

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

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Casey Wolf, Investment Officer

REQUEST FOR QUALIFICATIONS

INVESTMENT CONSULTING SERVICES

January 2025

Table of Contents

I.	INTRODUCTION	3
II.	BACKGROUND INFORMATION.....	3
	A. Description of TCDRS	3
	B. Management of TCDRS Assets	4
	C. TCDRS Consultants	4
	D. Government Status of TCDRS	5
	E. Contract Incorporation	5
	F. Publicity	5
III.	MINIMUM ELIGIBILITY REQUIREMENTS.....	5
	A. Registration as Investment Advisor.....	5
	B. Required Experience and Policies.....	5
	C. Fiduciary Duty.....	6
	D. Data Security.....	6
IV.	SERVICES	6
	A. General Consulting.....	6
	B. Alternative Investments Consulting	8
V.	RESPONSE SPECIFICATIONS.....	10
	A. Response Deadline.....	10
	B. Required Attachments and Enclosures.....	10
	C. Public Record.....	11
	D. Withdrawal/Irrevocability of Responses.....	11
	E. Waiver/Cure of Minor Informalities, Errors and Omissions.....	11
	F. Communication with TCDRS	11
	G. Questions Relating to this RFQ.....	12
	H. Incurring Costs	12
	I. Rejection of Responses	12
VI.	SELECTION PROCESS	12
	A. Non-Qualifying Responses	12
	B. Selection of Investment Consultant Firm	12
VII.	TIMETABLE	13
VIII.	QUESTIONS AND REQUESTS FOR INFORMATION	14
	A. Experience of the Firm & Consultants.....	14
	B. References.....	15
	C. Independence of Judgment and Freedom from Conflicts of Interest.....	15
	D. Investment Consulting Services Experience & Knowledge	16
IX.	FEE PROPOSAL	18
	A. Service Fees – General Consulting.....	18
	B. Service Fees – Private Credit & Hedge Fund Consulting.....	18
	C. Service Fees – Private Equity & Real Estate Consulting.....	18
	ANNEXES.....	20

Texas County & District Retirement System

REQUEST FOR QUALIFICATIONS INVESTMENT CONSULTING SERVICES

I. INTRODUCTION.

The Texas County & District Retirement System (“TCDRS” or “System”) is soliciting qualifications from firms interested in providing Investment Consulting Services for TCERS, a \$50 billion public pension plan managed in accordance with the provisions of the Texas Government Code, Title 8, Subtitles A and F (the “TCERS Act”).

The intent of this Request for Qualifications ("RFQ") is to select a firm or firms to provide consulting services to TCERS in the following areas: plan consulting, including consulting services relating to investment policies and procedures, asset allocation, investment training and fiduciary education; investment planning and analysis; and manager oversight and selection ("Consulting Services").

TCERS may hire one or more firm(s) to provide Consulting Services. More detailed descriptions of these services are set forth in Section IV, "SERVICES." Firms are encouraged to respond for one or more services (General Consulting; Private Credit and Hedge Fund Consulting; Private Equity and Real Estate Consulting) or for all services.

II. BACKGROUND INFORMATION.

A. Description of TCERS.

The Texas County & District Retirement System was created to help Texas counties and districts provide reliable, reasonable retirement benefits for their employees. Investments are an important part of how those retirement benefits are funded. Our benefits are advance-funded, which means employers and employees save in advance, over the course of the employee’s career, for the benefit at retirement. Because benefits are funded in advance, almost 74% of each benefit dollar comes from investment earnings.

TCERS is a statewide, multiple-employer retirement system consisting of about 870 participating employers as of year-end 2023. Each participating employer has an individual plan under the System and chooses the rate of employee deposits and the level and type of employee benefits it desires to provide its employees from options available under the TCERS Act. Each employer is solely responsible for funding the benefits it selects.

The assets of the individual employer retirement plans are accounted for separately but are pooled for investment purposes. Each plan's assets may be used only for the

payment of benefits to the members of that plan. Adequacy of funding is determined annually by an actuarial valuation for each participating employer plan.

Pursuant to the TCDRS Act, the Board of Trustees (the “Board”) is responsible for all investment activities, including: developing an investment policy (the “Investment Policy”); allocating assets of the System to various asset classes; selecting an investment officer to supervise investment operations for the Board; providing a process for selecting professional investment managers to assist in investing the assets of the System; selecting performance measurement analysts; selecting the System's custodians; and selecting the System's securities lending agents.

Pursuant to the Investment Policy, the Board, acting on the recommendations of the investment officer, may retain an investment consultant to provide investment data, analysis, and recommendations to assist the Board and investment staff in making optimum investment decisions.

The TCDRS investment objective is to stabilize benefit costs (of employers) and maintain current benefit levels (for employees) as much as possible by structuring the TCDRS investment portfolio to attain a 7.5% annual return within an acceptable level of risk. As of December 31, 2023, TCDRS had audited assets of approximately \$46 billion.

The nine-member TCDRS Board is appointed by the Governor of Texas and each member must be an active or retired participant of the System. The Board is chaired by one of the nine members and is elected annually by the Board. All members serve without compensation.

The Board oversees the System's assets under the terms of Section 67, Article XVI of the Texas Constitution, the “TCDRS Act” and the TCDRS Investment Policy. The members of the Board in conjunction with the investment officer, who serves at the pleasure of the Board, determine policies and make decisions concerning the investment operations of the System.

B. Management of TCDRS Assets.

The TCDRS investment officer invests the System's assets according to board policy which includes an asset allocation plan. The investment officer manages short term cash. External investment firms manage investment grade bonds, REITs, MLPs, commodities, hedge funds, domestic equities, international equities, private equity, distressed debt, direct lending, and strategic credit (which includes opportunistic credit and high yield bonds). TCDRS’ liquidity profile allows TCDRS to invest a large amount in illiquid investments. **Annex A** includes a description of the current asset allocation and **Annex B** includes an estimate of TCDRS’ cash flow.

C. TCDRS Consultants.

Outside consultants are engaged for their particular expertise and retained to assist the

Board and its staff. Cliffwater is the current TCDRS investment consultant and Bank of New York Mellon is the performance measurement consultant.

D. Government Status of TCDRS.

TCDRS is a governmental entity, established under Texas state law. Consulting firms participating in the bidding process understand and agree that TCDRS and the contract for investment consulting services will be subject to Texas state law including:

- Sovereign immunity in Texas
- Jurisdiction in Texas
- Venue in Travis County, Texas
- Texas Open Meetings and Open Records law, and
- Dispute resolution under Texas law

E. Contract Incorporation.

The terms of this RFQ and the terms of the successful proposal will become part of the contract, and all matters related to the contract will be governed by Texas law. Failure to accept this obligation may result in the cancellation of any award.

F. Publicity.

Any publicity, news releases, and/or advertising pertaining to the RFQ and/or the awarding of any contract relating to this RFQ may not be made without prior written approval by TCDRS.

III. MINIMUM ELIGIBILITY REQUIREMENTS.

All firms submitting Responses must meet the following minimum criteria:

A. Registration as Investment Advisor.

The investment consulting firm must be a registered investment advisor under the Investment Company Act of 1940.

B. Required Experience and Policies.

1. The firm must have been in business for a minimum of ten (10) years; if the firm has not been in business for at least ten (10) years, the senior principals of the firm must have at least ten (10) years' experience with institutional clients at an investment consulting firm.
2. The firm must have provided similar investment consulting service to other public retirement systems of similar asset size to TCDRS.
3. The firm must have individuals assigned to TCDRS with a minimum of five (5) years professional experience in the investment consulting field.

4. The firm must have established ethics and conflicts policies and procedures and proper internal compliance controls in place.

C. Fiduciary Duty

The firm must agree to be a fiduciary to the plan as that term is defined in Texas law. The investment consulting firm must agree to disclose all conflicts of interest, all sources of revenue and all affiliations.

The firm must disclose in its cover letter that accompanies this RFQ response any payments of remuneration or thing of value directly or indirectly to TCDRS or any of its board members, officers, employees, or agents, or any third party, including, but not limited to, a finder's fee, cash, solicitation fee, or a fee for consulting, lobbying, or otherwise.

D. Data Security

The firm must maintain a written, comprehensive data security program, which shall include reasonable and appropriate physical, technical, and logical security measures designed to protect and to secure client investment data from unauthorized use, access, or disclosure.

IV. SERVICES.

A. **General Consulting.** As outlined in the TCDRS investment and governance policies, the General Consulting Services to be provided by the investment consultant include:

1. ***Developing appropriate investment policies.*** Review the TCDRS Investment Policy and other investment-related policies (if any) not less than annually and make recommendations.
2. ***Evaluating and recommending asset allocation alternatives.*** Prepare and present to the staff and the Board a report containing an evaluation and optimization analysis of the asset allocation plan and proposals to achieve the goals of that analysis during the calendar year. Annually provide a set of capital market assumptions (expected return & risk for each asset class as well as a correlation table for all asset classes used by TCDRS).
3. ***Conducting due diligence on and searches for investment managers, custodians, or securities lending agents.*** Provide analysis, and assist in the hiring of outside investment managers, custodians, or securities lending agents, including:

Assist the staff and the Board, as applicable, in conducting searches for managers, custodians, or securities lending agents including but not limited to (i) development of requests for proposals, including evaluation of factors and methods; (ii) screening of prospective firms and recommendation of finalists; (iii) preparation of background

material for the staff and the Board; (iv) participating in the interviewing of firms; (v) providing reasoned analysis concerning firm selection to the staff and the Board; and (vi) recommendations concerning selection of a firm or firms.

With respect to the General Consultant, searches for managers, ongoing monitoring of managers, and measurement of manager performance shall not include alternative investment managers as defined by the TCDRS Investment Policy.

4. ***Assisting the Board in the development of investment manager guidelines and objectives (manager evaluation and oversight).*** For each of the TCDRS managers, provide quarterly performance analysis, including performance evaluation against the appropriate benchmarks and investment objectives, as well as return attribution characteristics, style analysis and risk analysis. In addition, perform a periodic formal evaluation of each of the TCDRS public-markets managers no less frequently than every three years.

Provide analysis and advice on questions or issues that arise in the course of overseeing the managers. For example, advise on appropriate benchmarks; calculate custom benchmarks, if necessary; and advise on investment guidelines or fee structures, including performance-based fees, for managers.

Provide advice and recommendations concerning manager termination.

5. ***Analyzing on-going investment performance of the System and individual managers and reporting such analysis to the Board on a quarterly basis.*** Recommend and monitor continued appropriateness of the performance measurement benchmarks for each asset class. Provide quarterly performance analysis, including performance of individual portfolios, asset-class composites and the aggregate of all portfolios. The quarterly performance analysis should include return attribution characteristics, style analysis, risk analysis, peer universe comparison, holdings analysis relative to the benchmarks, and trading efficiency. The consultant performing these services will receive the performance measurement information from the TCDRS custodian.
6. ***Analyzing the financial condition of the plan. Participating in benefit design issues. Providing other investment-related services or advice that the Board or staff may request from time to time.*** Provide investment-related services or advice as may be reasonably requested or as described in the Investment Policy as being the duty or responsibility of the investment consultant. Prepare and present an *Investment Practices and Performance Evaluation* report as required every three years by Texas Government Code Section 802.109, unless otherwise directed.
7. ***Attending TCDRS Board meetings.*** Attend regular quarterly meetings of the TCDRS Board and special meetings as required.
8. ***Providing trustee education.*** The TCDRS governance policy contains education

requirements for Board trustees. The consultant will provide trustee education as requested on specific issues designated by TCDRS and/or recommended by the consultant. This education component includes planning and attending semiannual meetings with several TCDRS money managers, consultants or other service providers.

