

Texas County & District Retirement System
Minutes of the Board of Trustees' Meeting
June 16, 2022

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
4	Public comment
5	Receive report of executive director
6	Consider consent agenda items
a	March 2022 regular meeting minutes
b	Quarterly financial statements
c	Participation of new districts
d	Credited service for Harris County Emergency Services District No. 6
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 active international equity managers due diligence report
12	Consider amendment(s) and update(s) to investment policy
13	Consider report of consulting actuary, including report on valuation and approve 2023 contribution rates
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 16, 2022 at the TCDRS Office in Austin, Texas.

Trustees:

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

Trustees not attending:

9. Chris Hill

Staff:

Amy Bishop, Executive Director
Casey Wolf, Chief Investment Officer
Tom Harrison, Deputy Executive Director
Sandra Bragg, Deputy Investment Officer-Operations
Jon Shoen, Deputy Investment Officer-Investments
Ann McGeehan, General Counsel
John Hawes, Director, Finance
Nathan Joiner, Accounting Manager
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
Natalia Ashley, Staff Attorney

Consultants:

Matt Larrabee, Milliman, Inc.
Nick Collier, Milliman, Inc.
Kathy Barchick, Cliffwater, LLC
Susan Warren, KPMG, Inc.
Maggie Coleman, KPMG, Inc.
Alyca Riley-Garrison, Jackson Walker

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

4934 (agenda no. 1) Call meeting to order

Chair Nicholson called the meeting to order at 8:38 a.m.

4935 (agenda no. 2) Receive report of fiduciary counsel

Alyca Riley-Garrison, with Jackson Walker, had no report for this meeting.

4936 (agenda no. 4) Public comment

No public comment.

4937 (agenda no. 5) Receive report of executive director

Amy Bishop, Executive Director, presented the executive director report which included recent improvements in service levels in the call center related to increased staffing and implementation of new technology, the upcoming TCDRS annual conference to be held on July 21-22 and possible changes to the TCDRS workspace.

4938 (agenda no. 6) Consider consent agenda items

Amy Bishop presented four consent agenda items.

6a. Approval of March 2022 regular meeting minutes.

6b. Approval of quarterly financial statements as of March 31, 2022.

6c. Approval of participation of 10 new districts to join the system (Ables Springs Special Utility District, Agua Poquita Soil and Water Conservation District, Bolivar Peninsula Special Utility District, Copeville Special Utility District, Harris County Emergency Services District No. 6, Housing Authority of the City of Paducah, Memorial Villages Water Authority, San Jacinto Special Utility District, Tom Green County Appraisal District and Travis County Emergency Services District No. 8).

6d. Approval of credited service for Harris County Emergency Services District No. 6

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

4939 (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 compliance with the executive limitations as required by the Board of Trustees' Policy Manual.

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

4940 (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 *ELI I – 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, Vice-chair Hunt made a motion to approve the chief investment officer’s monitoring report. Trustee Sands seconded. Motion carried.

4941 (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, 2022.

4942 (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 4941 above.

Motion: Trustee Fletcher made a motion to adopt the *Board Resolution for Approval of Investments* as provided by staff. Trustee Davis seconded the motion. Motion passed.

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 16, 2022, 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

- AG Syndication Fund
- Ares Fund of One - US
- * Oak Hill Credit Solutions II
- Silver Point Specialty Credit III

Private Real Estate

- FPA Core Plus VI – Value Add

Private Equity & Co-Investments

- KPS Co-Invest I – Buyout
- * Warren Equity IV – Buyout
- The Column Group Opportunity III – Venture (previously approved as Pono Capital III)
- * Altor VI – Non-US
- * GGV IX, IX Plus, Discovery IV – Non-US
- Waterland IX – Non-US
- Waterland Select Opportunities – Non-US

* 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.

4943 (agenda no. 11) Consider active international equity managers due diligence report

Kathy Barchick presented a formal review of the current active international equity managers. Ms. Barchick recommended to retain Marathon for developed international equity manager, retain DFA, JPMorgan and Wellington for emerging markets equity and retain Viking and Marshall Wace for global equity mandates.

Motion: After discussion, Trustee Williamson made a motion to retain the current active international equity managers. Trustee Taylor seconded. Motion carried.

4944 (agenda no. 12) 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 restriction on investment vehicle concentration within the private equity asset class and updating the index names for the measurement benchmark index, Exhibit A. See TCDRS Investment Policy.

Motion: After discussion, Vice-chair Hunt made a motion to amend the TCDRS Investment Policy as recommended by the Chief Investment Officer and update the Exhibit A tables. Trustee Biggar seconded. Motion carried.

4945 (agenda no. 13) Consider report of consulting actuary, including report on valuation and approve 2022 contribution rates

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

Mr. Larrabee presented the Dec. 31, 2021 actuarial valuation. The aggregate funded ratio of the system increased to 88.5% from 87.2% and the aggregate required contribution rate decreased to 12.12% from 12.95%. The two biggest factors impacting these changes were new demographic assumptions and the strong investment return.

Motion: After discussion, Trustee Sands made a motion to approve the 2023 retirement plan employer contribution rates for plans with no changes and the 2023 premium rates for the Group Term Life Fund as recommended by Milliman in the System-Wide Actuarial Valuation as of Dec. 31, 2021 and to authorize Milliman to calculate the 2023 employer contribution rates for employer plans that adopt plan changes. Vice-chair Hunt seconded. Motion carried.

4946 (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, 2021 financial statements and the results of the SOC-I audit which gives employers' auditors assurance that the data provided for their financial reports is 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, 2021 financial statements and the SOC-I audit.

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

4947 (agenda no. 15) Receive report on operations

Karen Correa, Chief Administrative Officer, and Kathy Thrift, Chief Customer Officer, presented the operations report. The report covered the Dec. 31, 2021 Annual Comprehensive Financial Report and the Paper-Less is More initiative.

Karen Correa presented the TCDRS Annual Comprehensive Financial Report for the year ending Dec. 31, 2021 by reviewing and discussing the theme, awards and highlighting information from each of the individual sections.

Kathy Thrift presented an update on the implementation of co-browse features for the call center, employer portal updates allowing employers to update member contact information and beneficiary information and new online services to come.

4948 (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 second 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.

4949 (agenda no. 17) Receive report of legal counsel

Ann McGeehan, General Counsel, presented the legal counsel report.

Ms. McGeehan updated the board on the pending administrative decision case with the district court. No additional action has been taken, no judge has been assigned and the case is still pending.

4950 (agenda no. 18) Receive report of deputy executive director

Tom Harrison, Deputy Executive Director, delivered the report on building operations. The building is currently 100% leased with one tenant renewing their lease through 2027. Major building initiatives scheduled include replacement of the HVAC chillers and an evaluation of the TCDRS workspace.

4951 (agenda no. 19) Consider report of chair

Chair Nicholson briefly summarized the investment educational trip for trustees who were unable to attend.

4952 (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.

4953 (agenda no. 21) Adjournment

There being no further business to come before the board, Chair Nicholson adjourned the meeting at 12:21 p.m.

APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 15TH DAY OF SEPTEMBER 2022.

ATTESTED BY:



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



Date