

**Texas County & District Retirement System**  
**Minutes of the Board of Trustees' Meeting**  
**June 17, 2021**

<b>Agenda Number</b>	<b>Description</b>
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
4	Public comment
5	Receive report of executive director
6	Consider consent agenda items
a	April 2021 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 amendment(s) and update(s) to investment policy
12	Consider report of consulting actuary, including report on valuation and approve 2022 contribution rates
13	Board education training on risk management
14	Consider report of independent financial auditor
15	Receive report on operations
16	Review governance policy and consider amendment(s) to board's governance policies
17	Receive report of legal counsel
18	Receive report of deputy executive director
19	Receive report of chair
20	Consider compliance at this meeting with board's governance policies
21	Adjournment

The Board of Trustees of the Texas County & District Retirement System met on June 17, 2021 at the TCDRS Office in Austin, Texas, with a Zoom option for trustees not attending in person.

**Trustees:**

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

**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  
Jennifer Hymel, Director, Compliance Assurance  
Kathy Thrift, Chief Customer Officer  
Karen Correa, Chief Administrative Officer  
Julie Dwiggin, Executive Assistant  
Tina Silguero, Records & Information Analyst  
Chad Estes, Business Analyst

**Consultants:**

Mark Olleman, Milliman, Inc.  
Matt Larrabee, Milliman, Inc.  
Nick Collier, Milliman, Inc.  
Kathy Barchick, Cliffwater, LLC  
Susan Warren, KPMG, Inc.  
Maggie Coleman, KPMG, Inc.  
Chuck Campbell, Jackson Walker

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

**4837 (agenda no. 1) Call meeting to order**

Chair Nicholson called the meeting to order at 8:39 a.m.

**4838 (agenda no. 2) Receive report of fiduciary counsel**

Chuck Campbell, with Jackson Walker, updated the board on the status of the lawsuit filed against TCDRS Executive Director Amy Bishop. The lawsuit was dismissed on May 19, 2021.

**4839 (agenda no. 4) Public comment**

No public comment.

**4840 (agenda no. 5) Receive report of executive director**

Amy Bishop, Executive Director, presented the executive director report which included an update on the 2021 TCDRS Virtual Annual Conference, the delivery of 2022 employer contribution rates and Member Services workload and timeliness status.

**4841 (agenda no. 6) Consider consent agenda items**

Amy Bishop presented three consent agenda items.

6a. Approval of April 2021 regular meeting minutes.

6b. Approval of quarterly financial statements as of March 31, 2021.

6c. Approval of participation of six (6) new districts to join the system (Bexar County Emergency Services District 11, Chambers-Liberty Counties Navigation District, East Texas Council of Governments, Harris County Fresh Water Supply District 6, Kimble Central Appraisal District and Palo Pinto County Emergency Services District #1).

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

**4842 (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 discussed compliance with each monitoring report and reported an exception to EL5 Policy #3 regarding payment of invoices.

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

**4843 (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 Fletcher made a motion to approve the chief investment officer's monitoring report. Trustee Taylor seconded. Motion carried.

**4844 (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, 2021.

**4845 (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 4844 above. Trustee Sands made a motion to adopt the *Board Resolution for Approval of Investments* with the exception of Sky9 Capital Fund V. Trustee Fletcher seconded the motion.

After a brief discussion of Trustee Sands' motion, Chuck Campbell advised moving to executive session in accordance with Texas Government Code Section 551.071 to seek advice of legal counsel concerning the fiduciary matters subject to attorney-client confidentiality related to this matter (non-financial concerns of investing in a particular fund).

**4846 (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**

At 10:42 a.m., Chair Nicholson recessed the open meeting of the board, and convened an 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. The open meeting reconvened at 11:15 a.m. No action, decision or vote was taken by the board while in executive session.

**4845 (agenda no. 10, cont'd) Consider hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity**

After the open meeting reconvened, Trustee Fletcher withdrew her second for the motion proposed by Trustee Sands. The motion subsequently failed for lack of a second.

**Motion:** Trustee Fletcher made a motion to adopt the *Board Resolution for Approval of Investments* as provided by staff. Trustee Taylor seconded the motion. Motion passed with a vote of 8 to 1, with Trustee Sands opposing.

After the motion passed, Trustee Sands requested to amend her vote from no to abstain. Trustee Fletcher made a motion to reconsider the motion. Trustee Hill seconded. The motion to reconsider failed with a vote of 5 to 3, with Trustees Davis, Taylor, Williamson, Vice-chair Hunt and Chair Nicholson voting no and Trustees Biggar, Fletcher, and Hill voting yes.

