of invoices.

Motion: After discussion, Vice-chair Nicholson made a motion to approve the executive director’s monitoring report. Trustee Hunt seconded. Motion carried.

4789 (agenda no. 8) 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. Vice-chair Nicholson seconded. Motion carried.

4790 (agenda no. 9) 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 ending Sept. 30, 2020.

4791 (agenda no. 10) 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 4790 above.

Motion: After discussion, Vice-chair Nicholson made a motion to approve the *Board Resolution for Approval of Investments*, proposed by Cliffwater and the chief investment officer regarding acquiring equity interests in hedge funds, distressed debt, private real estate, direct lending and private equity investments. Trustee Davis 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 December 3, 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	\$300 million	Distressed Debt commingled funds	\$200 million or equivalent in € or £
Venture Capital	\$150 million	Real Estate	\$175 million or equivalent in € or £
Real Assets	\$200 million	Direct Lending commingled funds	\$300 million or equivalent in € or £
Non-U.S.	\$250 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

- AG Essential Housing (formerly approved as AG Land Banking)
- * Aviator Capital Fund V
- * Comvest Credit V
- * FPA WhiteHawk Fund
- * Hayfin Healthcare Opportunities Fund
- * Pathlight Capital Fund II

Distressed Debt

- Arbour Lane Credit Opp III
- Marblegate Partners Fund II

Strategic Credit

- * Alcentra Structure Credit Opps IV
- Kayne CLO Partners Fund II
- Taconic CRE III

Private Real Estate

- * Argosy RE Partners V – Opportunistic
- * CrossHarbor 2021 – Opportunistic
- * Divco West Development Fund – Opportunistic
- * Singerman RE IV – Opportunistic
- * Victory Europe Real Estate II – Opportunistic
- * Whitman Peterson Fund IV – Opportunistic

Private Equity & Co-Investments

- * Frazier Healthcare X – Buyout
- Hellman & Friedman X – Buyout
- Marlin Equity Partners VI – Buyout
- * Novacap TMT VI – Buyout
- Roark VI – Buyout
- Roark Co-Invest 1 – Buyout
- Summit Project Greylock – Buyout
- Summit Co-Invest 2 – Buyout
- * Thompson Street VI – Buyout
- * Abingworth ACCD 2 – Venture
- * Eclipse Ventures IV – Venture
- * Foundation Capital X – Venture
- JMI X – Venture
- * Juxtapose Ventures II – Venture
- MW XO Health Innovations Fund – Venture
- (The Column Group) TCG Crossover Fund – Venture
- * Thrive Ventures VII – Venture
- Viking Global Opportunities Fund – Venture

* 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 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>)

4792 (agenda no. 11) Receive 2021 alternative investments annual plan

Kathy Barchick presented a report and recommendations on the 2021 alternative investments annual plan.

4793 (agenda no. 12) Consider amendment(s) and update(s) to investment policy

Casey Wolf presented one amendment to the TCDRS investment policy.

Motion: After discussion, Trustee Davis made a motion to amend investment policy 11.C.(1) to match list of styles shown in section (2). Vice-chair Nicholson seconded. Motion carried.

4794 (agenda no. 13) Receive education on investment return assumption

Amy Bishop presented education on TCDRS' investment return assumption with topics including what is the investment return assumption, why it's important and the impact of changing the assumption.

4795 (agenda no. 14) Receive report of consulting actuary

Mark Olleman, with Milliman, had no formal report, but Mr. Olleman provided a brief report on the impact of changing the investment return assumption from 8% to 7.5%.

4796 (agenda no. 15) Consider executive director's and chief investment officer's compliance with EL9 – *Communication and Support to the Board*

Amy Bishop and Casey Wolf 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 enough to meet the board's needs in governing TCDRS.

Motion: After discussion, Trustee Hunt made a motion to approve the director's and investment officer's compliance with EL9. Vice-chair Nicholson seconded. Motion carried.

4797 (agenda no. 16) Receive external auditor report on pre-audit planning

Susan Warren and Michael Spencer, 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' 2020 financial statements.

4798 (agenda no. 17) Consider retirement plan options for TCDRS as an employer for 2020

Chris Bucknall 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 2021 and to make a lump sum payment of \$200,000 from savings experienced in the 2020 budget.