B. **Alternative Investments Consulting.** As defined and outlined in the Investment Policy, the alternative investment consulting services to be provided by the investment consultant, as directed by the TCDRS Investment Officer, include:

1. ***Conducting extensive due diligence on potential alternative investments.***
Due diligence reviews take into consideration (i) quality and stability of the firm and investment team; (ii) previous investment track record of the investment vehicle manager; (iii) proposed investment strategy; (iv) ability of investment vehicle manager to demonstrate capability to generate superior returns; (v) operational capabilities; (vi) legal and economic terms governing the partnership or other vehicle; (vii) alignment of interests; and (viii) TCDRS portfolio fit.
2. ***Developing an annual plan for alternative investments.*** Develop and present an annual plan to the Board for private equity, private real estate, direct lending and distressed debt. This annual plan will reflect a pace of commitments that, considering forecasted cash flows, is expected to achieve the System's targeted allocation to the alternative asset class over a reasonable period.
3. ***Monitoring TCDRS investments.*** Continued monitoring of selected investments by conducting portfolio reviews as well as on-site due diligence to confirm appropriate operational infrastructure is in place to support the investment process.
4. **Providing online access.** The consultant should provide clients online access to data, reports, and lists of managers according to required services listed in 5a) and 5b) below.
5. The following additional alternative investments services are to be provided by the consultant:
 - a) **Private Credit & Hedge Fund Consulting Services (comprising Hedge Funds, Distressed Debt, Direct Lending, and Strategic Credit asset classes)**
 - 1) *Sourcing.* Support staff in developing and maintaining a sourcing strategy that provides a broad opportunity to evaluate available distressed debt, direct lending, strategic credit and hedge funds of institutional quality that are raising capital over the upcoming 18-24 month period. Actively assist in screening and evaluating investment opportunities identified or sourced by TCDRS staff.
 - 2) *Operational and Investment Due Diligence.* Maintain a disciplined and comprehensive process to screen the managers/funds for potential

investment. Execute a comprehensive operational and investment due diligence review of screened funds and produce a comprehensive report with recommendations for staff.

- 3) *Focus List.* Partner with TCDRS internal staff to generate a focus list which will be subject to consultant's full due diligence process. Develop with TCDRS staff a monthly report which highlights the main attributes of funds on this list, target close dates and next steps.
- 4) *Approved List.* An approved list of funds that pass the consultant's full due diligence process will be continually updated as reviews are completed on funds in the market. A comprehensive report will be available for each approved fund.
- 5) *Portfolio Construction.* The managers/funds will be diversified to optimize overall portfolio risk and return. Prepare annual strategic plans for the distressed debt and direct lending programs to set a budget for new commitments and outline the priorities for the coming year.
- 6) *Monitoring and Reporting.* Provide monthly strategic credit and hedge fund reporting on the performance of the fund portfolios, which includes returns, risk, key holdings, and universe comparisons. Provide quarterly reporting on the performance of TCDRS distressed debt and direct lending portfolios. Review managers' quarterly financial reports, new investment activity and portfolio company/holding performance.
- 7) *Other Private Credit & Hedge Fund Consulting Services.* Provide other consulting services as may be reasonably requested and/or as may be described in the Investment Policy as being the duty or responsibility of the investment consultant.

b) **Private Equity & Real Estate Consulting Services (comprising Private Equity and Private Real Estate asset classes)**

- 1) *Sourcing.* Support staff in developing and maintaining a sourcing strategy that provides a broad opportunity to evaluate all available private equity and real estate funds of institutional quality that are fundraising over the upcoming 18-24 month period. Actively assist in screening and evaluating investment opportunities identified or sourced by TCDRS staff.
- 2) *Operational and Investment Due Diligence.* Maintain a disciplined and comprehensive process to screen funds for potential investment. Execute a comprehensive operational and investment due diligence review of screened funds and produce a comprehensive report with recommendations for staff.
- 3) *Focus List.* Partner with TCDRS internal staff to generate a focus list which will be subject to consultant's full due diligence process. Develop with TCDRS staff a monthly report which highlights the main attributes of funds on this list, target close dates and next steps.
- 4) *Approved List.* An approved list of funds will be continually updated as the consultant completes its due diligence process on funds in the market. A comprehensive report will be available for each approved fund.

- 5) *Portfolio Construction.* Prepare annual strategic plans for the private equity and private real estate programs to set a budget for new commitments and outline the priorities for the coming year.
- 6) *Monitoring & Reporting.* Provide quarterly reporting on the performance of the TCDRS private equity and real estate portfolios. Review managers' quarterly financial reports, new investment activity, and portfolio company performance.
- 7) *Other Private Equity & Real Estate Consulting Services.* Provide other consulting services as may be reasonably requested and/or as may be described in the Investment Policy as being the duty or responsibility of the investment consultant.

V. RESPONSE SPECIFICATIONS.

A. Response Deadline.

The completed response, which must include all attachments, must be delivered electronically via e-mail to **TCDRS_RFQ_Responses@tcdrs.org (copy to InvReporting@tcdrs.org)** by **8:00 a.m. Central Standard Time (CST) on Friday, February 14, 2025**. Any response not meeting the deadline will not be accepted or considered. In addition, an original and twelve (12) copies of the response are to be sent to the attention of:

Casey Wolf, Investment Officer
Texas County and District Retirement System
901 S. Mopac Expwy, Ste. IV-500
Austin, TX 78746

The response should contain the questions and requests for information in Section VIII of this RFQ and should be duplicated in their entirety in the response with each question and/or request repeated before the answer or response.

B. Required Attachments and Enclosures.

In addition to the responses to the RFQ questions, the following information will be attached to the firm's response.

1. **Cover Letter.** The response should include an original and twelve (12) copies of a cover letter and one copy sent via e-mail, which will be considered an integral part of the response, and which shall be signed by at least one individual who is authorized to bind the firm contractually. This cover letter must include: (a) the firm name, address and telephone/fax numbers; (b) the TCDRS client contact; (c) the title or position which the signer of the cover letter holds in the firm; (d) a statement that the firm meets all minimum requirements listed in Section III and the response provides support for how such requirements are met; and (e) a statement to the effect that the response is a firm and irrevocable offer of the firm.

2. **Any other material** must be submitted separate from the response.

C. Public Record.

All materials submitted in response to this RFQ shall become the property of TCDRS, which reserves the right in its sole discretion to use without limitation any and all information, concepts, and data contained therein. In accordance with the Texas Public Information Act, upon the expiration of the proposal deadline, all proposals shall be deemed a public record and will be subject to requests for public disclosure.

TCDRS will treat all submitted materials as non-confidential and disclosable for purposes of the Texas Public Information Act unless such materials are specifically labeled by the respondent as proprietary, in which case TCDRS will request for a Texas Attorney General Opinion as to its ability to withhold such information in accordance with the Texas Public Information Act. TCDRS will have no liability for disclosure of any materials submitted by a respondent in connection with a request for such materials under the Texas Public Information Act.

D. Withdrawal/Irrevocability of Responses.

A firm may withdraw and resubmit a response prior to the response deadline. No withdrawals or re-submissions will be allowed after the response deadline.

E. Waiver/Cure of Minor Informalities, Errors and Omissions.

TCDRS reserves the right to waive or permit cure of minor informalities, errors or omissions prior to the selection of finalists, and to conduct discussions with any qualified proposers and to take any other measures with respect to this RFQ in any manner necessary to serve the best interest of TCDRS and its beneficiaries.

F. Communication with TCDRS.

The TCDRS contact for this RFQ is:

Casey Wolf, Investment Officer
Texas County and District Retirement System
901 S. Mopac Expwy, Ste. IV-500
Austin, TX 78746
Telephone: (512) 637-3335
Facsimile: (512) 328-8480
TCDRS_RFQ_Responses@tcdrs.org (cc: InvReporting@tcdrs.org)

As of **January 15, 2025**, firms which intend to submit a response should not contact any other TCDRS staff or members of the TCDRS Board. An exception to this “no-contact” rule applies to firms which currently do business with TCDRS, such as the System's

current investment consultant, but any contact made by such firms with persons other than the investment officer should be limited to that business and should not relate to this RFQ. In addition, such firms should not discuss this RFQ with any employee of TCDRS' custodian, external managers, or TCDRS' legal counsel or other advisors.

FAILURE TO OBSERVE THIS NO-CONTACT RULE IS GROUND FOR DISQUALIFICATION.

G. Questions Relating to this RFQ.

All questions concerning this RFQ must be received by the investment officer by **3:00 p.m. CST on Monday, February 3, 2025** (the "Question Deadline") via e-mail to TCDRS_RFQ_Responses@tcdrs.org (copy InvReporting@tcdrs.org). Questions received in accordance with this section will be answered and circulated by e-mail to all firms who have proposed a question or who request in writing a copy of the questions and the responses. Questions submitted after the Question Deadline will not be considered.

H. Incurring Costs.

All direct and indirect costs relating to the preparation and submission of a response to this RFQ, including, without limitation, any oral presentation supplementing the response, and related travel expenses, shall be the sole responsibility of, and shall be borne by, the responding firm. TCDRS will not be liable for any costs incurred prior to entering into the contract with the successful firm.

I. Rejection of Responses.

This RFQ is neither a contractual offer nor a commitment by TCDRS to purchase services. TCDRS reserves the right to reject any non-qualifying response, as well as the right to reject all responses.

VI. SELECTION PROCESS

A. Non-Qualifying Responses.

TCDRS will evaluate each Response to determine if it was submitted in accordance with the requirements set forth in this RFQ, including whether the proposing firm meets the minimum criteria. All nonqualifying Responses not subject to the waiver/cure of minor information will be rejected at this time and the responding firm so notified.

B. Selection of Investment Consultant Firm

TCDRS staff will evaluate all Responses having met minimum requirements in Section III. Staff may conduct due diligence visits to selected candidates' offices. Based upon this review, the Board will invite chosen candidates to make a presentation in Austin, Texas on March 19 or 20, 2025. The Board may invite certain finalists to return after the finalist presentations for further discussions, if necessary. The Board may approve, fail to approve, or modify the scope of services and fees of the selected investment consultant firm(s).

VII. TIMETABLE.

The following is the time schedule for TCDRS' search for a firm to provide investment consulting services. All dates are subject to modification by TCDRS with notice.

Issuance of RFQ:	January 15, 2025
Question Deadline: (Firm)	February 3, 2025 3:00 p.m. CST
Response Deadline: (Firm)	February 14, 2025 8:00 a.m. CST
Finalist Firms Presentation to TCDRS Board:	March 19-20, 2025 June 12, 2025 (if needed due to response volume)
Projected Commencement Date:	Between April 1 & July 1, 2025 (depends on response)

VIII. QUESTIONS AND REQUESTS FOR INFORMATION.

FIRM NAME: _____

ADDRESS: _____

TELEPHONE #: _____

FACSIMILE#: _____

E-MAIL ADDRESS: _____

CLIENT CONTACT: _____

SIGNED: _____

NAME (print): _____

TITLE: _____

DATE: _____

A. Experience of the Firm & Consultants.

1. Please provide a brief history of the firm, including organizational structure and ownership.
 - a. Provide a chart spanning the last 10 years to include year-end AUM under advisement, number of clients, and number of research analysts.
 - b. Provide the annual approved lists for the last 5 years for all the alternative investment asset classes.
2. Please provide names and a brief history of the experience of the consultants who would be assigned the TCDRS account.
3. Please describe the firm's new-client onboarding process and provide a boilerplate of the firm's investment consultant services agreement, if available.
4. Is the firm, its parent or affiliate a registered investment advisor with the SEC under the Investment Advisers Act of 1940?
5. If the firm is hired, will it acknowledge in writing that the firm has a fiduciary obligation as an investment advisor to TCDRS while providing consulting services to TCDRS?
6. Since 2020, has the firm, the consultant(s), or another officer or principal been involved in

any business litigation, regulatory or other legal proceedings or government investigation involving allegations of fraud, negligence, criminal activity, violation of securities laws, breach of contract, or breach of fiduciary duty, or, to the best knowledge of the firm, is any such litigation proceeding or investigation threatened or pending? If so, please describe, provide an explanation, and indicate the current status.

7. Please describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance the firm carries. List the insurance carriers supplying the coverage.
8. Please provide the firm's latest ADV Form Parts I and II.
9. Does the firm maintain a written, comprehensive data security program?
10. Does the firm have the ability to maintain a data processing interface with TCDRS' custodian bank by online connections or other electronic means?

B. References.

Please provide three (3) relevant references that we may contact. Please provide a list of clients lost over the last three years.

