

**Texas County & District Retirement System  
Minutes of the Board of Trustees' Meeting  
February 13, 2020**

**Agenda**

<b>Number</b>	<b>Description</b>
1	Call meeting to order
2	Consider consent agenda items
2a	Participation of new districts
2b	Employers' flat-rate COLA limit for 2021
2c	Small annuity payoffs
3	Consider allocation of 2019 investment results
4	Consider hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments
5	Report of executive director
6	Adjournment

The Board of Trustees of the Texas County & District Retirement System met on Feb. 13, 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 the stated location, Chair Eckels and Trustee Hunt 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. Chris Hill
6. Deborah M. Hunt
7. Bridget McDowell
8. Kara Sands
9. Bob Willis

**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 of Actuarial Services  
Julie Dwiggin, Executive Assistant

**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 referenced by permanent item and agenda numbers.*

**4710 (agenda no. 1) Call meeting to order**

Chair Eckels called the meeting to order at 10:03 a.m.

**4711 (agenda no. 2) Consider consent agenda items**

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

2a. Approval of participation for four districts to join the system (Hickory Creek Special Utility District, Housing Authority of the City of Eagle Pass, Lake Fork Special Utility District and Rockett Special Utility District).

2b. Setting the maximum flat-rate cost-of-living adjustment (COLA) increase to 2% for plan year 2021.

2c. Approval of lump-sum payoffs to members with small monthly annuities due to federal minimum distribution requirements.

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

**4712 (agenda no. 3) Consider allocation of 2019 investment results**

Casey Wolf, Chief Investment Officer, gave a brief update on TCDRS' investment results as of Dec. 31, 2019. The estimated investment return for 2019 is 15.6%, net of all fees.

Amy Bishop presented a report on staff's recommendation for the allocation of 2019 investment results. Based on the investment earnings as of Dec. 31, 2019, staff recommended an allocation of 17.2% to employers' total plan assets. As a result of this allocation, employer rates are expected to slightly decrease on average by a relative .05% from 2020 to 2021.

**Motion:** After discussion, Trustee Fletcher made a motion to approve the *Resolution for the Allocation of 2019 Investment Results*. Trustee Davis seconded. Motion carried.

### **Resolution for the Allocation of 2019 Investment Results**

In accordance with Section 845.315 of the TCDRS Act, the board of trustees shall annually make allocations that in aggregate equal the net investment income or loss for the year.

***Therefore, be it resolved and ordered by the Board of Trustees of the Texas County & District Retirement System:***

- (1) Pursuant to Subsections 845.315(a)(1), (2), and (4) of the TCDRS Act, the required interest allocations will be made to the Closed Subdivision Annuity Reserve Fund, the Optional Group Term Life Fund and the Employees Saving Fund.
- (2) For purposes of determining the allocation to the account of each subdivision under Section 845.315(a)(5), the total assets of the subdivision are equal to the sum of the Jan. 1, 2019 balance of each participating subdivision's Subdivision Accumulation Fund and the subdivision's respective Employee Savings Fund. The allocation to each participating subdivision shall be determined by multiplying the subdivision's total assets as described by 17.2%.
- (3) Pursuant to Section 845.307 of the TCDRS Act, the allocation to each participating subdivision is credited to the Subdivision Accumulation Fund effective Dec. 31, 2019, and equals the amount described in (2) minus the required interest allocated to the respective subdivision's Employee Savings Fund for 2019.
- (4) After the above allocations, any remaining net investment income or loss amounts will be transferred to the general reserves account of the endowment fund effective Dec. 31, 2019 pursuant to Section 845.315(a)(3).

#### **4713 (agenda no. 4) Consider hedge funds, distressed debt, private real estate, opportunistic credit, direct lending and private equity investments**

Casey Wolf asked the trustees to approve the *Board Resolution for Approval of Investments*, which allows the TCDRS Chief Investment Officer to acquire interest in the listed strategic credit, private real estate investments, and private equity funds upon the successful completion of due diligence.