Motion: After discussion, Trustee Hunt 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 2021 and a \$200,000 lump-sum contribution. Trustee Davis seconded. Motion carried.

4799 (agenda no. 18) Consider operating plan and budget for 2021

Amy Bishop, Casey Wolf and Tom Harrison presented the administrative operations, investments and building operations plans and budgets for 2021.

Motion: After discussion, Vice-chair Nicholson made a motion to approve the operating plan and budget for 2021. Trustee Hunt seconded. Motion carried.

4800 (agenda no. 21) Consider resolution to transfer funds for 2021 operations

Amy Bishop discussed the amount necessary to fund all administrative, investments and building expenses in the budget adopted for 2020.

Motion: After discussion, Trustee Davis made a motion to approve the *Resolution for 2021 Expense Funding* with a transfer amount of \$25,000,000. Vice-chair Nicholson seconded. Motion carried.

Resolution for 2021 Expense Funding

In accordance with Section 845.310 of the Texas Government Code, the Board orders that on or after Jan. 1, 2021, \$25,000,000 be transferred from the Endowment Fund to the Expense Fund in order to adequately fund all administrative and investment expenses for 2021.

4801 (agenda no. 22) Review governance policy and consider amendment(s) to board's governance policies

Amy Bishop presented *GP10 – Board Expense Reimbursement*, *GP12 – Independent Financial Audit* and *GP13 – Consulting Actuary* for board review. *GP11* is reserved for future use. No amendments were made at this meeting.

4802 (agenda no. 27) Confirm 2021 board meeting dates

There were no changes to the 2021 board meeting dates.

4803 (agenda no. 24) Consider report of deputy executive director

Tom Harrison, Deputy Executive Director, reviewed the building lease reports and the building capital budget.

4804 (agenda no. 19) 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 12:24 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 1:07 p.m. No action, decision or vote was taken by the board while in executive session.

4805 (agenda no. 20) Consider 2021 salary for executive director and chief investment officer

Motion: Trustee Hill made a motion that beginning the first pay period of 2021, the Executive Director's and Chief Investment Officer's salaries be increased by 2%. Trustee Davis seconded. Motion carried.

4806 (agenda no. 23) Consider report of legal counsel

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

4807 (agenda no. 28) Consider compliance at this meeting with board's governance policies

The board discussed and determined its compliance with the governance policies during this meeting as required by *GP5 - Agenda Planning*.

4808 (agenda no. 26) Election of chair and vice-chair for terms beginning after this fourth regular meeting and ending after the fourth regular meeting in 2021

Motion: Trustee Davis made a motion that Mary Louise Nicholson serve as Chair for terms beginning after the fourth regular meeting of 2020 and ending after the fourth regular meeting in 2021. Trustee Hill seconded. Motion carried.

Trustee McDowell made a motion that Deborah Hunt serve as Vice-chair for terms beginning after the fourth regular meeting of 2020 and ending after the fourth regular meeting in 2021. Trustee Davis seconded. Motion carried.

4809 (agenda no. 25) Consider report of chair

Vice-chair Nicholson presented and read the Board's resolution recognizing and honoring the service of Judge Robert Eckels.

Chair Eckels presented and read the Board's resolutions recognizing and honoring the service of Bob Willis and Bridget McDowell.

Motion: Trustee Hunt made a motion to adopt the resolutions recognizing Judge Robert Eckels, Bob Willis and Bridget McDowell. Trustee Davis seconded. Motion carried.

**Resolution of the Board of Trustees
of the Texas County & District Retirement System
Honoring the service of Judge Robert Eckels**

Board of Trustees Chair Judge Robert Eckels has provided outstanding leadership as a trustee to this retirement system, providing vision and guidance to make TCDRS a model for retirement. Judge Eckels was appointed to the board on May 6, 2003 and reappointed in 2008 and 2014. He has served as Chair of the board from 2005 to 2020. He also served as Audit Committee Chair in 2012.

Since being appointed to the board, the assets of the system have grown from almost \$9 billion as of Dec. 31, 2002, to more than \$34 billion as of Dec. 31, 2019. In addition, the number of our participating employers has increased from just over 520 employers to more than 800 over the same time period.

The number of members and retirees TCDRS serves has more than doubled during Judge Eckels' tenure. TCDRS now provides retirement, survivor and disability benefits to more than 320,000 Texans.

