

**Texas County & District Retirement System
Minutes of the Board of Trustees' Meeting
March 21, 2024**

Agenda Number	Description
1	Call meeting to order
2	Receive report of executive director
3	Receive report of fiduciary counsel
4	Public comment
5	Consider consent agenda items
5a	December 2023 regular board meeting minutes
5b	Quarterly financial statements
5c	Participation of new districts
5d	Employers' flat-rate COLA limit
6	Consider executive director's monitoring report
7	Consider chief investment officer's monitoring report
8	Receive investment performance measurement and investment consultant reports
9	Consider hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments
10	Consider education on capital market assumptions and asset allocation and adopt 2024 capital market assumptions and asset allocation plan
11	Adopt 2024 capital market assumptions and asset allocation plan
12	Consider amendment(s) and update(s) to investment policy
13	Consider allocation of 2023 investment results
14	Receive education on contribution rates and funded status
15	Consider arrangements and contracts for services from providers hired by the board
16	Consider means to be used by board to ensure linkage between board and member counties and districts
17	Receive operations report
18	Receive report from the director of government and external affairs
19	Consider updates to ethics policy
20	Receive report of legal counsel
21	Receive report on educational opportunities for 2024
22	Receive report of chair
23	Review governance policy and consider amendment(s) to the board's governance polices
24	Consider compliance at this meeting with board's governance policies
25	Adjournment

The Board of Trustees of the Texas County & District Retirement System met on March 21, 2023, in Austin, TX.

Attendees

Trustees:

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

Staff:

Amy Bishop, Executive Director
Casey Wolf, Chief Investment Officer
Karen Correa, Deputy Executive Director
Sandra Bragg, Deputy Investment Officer – Operations
Jon Shoen, Deputy Investment Officer - Investments
Ann McGeehan, General Counsel
Chris Bucknall, Director, Actuarial Services
Kathy Thrift, Chief Experience Officer
Nathan Joiner, Director, Finance
Claudia Garcia, Director, Member Services
Jay Dyer, Director, Government and External Affairs
Colleen Clemens, Executive Office Coordinator
Tina Silguero, Records & Information Analyst
Natalia Ashley, Staff Attorney
Chad Estes, Systems Administrator, User Experience

Consultants:

Matt Larrabee, Milliman, Inc.
Kathy Barchick, Cliffwater, LLC
Steve Nesbitt, Cliffwater, LLC
James Feilder, Cliffwater, LLC

Chuck Campbell, Jackson Walker LLP
Jason McElvaney, McElvaney Public Affairs

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

5097 (agenda no. 1) Call meeting to order

Chair Nicholson called the meeting to order at 9:04 a.m.

5098 (agenda no. 2) Receive report of executive director

Amy Bishop, Executive Director, provided an update on member services and highlighted improved service levels resulting from technology enhancements and additional staff. Ms. Bishop reported on employer services and reviewed the plan selections that were made by participating employers effective Jan. 2024. She also reported that TCDRS received, for the 31st consecutive year, the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.

Motion: Trustee Fletcher made a motion to approve the report. Trustee Farias seconded. Motion carried.

5099 (agenda no. 3) Receive report of fiduciary counsel

Chuck Campbell of Jackson Walker LLP had no report.

5100 (agenda no. 4) Public comment

There was no public comment.

5101 (agenda no. 5) Consider consent agenda items

Karen Correa, Deputy Executive Director, presented four consent agenda items.

5a. Approval of December 2023 regular board meeting minutes.

5b. Approval of quarterly financial statements as of December 31, 2023.

5c. Approval of participation for eight (8) new employers (Bexar County Emergency Services District #3, Blanco County Appraisal District, Brazos County Emergency Services District #1, Coryell Central Appraisal District, Harris County Emergency Services District #5, Richland Special Utility District, San Augustine Central Appraisal District and Tomball Hospital Authority).

5d. Approval of employer's flat-rate COLA limit of 3% for plan year 2025.

Motion: Trustee Biggar made a motion to approve the consent agenda items. Trustee Farias seconded. Motion carried.

