

Texas County & District Retirement System
Minutes of the Board of Trustees' Meeting
December 2, 2021

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 2021 regular board meeting minutes
6b	Quarterly financial statements
6c	Participation of new districts
6d	Plan termination of Denton County Fresh Water Supply District IA
6e	Special vesting provisions for Harris County
6f	Special service provisions for Brazos Valley Council of Governments
7	Consider executive director's monitoring report
8	Consider chief investment officer's monitoring report
9	Consider amendment(s) and update(s) to investment policy
10	Receive investment performance measurement and investment consultant reports
11	Consider hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments
12	Receive 2022 alternative investments annual plan
13	Consider investment custodian contract renewal
14	Receive report of consulting actuary regarding results of experience study and actuarial audit
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 2022
18	Consider operating plan and budget for 2022
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 2022 salary for executive director and chief investment officer
21	Consider resolution to transfer funds for 2022 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 2022
- 27 Confirm 2022 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 2, 2021, in Austin, TX.

Attendees

Trustees:

1. Mary Louise Nicholson, Chair
2. Deborah M. Hunt, Vice-chair
3. Tammy Biggar
4. Chris Davis
5. Chris Hill
6. Kara Sands
7. Chris Taylor
8. Holly Williamson

Trustees not attending:

1. Susan Fletcher

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

Consultants:

Mark Olleman, Milliman, Inc.
Nick Collier, Milliman, Inc.
Matt Larrabee, Milliman, Inc.
Kathy Barchick, Cliffwater, LLC
Susan Warren, KPMG LLP
Kristen Hartman-Bueche, KPMG LLP

Chuck Campbell, Jackson Walker L.L.P

Others

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.

4882 (agenda no. 1) Call meeting to order

Chair Nicholson called the meeting to order at 8:33 a.m.

4883 (agenda no. 2) Receive report of fiduciary counsel

Chuck Campbell of Jackson Walker L.L.P. had no report.

Note: Trustee Hill arrived at 8:36 a.m. There were eight trustees present at this time.

4884 (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.

4885 (agenda no. 4) Public comment

No members of the public were present at this meeting.

4886 (agenda no. 5) Receive report of executive director

Amy Bishop, Executive Director, reported that TCDRS received the Public Pension Standards Award for Funding and Administration for 2021. She also reported on the successful rollout in November 2021 of a new security center on the member website that allows members to manage their multi-factor devices and provides information on security best practices. Ms. Bishop also provided updates on upcoming strategic plan milestones. This includes the delivery of a co-browsing tool which allows representatives to follow along with members to accomplish their tasks online; and the ability to take beneficiary changes, payment address changes and name updates over the phone and issue DocuSign documents for electronic signature. These enhancements being rolled out in the first quarter of 2022 will allow members to update their accounts right away without having to send in paper forms.

4887 (agenda no. 6) Consider consent agenda items

Amy Bishop presented six consent agenda items for approval:

6a. September 2021 regular board meeting minutes.

6b. Quarterly financial statements as of Sept. 30, 2021.

6c. Participation for eight (8) new employers (Carson County Appraisal District, Gulf Coast Protection District, Lower Rio Grande Valley Development Council, Medina Emergency Services District #1, Nacogdoches Central Appraisal District, Northampton Municipal Utility District, Young Central Appraisal District, and County Line Special Utility District).

6d. Plan termination of Denton County Fresh Water Supply District IA.

6e. Special vesting provisions for jail medical health employees of Harris County that are transferring to another entity.

6f. Special service provisions for employees of the Brazos Valley Council of Governments for time served for a predecessor entity.

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

4888 (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.

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

4889 (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, Vice-chair Hunt made a motion to approve the chief investment officer's monitoring report. Trustee Biggar seconded. Motion carried. Trustee Taylor was not present for the vote.

4890 (agenda no. 9) Consider amendment(s) and update(s) to investment policy

Casey Wolf presented amendments to the TCDRS investment policy.

Motion: After discussion, Trustee Davis made a motion to amend investment policy including adding the recently enacted prohibition against investments in financial companies that boycott certain energy companies and adopting clarifying amendments to the investment guidelines. Vice-chair Hunt seconded. Motion carried.

4890 (agenda no. 10) 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, 2021.

4891 (agenda no. 11) 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 4890 above.

Motion: After discussion, Trustee Hunt 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. Trustee Hill was not present for the vote.

