

**Texas County & District Retirement System
Minutes of the Board of Trustees' Meeting
June 25, 2020**

Agenda Number	Description
1	Call meeting to order
2	Report on TCDRS operations COVID-19 response
3	Receive report of fiduciary counsel
4	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
5	Public comment
6	Consider consent agenda items
a	April 2020 regular meeting minutes
b	Quarterly financial statements
c	Participation of new districts
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	Consider index fund manager due diligence report
12	Consider 2020 capital market assumptions and asset allocation plan
13	Consider amendment(s) and update(s) to investment policy
14	Consider report of consulting actuary, including report on valuation and approve 2021 contribution rates
15	Consider report of independent financial auditor
16	Receive report on operations
17	Review governance policy and consider amendment(s) to board's governance policies
18	Receive report of legal counsel
19	Receive report of deputy executive 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 June 25, 2020 by telephone conference, 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. Chris Hill
6. Deborah M. Hunt
7. Bridget McDowell
8. Kara Sands
9. Bob Willis

Staff:

Amy Bishop, Executive Director
Casey Wolf, Chief Investment Officer
Tom Harrison, Deputy Executive Director
Sandra Bragg, Deputy Investment Officer
Ann McGeehan, General Counsel
John Hawes, Director, Finance
Chris Bucknall, Director, Actuarial Services
Kathy Thrift, Chief Customer Officer
Karen Correa, Chief Administrative Officer
Julie Dwiggin, Executive Assistant
Tina Silguero, Records & Information Analyst
Chad Estes, Business Analyst
Dave Reed, Business Analyst

Consultants:

Mark Olleman, Milliman, Inc.
Nick Collier, Milliman, Inc.
Craig Glyde, Milliman, Inc.
Kathy Barchick, Cliffwater, LLC
Stephen Nesbitt, Cliffwater, LLLC

Susan Warren, KPMG, Inc.
Chris Stone, KPMG, Inc.
Michael G. Spencer, KPMG, Inc.
Chuck Campbell, Jackson Walker

Others:

Jason McElvaney, McElvaney Public Affairs

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

4739 (agenda no. 1) Call meeting to order

Chair Eckels called the meeting to order at 9:01 a.m. Seven trustees were present: Eckels, Nicholson, Davis, Fletcher, Hunt, McDowell, Willis.

Note: Trustee Hill entered the meeting at 9:05 a.m. Eight trustees were present.

4740 (agenda no. 2) Report on TCDRS operations COVID-19 response

Amy Bishop, Executive Director, presented a report on TCDRS' response to the global pandemic. Ms. Bishop reviewed the transition to work from home which became effective March 16, 2020. TCDRS had a business continuity plan in place that was enacted immediately which included technology packages and training for staff; training on managing remote workforces for managers; and increased communications to staff. External communications were sent to members and retirees to reassure them that their accounts and benefits were safe. Messaging was issued via multiple channels including social media, website, newsletters, emails, and call center messaging. Employers and other stakeholders also received education on the impacts of the pandemic on their TCDRS retirement plans. Ms. Bishop also reported that service levels have remained high and that strategic projects are on track.

Note: Trustee Sands entered the meeting at 9:15 a.m. Nine trustees were present.

4741 (agenda no. 3) Receive report of fiduciary counsel

Chuck Campbell, with Jackson Walker, had no fiduciary counsel report at this meeting.

4742 (agenda no. 4) 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

No executive session was conducted.

4743 (agenda no. 5) Public comment

One member of the public, Mr. Haseeb Abdullah, provided comments concerning the statutory prohibition on investing with companies that boycott Israel. Mr. Abdullah asserted that TCDRS' compliance with Chapter 808 of the Texas Government Code conflicts with its fiduciary duty.

4744 (agenda no. 6) Consider consent agenda items

Amy Bishop presented three consent agenda items.

6a. Approval of April 2020 regular meeting minutes.

6b. Approval of quarterly financial statements as of March 31, 2020.

6c. Approval of participation of two (2) new districts to join the system (Bexar County Emergency Services District 5 and the Housing Authority of the City of Mission).

Motion: Trustee Fletcher made a motion to approve the consent agenda items. Trustee Willis seconded. Motion carried.