C. Independence of Judgment and Freedom from Conflicts of Interest.

1. Does the firm or any affiliate serve, or plan to serve, as an investment manager for clients? If yes, please describe.
2. Does the firm or any affiliate act, or plan to act, as a securities broker-dealer?
3. Does the firm have any "soft dollar" arrangements with any entity (investment manager, broker-dealer, etc.) as a method of payment for services? If yes, please describe.
4. Does the firm or a related company manage, or plan to manage, investment vehicles of any kind?
5. Does the firm or a related company have financial or ownership relationships with investment managers or funds that the firm might recommend to TCDRS for consideration? If so, describe those relationships.
6. Does the firm or a related company receive any direct or indirect revenue from investment managers or funds that the firm recommends to clients. If so, please describe this revenue and what is the percentage of this revenue in relation to the firm's total revenue?
7. Does the firm have any policies or procedures (including, but not limited to, reporting requirements related to benefits given to employees) to address conflicts of interest or to prevent payments or relationships described in 4, 5 and 6 above from being considered when you provide advice to clients?
8. Do you have any arrangements with broker-dealers under which you or a related company will benefit (financially or otherwise) if investment managers or funds place

trades for their clients with such broker-dealers?

9. What percentage of the firm’s plan clients utilize investment managers or funds, brokerage services or other service providers from whom you receive fees?
10. How much time do principals allocate to consulting services compared to other functions of the firm?
11. Does the firm have any potential conflicts of interest with TCDRS? If yes, please describe.

D. Investment Consulting Services Experience & Knowledge.

1. Please name and include a brief resume of the person(s) you propose to be consultant(s), for TCDRS, listing the focus of each as General and/or Alternative Investments Consulting. Please state which of the firm's offices would service this account.
2. Please identify all principals of the firm and designate which individuals, including research and systems support personnel, will be committed to the TCDRS account, listing titles and identifying each as General and/or Alternative Investments focus. Include the length of experience in pension consulting services, any specialty expertise they possess, and the highest educational degree they have attained.

<u>Name</u>	<u>Title</u>	Focus	<u>Years With Firm</u>	<u>Consulting Experience</u>	<u>Education</u>
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3. Please provide biographical data on all the individuals listed above.
4. Please explain how the team dedicated to the TCDRS account would function, including consultant(s), back-up, quality control, research, and support services.
5. Will the consultant(s) committed to the TCDRS account consult for TCDRS exclusively? If not, how many client relationships will the consultant(s) have other than TCDRS? What are the client/consultants and client/support personnel ratios for the firm?
6. Please list the consultants' current clients and engagements by asset size, type of client (e.g., public fund, corporate fund, endowment) and type of engagement (e.g., general consulting services, alternative investments consulting, project-based service).
7. Please review the TCDRS Statement of Investment Policy, contained in **Annex D**, and offer any suggested improvements.
8. Please provide a copy of the firm's most recent expected return and risk assumptions for each asset class found in **Annex A** (include the correlation table using the assets listed in **Annex A**).
9. TCDRS would also like to see historical capital market assumptions. If available, please provide published capital market assumptions issued annually since 2007 for asset classes listed in **Annex A**.

10. Please provide the most recent description of the firm's methodology used to derive the firm's capital market assumptions for each asset class (and signify the number of years upon which the assumptions are based). Using the firm's capital market assumptions as of Jan. 1, 2024, calculate the TCDRS portfolio's expected return and risk (based on target asset class allocations).
11. Please review the TCDRS current Asset Allocation targets, contained in **Annex A**, and offer any suggested changes. Your response to this question should address the following questions:
 - a) TCDRS currently invests passively in the domestic equity market and in a portion of the developed international equity market via index funds. Would you recommend active management for any portion of these asset classes?
 - b) In TCDRS' actively managed asset classes (high yield bonds, MLPs, REITs, investment grade bonds, developed international and emerging market equities), managers are allowed to invest long-only. Should the mandate for managers in any of these asset classes be expanded?
 - c) TCDRS' current asset allocation plan includes a 13.5% allocation to international equities. Currently TCDRS does not hedge any currency risk associated with this allocation. Would you recommend any portion of the currency risk be hedged?
12. TCDRS currently invests in private equity, distressed debt, direct lending, opportunistic credit, private real estate and hedge funds. Please discuss the services the firm can provide to TCDRS in each area and address the following:
 - a) Describe the firm's process for sourcing and evaluating prospective managers/funds for client investment. Include an annual number of funds approved/rated by asset class spanning the last 10 years.
 - b) Does the firm perform due diligence on both investment and operations capabilities, and provide written reports on results prior to investment by clients? Does the firm have an online database for clients to access these reports?
 - c) Describe the firm's ongoing monitoring of selected managers/funds and how often reports are provided to clients for each type of alternative investment.
13. What is your assessment of TCDRS' current investment manager/fund roster? (**See Annex C**)
14. Overall, what is the most important improvement to TCDRS' investment program that you recommend the System consider?
15. Please submit an executive summary consisting of not more than 3 one-sided pages which summarize the contents of the response with the firm's name identified on the top of the first page. This summary will be provided to the TCDRS Board in advance of any interview.

IX. FEE PROPOSAL.

TCDRS expects to execute a four-year contract with one or more consultant selected by the Board. **The services detailed under "SERVICES" in Section IV of this RFQ should form the basis for the proposed fees** and Section IV should be referred to for a detailed description of the services required of the successful firm(s). Once the consultant(s) is(are) selected, the fee may be negotiated further depending on the variance from the other responses. In no case will the negotiated fee be higher than the fee contained in the response.

A. Service Fees - General Consulting.

Responders must submit an annual fee for all services as described under "SERVICES" in Section IV of this RFQ.

All-Inclusive Flat Fee – General Consulting Services

Year 1 \$ _____ Year 2 \$ _____
Year 3 \$ _____ Year 4 \$ _____
TOTAL FEES (Years 1- 4) \$ _____

B. Service Fees – Private Credit & Hedge Fund Consulting.

Responders must submit an annual fee for all services as described under "SERVICES" in Section IV of this RFQ.

All Inclusive Flat Fee - Private Credit & Hedge Fund Consulting Services

Year 1 \$ _____ Year 2 \$ _____
Year 3 \$ _____ Year 4 \$ _____
TOTAL FEES (Years 1- 4) \$ _____

C. Service Fees – Private Equity & Real Estate Consulting.

Responders must submit an annual fee for all services as described under "SERVICES" in Section IV of this RFQ.

All Inclusive Flat Fee - Private Equity & Real Estate Consulting Services

Year 1 \$ _____ Year 2 \$ _____
Year 3 \$ _____ Year 4 \$ _____
TOTAL FEES (Years 1- 4) \$ _____

Qualifications and Fee Proposal Submitted on behalf of:

Name of Firm

Date

By:

Signature

Title

Annex A
Asset Allocation

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>
Private Credit	29.0%
Direct Lending (Levered 1:1)	16.0%
Morningstar LSTA US Leverage Loan TR USD Index	
Distressed Debt	4.0%
Cambridge Associates Distressed Securities Index (vintage years 2005-present of Quarter Pooled Horizon IRRs)	
Strategic Credit (small portion is high-yield bonds; rest is similar to credit hedge funds)	9.0%
FTSE High-Yield Cash-Pay Index	
Private Equity	25.0%
Cambridge Associates Global Private Equity & Venture Capital Index (vintage years 2006-present of Quarter Pooled Horizon IRRs)	
Equities	25.0%
U.S. Total Stock Market	11.5%
Dow Jones U.S. Total Stock Market Index	
Emerging Markets (MSCI EM Index net)	6.0%
MSCI EM Index (net)	
Developed Market Equities X US	5.0%
MSCI World ex US Index (net)	
Global Equities	2.5%
MSCI World Index (net)	
Real Assets	10.0%
Private Real Estate Funds	6.0%
Cambridge Associates Real Estate Index (vintage years 2007-present of Quarter Pooled Horizon IRRs)	
Real Estate Investment Trusts	2.0%
67% FTSE NAREIT All Equity REITs Index 33% S&P Global REIT Index net	
Master Limited Partnerships	2.0%
Alerian MLP Index	
Commodities	0.0%
Bloomberg Commodity Index	
TIPS	0.0%
Bloomberg U.S. 10-Year Breakeven Inflation Index	
Hedge Funds	6.0%
HFR, Inc. Fund of Funds Composite Index	
Investment-Grade Bonds	3.0%
Bloomberg U.S. Aggregate Bond Index	
Cash	2.0%
90-Day U.S. Treasury Bill	

Annex B
TCDRS Projected Cash Flow
(in \$Millions)¹

<u>Year Ending</u>	<u>Contributions ²</u>	<u>Benefit Payments</u>	<u>Net Cashflow ³</u>	<u>Net Cashflow as a Percentage of System Assets</u>
2024	1,921.8	2,432.9	(511.1)	-1.2%
2025	1,953.0	2,601.9	(648.9)	-1.4%
2026	2,006.8	2,780.2	(773.4)	-1.6%
2027	2,062.3	2,967.4	(905.1)	-1.7%
2028	2,119.3	3,155.1	(1,035.8)	-1.9%
2029	2,177.7	3,352.9	(1,175.2)	-2.0%
2030	2,238.2	3,559.1	(1,320.9)	-2.2%
2031	2,300.6	3,772.3	(1,471.7)	-2.3%
2032	2,364.6	3,995.1	(1,630.5)	-2.4%
2033	2,430.6	4,221.8	(1,791.2)	-2.5%
2034	2,498.0	4,324.8	(1,826.8)	-2.4%

1. Assumes all valuation assumptions are met, including 7.5% return in all future years.

2. Does not include possible employer lump sum contributions. Over the last five years, this has ranged between 1.9% and 3.4% of total contributions.

3. Net Cashflow equals Contributions minus Benefit Payments.

Annex C
TCDRS External Managers & Partnerships

LONG-ONLY
ASSET CLASS

MANAGER

U.S. Total Stock Market	State Street Global Advisors (index fund)
Emerging Markets	State Street Global Advisors (index fund) Marshall Wace LLP
Developed Market Equities X US	State Street Global Advisors (index fund) Marathon Asset Management
Global Equities	Marshall Wace LLP Viking Global Investors
Real Estate Investment Trusts	Cohen & Steers (U.S.) Dimensional Fund Advisors (global)
Investment-Grade Bonds	Dodge & Cox Jennison Associates PGIM Fixed Income
Master Limited Partnerships	Harvest Fund Advisors
Commodities	Gresham Investment Management LLC Wellington Trust Co.

ALTERNATIVE INVESTMENTS

Strategic Credit

400 Capital TX COF I, L.P.	Irradiant CLO Opportunities Fund, L.P.
Alcentra Structured Credit Opportunities Fund IV (USD)	Irradiant CLO Partners Fund II, L.P.
Alcentra Structured Credit Opportunities Fund V (USD)	Irradiant CLO Partners Fund III, L.P.
Beach Point TX SCF LP	Oaktree High Yield (separate account)
Brigade Senior Tranche Fund (TX) LP	One William Street Credit Opportunity Fund, L.P.
Canyon CLO Fund II, L.P.	Sound Point Strategic Capital Fund L.P.
Chorus Capital Credit Fund V USD SCSp	Taconic CRE Dislocation Fund L.P.
Davidson Kempner Special Opportunities Fund III	Taconic CRE Dislocation Onshore Fund II, L.P.
Davidson Kempner Special Opportunities Fund IV, L.P.	Taconic CRE Dislocation Onshore Fund III L.P.
DK Special Opportunities Master Fund II	TX-Chatham Fund, LP
Hotchkis & Wiley High Yield (separate acct)	

