

**Texas County & District Retirement System  
Minutes of the Board of Trustees' Meeting  
March 17, 2022**

<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 and relating to a current agenda item
4	Public comment
5	Receive report of executive director
6	Consider consent agenda items
a	December 2021 regular meeting minutes
b	Quarterly financial statements
c	Participation of new districts
d	Employers' flat-rate COLA limit for 2023
e	Small annuity payoffs
f	Special vesting provisions for Harris County
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	Adopt 2022 capital market assumptions and asset allocation plan
12	Consider amendment(s) and update(s) to investment policy
13	Consider allocation of 2021 investment results
14	Receive report of consulting actuary
15	Consider arrangements and contracts for services from providers hired by the board
16	Receive operations report
17	Consider means to be used by board to ensure linkage between board and member counties and districts
18	Receive report of legal counsel
19	Receive report on educational opportunities for 2022
20	Receive report of deputy executive director
21	Receive report of chair
22	Review governance policy and consider amendment(s) to board's governance policies
23	Consider compliance at this meeting with board's governance policies
24	Adjournment

The Board of Trustees of the Texas County & District Retirement System met on March 17, 2022, in Austin, TX.

**Attendees**

**Trustees:**

1. Mary Louise Nicholson, Chair
2. Deborah M. Hunt, Vice-chair
3. Tammy Biggar
4. Chris Davis
5. Susan Fletcher
6. Chris Hill
7. Holly Williamson

**Trustees not attending:**

1. Chris Taylor
2. Kara Sands

**Staff:**

Amy Bishop, Executive Director  
Tom Harrison, Deputy Executive Director  
Casey Wolf, Chief Investment Officer  
Jon Shoen, Deputy Investment Officer Investments  
Sandra Bragg, Deputy Investment Officer Investment Operations  
Ann McGeehan, General Counsel  
Karen Correa, Chief Administrative Officer  
Kathy Thrift, Chief Customer Officer  
Chris Bucknall, Director, Actuarial Services  
Brad Watkins, Assistant IT Director  
Julie Dwiggin, Executive Assistant  
Tina Silguero, Records Management Analyst  
Chad Estes, Business Analyst

**Consultants:**

Matt Larrabee, Milliman, Inc.  
Kathy Barchick, Cliffwater, LLC  
Chuck Campbell, Jackson Walker L.L.P.  
Alyca Garrison, Jackson Walker L.L.P.

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

**4910 (agenda no. 1) Call meeting to order**

Chair Nicholson called the meeting to order at 8:51 a.m.

**4911 (agenda no. 2) Consider report of fiduciary counsel**

Chuck Campbell, with Jackson Walker L.L.P., had no report for this meeting.

**4912 (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 and relating to a current agenda item**

There was no executive session held at this meeting.

**4913 (agenda no. 4) Public comment**

No members of the public were present at this meeting.

**4914 (agenda no. 5) Receive report of executive director**

Amy Bishop, Executive Director, delivered a report on the key activities for the first quarter of 2022 and upcoming milestones. Ms. Bishop announced that TCDRS was awarded the Certificate of Achievement for Excellence in Financial Reporting for the 29<sup>th</sup> consecutive year for the annual report for the fiscal year ended December 31, 2020. Ms. Bishop reviewed year-end activities including the production of 1099's, member and retiree statements, and an upcoming withholding table change. She discussed the recent rollout of new services including co-browse and the ability to take beneficiary, name changes and payment addresses in the call center. She also reviewed activities for the next quarter including the upcoming ability for employers to update beneficiaries, and for members to make withholding changes and to apply for service time on the phone and website. In addition, she discussed a project to evaluate workspace and highlighted the upcoming State of the System on March 31 and the Annual Conference on July 21-22.

**4915 (agenda no. 6) Consider consent agenda items**

Amy Bishop presented five consent agenda items.

6a. Approval of December 2021 regular meeting minutes

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

6c. Approval of participation of five new districts to join the system (Central Texas Council of Governments, Chillicothe Hospital District, Harris County Emergency Services District No. 8, South Texas Water Authority and Verona Special Utility District)

6d. Adoption of a 7% maximum limit for flat-rate COLAs for plan year 2023.

6e. Approval of small annuity payoffs

6f. Approval of clarifications to the special eligibility retirement provisions adopted by Harris County on February 8, 2022.

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

**4916 (agenda no. 7) Consider executive director's monitoring report**

Amy Bishop presented the executive director's monitoring report, which included the annual *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 an exception to EL5 Policies #3 and #6.