4745 (agenda no. 7) Consider executive director's monitoring report

Amy Bishop presented the executive director's monitoring report, which included the annual *EL2 – Services to Members and Employers* and the quarterly *EL5 – Financial Activities*. Ms. Bishop also presented the monitoring report for *EL5 - Financial Activities* and discussed an exception to EL5 Policy #3 regarding payment of invoices.

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

4746 (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 quarterly *EL5 – Financial Activities* and *EL11 – Investment Policies*. Mr. Wolf discussed each monitoring report and reported compliance with the executive limitations as required by the Board of Trustees' Policy Manual.

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

4747 (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 which ended March 31, 2020.

4748 (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 4747 above.

Motion: After discussion, Trustee Hunt made a motion to accept the *Board Resolution for Approval of Investments*, proposed by Cliffwater and the chief investment officer, regarding acquiring equity interests in hedge funds, distressed debt, direct lending, private equity investments, strategic credit and real estate. Trustee Fletcher 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 June 25, 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

Arbour Lane TX (previously approved as strategic credit)
BBAM Incline Aviation II

Distressed Debt

Peak Rock Capital IV
* Signal Alpha Fund II
Taconic Market Dislocation III

Private Real Estate

Carmel Partners VIII – opportunistic
H.I.G. Realty Partners IV – opportunistic
* Apollo USRE Fund III – opportunistic
* Exeter Europe Logistics Value Fund IV – value added

Strategic Credit

Davidson Kempner Special Opportunities V
Silver Point Capital Fund (previously approved as hedge fund)
TX-Chatham Fund (previously approved as hedge fund)

Private Equity & Co-Investments

Accel-KKR Emerging Buyout Partners – Buyout
Berkshire Partners X – Buyout
Charlesbank X and Overage– Buyout
GTCR Fund XIII – Buyout
Marlin Heritage III – Buyout
OrbiMed Private Investments VIII – Venture
TCV XI– 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 Investments page on the TCDRS website.

4749 (agenda no. 11) Consider index fund manager due diligence report

Kathy Barchick presented a formal review of the current TCDRS index funds' manager. Ms. Barchick recommended retention of State Street Global Advisors.

Motion: After discussion, Vice-chair Nicholson made a motion to adopt Cliffwater's due diligence review report on the index funds' manager and approve retention of State Street Global Advisors as manager. Trustee Fletcher seconded. Motion carried.

4750 (agenda no. 12) Consider 2020 capital market assumptions and asset allocation plan

Stephen Nesbitt and Kathy Barchick, both with Cliffwater, presented a report on recommended 2020 capital market assumptions and recommended the following adjustments to the asset allocation plan:

- U.S. equity (10.5% to 14.5%)
- Non-U.S. equity (10.0% to 7.0%)
- Distressed debt (2.0% to 4.0%)
- MLPs (3.0% to 2.0%)
- REITs (2.0% to 3.0%)
- Private Equity (18.0% to 20.0%)
- Hedge funds (13.0% to 8.0%).

The asset allocation is projected to earn 8% over the long term based on the updated capital market assumptions with an expected risk of 13.01%.

Motion: After discussion, Trustee Fletcher made a motion to adopt the 2020 capital market assumptions and asset allocation plan as recommended by the Chief Investment Officer and Cliffwater. Trustee Davis seconded. Motion carried. Trustee Hill was not present for the vote.

Note: Trustee Hill left the meeting at 11:33. Eight trustees were present.

4751 (agenda no. 13) Consider amendment(s) and update(s) to investment policy

Casey Wolf presented a review of the amendments to the TCDRS Investment Policy which included updates to the capital market assumptions and asset allocation plan as adopted by the board, and some clarifications and updates to text as recommended by Mr. Wolf. See [TCDRS Investment Policy](#).

Motion: After discussion, Trustee Hunt made a motion to amend the [TCDRS Investment Policy](#) as recommended by the Chief Investment Officer and update the investment policy tables to reflect the new capital market assumptions and asset allocation plan. Trustee McDowell seconded. Motion carried. Trustee Hill was not present for the vote.

4752 (agenda no. 14) Consider report of consulting actuary, including report on valuation and approve 2021 contribution rates

Mark Olleman, with Milliman, presented the report of the consulting actuary.