5102 (agenda no. 6) Consider executive director's monitoring report

Amy Bishop presented the executive director's monitoring report, which included *EL1 – Global Executive Constraints, EL4 – Operational Budgets, EL8 – Plan Funding and EL10 – Pension Plan Financial Planning* 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: Trustee Sands made a motion to approve the executive director's monitoring report. Trustee Taylor seconded. Motion carried.

5103 (agenda no. 7) Consider chief investment officer's monitoring report

Casey Wolf, Chief Investment Officer, presented the chief investment officer's monitoring report, which included the annual *EL1 – Global Executive Constraints, EL4 – Operational Budgets and EL 10 Pension Plan Financial Planning* and the quarterly *EL5 – Financial Activities and EL11 – Investment Policies*. Mr. Wolf discussed various elements of 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 chief investment officer's monitoring report. Trustee Davis seconded. Motion carried.

5104 (agenda no. 8) 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 Dec. 31, 2023.

5105 (agenda no. 9) Consider hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments

Kathy Barchick and Casey Wolf presented a report on hedge funds, distressed debt, private real estate, strategic credit, direct lending and private equity investments as of Dec. 31, 2023, and proposed a forward calendar of investments which would authorize possible investment in listed funds subject to completion of investment and legal due diligence.

Motion: After discussion, Trustee Fletcher 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 Farias seconded. Motion carried. Trustee Sands opposed.

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 March 21, 2024, 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 EUR or GBP
Venture Capital	\$150 million	Real Estate	\$175 million or equivalent in EUR or GBP
Real Assets	\$200 million	Direct Lending commingled funds	\$300 million or equivalent in EUR or GBP
Non-U.S.	\$250 million or equivalent in EUR, GBP, or SEK		

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 1

Direct Lending

Atalaya fund of one
BBAM Incline Aviation Fund III

Distressed Debt

Arbour Lane Credit Opportunities Fund IV
Cheyne European Strategic Value Credit Fund III

Private Equity & Co-Investments

* Consonance Partners III – Buyout
Genstar Co-Invest 1 – Buyout
GTCR Structured Capital I – Buyout
* Mill Point III – Buyout
Nautic Partners XI – Buyout
* Periscope III – Buyout
* Resurgens Technology Partners III – Buyout
* Shoreview V—Buyout
* Turn/River Capital VI – Buyout
H.I.G. Europe Capital Partners IV – Non-US
H.I.G. Europe Middle Market II – Non-US
* Helix Kapital III – Non-US (formerly approved as USD, but will be SEK denominated)

Private Real Estate

* SDC Digital Infrastructure Opportunity Fund IV –Opportunistic
(Singerman) SRE Opportunity Fund V – Opportunistic

* 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.

5106 (agenda no. 10) Receive education on capital market assumptions and asset allocation plan

James Feilder and Steve Nesbitt of Cliffwater, LLC gave an educational presentation on capital market assumptions and asset allocation, the methodology for developing forecasts, and the 10-year forecasted returns by asset class.

5107 (agenda no. 11) Adopt 2024 capital market assumptions and asset allocation plan

Mr. Nesbitt presented Cliffwater's January 2024 capital market assumptions. Based on the updated forecasts, no changes in asset allocation were recommended.

Motion: Vice-Chair Hunt made a motion to adopt the proposed 2024 capital market assumptions and asset allocation plan as recommended by Cliffwater and the Chief Investment Officer. Trustee Davis seconded. Motion carried.

5108 (agenda no. 12) Consider amendment(s) and update(s) to investment policy

Casey Wolf discussed proposed amendments to the TCDRS investment policy to reflect the updates to expected return, risk, and correlations between asset classes based on the adopted 2024 capital market assumption and asset allocation plan approved by the board. See [Investment Policy](#).

Motion: After discussion, Trustee Williamson made a motion to amend the investment policy as recommended by the Chief Investment Officer. Trustee Taylor seconded. Motion carried.

Note: Meeting recessed for lunch at 12:46 p.m. and reconvened at 1:04 p.m.

5109 (agenda no. 13) Consider allocation of 2023 investment results

Casey Wolf gave a brief update on TCDRS' estimated investment results as of December 31, 2023. The estimated return for 2023 was 10.5%, net of fees.