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

**4917 (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 annual *EL1 – Global Executive Constraints*, *EL4 – Operational Budgets* and *EL10 – Pension Plan Financial Planning* and the quarterly *EL5 – Financial Activities* and *EL11 – Investment Policies*. Mr. Wolf reported compliance with the executive limitations.

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

**4918 (agenda no. 9) Receive investment performance measurement and investment consultant reports**

Kathy Barchick, with Cliffwater, and Casey Wolf presented the investment performance measurement and investment consultant reports for the period which ended Dec. 31, 2021.

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, 2021, and proposed a forward calendar of investments which would authorize possible investment in listed funds subject to completion of investment and legal due diligence.

**4919 (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 4918 above.

**Motion:** After discussion, Trustee Fletcher made a motion to accept the *Board of Resolution for Approval of Investments*. Trustee Hunt 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 March 17, 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

- Antares Senior Loan Fund II
- Ares Pathfinder II
- Atalaya Asset Income Fund Evergreen
- \* Axonic Private Debt
- \* Callodine Asset Based Loan Fund II
- ICG Sale & Leaseback II
- MCP Private Capital Fund V
- \* MGG SF Evergreen (formerly approved as MGG Special Finance III)
- Pathlight Capital Fund III
- \* Proterra Credit II
- Shamrock Content III
- Sixth Street Mid-Stage Growth Partners (A) – *CIO used interim authority to invest*
- Sixth Street TAO

### Distressed Debt

- Charlesbank COF III
- \* Fidera Master, SCSp RAIF

### Strategic Credit

- \* Chenavari CEDO III

### Private Real Estate

- FCP Realty Fund V Co-Invest – Opportunistic (sidecar to FCP V formerly approved 3/11/21)

### Continuation Funds

- Accel-KKR Capital Partners CV IV – from Accel-KKR IV approved 12/1/11
- H&F Arrow 1 – from Hellman & Friedman VII approved 6/26/08
- H&F Spock 1 – from Hellman & Friedman VI approved 6/22/06
- Pegasus WSJLL Fund – from Water St. III & IV approved 6/23/11 & 4/6/17
- Samson (Brunello 1, Hockey 1 & Shield 1) – from Hellman & Friedman VII approved 6/26/08

### Private Equity & Co-Investments

- Accel-KKR Capital Partners VII – Buyout
- Accel-KKR Emerging Buyout II – Buyout
- \* Altamont IV – Buyout
- \* Falfurrias Growth – Buyout
- GTCR XIV – Buyout
- HIG Mid Market LBO IV – Buyout
- \* Incline Equity Partners VI – Buyout
- \* Trivest Partners VII & Discovery II – Buyout
- (DCVC) Data Collective VI & Opportunity III – Venture
- IVP XVIII – Venture
- Khosla Ventures VIII & Seed F -- Venture
- (The Column Group) Pono Capital III – Venture
- Spectrum Equity X & Overage – Venture
- \* Blue Lake IV & Select II – Non-US
- HIG Brazil & Latin America III – Non-US
- \* MSA Capital Venture III – Non-US
- Synova Capital V – Non-US
- \* Vinci Capital IV – 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 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.**

**4920 (agenda no. 11) Adopt 2022 capital market assumptions and asset allocation plan**

Kathy Barchick presented Cliffwater's January 2022 capital market assumptions and asset allocation recommendation. Ms. Barchick reviewed the methodology for developing forecasts and the 10-year forecasted returns by asset class.

Based on the updated forecasts, no changes in asset allocation were recommended.

**Motion:** After discussion, Trustee Hunt made a motion to adopt proposed 2022 capital market assumptions as presented by the Chief Investment Officer and the Investment Consultant. Trustee Williamson seconded. Motion carried.

**4921 (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 the capital market assumptions. See [Investment Policy](#).

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

**4922 (agenda no. 13) Consider allocation of 2021 investment results**

Casey Wolf gave a brief update on TCDRS' estimated investment results as of Dec. 31, 2021. The estimated investment return for 2021 was 20.0%, net of fees.

Amy Bishop presented a report on staff's recommendation for the allocation of 2021 investment results. Based on the investment earnings as of Dec. 31, 2021, staff recommended an allocation of 10.0% to employers' total plan assets. The estimated impact of the recommendation was that the average employer contribution rate is projected to decrease from 12.9% to 12.2% and the reserves balance is estimated to increase to approximately \$4.8 billion.