**Motion:** After discussion, Vice-chair Nicholson made a motion to approve the *Board Resolution for Approval of Investments*, proposed by the chief investment officer. Trustee Hunt 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 February 13, 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	\$150 million or equivalent in € or £
Venture Capital	\$100 million	Real Estate	\$150 million or equivalent in € or £
Real Assets	\$200 million	Direct Lending commingled funds	\$250 million or equivalent in € or £
Non-U.S.	\$200 million or equivalent in € or £		

RESOLVED, that for hedge funds approved in this and prior Board resolutions, the Investment Officer is authorized to invest amounts in such approved funds consistent with the investment objectives, guidelines, and style targets described in Section 13 of the TCDRS Investment Policy and the allocation bands in Table I of the TCDRS Investment Policy.

RESOLVED, that for all strategic credit funds and direct lending funds-of-one approved in this and prior Board resolutions, the Investment Officer is authorized to invest amounts in such approved funds consistent with the investment objectives and guidelines described in Section 11 of the TCDRS Investment Policy and the allocation bands in Table I of the TCDRS Investment Policy.

RESOLVED, that, from the date the Board adopts this resolution until the date of the next regularly scheduled Board meeting (the "Interim Period"), the Investment Officer be, and he hereby is, authorized to use TCDRS assets to acquire (or commit to acquire) an equity interest in a Fund that is not named on Schedule I attached hereto or in a prior Board resolution (a "Non-Scheduled Fund"), provided that (A) no more than \$500 million may be used during the Interim Period to acquire (or commit to acquire) Non-Scheduled Funds, (B) such acquisition or commitment is otherwise in compliance with the TCDRS Investment Policy and applicable law, and (C) the Investment Officer promptly notifies the Board of any acquisition of (or commitment to acquire) a Non-Scheduled Fund that occurs during the Interim Period, and be it further

RESOLVED, that during the Interim Period, the Investment Officer be, and he hereby is, authorized to use TCDRS assets to acquire (or commit to acquire) a direct interest in companies or other entities through co-investments with an existing general partner in a private markets fund, even though such investments are not named on Schedule I attached hereto or in a prior Board resolution, provided that (A) no more than \$100 million may be used during the Interim Period for co-investments (or commitments for co-investments), (B) such co-investments are otherwise in compliance with the TCDRS Investment Policy and applicable law, and (C) the Investment Officer notifies the Board of co-investments that occur during the Interim Period prior to or at the next regularly scheduled meeting of the Board, and be it further

RESOLVED, that the Investment Officer be, and he hereby is, authorized and empowered to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investments), in the name and on behalf of TCDRS, or otherwise, as the Investment Officer may deem necessary, advisable, or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of TCDRS under the Investments and the instruments referred to therein.

**SCHEDULE I**

**Direct Lending**

- AG Land Banking Fund
- \* Athyrium Opportunities IV
- \* HPS fund of one

**Distressed Debt**

- \* Hayfin Special Opportunities Fund III
- \* Hayfin Breakwater Maritime Opportunities Fund
- Marblegate Tactical Operations Fund III

**Private Equity & Co-Investments**

- \* Cairngorm Capital III – Non-US
- IDG China Venture VI – Non-US

**Private Real Estate Funds**

- \* Berkeley Partners Value Industrial Fund V (Industry Capital) – Value-Added

\* 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.*

**4714 (agenda no. 5) Report of executive director**

Amy Bishop presented the executive director's report and explained that the actuaries would be giving a presentation on the preliminary results of the annual actuarial valuation at the April board meeting. Ms. Bishop also reminded the board about the upcoming state of the system webinar and the dates for TCDRS' annual conference in July.

**4715 (agenda no. 6) Adjournment**

There being no further business to come before the board, Chair Eckels adjourned the meeting at 10:34 a.m.

**APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 2<sup>nd</sup> DAY OF APRIL, 2020.**

**ATTESTED BY:**

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

4-2-2020  
Date