Direct Lending

400 Capital TX COF II, L.P.
Accel-KKR Credit Partners II LP
Accel-KKR Credit Partners, L.P.
Accel-KKR Growth Capital Partners II, L.P.
Accel-KKR Growth Capital Partners III, LP
Accel-KKR Growth Capital Partners IV L.P.
AG Essential Housing II, L.P.
AG Essential Housing, L.P.
Antares Credit Opportunities MA V LP
Antares Unitranche Feeder Fund I (DE) LP.
Arbour Lane - TX, L.P.
Ares European Credit Strategies Fund X (I), L.P.
Ares Pathfinder Fund II, L.P.
Ares Pathfinder Fund, L.P.
Blackstone Life Sciences V L.P.
Blackstone Real Estate Debt Strategies III L.P.
Blackstone Real Estate Debt Strategies IV L.P.
Blue Owl A4 Fund LP
Blue Owl Asset Income Fund Evergreen LP
Blue Owl Asset Income Fund V, L.P.
Blue Owl Real Estate Capital Fund V, LP
Blue Owl Real Estate Capital Fund VI, LP
CapitalSpring Investment Partners VI, LP
Cerberus Co-Invest 1 - CRE Owner Sub IV, LLC
Cerberus Real Estate Debt Fund II, L.P.
Cerberus Real Estate Debt Fund, L.P.
Comvest Credit Partners V, L.P.
Comvest Credit Partners VI, L.P.
Comvest Credit Partners VII Levered Feeder
Crescent (TX) Direct Lending Fund, L.P.
Crescent Capital BDC, Inc.
Crescent Direct Lending Levered Fund IV (Delaware) LP
Hayfin Healthcare Opportunities Fund (US Parallel) LP
HPS Specialty Loan Fund TX, L.P.
ICG Sale & Leaseback I
Incline Aviation, L.P.
Incline II Aviation Feeder 1 Limited Partnership
MCP Private Capital Fund II
MCP Private Capital Fund III
MCP Private Capital Fund IV SCSp
MGG SF Evergreen LP
Oaktree-TCDRS Strategic Credit LLC
OrbiMed Royalty & Credit Opportunities III, LP
OrbiMed Royalty & Credit Opportunities IV, LP
OrbiMed Royalty & Credit Opportunities V, LP
OrbiMed Royalty Opportunities II, LP
Pathlight Capital Evergreen Fund LP
Pathlight Capital Fund II LP
Redwood Enhanced Income Corp. (Redwood BDC)
Shamrock Capital Content Fund I, L.P.
Silver Point Specialty Credit Fund II, L.P.
Silver Point Specialty Credit Fund III, L.P.
Silver Point Specialty Credit Silver Star Fund, L.P.
Silver Point Specialty Lending Fund (BDC)
Sixth Street Growth Partners II (A), L.P.
Sixth Street Mid-Stage Growth Partners (A), L.P.
Summit Partners Credit Fund II, L.P.
Summit Partners Credit Fund III, L.P.
WTI Fund X, LLC

Distressed Debt

AnaCap Credit Opportunities III, L.P.
Arbour Lane Credit Opportunity Fund II, L.P.
Arbour Lane Credit Opportunity Fund III (A), L.P.
Arbour Lane Credit Opportunity Fund IV (A), L.P.
Ares Special Opportunities Fund II, L.P.
Blue Owl Asset Special Opportunities Fund VIII
Cerberus Institutional Partners, L.P.- Series Four
Cheyne European Strategic Value Credit Fund II
Cheyne Euro. Strategic Value Credit Fund SCS SICAV-SIF
Davidson Kempner Long-Term Distressed Opp. V
Davidson Kempner LT Distressed Opp. Fund II
Davidson Kempner LT Distressed Opp. Fund III
Davidson Kempner LT Distressed Opp. Fund IV
Garrison Opportunity Fund III, LLC
H.I.G. Bayside Loan Opportunity Fund III (Europe)
Marblegate Partners Onshore Fund I, L.P.
Marblegate Partners Onshore Fund II, L.P.
Marblegate Tactical Opportunities Fund III Onshore
Monarch Capital Partners VI LP
Oaktree European Principal Fund III (U.S.), L.P.
Oaktree Opportunities Fund X, L.P.
Oaktree Opportunities Fund Xb, L.P.
OCM Opportunities Fund IX, L.P.
OCM Opportunities Fund VIII, L.P.
OCM Opportunities Fund VIIIb, L.P.
Peak Rock Capital Fund, L.P.
Signal Alpha II Fund LP
Silver Point Distressed Opportunity Inst. Partners II
Silver Point Distressed Opportunity Inst. Partners
Silver Point Select Overflow Fund, L.P.
Sixth Street Opportunities Partners V (A), L.P.
Summit Partners Credit Fund, LP
Taconic Credit Dislocation Fund IV L.P.
Taconic European Credit Dislocation Fund III L.P.
Taconic Market Dislocation Onshore Fund III L.P.
Veld Credit Opportunities IV, SCSP
Wayzata Opportunities Fund III, L.P.

Hedge Funds

Caxton Global Investments (USA) LLC
Davidson Kempner Institutional Partners, L.P.
Detroit Directional Opportunities Feeder Fund, LP
Lakewood Capital Partners, LP
MW Eureka (US) Fund
Redwood Opportunity Domestic Fund, L.P.

Reservoir Strategic Partners Fund, L.P.
Senator Global Opportunity Fund LP
Silver Point Capital Fund, L.P.
Taconic Opportunity Fund II L.P.
Viking Global Equities LP

Private Real Estate

Aermont Capital Real Estate Fund IV, SCSp
Aermont Capital Real Estate Fund V SCSp
AG Net Lease Realty Fund III, L.P.
AG Realty Fund IX (A), L.P.
AG Realty Fund VIII, L.P.
AG Realty Value Fund X, L.P.
Blackstone Real Estate Partners Europe III, LP
Blackstone Real Estate Partners Europe IV
Blackstone Real Estate Partners Europe V
Blackstone Real Estate Partners Europe VI SCSp
Blackstone Real Estate Partners IX, L.P.
Blackstone Real Estate Partners VII
BPE Asia Real Estate Fund II, L.P.
BPE Asia Real Estate Fund, L.P.
Carlyle Realty Partners IX, L.P.
Carlyle Realty Partners VI, L.P.
Carlyle Realty Partners VII, L.P.
Carlyle Realty Partners VIII, L.P.
Carmel Partners Investment Fund VI, L.P.
Carmel Partners Investment Fund VII, L.P.
Carmel Partners Investment Fund VIII, L.P.
FCP Realty Fund V Co-Invest, L.P.
FCP Realty Fund V, L.P.
FCP Realty Fund VI-B, L.P.
FPA Apartment Opportunity Fund VII, L.P.
FPA Apartment Opportunity Fund VIII, L.P.
FPA Core Plus Fund IV, L.P.
FPA Core Plus Fund V, L.P.
FPA Core Plus Fund VI, L.P.
GEM Realty Fund V, L.P.
GEM Realty Fund VI, L.P.
Harrison Street Real Estate Partners V-A, LP
Harrison Street Real Estate Partners VI-A, L.P.
Harrison Street Real Estate Partners VII-A, L.P.

KSL Capital Partners III, L.P.
KSL Capital Partners IV, L.P.
KSL Capital Partners V, L.P.
KSL Capital Partners VI, L.P.
Lone Star Real Estate Fund II, L.P.
Lone Star Real Estate Fund III, L.P.
Marcus Capital Partners Fund IV, L.P.
Orion European Real Estate Fund IV, C.V.
Orion European Real Estate V, slp
Pennybacker EIV, LP
Pennybacker V, LP
Pennybacker VI, LP
Prime Storage Fund II, LP
PW Real Estate Fund III LP
Real Estate Fund VII Global-T, L.P.
Related Real Estate Fund II, L.P.
Related Real Estate Fund III, L.P.
Related Real Estate Recovery Fund, L.P.
Rockpoint Real Estate Fund IV, L.P.
Rockpoint Real Estate Fund V
Rockpoint Real Estate Fund VI, L.P.
Roxborough Fund III, L.P.
SCP Real Estate Opportunities Fund I-A, L.P.
SCP Real Estate Opportunities Fund II-A, L.P.
Sculptor Real Estate Fund IV LP
SRE Opportunity Fund IV, L.P.
Starwood Distressed Opportunity Fund IX, LP
Starwood Distressed Opportunity Fund XII Global, L.P.
Starwood Global Opportunity Fund VIII, LP
Starwood Global Opportunity Fund XI, L.P.
Starwood Opportunity Fund X, L.P.
Victory European Real Estate Fund II (A) SCSp
Walton Street Real Estate Fund VI
Whitman/Peterson Partners IV, LP

Private Equity

Accel-KKR Capital Partners CV IV LP
Accel-KKR Capital Partners V, LP
Accel-KKR Capital Partners VI, L.P.
Accel-KKR Capital Partners VII LP
Accel-KKR Co-Invest 1 - SciQuest Co-Invest, LLC
Accel-KKR Co-Invest 2 - Basware Co-Invest, LLC
Accel-KKR Emerging Buyout Partners II LP
Accel-KKR Emerging Buyout Partners, L.P.
Adelis Equity Partners Fund III AB
Adelis Equity Partners Fund IV AB
Advent Co-Invest 1 - AI Co-Investment I-A SCSP
Advent International GPE IX Limited Partnership
Advent International GPE VII-B, L.P.
Advent International GPE VIII-B, L.P.
Advent International GPE X Limited Partnership
Advent Latin America PE Fund V Ltd.
Advent Latin America PE Fund VI, L.P.
AKKR Strategic Capital LP
Arbor Investments IV, L.P.
Austin Ventures X, L.P.
Baring Asia Private Equity Fund V
Baring Asia Private Equity Fund VI, L.P.
Berkshire Fund IX, L.P.
Berkshire Fund VIII, L.P.
Blackstone Capital Partners V
Blackstone Capital Partners VI, LP
BPE Asia Co Invest 1 - Bach Co-Investment, L.P. 1
BPE Asia Co-Invest 2 - Acorn Co-investment L.P.
BPEA Private Equity Fund VII, L.P.1
Brazil Opportunity Growth Partners III
Carlyle Asia Partners IV, LP
Carlyle Partners V, L.P.
Carlyle Partners VI, L.P.
Carlyle Partners VII, L.P.
Carnelian Co-Invest 1-Carnelian Ridgemar Co-Invest
Carnelian Energy Capital III, L.P.
Carnelian Energy Capital IV, L.P.
Carnelian Energy Capital V, L.P.
CDH Fund IV, L.P.
CDH Fund V, L.P.
Centerbridge Capital Partners II, L.P.
Centerbridge Capital Partners III, L.P.
Centerbridge Capital Partners, L.P.
Charlesbank Co-Invest 1
Charlesbank Equity Fund IX, L.P.
Charlesbank Equity Fund VII, L.P.
Charlesbank Equity Fund VIII, L.P.
Charlesbank Equity Fund X, Limited Partnership
Charlesbank Fund IX Overage
Charlesbank Technology Opportunities Fund, LP
Charterhouse Capital Partners IX
Chequers Capital XVI, L.P.
Chequers Capital XVII
CIVC Partners Fund VII, L.P.
Cortec Group Fund VII, L.P.
Cortec Group Fund VIII, L.P.
CRV Select Fund II, LP
CRV XIX, LP
CVC Capital Partners Fund VI L.P.
CVC Capital Partners Fund VII, L.P.
CVC European Equity Partners V
DCVC Bio II, L.P.
DCVC Bio III, L.P.
DCVC V, L.P.
DCVC VI, L.P.
Draper Fisher Jurvetson X, LP
EIV Capital Fund III
EIV Capital Fund IV, LP
EIV Capital IV Top-Up Fund, LP
EMH Growth Fund II SCSP
EnCap Energy Capital Fund IX, L.P.
EnCap Energy Capital Fund VIII, L.P.
EnCap Energy Capital Fund X, L.P.
EnCap Energy Capital Fund XI, L.P.
EnCap Energy Capital VIII Co-Investors, L.P.
EnCap Flatrock Midstream Fund II, L.P.
EnCap Flatrock Midstream Fund III, L.P.
Encap Flatrock Midstream Fund IV, L.P.
Excellere Capital Fund III, L.P.
Exponent Private Equity Fund II, L.P.
Exponent Private Equity Partners III, L.P.
First Reserve Fund XII, LP
First Reserve Legacy Opportunities Fund, L.P.
Gaocheng Fund II, L.P.
Genstar Capital Partners IX, L.P.
Genstar Capital Partners VIII, L.P.
Genstar Capital Partners X, L.P.
Genstar Capital Partners XI, L.P.
Genstar Co-Invest 1 - GC XI Alpha Co-Invest, L.P.
Genstar IX Opportunities Fund I, L.P.
Genstar VIII Opportunities Fund I LP
Genstar X Opportunities Fund I, L.P.
GTCR Co Invest 1 - Orange Investors 1 LP
GTCR Co-Invest 2 – Violet Investors LP
GTCR Fund XIII A & B, L.P.
GTCR Fund XIV A&B LP
GTCR Strategic Growth Fund I/A & B LP
GTCR Strategic Growth Fund II LP
GTCR XI, L.P.
GTCR XII/A & B LP
H&F Spock 1, L.P.
H.I.G. Capital Partners V, L.P.
H.I.G. Capital Partners VI, L.P.
H.I.G. Capital Partners VII-A, L.P.
H.I.G. Co-Invest 1-H.I.G. Armadillo Co-Invest
H.I.G. Co-Invest 2-H.I.G. Axiom Co-Invest Offshore
H.I.G. Europe Capital Partners II, L.P.
H.I.G. Europe Capital Partners III, L.P.