Judge Eckles was instrumental in establishing a formal governance process for the board. In addition, he worked with trustees and staff to diversify the investment portfolio so that TCDRS could meet our long-term return goal and fund benefits. His steady guidance helped TCDRS successfully weather the Great Financial Crisis and the COVID-19 Pandemic, ensuring success over the long haul.

Under his leadership, TCDRS transformed and enhanced services to our membership to ensure that our employers could easily administer their plans and members could retire with confidence.

All of these accomplishments have built a strong foundation for the future so that TCDRS remains one of the best-funded retirement systems in the nation and continues to deliver the highest level of service to Texans.

It is with great gratitude that we recognize Judge Robert Eckels for his commitment and exemplary leadership and honor his service to TCDRS through this resolution.

Adopted by unanimous vote of the Board of Trustees of the Texas County & District Retirement System on the 3rd of December 2020 in Austin, Texas.

**Resolution of the Board of Trustees
of the Texas County & District Retirement System
Honoring the service of Bob Willis**

Trustee Bob Willis has provided dedicated leadership as a trustee to this retirement system, making TCDRS one of the best-funded retirement systems in the nation. Willis was appointed on April 6, 2004 and reappointed in 2008 and 2014. He has served as Vice-Chair of the board in 2019.

Since being appointed to the board, the assets of the system have grown from almost \$11 billion as of Dec. 31, 2003, to more than \$34 billion as of Dec. 31, 2019. In addition, the number of our participating employers has increased from nearly 540 employers to more than 800 over the same time period. The number of members and retirees TCDRS serves has more than doubled during Willis' tenure. TCDRS now provides retirement, survivor and disability benefits to more than 320,000 Texans.

Willis understands the value of our retirement plan to our Texas communities and could always be counted on to support efforts to strengthen the plan and enhance services. He was instrumental in the board's efforts to diversify the portfolio so that TCDRS could meet our long-term return goal and fund benefits. He was also vital in establishing a conservative funding policy, and transforming our services to our membership, so they feel more confident about their retirement.

As a loyal advocate of the system, Willis provided a strong foundation for TCDRS' future so that TCDRS remains a model for retirement and delivers the highest level of service to our employers, members and retirees.

It is with great gratitude that we recognize Bob Willis for his commitment and exemplary leadership and honor his service to TCDRS through this resolution.

Adopted by unanimous vote of the Board of Trustees of the Texas County & District Retirement System on the 3rd of December 2020 in Austin, Texas.

**Resolution of the Board of Trustees
of the Texas County & District Retirement System
Honoring the service of Bridget McDowell**

Trustee Bridget McDowell has provided dedicated leadership as a trustee to this retirement system, making TCDRS a model for retirement. McDowell was appointed on May 6, 2003 and reappointed in 2008 and 2014. She served as Vice-Chair of the board from 2006 to 2009 and on the Audit Committee in 2012.

Since being appointed to the board, the assets of the system have grown from almost \$9 billion as of Dec. 31, 2002, to more than \$34 billion as of Dec. 31, 2019. In addition, the number of participating employers has increased from just over 520 employers to more than 800 over the same time period. The number of members and retirees TCDRS serves has more than doubled during McDowell's tenure. TCDRS now provides retirement, survivor and disability benefits to more than 320,000 Texans.

McDowell was instrumental in working over many years to diversify the investment portfolio so that TCDRS could meet our long-term return goal and fund benefits. She embraced learning about new opportunities and new asset classes to ensure our long-term success.

McDowell was supportive of efforts to modernize our services and customer experiences and improve our information security. Her steady leadership and support allowed TCDRS to transform and enhance our customer services. As a result, we can help our members feel more confident about their retirement.

Her accomplishments on the board have provided a strong foundation for the future so that TCDRS remains one of the best-funded retirement systems in the nation and continues to deliver the highest level of service to our employers, members and retirees.

It is with great gratitude that we recognize Bridget McDowell for her commitment and exemplary leadership, and that we honor her service to TCDRS through this resolution.

Adopted by unanimous vote of the Board of Trustees of the Texas County & District Retirement System on the 3rd of December 2020 in Austin, Texas.

4809 (agenda no. 29) Adjournment

There being no further business to come before the board, the meeting was adjourned at 1:21 p.m.

APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 11th DAY OF MARCH 2021.

ATTESTED BY:



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

3-11-2021
Date