**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 17, 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 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

- Comvest Special Opportunities II
- \* MGG Specialty Finance III
- \* Sixth Street Growth Fund II
- \* TCW Direct Lending VIII

### Distressed Debt

- Ares Special Opportunities II
- \* Sixth Street Special Opportunities V

### Strategic Credit

- \* Everberg Cap Partners II

### Private Real Estate

- Rockpoint VII – Opportunistic

### Private Equity & Co-Investments

- TSG Co-Invest 2 – Buyout
- Vista Co-Invest 1 – Buyout
- \* Alpine VIII – Buyout
- \* Arsenal VI – Buyout
- \* Clearlake VII – Buyout
- \* Cressey VII – Buyout
- \* Kinderhook Industries VII – Buyout
- Summit Growth XI – Buyout
- \* Adelis III – Non-US
- Baring Asia VIII – Non-US
- \* Main Capital VII – Non-US
- \* Main Foundation I – Non-US
- Sky9 Capital Fund V & MVP II – Non-US
- \* Summa Equity III – Non-US
- \* Level Equity V & Opps Fund 2021 – Venture
- Lux Total Opportunities (formerly approved as Lux Ventures Opp III) – Venture
- Spark Capital VII & Growth IV – Venture
- Quantum Energy Partners VIII – Real Assets

\* 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.**

### **4847 (agenda no. 11) Consider amendment(s) and update(s) to investment policy**

Casey Wolf presented a review of the amendments to the TCDRS Investment Policy which included clarifying the requirements regarding co-investments and clarifying benchmark calculations regarding cash since the target investment allocation no longer has a policy target of zero percent (was raised to 2%) as amended at the previous board meeting. See [TCDRS Investment Policy](#).

**Motion:** After discussion, Trustee Williamson made a motion to amend the TCDRS Investment Policy as recommended by the Chief Investment Officer and update the investment policy tables. Trustee Davis seconded. Motion carried.

**4848 (agenda no. 12) Consider report of consulting actuary, including report on valuation and approve 2022 contribution rates**

Mark Olleman, Matt Larrabee and Nick Collier, all with Milliman, presented the report of the consulting actuary.

Mr. Olleman presented the Dec. 31, 2020 actuarial valuation. The funded ratio in aggregate decreased from 89.4% to 87.2%. The main factor for the decrease was the reduction of the investment return assumption to 7.5% from 8.0%. On average, the required employer contribution rate for 2022 weighted by payroll is projected to increase by 1.1% of payroll compared to 2021. Both the system and the individual employer plans continue to be funded in an appropriate manner and the overall funding of the system compares favorably with most other public retirement systems.

**Motion:** After discussion, Trustee Hill made a motion to approve the 2022 retirement plan employer contribution rates for plans with no changes and the 2022 premium rates for the Group Term Life Fund as recommended by Milliman in the [System-Wide Actuarial Valuation as of Dec. 31, 2020](#) and to authorize Milliman to calculate the 2022 employer contribution rates for employer plans that adopt plan changes. Trustee Fletcher seconded. Motion carried.

**4849 (agenda no. 13) Board education on risk management**

Jennifer Hymel, Director of Compliance Assurance, presented risk management education to Board of Trustees. Her presentation reviewed risk assessment, internal controls and audits as key components of a comprehensive risk management program. She also discussed the roles of the board and staff, types of internal controls, external audits, the annual financial report, security of confidential information and recordkeeping.

**4850 (agenda no. 14) Consider report of independent financial auditor**

Susan Warren, with KPMG, presented the results from KPMG's independent financial audit of TCDRS' Dec. 31, 2020 financial statements and the results of the SOC-1 audit which gives employers' auditors assurance that the data provided for their financial reports are reliable. 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 for the Dec. 31, 2020 financial statements and the SOC-1 audit.

**Motion:** After discussion, Trustee Williamson made a motion to accept the audit report by KPMG. Trustee Fletcher seconded. Motion carried.

**4851 (agenda no. 15) Receive report on operations**

Karen Correa, Chief Administrative Officer, and Kathy Thrift, Chief Customer Officer, presented the operations report.

Karen Correa presented the [TCDRS Comprehensive Annual Financial Report for the year ending Dec. 31, 2020](#) by reviewing and discussing the theme and key information presented in the individual sections.

Kathy Thrift presented an update on the implementation of the new Customer Relationship Management (CRM) tool and the implementation of a modern communication strategy for members and employers. The new communication strategy is designed for the digital experience with more frequent, brief and tailored content.

**4852 (agenda no. 16) Review governance policy and consider amendments to board's governance policies**

Amy Bishop presented the governance policies that were up for review in the first quarter according to the board's governance policy monitoring schedule. The policies up for review were *GP4 – Trustee Education*, *GP5 Agenda Planning*, *GP6 Board Officer's Roles*, *BSR3 – Accountability of Director and Investment Officer* and *BSR4 – Delegation to the Director and Investment Officer*. The board did not have revisions to the governance policies due for review.

**4853 (agenda no. 17) Receive report of legal counsel**

Ann McGeehan, General Counsel, informed the board of an administrative appeal pending with the State Office of Administrative Hearings (SOAH). The appeal concerns the validity of a renunciation of a benefit filed in connection with a deceased member's account.

**4854 (agenda no. 18) Receive report of deputy executive director**

Tom Harrison, Deputy Executive Director, delivered the report on building operations. The building is currently 90% leased with vacancies being actively marketed. He also presented a report concerning the recently concluded regular legislative session and discussed session statistics and passed legislation that impacts TCDRS. He advised the board that TCDRS will be closely monitoring the special sessions that may be called.

**4855 (agenda no. 19) Consider report of chair**

Chair Nicholson had no report.

**4856 (agenda no. 20) 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*.

**4857 (agenda no. 21) Adjournment**

There being no further business to come before the board, Chair Nicholson adjourned the meeting at 1:11 p.m.

**APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 16<sup>TH</sup> DAY OF SEPTEMBER 2021.**

**ATTESTED BY:**

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

9-16-2021  
Date