H.I.G. Europe Middle Market LBO Fund, L.P.
 H.I.G. Growth Buyouts & Equity Fund II, L.P.
 H.I.G. Growth Buyouts & Equity Fund III, L.P.
 H.I.G. Middle Market LBO Fund II, L.P.
 H.I.G. Middle Market LBO Fund III, L.P.
 H.I.G. Middle Market LBO Fund IV, L.P.
 Helix Kapital 3.1 AB
 Hellman & Friedman Capital Partners IX, L.P.
 Hellman & Friedman Capital Partners VII
 Hellman & Friedman Capital Partners VIII, L.P.
 Hellman & Friedman Capital Partners X, L.P.
 Hercules CV, LP
 Highland Capital Partners 9, L.P.
 Highland Capital Partners VIII, L.P.
 Hillhouse Focused Growth Fund V, L.P.
 Hillhouse Fund IV, L.P.
 Hillhouse Fund V, L.P.
 Hillhouse Venture Fund V, L.P.
 Hillhouse Venture Fund VI, L.P.
 Hony Capital Fund V, L.P.
 IDG Breyer Capital Fund L.P.
 IDG China Capital Fund III L.P.
 IDG China Venture Capital Fund V L.P.
 IDG China Venture Capital Fund VII L.P.
 Institutional Venture Partners XIII
 Institutional Venture Partners XIV, L.P.
 Institutional Venture Partners XV, L.P.
 Institutional Venture Partners XVI, L.P.
 JMI Equity Fund VII, L.P.
 JMI Equity Fund VIII, L.P.
 Joy Capital I, L.P.
 Joy Capital II, L.P.
 Joy Capital III, L.P.
 Joy Capital IV, L.P.
 Joy Capital Opportunity, L.P.
 Juxtapose Co-Invest 1
 Juxtapose Ventures II, L.P.
 Juxtapose Ventures III, L.P.
 Kayne Anderson Energy Fund V, L.P.
 Kelso Investment Associates VIII, L.P.
 Khosla Ventures III
 Khosla Ventures IV
 Khosla Ventures Seed B, L.P.
 Khosla Ventures Seed C, L.P.
 Khosla Ventures Seed D, L.P.
 Khosla Ventures Seed E, L.P.
 Khosla Ventures Seed F, L.P.
 Khosla Ventures V, L.P.
 Khosla Ventures VI, L.P.
 Khosla Ventures VII, L.P.
 Khosla Ventures VIII, L.P.
 KPS Co-Invest 1 - Oscar Holdings, LP
 KPS Special Situations Fund IV, LP
 KPS Special Situations Fund V, LP
 KPS Special Situations Mid-Cap Fund II, LP
 KPS Special Situations Mid-Cap Fund, LP
 KRG Capital Fund IV, L.P.
 LC Fund V, L.P.
 LC Fund VI, L.P.
 Lightspeed China Partners IV, L.P.
 Lightspeed China Partners Select I, L.P.
 Lightspeed Venture Partners Select II, L.P.
 Lightspeed Venture Partners Select III, L.P.
 Lightspeed Venture Partners Select IV, L.P.
 Lightspeed Venture Partners Select V, L.P.
 Lightspeed Venture Partners Select, L.P.
 Lightspeed Venture Partners X, L.P.
 Lightspeed Venture Partners XI, L.P.
 Lightspeed Venture Partners XII, L.P.
 Lightspeed Venture Partners XIII, L.P.
 Lightspeed Venture Partners XIV-A (Inception)
 Lightspeed Venture Partners XIV-B (Ignite), L.P.
 Lincolnshire Equity Fund IV, L.P.
 Linden Capital Partners V LP
 Linden Capital Partners VI LP
 Linden Co-Invest 1 - AHR Parent Holdings, LP
 Linden Co-Investment V LP
 LSC Select II, L.P.
 LSC V, L.P.
 Lux Total Opportunities L.P.
 Lux Ventures VII, L.P.
 Lux Ventures VIII, L.P.
 Madison Dearborn Capital Partners V, L.P.
 Madison Dearborn Capital Partners VI, L.P.
 Main Capital VIII Coöperatief U.A.
 Main Foundation II Coöperatief U.A.
 Marlin Co-Invest 1 - HS4 Topco, LLC
 Marlin Co-Invest 2 - Imagine Topco, L.P.
 Marlin Equity IV, L.P.
 Marlin Equity V, L.P.
 Marlin Europe Co-Invest 1 - Marlin-Vantage Co-Inv
 Aggregator, L.P.
 Marlin Heritage Europe II, L.P.
 Marlin Heritage Europe III, SCSp
 Marlin Heritage Europe, L.P.
 Marlin Heritage II, L.P.
 Marlin Heritage III, L.P.
 Marlin Heritage, L.P.
 Marlin Strategic Opportunities I, L.P.
 Mayfield Select
 Mayfield Select II
 Mayfield Select III
 Mayfield XIV, L.P.
 Mayfield XV
 Mayfield XVI
 Mayfield XVII
 Nautic Fund 56, L.P.
 Nautic Partners IX, L.P.
 Nautic Partners VI, L.P.
 Nautic Partners X, L.P.
 Nautic Partners XI, L.P.
 NEA Co-Invest 1 – NEA TS 2024 SPV, L.P.

New Enterprise Associates 13
 New Enterprise Associates 14
 New Enterprise Associates 15, L.P.
 New Enterprise Associates 16, L.P.
 New Enterprise Associates 17, L.P.
 New Enterprise Associates 18, L.P.
 Nordic Capital CV1 Beta, L.P.
 Nordic Capital Fund VIII
 Novacap TMT International NV CV, L.P.
 Oak Investment Partners XII, L.P.
 Oak Investment Partners XIII, L.P.
 Odyssey Co-Invest 1 - Gloves Holdings, LP
 Odyssey Investment Partners Fund VI, LP
 Odyssey Investment Partners IV
 Odyssey Investment Partners V, L.P.
 Onex Partners III, L.P.
 Onex Partners IV, L.P.
 Onex Partners V, L.P.
 OpenView Venture Partners IV, L.P.
 OpenView Venture Partners V, L.P.
 OpenView Venture Partners VI, L.P.
 OpenView Venture Partners VII, L.P.
 Orbimed Private Investments IV, LP
 Orbimed Private Investments IX, L.P.
 OrbiMed Private Investments V, L.P.
 OrbiMed Private Investments VI, L.P.
 OrbiMed Private Investments VII, LP
 OrbiMed Private Investments VIII, L.P.
 Pamlico Capital V, L.P.
 Parthenon Investors VI, L.P.
 Parthenon Investors VII, L.P.
 Pegasus WSJLL Fund, L.P.
 Pono Capital, L.P.
 Providence Equity Partners VI, L.P.
 Quantum Energy Partners V, L.P.
 Quantum Energy Partners VI, LP
 Quantum Parallel Partners VI-C, LP
 Resource Capital Fund V
 Resource Capital Fund VI, L.P.
 Ridgewood Energy Oil & Gas Fund III, L.P.
 Riverside Micro-Cap Fund V, L.P.
 Riverside Micro-Cap Fund VI, L.P.
 Riverstone Amber Continuation Fund, L.P.
 Riverstone Bison Rollover Fund, L.P.
 Riverstone Echo Rollover Fund, L.P.
 Riverstone Global Energy & Power Fund IV
 Riverstone Global Energy & Power Fund V
 Riverstone Global Renewable & Alt. Energy II
 Riverstone Nolan Continuation Fund, L.P.
 Roark Capital Partners V (I) LP
 Roark Capital Partners VI (I) LP
 Roark Co-Invest 1 - RC V RW Investor, LLC
 RRJ Capital Master Fund II, L.P.
 RRJ Capital Master Fund III, L.P.
 Shamrock Capital Growth Fund IV, L.P.
 Shamrock Capital Growth Fund V, L.P.
 Shine Capital I, L.P.
 Shine Capital II, L.P.
 Shine Capital Opportunities Fund I, L.P.
 ShoreView Capital Partners V, L.P.
 Sky9 Capital Fund IV, L.P.
 Sky9 Capital Fund V, L.P.
 Sky9 Capital MVP Fund II, L.P.
 Sky9 Capital MVP Fund, L.P.
 Source Code Growth Fund II, L.P.
 Source Code Venture Fund V, L.P.
 Sovereign Capital IV, L.P.
 Spark Capital Growth Fund II, L.P.
 Spark Capital Growth Fund III, L.P.
 Spark Capital Growth Fund IV, L.P.
 Spark Capital Growth Fund V, L.P.
 Spark Capital Growth Fund, L.P.
 Spark Capital IV, L.P.
 Spark Capital V, L.P.
 Spark Capital VI, L.P.
 Spark Capital VII, L.P.
 Spark Capital VIII, L.P.
 Spectrum Discretionary Overage Program I-A
 Spectrum Equity Discretionary Overage Program III-A
 Spectrum Equity Investors VII, L.P.
 Spectrum Equity IX-A, L.P.
 Spectrum Equity VI
 Spectrum Equity VIII-A, L.P.
 Spectrum Equity X-A, L.P.
 Spectrum Select Opportunities-A, L.P.
 Summit Partners Co-Invest 1 (Ironman), L.P.
 Summit Partners Co-Invest 2 (Indigo), L.P.
 Summit Partners Co-Invest 3 (Optmo), SCSP
 Summit Partners Europe Growth Equity II, SCSP
 Summit Partners Europe Growth Equity III, SCSP
 Summit Partners Europe Growth Equity IV, SCSP
 Summit Partners Europe Private Equity Fund
 Summit Partners Growth Equity Fund IX-A, LP
 Summit Partners Growth Equity Fund VIII-A, LP
 Summit Partners Growth Equity Fund X-A, L.P.
 Summit Partners Growth Equity Fund XI-A, L.P.
 Summit Partners Subordinated Debt Fund IV
 Summit Partners Venture Capital Fund V-A, L.P.
 Summit Partners Venture Capital III, LP
 Summit Partners Venture Capital IV, L.P.
 Sun Capital Partners V, L.P.
 Synova Capital Fund IV LP
 Synova Fund V LP
 TA Select Opportunities Fund II, L.P.
 TA Select Opportunities Fund-A, L.P.
 TA XI, L.P.
 TA XII, L.P.
 TA XIII, L.P.
 TA XIV-A, L.P.
 TA XV-A L.P.
 TCG Crossover Fund I, L.P.
 TCG Crossover Fund II, L.P.

TCG Labs Fund I, LP
 TCG Labs Opportunity I, LP
 TCV IX, L.P.
 TCV X, L.P.
 TCV XI, L.P.
 Technology Crossover Ventures VII, L.P.
 Technology Crossover Ventures VIII, L.P.
 The Column Group II, L.P.
 The Column Group III, L.P.
 The Column Group IV, LP
 The Column Group Opportunity III, LP
 The Column Group V, LP
 The Resolute Fund III, L.P.
 The Resolute Fund IV, L.P.
 The Resolute II Continuation Fund, L.P.
 The Resolute III Continuation Fund, L.P.
 Thoma Bravo Co-Invest 1 - Project Rock Co-Invest
 Thoma Bravo Discover Fund IV, L.P.
 Thoma Bravo Fund XV, L.P.
 Threshold Ventures I, L.P.
 Threshold Ventures II, L.P.
 Threshold Ventures III, L.P.
 Threshold Ventures IV, L.P.
 Threshold Ventures Select I, L.P.
 TPG Asia V, LP
 TPG Partners VI, LP
 TSG Co-Invest 1 - DG Coinvestor L.P.
 TSG Co-Invest 2 - Jupiter Coinvestor L.P.
 TSG Co-Invest 3-Essere Coinvestor Holdings 1&2
 TSG7 A L.P.
 TSG7 B L.P.
 TSG8, L.P.
 TSG9 L.P.
 Veritas Capital Fund VI, L.P.
 Veritas Capital Fund VII, L.P.
 Veritas Capital Fund VIII, L.P.
 Vida Ventures III, L.P.
 Vista Co-Invest 1 - VFF IV Co-Invest 3-A, L.P.
 Vista Equity Endeavor Fund II, L.P.
 Vista Equity Partners Fund V, L.P.
 Vista Equity Partners Fund VI, L.P.
 Vista Equity Partners Fund VII, L.P.
 Vista Foundation Fund II, L.P.
 Vista Foundation Fund III, L.P.
 Vista Foundation Fund IV, L.P.
 Water Street Healthcare Partners III, L.P.
 Water Street Healthcare Partners IV S, L.P.
 Water Street Healthcare Partners IV, L.P.
 Water Street Healthcare Partners V, L.P.
 Water Street Orion Fund, L.P.
 Waterland Private Equity Fund V, L.P.
 WPEF IX Feeder 1 LLP
 WPEF VI Feeder, L.P.
 WPEF VII Feeder, L.P.
 WPEF VIII Feeder LP
 Wynnchurch Capital Partners IV
 Wynnchurch Capital Partners V, L.P.
 Wynnchurch Capital Partners VI, L.P.
 ZMC Co-Invest 1 - Calienger Holdings, LLC
 ZMC III, L.P.
 ZMC IV, L.P.

