



Summary of TCDRS Board Meeting Held March 11, 2021

The key events at the board meeting were:

- The board approved the consent agenda, which included:
 - December 3, 2020, meeting minutes
 - Quarterly financial statements
 - Participation of seven new employers (Bee County Appraisal District, Childress Housing Authority, Goliad County Appraisal District, Gulf Coast Transit District, Harris County Emergency Services District No. 11, McAllen Housing Authority and Travis County Emergency Services District No. 9)
 - Adoption of 1% as the highest percentage increase that an employer may elect when adopting a flat-rate, cost-of-living increase for retirees in plan year 2022
 - Approval of lump-sum payoffs to members with small monthly annuities due to federal minimum distribution requirements
- The board approved the monitoring reports of both the executive director and the chief investment officer. Discussions of the following Executive Limitations were included in both reports: EL1 Global Executive Constraint, EL4 Operational Budgets, EL5 Financial Activities and EL10 Pension Plan Financial Planning. In addition, the executive director reported on EL8 Plan Funding, and the chief investment officer reported on EL11 Investment Policies.
- The chief investment officer and the outside investment consultant, Cliffwater, presented an investment performance update for the fourth quarter of 2020, and the board adopted a resolution authorizing certain investments following successful due diligence.
- The board approved the 2021 capital market assumptions as recommended by Cliffwater and adopted adjustments to the asset allocation. The asset allocation is projected to earn 7.6% based on the updated capital market assumptions with expected risk at 12.6%.



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Changes were made to the following asset classes:

- U.S. Equity (14.5% to 11.5%)
 - Non-U.S. Equity (7.0% to 5.0%)
 - Emerging Markets (7.0% to 6.0%)
 - Cash (0.0% to 2.0%)
 - Strategic Credit (12.0% to 9.0%)
 - Direct Lending (11.0% to 16.0%)
 - REITs (3.0% to 2.0%)
 - Private Equity (20.0% to 25.0%)
 - Hedge Funds (8.0% to 6.0%)
- The board adopted amendments to the [TCDRS Investment Policy](#) to reflect the newly adopted capital market assumptions and asset allocation plan as described above and adjusted the overall investment objective to reflect an objective of attaining the maximum risk-adjusted return over a long-term period (30 years or more) with an acceptable level of risk.
 - Based on the estimated investment return of 9.7% as of Dec. 31, 2020, the board determined the allocation of 2020 investment results will be 8.0% to employers' total plan assets, and any remaining net investment income amounts will be transferred to the general reserves account.
 - The board adopted changes to actuarial assumptions as recommended by the actuarial consultant, Milliman, and the executive director. The board lowered the investment return assumption from 8.0% to 7.5%. Also, the board lowered the price inflation assumption from 2.75% to 2.50%, and authorized adjustments to the wage and maximum payroll growth assumption in line with the reduction to the price inflation assumption. To mitigate the impact of these assumption changes on employers' contribution rates, the board determined that any unfunded actuarial liability as of Dec. 31, 2020, will be funded over a new closed 20-year amortization period. In addition, the board authorized a supplemental allocation to employers' accounts by transferring \$800,000,000 from the general reserves account to employers' accounts.
 - Contracts of service providers hired by the board were reviewed. The board voted to authorize the executive director to negotiate a two-year extension with Milliman for the actuarial contract and to retain KPMG as auditor.



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- In order to develop the strategic goals of the organization (the Ends), the board annually gathers input from participating employers. The board approved staff's recommendation to gather input from employers through service-related surveys and field staff interactions.
- The outside consulting actuary, Milliman, presented an update on the ongoing valuation. The final 2020 valuation will be presented at the June 2021 meeting.
- The board received the following updates that did not require board action: an update on educational opportunities for 2021, and a report from the deputy executive director on the building and the 2021 legislative session.
- The board adopted amendments to GP 5 to reflect the updated schedule for contract reviews.

Note: *The official meeting minutes will be posted after the board approves them at their next meeting on June 17.*