Mr. Olleman presented the Dec. 31, 2019 actuarial valuation and recommended that the board adopt the required pension plan contribution rates for plans with no changes for 2021 as shown in Appendix A of Milliman's [System-Wide Actuarial Valuation as of Dec. 31, 2019](#), and to

authorize Milliman to calculate 2021 required rates for employers that adopt changes to plan provisions and as necessary to reflect special situations that require rate revisions. Mr. Olleman also recommended the board adopt premium rates for employers electing coverage under the Group Term Life Fund for 2021 as shown in Appendix-C of Milliman's [System-Wide Actuarial Valuation as of Dec. 31, 2019](#).

Motion: After discussion, Trustee Davis made a motion to approve the 2021 retirement plan employer contribution rates for plans with no changes and the 2021 premium rates for the Group Term Life Fund as recommended by Milliman in the [System-Wide Actuarial Valuation as of Dec. 31, 2019](#) and to authorize Milliman to calculate the 2021 employer contribution rates for employer plans that adopt plan changes. Trustee Hunt seconded. Motion carried. Trustees Hill and Fletcher were not present for the vote.

Note: Trustee Fletcher left the meeting at 11:52. Seven trustees were present for the remainder of the meeting.

4753 (agenda no. 15) Consider report of independent financial auditor

Susan Warren and Chris Stone, both with KPMG, presented the results from KPMG's independent financial audit of TCDRS' Dec. 31, 2019 financial statements. The report included a discussion of the responsibilities of management, trustees and KPMG regarding the audit. Ms. Warren stated that TCDRS received an unmodified ("clean") opinion.

Mr. Stone presented the results of the SOC-I audit which gives employers' auditors assurance that the data provided for their financial reports are reliable. TCDRS received an unqualified ("clean") SOC-I audit.

Motion: After discussion, Trustee Willis made a motion to accept the audit report by KPMG. Chair Eckels seconded. Motion carried. Trustees Hill and Fletcher were not present for the vote.

4754 (agenda no. 16) Receive report on operations

Amy Bishop presented the report on operations, which included a presentation of the [Comprehensive Annual Financial Report for the year ending Dec. 31, 2019](#).

4755 (agenda no. 17) Review governance policy and consider amendments to board's governance policies

Ms. Bishop presented GP4 – G6 of the board's governance policies for the board's review as required by policy. The board took no action.

Ms. Bishop also presented an amendment to *GP5 - Agenda Planning* concerning public comment at board meetings. The amendment clarified that public comment is limited to three minutes per agenda item, unless modified by the chair.

Motion: Trustee Hunt made a motion to approve the proposed changes to *GP5 – Agenda Planning*. Chair Eckels seconded. Motion carried. Trustees Hill and Fletcher were not present for the vote.

4756 (agenda no. 18) Receive report of legal counsel

Ann McGeehan, General Counsel, reported business as usual, and that the legal team was busy reviewing contracts and assisting with legal matters arising out of the member benefits and employer teams.

4757 (agenda no. 19) Receive report of deputy executive director

Tom Harrison, Deputy Executive Director, presented the deputy executive director’s report that included a leasing activity report for the rentable space not occupied by TCDRS in the building that it owns and a report on completed and remaining building improvements to the TCDRS building.

Mr. Harrison also stated that no interim hearings will be held by any committees, including the House Committee on Pensions, Investments and Financial Services and that he is making daily reports to the Governor’s office during the pandemic.

4758 (agenda no. 20) Receive report of executive director

Amy Bishop had no report for this meeting.

4759 (agenda no. 21) Consider report of chair

Chair Eckels stated that he was pleased with the positive audit reports and thanked the trustees for participating virtually.

4760 (agenda no. 22) Consider compliance at this meeting with the board’s governance policies

The board discussed and determined its compliance during this meeting as required by governance policy *GP5 – Agenda Planning*.

4761 (agenda no. 23) Adjournment

There being no further business to come before the board, Chair Eckels adjourned the meeting at 12:50 p.m.

APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 10TH DAY OF SEPTEMBER 2020.

ATTESTED BY:



09/11/2020

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

Date