Annex D
TCDRS Investment Policy



TCDRS Investment Policy

Revised, September 12, 2024

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**STATEMENT OF POLICIES FOR INVESTMENT OF THE ASSETS OF
THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**

<u>Table of Contents</u>	<u>Page</u>
1. Introduction and Purpose	2
2. System Investment Objective	2
3. Asset Allocation Plan.....	2
4. Investment Monitoring.....	3
5. Standards of Care; Ethics; Prohibited Investments.....	5
6. Duties and Responsibilities of the Board of Trustees.....	6
7. Duties and Responsibilities of the Investment Officer	6
8. External Investment Service Providers	8
9. Investment Managers	10
10. Investment Guidelines and Performance Measurement Standards for Internally Managed Assets	14
11. Investment Guidelines and Performance Measurement Standards for Private Equity Portfolios	14
12. Investment Guidelines and Performance Measurement Standards for Private Real Estate Portfolios.....	17
13. Investment Guidelines and Performance Measurement Standards for Credit Portfolios	19
14. Investment Guidelines and Performance Measurement Standards for Hedge Fund Portfolios.....	22
15. Proxy Voting.....	23
16. Review and Modification of Investment Policy	23
Exhibits (last updated 9/12/24)	25

1. Introduction and Purpose

The Texas County & District Retirement System (“TCDRS” or the “System”) was created to help Texas counties and districts provide reliable, reasonable retirement benefits for their employees. Investments are an important part of how those retirement benefits are funded. Our benefits are advance-funded, which means employers and employees save in advance, over the course of the employee’s career, for the benefit at retirement. Because benefits are funded in advance, almost 80% of each benefit dollar comes from investment earnings.

This Investment Policy (the “Policy”) is established by the TCDRS Board of Trustees (the “Board”). The Policy provides a foundation from which to oversee the management of the investment of System assets. The Policy is intended to allow for sufficient flexibility to capture investment opportunities yet provide parameters to ensure prudence and care in the management of the investment program.

The Policy documents TCDRS’ investment objectives, policies, guidelines and certain procedures. It also outlines the duties and responsibilities and provides guidance to the fiduciaries of the System including The Board of Trustees, individual members of the Board (“Trustees”), the Investment Officer, staff professionals, investment consultants, performance measurement analysts, external investment managers, custodians, securities lending agents and others who exercise discretionary authority or control over the management or disposition of System assets.

In addition, the Policy states the standards and disciplines adopted so that Trustees can effectively evaluate the performance of the System staff, investment managers, investment consultants and others. This Policy also serves as compliance with Section 845.301(f) of the TCDRS Act which requires that the Board establish written investment objectives concerning the investment of assets of the System.

2. System Investment Objective

The overall investment objective of the System (the “System Investment Objective”) is to attain the maximum risk-adjusted return over a long-term period (30 years or more) within an acceptable level of risk.

The Board will periodically review and evaluate the System Investment Objective, considering, among other factors, TCDRS benefit design, expected future returns and risk on invested assets, employer cost volatility and future expected cash flows as the System matures.

3. Asset Allocation Plan

A. In General

The primary means through which the Board ensures that the System achieves the System Investment Objective is through an asset allocation plan. The asset allocation plan will be developed based on a set of capital market assumptions adopted by the Board as set forth in Table 2 of Exhibit A. These assumptions provide the primary basis from which the Board can determine

whether the selected asset allocation plan is designed to attain the System Investment Objective. The asset allocation plan identifies the asset classes in which the System may invest and the corresponding allocation percentages for each such class. The Board's asset allocation plan is set forth in Table 1 of Exhibit A. These allocation percentages are market-value based and specify the minimum, maximum, and target percentages authorized by the Board for each asset class.

These minimum, maximum, and target percentages provide the framework for allocating assets of the System. Within these funding restrictions, and in light of ever-changing market conditions, the Investment Officer allocates funds to approved investment managers or authorized investment vehicles in a manner that, in the Investment Officer's judgment, enhances the System's ability to achieve the System Investment Objective over the long term. In the event an asset class exceeds the maximum allocation percentage or is below the minimum allocation percentage established for such class, the Board authorizes the Investment Officer to rebalance assets in a manner consistent with this Policy in order to bring the allocation percentage within the allowable range for the asset class.

B. Reporting and Review of Asset Allocation Plan

On a quarterly basis, the Investment Officer will provide the Board with a report on the status of the System's asset allocation plan, and the Board will formally review the System's asset allocation plan not less than annually. In the course of its review, the Board will consider current capital market assumptions, the existing allocation percentages and priorities, and possible modification to the asset allocation plan and the list of asset classes. Tables 1 and 2 in Exhibit A are updated by Board action to reflect changes of asset classes, allocation parameters, and capital market assumptions.

4. Investment Monitoring

A. In General

For each asset class within the asset allocation plan, performance measurement benchmarks, investment objectives and guidelines will be established. These benchmarks, objectives and guidelines will form the basis for monitoring the investments of the System.

(1) Performance Measurement Benchmarks. The Investment Officer and investment consultants will recommend the performance measurement benchmarks for each asset class for review and approval by the Board. The performance measurement benchmarks for each asset class are set forth in Table 1 of Exhibit A. The Investment Officer and investment consultants will monitor the continued appropriateness of the performance measurement benchmarks and will recommend modifications to the benchmarks as necessary. Table 1 of Exhibit A will reflect any modifications to the benchmarks approved by the Board.

Based on the benchmarks approved for each asset class and the target asset allocation of the System, a composite benchmark for the overall portfolio of the System will be established and

referred to as the “TCDRS Policy Index.”¹ This composite benchmark will be utilized in monitoring the overall investment performance of the System’s investments.

(2) Investment Objectives and Guidelines. TCDRS uses investment objectives and guidelines for asset classes to achieve the desired return and control risk on a portfolio-wide basis. Investment objectives and guidelines will be established for each asset class and set forth the performance expectations and the role of the asset class in the portfolio.

With respect to publicly traded securities, investment guidelines and objectives will be established for each investment manager and will be incorporated into each respective investment manager agreement and will (1) establish relative and/or absolute performance expectations, which are a function of the efficiency of the asset class and the type of investment strategy employed, (2) delineate which investments and strategies the manager is permitted to use to achieve its performance objectives, and which investments and strategies the manager is prohibited from using, and (3) specify the characteristics a manager’s portfolio is expected to display. If TCDRS is invested in a commingled investment vehicle, the manager is expected to adhere to the guidelines governing the respective vehicle.

The investment objectives and guidelines for the respective asset classes of alternative investments are set forth in Sections 11, 12, 13 and 14 of this Policy.

B. Performance Monitoring

The Board retains a performance measurement analyst to report quarterly performance of the System’s investments based upon a total return using time-weighted rate of return calculations. These reports will (a) set forth the overall investment performance of the System’s investments and the performance of individual investment managers within asset classes and (b) compare the overall performance of the System’s investments with the System’s Investment Objective set forth in Section 2 and the TCDRS Policy Index.

C. Qualitative Due Diligence

In addition to performance measurement, the Investment Officer and investment consultants will perform qualitative due diligence of the external investment managers in accordance with Section 9. In the broadest sense, the monitoring process is intended to confirm that the reasons TCDRS initially hired the manager still exist. This monitoring and review process should determine whether there has been any material deviation from the investment philosophy and process, the personnel responsible for management of the product are still in place, the organization continues to be stable, performance meets expectations, and the manager strictly adheres to investment guidelines or performance objectives set forth in the manager agreement with the System, or with

¹The benchmarks for the Strategic Credit, Direct Lending, Distressed Debt, and Private Real Estate asset classes will be incorporated into the TCDRS Policy Index at their actual weights, as opposed to their target allocations, until they approach their target allocations due to the extended period required to transact in these asset classes. Unfunded target allocations will then be invested equally between U.S. Equity and Investment-Grade Bonds and the TCDRS Policy Index weights for each increased accordingly.

respect to alternative investments, the guidelines and objectives set forth in this Policy.

D. Internal Review

To the extent available for review, the investment staff of the System monitors individual transactions to determine compliance with the TCDRS Act, this Policy, industry standards, and contractual provisions. Material exceptions are promptly reported to the Board.

E. External Audit

Annually the external auditor (1) reviews the system of internal controls of the investment process and (2) performs additional tests as are necessary to develop an opinion as to the accuracy, in terms of the financial statements as a whole, of the investment data presented within the System's annual report.

5. Standards of Care; Ethics; Prohibited Investments

A. Standards of Care

Section 67, Article XVI, Texas Constitution, is incorporated into the TCDRS Act and provides the Board's overriding standard of care as to the investment of System assets. This Section of the Texas Constitution provides, in relevant part, that the Board "shall exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital."

The investment operations of the Board are also guided by the standard of review specified in the Property Code, Texas Trust Code, Section 117.004(b). This standard provides that the Board's "investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust."

Fiduciary standards of conduct also apply to the System staff, external investment managers, investment consultants, performance measurement analyst, custodian, securities lending agent and others who exercise discretionary authority or control over the management or disposition of System assets.

B. Ethics; Placement Fees; Political Contributions

The assets of the System will be invested in accordance with all applicable laws, regulations and applicable Texas constitutional provisions including, but not limited to, Chapter 572 of the Texas Government Code and the Texas Trust Code. The Trustees, Investment Officer, and System employees in performing the investment operations of the System shall also comply with all

applicable laws relating to ethics and the TCDRS Code of Ethics. In addition, all investments of the System will comply with the TCDRS Policy for Placement Agents and Political Contributions, attached to this policy as Exhibit B.

C. Prohibited Investments under Chapters 808 and 809 of the Texas Government Code

The assets of the System will be invested in accordance with Chapters 808 (Prohibition on Investment in Companies that Boycott Israel) and 809 (Prohibition on Investment in Financial Companies that Boycott Certain Energy Companies) of the Texas Government Code. The Investment Officer and staff shall perform all actions necessary to ensure compliance with Chapters 808 and 809, including possible divestment of certain investments, to the extent such divestment is not otherwise excepted under Chapters 808 and 809 and such divestment is otherwise consistent with the fiduciary duties of the Trustees and the Investment Officer as contemplated by Texas Government Code Sections 808.005 and 809.005.

6. Duties and Responsibilities of the Board of Trustees

Pursuant to the TCDRS Act, the Board is responsible for all investing activities, including:

- adopting an asset allocation plan and allocating assets of the System to various asset classes in accordance with such plan;
- selecting an Investment Officer to supervise investment operations for the Board;
- selecting private professional investment consultants to assist in investing the assets of the System;
- selecting performance measurement analysts;
- selecting the System's custodians; and
- selecting the System's securities lending agents.

In fulfilling its duties, the Board will:

- develop an Investment Policy, periodically review such Policy, and modify such Policy in the Board's discretion or as recommended by the Investment Officer as circumstances warrant;
- establish an asset allocation plan based on capital market assumptions adopted by the Board and review such asset allocation plan no less frequently than on an annual basis;
- approve performance measurement benchmarks for all assets classes and monitor investment performance utilizing such benchmarks;
- monitor the investments of the System through quarterly reports from the Investment Officer and staff, performance measurement analyst, investment consultants, and others regarding various aspects of the investments of the System, including investment performance, adherence to manager investment objectives and guidelines, cash flow concerns, and transactions; and

- obtain such information, reports, expert advice and assistance with respect to Board actions as is necessary to exercise Board responsibilities prudently.