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>)

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 2, 2021, 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 transfer assets from any previously Board-approved private markets fund, as well as commit additional assets, to a continuation vehicle managed by the existing general partner, even though such investments are not named on Schedule 1 attached hereto or in a prior Board resolution, provided that the Investment Officer notifies the Board of the continuation fund investment at the next regularly scheduled meeting of the Board, 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

- * 17 Capital Credit Fund
 - Atalaya Asset Income Fund VI
 - Blackstone Life Sciences VI
 - Comvest Credit Partners VI
- * Kreos Capital VII
 - OrbiMed Royalty Opportunities IV
 - Redwood Private BDC
- * Victory Park Asset Backed Opp Credit

Private Real Estate

- FCP Fund V Development Sidecar – Opportunistic
- FPA Apartment Opportunity Fund VIII – Opportunistic
- * Marcus Partners IV -- Opportunistic
- Stockdale Capital Partners II – Opportunistic

Continuation Funds

- Nordic CV1 Beta – rollover from Nordic VII approved 6/26/08
- Riverstone Echo Rollover Fund – rollover from Riverstone/Carlyle Renewable & Alternative Energy Fund II approved 12/6/07
- The Resolute II Continuation Fund – rollover from The Resolute Fund II approved 12/1/05
- Water Street Orion Fund – rollover from Water Street Healthcare Partners III approved 6/23/11

* 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.

Private Equity & Co-Investments

- Summit Co-Invest 3 – Buyout
- Marlin Co-Invest 2 – Buyout
- Charlesbank Tech II – Buyout
- * Clearview V – Buyout
- HIG Technology Partners – Buyout
- KPS Automotive Transmission Fund – Buyout
- * Sentinel VII – Buyout
- * Serent V – Buyout
- Veritas VIII – Buyout
- Advent GPE X – Non-US
- Chequers XVIII – Non-US
- * Gilde Healthcare PE IV – Non-US
- * GRO Capital Fund III – Non-US
- * Oakley V – Non-US
- * CRV XIX & CRV Select II – Venture
- * Forerunner Builders III – Venture
- * Forerunner Ventures VI – Venture
- Lightspeed XIV & Select V – Venture
- OpenView VII – Venture
- Orbimed IX – Venture
- Shine Capital II & Opportunity I – Venture
- EnCap Flatrock V – Real Assets

4892 (agenda no. 12) Receive 2022 alternative investments annual plan

Kathy Barchick presented a report and recommendations on the 2022 alternative investments annual plan.

4893 (agenda no. 13) Consider investment custodian contract renewal

Sandra Bragg and Kathy Barchick presented a due diligence contract review report on TCDRS' custodian, securities agent and performance measurement analyst, BNY Mellon. Both Cliffwater and the Chief Investment Officer recommended retaining BNY Mellon.

Motion: After discussion, Trustee Sands made a motion to accept Cliffwater's due diligence review report on BNY Mellon and approve Chief Investment Officer's recommendation to retain BNY Mellon as custodian, securities lending agent and performance measurement analyst. Trustee Taylor seconded. Motion carried.

4894 (agenda no. 14) Receive report of consulting actuary regarding results of the experience study and actuarial audit

Mark Olleman, Nick Collier, and Matt Larrabee with Milliman, presented the report of consulting actuary which included the results of the Investigation of Experience. Based on the experience study, Milliman recommended changes to some demographic assumptions, including an increase to the termination assumption, a reduction in the refund assumption, an adjustment to the retiree mortality tables and adjustments to the payroll growth assumption for some individual employers. Milliman also recommended that the group term life employer contribution rate be decreased by 20% due to surpluses in the group term life fund.

Chris Bucknall, Director of Actuarial Services, presented the results of the independent reviewing actuary's audit conducted by Cheiron. The audit determined that the December 31, 2020, actuarial funding valuations, GASB 68 valuations, and GASB 75 valuations performed by Milliman are accurate and produced reasonable employer contributions and pension or OPEB expenses. In addition, Cheiron determined that the investigation of experience complied with actuarial standards of practice.

Motion: After discussion, Trustee Taylor made a motion to adopt the demographic assumptions for the December 31, 2020, funding actuarial valuation as recommended. Trustee Sands seconded. Motion carried.

Chair Nicholson presented Mark Olleman with Milliman a resolution of appreciation for his years of service as TCDRS' consulting actuary.

Motion: Vice-chair Hunt made a motion to approve the Board Resolution of Appreciation for Mark Olleman. Trustee Biggar seconded. Motion carried.

Resolution of Appreciation

Mark Olleman joined Milliman's TCDRS team in 2008 and has been our Principal Actuary since then. He has guided the Texas County & District Retirement System through 14 annual actuarial valuation cycles and four investigations of experience. During that time our system has grown from 567 to 817 participating employers and the total number of members and annuitants has increased from just under 200,000 to 330,000.

Mark helped TCDRS develop a best-in-class funding policy that has been a model for other funds. He also helped implement changes to the funding method that helped mitigate the impact of the 2008 economic downturn on employer rates. He was closely involved in a change to our fund structure that resulted in each employer funding their own retiree benefits independently of other employers. Mark helped develop updated annuity purchase rates that reflect continued improving longevity. He assisted in the development of the TCDRS Plan Customizer, which enables employers to model benefit scenarios and see the cost of and submit plan changes.

Over the years Mark has used his excellent down-to-earth communication skills to describe complex actuarial matters in easy-to-understand terms. He has been a fixture at the TCDRS annual conference, presenting every year for more than a decade. He was a strong proponent of conservative funding, encouraging employers to consider adopting an elected rate to give a higher level of benefit security and to help stabilize budgets.