Amy Bishop presented staff's recommendation for the allocation of the 2023 Investment Return. Based on the estimated investment gains as of Dec. 31, 2023, staff recommended an allocation of 10.5% to employers' total plan assets. The estimated impact of the recommendation is that the average employer contribution rate is projected to decrease from 12.31% to 12.21% of payroll. The reserves balance will increase to approximately \$2.3 billion, and the aggregate funded ratio is estimated to remain stable at 89%.

Motion: Trustee Flecher made a motion to approve the Resolution for the Allocation of 2023 Investment Results. Trustee Farias seconded. Motion carried.

Resolution for the Allocation of 2023 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 Employee Savings Fund, the Optional Group Term Life Fund, and the Closed Subdivision Annuity Reserve 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, 2023, 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 **10.5%**. If needed, amounts shall be transferred from the general reserves to complete this allocation.
- (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, 2023, and equals the amount described in (2) minus the required interest allocated to the respective subdivision's Employee Savings Fund for 2023.
- (4) After the above allocations, any remaining net investment income amounts will be transferred to the general reserves account of the endowment fund effective Dec. 31, 2023, pursuant to Section 845.315(a)(3)

5110 (agenda no. 14) Receive education on contribution rate and funded status

Matt Larrabee, Consulting Actuary with Milliman, delivered education on the valuation and how employer contribution rates are calculated.

5111 (agenda no. 15) Consider arrangements and contracts for services from providers hired by the board

Amy Bishop, in compliance with *GP5 – Agenda Planning*, presented the list contracts for services from providers hired by the board. There were no contracts up for review in 2024, and no further action was taken.

5112 (agenda no. 16) Consider means to be used by board to ensure linkage between board and member counties and districts

Kathy Thrift, Chief Experience Office, presented the methods for gathering feedback from employers for the Annual Linkage Survey for trustee consideration. The presentation included both how feedback would be gathered and what the focus for the survey would be.

Motion: Trustee Fletcher made a motion to approve the adoption of the linkage plan as presented by the Chief Experience Officer. Vice-Chair Hunt seconded. Motion carried.

5113 (agenda no. 17) Receive operations report

Karen Correa, Deputy Executive Director, presented the operations report summarizing the digital transformation of the survivor benefit process and the next processes to be updated. She highlighted the improved service levels and seamless experience that is now being provided for beneficiaries of members that have passed away.

5114 (agenda no. 18) Receive report from director of government and external affairs

Jay Dyer, Director of Government and External Affairs, introduced himself to the board and discussed government relations matters.

5115 (agenda no. 19) Consider updates to ethics policy

Ann McGeehan, General Counsel, presented updates to the TCDRS Ethics Policy. The proposed updates focused on clarifying definitions, adding references for key sections, clarifying that all employees are subject to the employee handbook, and other minor edits.

Motion: After discussion, Trustee Davis made a motion to adopt the amendment to the ethics policy as presented. Trustee Sands seconded. Motion carried.

5116 (agenda no. 20) Receive report of legal counsel

Ann McGeehan presented a report on leasing activity in the TCDRS building and the status of upcoming building improvements planned for 2024.

5117 (agenda no. 21) Receive report on educational opportunities for 2024

Ann McGeehan presented a report on the board's governance policy *GP4 - Trustee Education* concerning trustee education requirements and guidelines. Ms. McGeehan reviewed the trustee education program components required by the Texas Pension Review Board (PRB) and by TCDRS Governance Policy — GP4 and discussed several potential training opportunities, including the TCDRS Annual Conference.

5118 (agenda no. 22) Consider report of chair

Chair Nicholson had no report.

5119 (agenda no. 23) Review governance policy and consider amendment(s) 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 *GP1 – Global Governance Commitment*, *GP – 2 Governing Style*, *GP3 – Board Job Description*, *BSR1 – Global Board-Staff Relationship* and *BSR2 – Unity of Control*. No amendments were made at this meeting.

5120 (agenda no. 24) 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*.

5121 (agenda no. 25) Adjournment

There being no further business to come before the board, the meeting was adjourned at 2:33 p.m.

APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 20th DAY OF JUNE 2024.

ATTESTED BY:



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

June 27, 2024

Date