7. Duties and Responsibilities of the Investment Officer

A. In General

The Board will appoint an Investment Officer to supervise the investment operations on behalf of the Board (the “Investment Officer”). The Investment Officer manages the TCDRS investment funds pursuant to this Investment Policy and subject to the TCDRS Act, the TCDRS Code of Ethics, and all other applicable law and policies of the Board.

B. Duties and Responsibilities

The duties and responsibilities of the Investment Officer will include:

- allocating those assets of the System that are held for investment purposes in accordance with the asset allocation plan adopted by the Board;
- selecting and monitoring each investment manager and reporting to the Board regarding their selection, performance and compliance with the provisions of the TCDRS Act, manager investment guidelines, and the policies and procedures adopted by the Board regarding investments;
- managing the investment of the portion of System assets that the Board allocates for internal investment, including selecting which securities to purchase, hold, and sell among those assets, in accordance with the policies and procedures adopted by the Board;
- reporting quarterly to the Board on the investment operations of the System as described below;
- conducting evaluations of investment service providers and monitoring the performance of selected providers and managers pursuant to Sections 8 and 9; and
- managing the administrative investment operations of the System, including, but not limited to, executing or terminating investment or service contracts.

C. Investment Officer’s Report

The Investment Officer will report quarterly to the Board on (a) the overall performance of the System’s investments, (b) the selection and investment performance of the investment managers of each asset class within the TCDRS portfolio, (c) pursuant to Section 3B, the status of the asset allocation plan, (d) all transactions managed internally, including performance of such transactions, as applicable, (e) any material infractions (of which the Investment Officer is aware) of third party providers and managers to invest, settle, or safekeep the System’s investment assets, and (f) any other matters requested by the Board from time to time.

D. Powers and Authority

The Investment Officer and employees selected by the Investment Officer and who work under his or her supervision may take all actions necessary to carry out the investment directions of the Board provided such actions are consistent with the terms of the TCDRS Act and other applicable law, this Policy, and the TCDRS Code of Ethics. Such actions include, but are not limited to:

- committing System funds for purchasing of securities and making other authorized investments;
- transferring funds from the accounts at the System's custodian to (1) TCDRS sub-accounts of said custodian managed on behalf of TCDRS by investment managers, (2) various investment vehicles selected by TCDRS, such as collective or pooled trusts or alternative investment funds, and (3) the depository account of TCDRS;
- selling securities and other interests in investment vehicles owned by the System;
- executing documents needed to carry out the investment activities of the System, including, without limitation, documents necessary for (1) the transfer of bonds, stocks and other securities, (2) the pledge, substitution and release of securities pledged to secure funds at the custodian, and (3) the subscription documentation of acquisition of interests in private market investment funds; and
- authorizing drafts against funds of the System on deposit in the operating accounts with the custodian for the purchase of securities or the transfer of funds authorized above.

E. Authority of Investment Officer to Protect the System's Interests

TCDRS understands that it is important to have the ability to quickly respond to unexpected changes in market conditions, particularly in times of volatility or financial crisis.

For the purpose of better protecting or enhancing the System's interests and achieving the System Investment Objective over the long term, in addition to and without limiting the duties, responsibilities, powers and authority already provided in this Section 7, the Investment Officer has the authority to take action with respect to any investment matter (including, without limitation, the authority to invest additional funds) involving a situation or condition for which the time to act is limited and for which it is reasonable to believe that the failure to take prompt action may adversely affect the System's interests and objectives. By way of example, and not limitation, the Investment Officer has the authority to invest additional funds in response to a capital call when the time to act is limited and it is reasonable to believe that the failure to promptly respond may adversely affect the System's interests and objectives.

If and to the extent the Investment Officer takes action pursuant to the authority provided by this Section 7E, the Investment Officer shall promptly notify the Board and provide an account of the action taken and the relevant facts and circumstances that led to the decision to take such action.

F. Evaluation of Performance

Consistent with the terms of the Board of Trustees' Policy Manual, the Board will (1) monitor the performance of the Investment Officer to ensure his or her actions are consistent with the System Investment Objectives, the terms of this Policy, the investment directions provided by the Board, and the System's Code of Ethics and (2) conduct a formal annual evaluation of the performance

of the Investment Officer.

8. External Investment Service Providers

A. Investment Consultant

(1) In General. The Board will retain one or more investment consultants to provide investment data, analysis, and recommendations to assist the Board and investment staff in making optimum investment decisions. The Investment Officer will assist the Board in selecting investment consultants and monitoring their performance.

(2) Duties and Responsibilities. An investment consultant will provide services as requested by the Board and staff, which may include:

- developing appropriate investment policies;
- evaluating and recommending asset allocation alternatives;
- conducting due diligence on and searches for investment managers, custodians, or securities lending agents;
- assisting the Board in the development of investment manager guidelines and objectives;
- analyzing on-going investment performance of the System and individual managers and reporting such analysis to the Board on a quarterly basis;
- analyzing the financial condition of the plan;
- participating in benefit design issues; and
- providing any other investment-related services or advice that the Board or staff may request from time to time.

B. Performance Measurement Analyst

The Board will retain a performance measurement analyst to evaluate and analyze the investment results of the System's investment assets for which reliable and appropriate measurement methodology and procedures exist. The measurement analyst will provide written reports to the Board on a quarterly basis as described in Section 4B.

C. Custodian and Securities Lending Agents

(1) Custodian. The Board will retain a custodian to hold and account for the System's securities and cash available for investment. The custodian will maintain and make available information concerning the holdings and transactions of the System to the Board, the Investment Officer and staff, the investment consultants, the performance measurement analyst, and external investment managers. With respect to cash available for investment purposes, the custodian has the authority to invest such cash in accordance with Section 10. If the System utilizes investment managers to manage the System's portfolios through collective investment funds, such investment

managers may also serve as custodians of the System's cash and securities for the purpose and with the authority described herein.

(2) Securities Lender. The Board may authorize an appointed custodian or other qualifying entity to lend the securities of the System. The terms by which the securities lending program is conducted shall be reflected in the applicable contractual agreements and Board actions regarding these appointments.

D. Investment Legal Counsel

The Board will retain one or more attorneys or law firms to serve as outside investment counsel for the purpose of assisting the Investment Officer and investment staff with legal matters related to the investment operations of the System. Such matters may include the review and negotiation of contracts and other investment documentation related to external investment service providers or investment managers and handling any litigation related to investment operations.

E. Selection, Monitoring, and Review of Investment Service Providers

(1) Selection. Unless otherwise provided above, the initial search for candidates for appointments made under this Section 8 will be conducted by the Investment Officer. The Investment Officer (or the Board) may seek the assistance of investment consultants or other external consultants in performing the search and related due diligence. Following a thorough and diligent search, the Investment Officer will recommend qualifying candidates to the Board for evaluation and final selection. All appointments made pursuant to this Section 8 require the final approval of the Board. Appropriate legal counsel for the System will review the agreement or agreements governing the relationship between the System and all appointments made pursuant to this Section 8 prior to execution of the agreement or agreements by the authorized officer of the System. Evidence of such review will be included with the agreement or agreements that are retained as part of the records of the System. The external investment providers selected by the Board are set forth on Exhibit C.

(2) Monitoring and Review. Unless otherwise provided in this Section 8, the operations and performance of the service providers in this Section 8 will be monitored by the Investment Officer. Any misconduct or violations of the terms of the applicable service agreement, this Policy, the TCDRS Act, or TCDRS Code of Ethics committed by a provider will be reported to the Board by the Investment Officer during his or her quarterly report. Consistent with the TCDRS Board of Trustees' Policy Manual, the Board will periodically review and evaluate the performance of appointees in this Section 8. In such evaluation the Board may solicit the comments and recommendations of the Investment Officer, other investment staff, and other external consultants.

9. Investment Managers

A. Selection

In accordance with the asset allocation plan, assets in the TCDRS investment portfolio are

subdivided into the asset classes shown in Table 1 of Exhibit A. While the Board is ultimately responsible for the investment of assets, the Board delegates the selection of investment managers to manage the portfolios within the asset classes to the Investment Officer and appropriate investment consultants.² Specific selection procedures for publicly traded investment managers and alternative investment managers are set forth in Section 9C and 9D below.

B. Monitoring and Remedial Action

The operations of an investment manager will be monitored by the Investment Officer and appropriate investment consultants to ensure compliance with (a) the manager's investment objectives and guidelines or with the applicable investment guidelines and performance objectives for alternative investments, as applicable, (b) the terms of this Policy, and (c) the TCDRS Act and other applicable law. The general monitoring of System investments is discussed in Section 4, and specific monitoring procedures for publicly traded investment managers and alternative investment managers are set forth in Section 9C(2) and 9D(3) below.

If an investment manager (1) fails to conform to the applicable investment objectives and guidelines and performance objectives, (2) fails to operate in a safe and sound manner, (3) experiences a material change in ownership or personnel that impacts the reasons TCDRS initially hired the investment manager, or (4) violates the terms of the investment manager agreement or other governing agreement, this Policy, the TCDRS Act, or other applicable law, the Investment Officer is authorized to take appropriate remedial action. Remedial action may include immediate termination. The Investment Officer shall promptly report to the Board any remedial action taken pursuant to this Section 9B.

C. Publicly Traded Securities Investment Managers

(1) Selection Process. The Investment Officer and appropriate investment consultant will conduct the search for investment managers for publicly traded securities portfolios and perform the due diligence required in connection with the search. The process for this search will include developing the criteria for the investment mandate, determining the appropriate managers for the investment mandate, and interviewing the most qualified candidates. The appropriate investment consultant and Investment Officer will consult following the search process, and the Investment Officer will make the final selection of an investment manager and report such selection to the Board at its next scheduled meeting.

(2) Monitoring. As described in Section 4, the Investment Officer, in conjunction with an investment consultant, will monitor the operations of the investment managers to determine compliance with the investment guidelines and objectives established for the investment manager.

² As provided under the TCDRS Code of Ethics, potential investment managers may not contact or solicit trustees directly regarding investment management services, funds or products. All solicitations and inquiries with respect to investment management opportunities should be directed to the Investment Officer or appropriate investment consultant of TCDRS. Direct contact or communication with trustees for the purpose of soliciting business opportunities may disqualify an investment manager from consideration.

With the assistance of the reports of the Investment Officer, an investment consultant, and/or performance measurement analyst, the Board will also review and monitor the investment performance of each investment manager on a quarterly basis.

D. Alternative Investment Managers

(1) **Alternative Investments—defined.** For purposes of this Policy, “alternative investments” are investments within one of the following classes:

- Private equity – investments in business made through means other than through publicly traded securities such as buyout investments and venture capital.
- Distressed debt – investments in the debt of financially distressed companies.
- Direct lending – investments in privately originated debt to companies or to real estate investors, as well as other yield oriented non-correlated funds including, but not limited to, royalty streams and leases.
- Strategic credit – investments primarily in debt instruments that provide return opportunities driven by dislocations in the capital markets or by credit risk.
- Hedge funds – investment strategies with the goal of achieving positive returns with a degree of independence from movements in financial markets and independent of traditional performance benchmarks.
- Real assets – investments in assets that have a return linked to inflation, such as energy related investments and other commodity-based investments.
- Real estate – investments that have an ownership interest in either timber or direct real estate properties, either income or non-income producing.

Alternative investments are typically made through an interest in a limited partnership but also may be made through another vehicle (e.g., fund-of-one account, commingled fund, offshore entity, etc.), as appropriate for the individual investment.

(2) **Selection.** TCDRS has developed a process to source, evaluate, and select these investment opportunities as they arise. In selecting investment vehicles for investment, the Investment Officer and the investment consultant providing services with respect to one or more alternative asset classes (an “alternative investment consultant”) shall comply with this Policy and shall endeavor to select the highest quality managers available that will enable the various alternative asset programs to meet their long-term return objectives within the parameters established by these guidelines. The Investment Officer will make final decisions with respect to alternative investments, and any such investments will be reported to the Board at its next scheduled meeting.