During the past 14 years, Mark has kept a steady hand on the TCDRS actuarial tiller and has earned the respect of the 20 trustees he has worked for. No one can forget the TCDRS funding tank diagram, even if they wanted to. He has been a teacher and advisor. Most of all, he will remain our friend.

Therefore, be it resolved, that the Board of Trustees of the Texas County & District Retirement System expresses its sincere appreciation to Mark Olleman for his service to TCDRS and its members on this 2nd day of December 2021.

4895 (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 sufficient to meet the board's needs in governing TCDRS.

Motion: After discussion, Trustee Taylor made a motion to approve the director's and investment officer's compliance with EL9. Trustee Sands seconded. Motion carried.

4896 (agenda no. 16) Receive external auditor report on pre-audit planning

Susan Warren and Kristen Hartman-Bueche, both 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' 2021 financial statements.

Note: Trustee Sands left the meeting at 11:52 a.m. There were seven trustees present at the meeting.

4897 (agenda no. 17) Consider retirement plan options for TCDRS as an employer for 2020

Chris Bucknall discussed TCDRS' current plan of benefits as an employer and made a recommendation to make no plan changes for members, increase the elected rate to 13.5% for 2022, to adopt an 80% CPI-based COLA for retirees and to make a lump sum payment of \$930,000, from 2021 budget savings, to pay for the retiree COLA.

Motion: After discussion, Trustee Hill made a motion to approve the retirement plan for TCDRS as an employer including no plan changes for members, a 13.5% elected employer contribution rate for 2022, an 80% COLA for retirees and a \$930,000 lump-sum contribution that will fund the COLA for retirees. Trustee Taylor seconded. Motion carried. Trustee Sands was not present for the vote.

Note: Meeting was recessed for lunch at 12:14 p.m. and the meeting reconvened at 1:08 p.m.

4898 (agenda no. 18) Consider operating plan and budget for 2022

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

Motion: After discussion, Trustee Williamson made a motion to approve the operating plan and budget for 2022. Vice-chair Hunt seconded. Motion carried. Trustee Sands was not present for the vote.

4899 (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 1:32 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 2:46 p.m. No action, decision or vote was taken by the board while in executive session.

Note: Trustee Hill left the meeting at 2:31 p.m. and did not return. There were 6 trustees present for the remainder of the meeting.

4900 (agenda no. 20) Consider 2022 salary for executive director and chief investment officer

Motion: Vice-chair Hunt made a motion that beginning the first pay period of 2022, the Executive Director's salary be increased to \$375,000. Trustee Biggar seconded. Motion carried. Trustees Hill and Sands were not present for the vote.

Motion: Trustee Williamson made a motion that beginning the first pay period of 2022, the Chief Investment Officer's salary be increased to \$605,000. Trustee Davis seconded. Motion carried. Trustees Hill and Sands were not present for the vote.

4901 (agenda no. 21) Consider resolution to transfer funds for 2022 operations

Amy Bishop discussed the amount necessary to fund all administrative, investments and building expenses in the budget adopted for 2022.

Motion: After discussion, Trustee Williamson made a motion to approve the *Resolution for 2022 Expense Funding* with a transfer amount of \$25,000,000. Trustee Biggar seconded. Motion carried. Trustees Hill and Sands were not present for the vote

Resolution for 2022 Expense Funding

In accordance with Section 845.310 of the Texas Government Code, the Board orders that on or after Jan. 1, 2022, \$25,000,000 be transferred from the Endowment Fund to the Expense Fund in order to adequately fund all administrative expenses for 2022.

4902 (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.

4903 (agenda no. 23) Consider report of legal counsel

Ann McGeehan, General Counsel, gave an update on the benefit decision that was appealed to the State Office of Administrative Hearings and that was presented to the board at their September 2021 meeting.

4904 (agenda no. 24) Consider report of deputy executive director

Tom Harrison, Deputy Executive Director, delivered a report on building operations. Mr. Harrison reported that the building is 100% leased. He also explained building improvements and repairs scheduled for 2022.

4905 (agenda no. 25) Consider report of chair

Chair Nicholson had no report.

4906 (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 2022

Motion: Trustee Davis made a motion that Mary Louise Nicholson continue to serve as Chair and Deborah Hunt continue to serve as Vice-Chair for terms beginning after the fourth regular meeting of 2021 and ending after the fourth regular meeting in 2022. Trustee Williamson seconded. Motion carried. Trustees Hill and Sands were not present for the vote.

4907 (agenda no. 27) Confirm 2022 board meeting dates

There were no changes to the 2022 board meeting dates. The 2022 board meeting dates are March 17, June 16, September 15 and December 8.

4908 (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*.

4909 (agenda no. 29) Adjournment

There being no further business to come before the board, the meeting was adjourned at 2:54 p.m.

APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 17th DAY OF MARCH 2022.

ATTESTED BY:



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

March 17, 2022

Date