

Texas County & District Retirement System
Minutes of the Board of Trustees' Meeting
September 10, 2020

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 and relating to a current agenda item
4	Public comment
5	Receive report of executive director
6	Consider consent agenda items
a	June 2020 regular meeting minutes
b	Quarterly financial statements
c	Participation of new districts
d	Plan termination of Palo Pinto Soil & Water Conservation District
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 REITS manager(s) due diligence report
12	Consider amendment(s) and update(s) to investment policy
13	Consider report on customer feedback and TCDRS 2021-2024 Strategic Plan
14	Review governance policy and consider amendment(s) to board governance policies
15	Receive report of consulting actuary
16	Receive report of legal counsel
17	Receive report of deputy executive director
18	Consider 2021 trustee meeting dates
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 September 10, 2020 by telephone conference, with the physical location of the meeting at the TCDRS offices located at 901 South MoPac, Bldg 4 in Austin, TX. In accordance with Section 845.007(f)(2) of the TCDRS Act that at least one trustee be present at stated location, Chair Eckels, Vice-Chair Nicholson and Trustee Hill attended the meeting at the TCDRS offices.

Attendees:

Trustees:

1. Robert A. Eckels, Chair
2. Mary Louise Nicholson, Vice-Chair
3. Chris Davis
4. Chris Hill
5. Deborah Hunt
6. Bridget McDowell
7. Kara Sands

Trustees Not Attending:

1. Susan Fletcher
2. Bob Willis

Staff:

Amy Bishop, Executive Director
Casey Wolf, Chief Investment Officer
Tom Harrison, Deputy Executive Director
Sandra Bragg, Deputy Investment Officer
Ann McGeehan, General Counsel
Chris Bucknall, Director, Actuarial Services
Karen Correa, Chief Administrative Officer
Kathy Thrift, Chief Customer Officer
John Hawes, Director, Finance
Julie Dwiggin, Executive Assistant
Tina Silguero, Records & Information Analyst
Chad Estes, Business Analyst

Consultants:

Mark Olleman, Milliman, Inc.
Kathy Barchick, Cliffwater, LLC
Chuck Campbell, Jackson Walker

Others:

Jason McElvaney, McElvaney Public Affairs

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

4762 (agenda no. 1) Call meeting to order

Chair Eckels called the meeting to order at 9:03 a.m.

4763 (agenda no. 2) Receive report of fiduciary counsel

Chuck Campbell, with Jackson Walker, had no report of fiduciary counsel.

4764 (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.

4765 (agenda no. 4) Public comment

No members of the public were present at this meeting.

Note: Trustee Sands arrived at 9:09 a.m. Seven trustees were present.

4766 (agenda no. 5) Receive report of executive director

Amy Bishop, Executive Director, presented an operations report. The report included information on how TCDRS continues to effectively provide services remotely through online counseling, webinars and the call center. In addition, the report highlighted the recent rollout of the new mobile-responsive website, TCDRS.org.

4767 (agenda no. 6) Consider consent agenda items

Amy Bishop presented four consent agenda items.

6a. Approval of June 25, 2020 regular meeting minutes.

6b. Approval of quarterly financial statements as of Jun. 30, 2020.

6c. Approval of participation of six new districts (Howard County Appraisal District, Reeves County Emergency Service District No. 1, Reeves County Emergency Service District No. 2, Victoria County Water Control & Improvement District No. 1, Walker County Emergency District #2, and Woodbine Special Utility District).

6d. Plan termination of Palo Pinto Soil & Water Conservation District.

Motion: Vice-Chair Nicholson made a motion to approve the consent agenda items. Trustee Hunt seconded. Motion carried.

4768 (agenda no. 7) Consider executive director's monitoring report

Amy Bishop presented the executive director's monitoring report which included a review of performance against the Ends Policy (EI). Ms. Bishop also reviewed Executive Limitation 5 – Financial Activities (EL5). Ms. Bishop discussed compliance with each monitoring report and reported an exception to EL5 Policy #3 regarding payment of invoices.

Motion: After discussion, Vice-Chair Nicholson made a motion to approve the director's monitoring report. Trustee Hill seconded. Motion carried.

4769 (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 Ends Policy (EI) report and the quarterly monitoring reports on Executive Limitation 5 – Financial Activities (EL5) and Executive Limitation 11-Investment Policies (ELI 1). Mr. Wolf discussed various elements of each monitoring report and reported compliance.

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

4770 (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 June 30, 2020.

Note: Chair Eckels left the meeting at 10:00 a.m. and returned to the meeting at 10:46 a.m. Seven trustees were present for the remainder of the meeting.

4771 (agenda no. 10) Consider hedge funds, distressed debt, private real estate, opportunistic credit, direct lending and private equity investments

The report on hedge funds, distressed debt, private real estate, opportunistic credit, direct lending and private equity investments was combined with agenda item 4770 above.