**Motion:** After discussion, Trustee Hill made a motion to approve the *Resolution for the Allocation of 2021 Investment Results*. Trustee Fletcher seconded. Motion carried.

**Resolution for the Allocation of 2021 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, 2021 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 10.0%. 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, 2021, and equals the amount described in (2) minus the required interest allocated to the respective subdivision's Employee Savings Fund for 2021.
- (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, 2021 pursuant to Section 845.315(a)(3).

**4923 (agenda no. 14) Receive report of consulting actuary**

Matt Larrabee, Consulting Actuary with Milliman Inc., presented an overview of the valuation process and timing.

**4924 (agenda no. 15) Consider arrangements and contracts for services from providers hired by the board**

Amy Bishop presented a report in accordance with governance policy GP5-Agenda Planning concerning the review of contracts for services hired by the board. There were two contracts up for review, the Fiduciary and Benefit Plan Administration Counsel and the Investment Counsel. Ann McGeehan presented the recommendation of staff to retain Jackson Walker.

**Motion:** After discussion, Trustee Davis made a motion to retain Jackson Walker as the fiduciary and benefit plan administration counsel. Trustee Biggar seconded. Motion carried.

Casey Wolf then explained the need for additional counsel in the investments area and recommended retaining the existing three law firms, Jackson Walker, Vinson & Elkins and DLA Piper, and adding four new firms, Chapman & Cutler, Foster Garvey, Hirschler Fleischer and Norton Rose Fulbright.

**Motion:** After discussion, Trustee Williamson made a motion to retain the existing three law firms, Jackson Walker, Vinson & Elkins and DLA Piper, and adding four new firms, Chapman & Cutler, Foster Garvey, Hirschler Fleischer and Norton Rose Fulbright. Vice-chair Hunt seconded. Motion carried.

*Note: The meeting was adjourned for lunch at 11:56. The meeting was resumed at 12:50.*

**4925 (agenda no. 16) Receive operations report**

Karen Correa, Chief Administrative Officer, and Brad Watkins, Assistant IT Director, discussed progress on the TCDRS information security program. They covered governance risk compliance, data security, identity access management, vulnerability management, application security, change-configuration management monitoring, and business continuity. Kathy Thrift, Chief Customer Officer, presented the enhanced services that were recently rolled out including co-browse and the ability to take beneficiary and payment information in the call center.

**4926 (agenda no. 17) Consider means to be used by board to ensure linkage between board and member counties and districts**

Amy Bishop discussed methods to help ensure the appropriate linkage between the board and participating counties and districts as required by governance policy GP5-Agenda Planning. Staff recommended that input from employers be gathered through electronic surveys and staff interaction.

**Motion:** After discussion, Trustee Fletcher made a motion to adopt the linkage plan recommended by staff. Vice-chair Hunt seconded. Motion carried.

**4927 (agenda no. 18) Receive report of legal counsel**

Ann McGeehan, General Counsel, gave an update on litigation related to a member benefit claim.

**4928 (agenda no. 19) Receive report on educational opportunities for 2021**

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 reported that all trustees were in compliance with the educational requirements.

**4929 (agenda no. 20) Receive report of deputy executive director**

Tom Harrison, Deputy Executive Director, presented the report of deputy executive director. Mr. Harrison reported that the building was fully leased. In addition, he reported that the Texas House Pension Investments and Finance committee released its interim charges. Only one of the charges is related to TCDRS and concerns divestment from Russian investments.

**4930 (agenda no. 21) Receive report of chair**

Chair Nicholson reported that she is in regular contact with TCDRS staff about current affairs that may impact the system and thanked the board for their dedication.

**4931 (agenda no. 22) Review governance policy and consider amendment(s) to boards 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*. Ms. Bishop also presented an amendment to GP-5 Agenda Planning that updates the future review dates for the fiduciary and investment counsels and an amendment to *EL8 - Plan Funding* that updates the calendar dates and provides a clarification on peer audit review for the investigation of experience.

**Motion:** After discussion, Trustee Davis made a motion to approve the proposed changes to *GP5 – Agenda Planning* and *EL8 – Plan Funding*. Vice-chair Hunt seconded. Motion carried.

**4932 (agenda no. 23) Consider compliance at this meeting with board's governance policies**

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


**4933 (agenda no. 24) Adjournment**

There being no further business to come before the board, Chair Nicholson adjourned the meeting at 1:47 p.m.

**APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 16th DAY OF JUNE 2022.**

**ATTESTED BY:**

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

  
\_\_\_\_\_  
Date