Motion: After discussion, Trustee Hunt made a motion to accept 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 Davis 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 September 10, 2020, 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

Summit Credit IV

Distressed Debt

Cheyne European Strategic Value Credit II

Peak Rock Capital III

Taconic European Credit Dislocation Fund III

Private Real Estate

* ElmTree U.S. Net Lease IV – opportunistic

* Exeter Office Value Fund II – value added

* Roxborough Fund III – opportunistic

Private Equity & Co-Investments

* Arcline II – Buyout

* Atlas IV – Buyout

Genstar Capital X – Buyout

Genstar Capital X Opportunities I – Buyout

* Linden V – Buyout

* Primus IX – Buyout

Shamrock Capital Growth Fund V – Buyout

* Southvest VIII – Buyout

TA Select Opportunities II – Buyout

TA XIV – Buyout

Water Street Healthcare V & Sidecar II – Buyout

* FountainVest IV – Non-US

HIG Europe Capital Partners III – Non-US

Hillhouse Growth Equity V – Non-US

Hillhouse Venture Capital V – Non-US

Hillhouse Buyout V – Non-US

* Oakley Capital Origin Fund – Non-US

Waterland VIII – 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 Our Investments page on the TCDRS website. (<https://www.tcdrs.org/OurInvestments/Pages/OurInvestments.aspx>)

4772 (agenda no. 11) Consider REITS manager(s) due diligence report

Kathy Barchick presented a due diligence review report of the current TCDRS Real Estate Investment Trust (REIT) managers. Ms. Barchick recommended retaining Cohen & Steers and DFA.

Motion: After discussion, Vice-Chair Nicholson made a motion to approve Cliffwater's due diligence review report on the REITS managers and approve retention of Cohen & Steers and DFA as managers. Trustee Hunt seconded. Motion carried.

4772 (agenda no. 12) Consider amendment(s) and update(s) to investment policy

There were no amendments or updates to the investment policy at this meeting.

4773 (agenda no. 13) Consider report on customer feedback and TCDRS 2021-2024 Strategic Plan

Amy Bishop presented the 2021 – 2024 Strategic Plan. The projects in the plan include efforts to provide personalized member experiences; increase member engagement; provide faster, more convenient digital services; build trust and confidence with members; support employer recruitment and retention efforts; improve ease of plan administration; and strengthen organizational effectiveness.

Motion: After discussion, Trustee Hunt made a motion to approve the TCDRS 2021-2024 Strategic Plan. Trustee Davis seconded. Motion carried.

4774 (agenda no. 14) Review governance policy and consider amendment(s) to board's governance policies

Amy Bishop presented *GP7 – Trustee Conduct*, *GP8 – Board Committee Principles* and *GP9 – Board Committee Structure* for board review. No amendments were made at this meeting.

4775 (agenda no. 15) Receive report of consulting actuary

Mark Olleman, with Milliman, presented the consulting actuary report. The report detailed minor revisions to the following Actuarial Standards of Practice (ASOPs): ASOP 27 (*Selection of Economic Assumptions for Measuring Pension Obligations*) and ASOP 35 (*Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*). The revisions will have no practical impact because TCDRS' current practices already conform with the changes. Mr. Olleman also discussed proposed changes to ASOP 4 (*Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*), which if adopted will require an additional liability disclosure using a low-default risk obligation measure.

4776 (agenda no. 16) Receive report of legal counsel

Ann McGeehan, General Counsel, had no report of legal counsel.

4777 (agenda no. 17) Receive report of deputy executive director

Tom Harrison, Deputy Executive Director, presented a leasing activity report for the rentable space not occupied by TCDRS in the building that it owns, and a report on the status of building maintenance.

4778 (agenda no. 18) Consider 2021 trustee meeting dates

The board discussed the dates for the 2021 trustee meeting dates.

Motion: After discussion, Vice-Chair Nicholson made a motion that the first through fourth regular meetings be held on March 11, June 17, September 16 and December 2, 2021, with the option to modify any of the recommended dates at the December meeting if any of the dates pose a conflict. Trustee Hunt seconded. Motion carried.

4779 (agenda no. 19) Receive report of chair

Chair Eckels presented the report of the Chair. Chair Eckels congratulated Ms. Bishop, Mr. Wolf and staff on the smooth operations during the pandemic. He also expressed his appreciation to the board on their engagement at this meeting.

4780 (agenda no. 20) Consider compliance at this meeting with the board's governance policies

The board discussed and determined its compliance with their governance policies during this meeting as required by Governance Process 5 – Agenda Planning (GP5).

4781 (agenda no. 21) Adjournment

There being no further business to come before the board, Chair Eckels adjourned the meeting at 11:48 a.m.

APPROVED BY THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM BOARD OF TRUSTEES ON THE 3rd DAY OF DECEMBER 2020.

ATTESTED BY:



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

12/03/2020

Date