In connection with this process, the alternative investment consultant shall conduct extensive due diligence on potential alternative investments. Selection of alternative asset vehicles will take into consideration the following criteria:

- Quality and stability of the firm and investment team;
- Previous investment track record of the investment vehicle manager;

- Proposed investment strategy;
- Ability of investment vehicle manager to demonstrate capability to generate superior returns;
- Operational capabilities;
- Legal and economic terms governing the partnership or other vehicle;
- Alignment of interests; and
- TCDRS portfolio fit.

Recognizing the importance of vintage year diversification and the importance of striving to achieve adequate portfolio diversification by investing in different types of alternative asset investments, in different partnerships or other vehicles, with managers representing various investment styles, industries and geographic concentrations, the Investment Officer and alternative investment consultant will develop an annual plan for alternative investments in private equity, private real estate, direct lending and distressed debt and present each such plan to the Board. This annual plan will reflect a pace of commitments that, considering forecasted cash flows, is expected to achieve the System's targeted allocation to the alternative asset class over a reasonable time period. This annual plan will be integrated with the existing portfolio and the prevailing economic environment and market conditions.

(3) Monitoring. As described in Section 4, the Investment Officer, in conjunction with the alternative investment consultant, will monitor the operations of the selected alternative investments to determine compliance with the applicable investment guidelines and objectives. In the monitoring process for alternative investments, the Investment Officer and staff and/or alternative investment consultant will extend the initial due diligence into a formal process which regularly seeks to determine whether the manager is meeting the applicable alternative asset program's investment objectives and guidelines, as well as other requirements. In the broadest sense, the monitoring process is intended to determine whether the initial reasons for selecting the investment vehicle remain valid and focuses on the following:

- Compliance with reporting and valuation requirements;
- Continuity of investment philosophy and process;
- Stability of personnel and organization; and
- Performance and risk management.

Additionally, in connection with monitoring alternative investments, the Investment Officer and staff and/or alternative investment consultant shall conduct portfolio reviews and on-site due diligence as necessary. Site visits will also be performed to confirm that appropriate infrastructure is in place to support the investment process.

With respect to the monitoring of alternative investments, the System will also take appropriate advantage of the rights offered TCDRS through limited partnership agreements or other governing agreements. In addition to regular performance and portfolio reviews, meetings with alternative investment managers and site visits, the Investment Officer will monitor adherence to partnership agreements and other governing agreements by reviewing allocations, distributions, expenses, restrictions, valuations, amendments, potential conflicts of interest, reporting requirements, and

timely expiration of investment periods.

E. Legal Review and Terms and Conditions

Investment legal counsel for the System will review the agreement or agreements governing the relationship between the System and all selections made pursuant to this Section 9 prior to execution of the agreement or agreements by the authorized officer of the System. Evidence of such review will be included with the agreement or agreements that are retained as part of the records of the System.

In addition, the Board may establish policies relating to the terms and conditions for investment agreements as set forth in Exhibit D. The Investment Officer may waive any requirements or directives for terms and conditions of investment agreements set forth in the Board's policy if the Investment Officer believes proceeding with such investment without such terms and conditions is in the best interests of the System.

10. Investment Guidelines and Performance Measurement Standards for Internally Managed Assets

A. Cash Equivalents

Cash equivalents may be invested in investment grade instruments and funds that are safe, sound, liquid and provide competitive returns. Additionally, the Board may select entities to serve as custodians of the System's cash available for investment and may authorize the custodians to invest the cash so held in short-term securities.

11. Investment Guidelines and Performance Measurement Standards for Private Equity Portfolios

A. Introduction

The following investment guidelines and objectives govern the implementation of the Private Equity Program. The Private Equity Program includes venture capital, buyout and real asset investments, which comprise the Private Equity asset allocation of the System.

B. Investment Objective

The investment objective of the Private Equity Program is to enhance the total fund performance through the investment in non-publicly traded securities by generating a long-term rate of return that exceeds that of publicly traded equities. Private equity investments are expected to be illiquid and long-term in nature.

Given the above investment objective, the overall expectations of the Private Equity Program are as follows:

- *Overall Expectation for Private Equity Program:* Over the long-term, performance of the Private Equity Program is expected to exceed the TCDRS U.S. Equity asset class benchmark by 3%, net of fees and expenses.

The long-term investment performance objectives of the Private Equity Program and its various components are set forth in Table 1 of Exhibit A.

C. Investment Guidelines

(1) Private Equity Investments. Investment is authorized in vehicles that invest in a broad array of various non-publicly traded securities, including but not limited to:

- *Buyout Investments* include investments in acquisitions, growth equity, recovery investments, subordinated debt, and special situations (a class which represents a diversified strategy across many sub-classes). Investments are made across the market capitalization spectrum and typically involve the purchase of a control position (primarily majority positions, with some minority positions) in an established company

- and may include the use of leverage. Investments are typically made in years one through six and returns typically occur in years three through ten. Investments may be made in companies that are either U.S. or non-U.S. domiciled.
- *Venture Capital Investments* include investments in companies in a range of stages of development from start-up/seed-stage, early stage, and later/expansion stage. Investments are typically made in years one through six and returns typically occur in years four through ten. Investments may be made in companies that are either U.S. or non-U.S. domiciled.
 - *Real Asset Investments* include investments in assets that have a return linked to inflation, such as energy related investments and other commodity-based investments. Real estate and timber investments are excluded from this category. Investments may be made in companies that are either U.S. or non-U.S. domiciled.
 - *Co-Investments* include direct investments in companies made alongside the System's existing general partners and may include both control positions or non-control positions where there are significant governance rights and control provisions. They may include buyout, venture capital, non-U.S., and real asset investments. Co-investments are subject to the specific guidelines set forth in Section 11C(10) below.

(2) Private Equity Investment Targets. For the Private Equity Program, the targeted and range of investment exposures, measured at fair value, to the various private equity investment classes are shown in the following table:

Style	Target	Minimum	Maximum
Buyout	50%	30%	70%
Venture Capital	25%	10%	40%
Non-U.S.	20%	5%	35%
Real Assets	5%	0%	25%
Co-investments	0%	0%	10%
Total	100%		

Note: The Non-U.S. exposure refers to where the partnership or other vehicle is domiciled. The real asset exposure refers to the targeted strategy of the partnership or other vehicle.

It is recognized that it may take an extended period for the Private Equity Program to be fully invested and that there may be deviations from the previously mentioned targets during the initial funding period.

(3) Investment Vehicles. The vehicles for private equity investments are typically limited partnerships but may also include other entities such as limited liability companies or offshore corporations. These investment vehicles may invest in any type of security throughout the capital structure.

(4) Industry/Geographic Concentration. TCDRS shall endeavor to limit the potential for any one investment to negatively impact the long-term results of the Private Equity Program by investing across a variety of industries and geographic locations. For investments in venture capital, it is recognized that opportunities may be most readily available in a relatively limited number of industries.

(5) Investment Vehicle Concentration. TCDRS shall not comprise more than 30% of any single fully closed investment vehicle, inclusive of assets in a master fund and/or offshore fund. The 30% concentration limit shall not apply to continuation vehicles as described in section 11.C.(8). Any one investment vehicle may not comprise more than 10% of the Private Equity Program once it is fully invested, calculated on a committed capital basis. The optimum number of investment vehicles in the portfolio and the maximum exposure to any one investment vehicle varies with time and will be evaluated as part of the annual plan for the Private Equity Program.

(6) Investment Timing. TCDRS shall strive to limit the potential for any one investment to negatively impact the long-term results of the Private Equity Program by investing across business cycles and vintage years. Investments shall be selected with the goal of gaining exposure to the array of financing stages by opportunistically exploiting the best investments at different stages of the business cycle.

(7) Liquidity. Private equity investments are illiquid and typically have expected holding periods of 10-12 years. Investments are typically held until maturity and selling prior to maturity may result in realizing a sales price that reflects a discount to fair market value. Liquidity risk is managed by analyzing liquidity needs of the entire TCDRS portfolio and maintaining adequate liquidity levels in other parts of the portfolio.

(8) Distributed Securities. TCDRS shall ordinarily direct the sale of securities distributed by its investment vehicles as soon as practically possible and strive to not impair the value of the security. TCDRS may transfer assets into an investment vehicle managed by the same general partner that is a continuation of the same vehicle from which the assets are transferred. A continuation vehicle as described in the previous sentence is not intended to include a successor fund in a series of funds managed by the same general partner.

(9) Performance Evaluation. The individual investment vehicle performance, as measured by the internal rate of return, will be evaluated compared to the performance of respective peer universes and vintage years, as reflected by the Private Equity Program benchmark. **It is recognized that immature private equity investments will ordinarily have a “J-curve effect” whereby there are low to negative returns in the initial years due to the payment of investment management fees during a period when investments are typically carried at cost and returns have not been realized.**

(10) Co-Investment Guidelines

Category	Guideline
Annual capital deployment	Not to exceed 15% of targeted private equity annual commitments
GP relationship	May only co-invest with the System’s existing general partners
Max equity size	Not more than \$50 million co-investment in any transaction determined at the time of initial co-investment
Max equity ownership per deal	Not more than 40% of the direct investment (combined ownership through the fund and co-investment) determined at the time of initial co-investment
Max number of deals per year	15

Investment strategy	Co-investments must be consistent with the general partner's strategy, focus and skill set
Control	May only invest in companies where the Investment Group (consisting of general partner, co-investment partners and affiliated funds) has control or is in a non-control position but has significant governance rights and control provisions
Board representation	General Partner must have at least one Board seat or an agreement granting similar rights to information and oversight authority
Investment vehicle	Prefer partnership structure to limit liability, but investment can be made directly as well
Terms	On substantially similar or better terms and conditions as provided to the primary partnership or the partnership in which the System is invested

12. Investment Guidelines and Performance Measurement Standards for Private Real Estate Portfolios

A. Introduction

The following investment guidelines and objectives govern the implementation of the Private Real Estate Program.

B. Investment Objective

The investment objective of the Private Real Estate Program is to enhance the total fund performance through the investment in non-publicly traded vehicles that invest in a broad array of real estate properties and ventures by generating a long-term rate of return that exceeds that of publicly traded real estate securities. Private real estate investments are expected to be illiquid and long-term in nature.

Given the above investment objective, the overall performance expectation of the Private Real Estate Program is to, over the long term, exceed the Private Real Estate Program benchmark as set forth in Table 1 of Exhibit A. Performance of the Private Real Estate Program will also be compared against such benchmark.

C. Investment Guidelines

(1) Private Real Estate Investments. Investment is authorized in vehicles that invest in a broad array of real estate properties and ventures, including but not limited to:

- *Real Estate Partnerships* include investments in private vehicles (e.g. limited partnerships or limited liability companies) that have an ownership interest in direct real estate properties, either income-producing or non-income producing. The investment strategies may include those defined as “value-added” or “opportunistic.” “Value added” strategies derive their return from both income and appreciation. “Opportunistic” strategies derive their return primarily through appreciation. Investments may be made in companies that are either U.S. or non-U.S. domiciled.
- *Timber Partnerships* include investments in private vehicles (e.g., limited partnerships or limited liability companies) that have an ownership interest in properties where the majority value of the property is derived from income producing timber. Investments may be made in companies that are either U.S. or non-U.S. domiciled.

(2) **Private Real Estate Investment Targets.** For the Private Real Estate Program, the targeted and range of investment exposures to the various private real estate investment classes are shown in the following table:

Style	Target	Minimum	Maximum
Value Added	20%	0%	30%
Opportunistic	80%	60%	100%
Timber	0%	0%	20%
Total	100%		

It is recognized that it may take an extended period of time for the Private Real Estate Program to be fully invested and that there may be deviations from the previously mentioned targets during the initial funding period.

(3) **Investment Vehicles.** The vehicles for private real estate investments are typically partnerships but may also include other entities such as limited liability companies or offshore corporations. These investment vehicles may invest in a broad array of real estate properties and ventures.

(4) **Property Type/Geographic Concentration.** TCDRS shall endeavor to limit the potential for any one investment to negatively impact the long-term results of the Private Real Estate Program by investing across a variety of property types and geographic locations.

(5) **Investment Vehicle Concentration.** TCDRS shall not comprise more than 30% of any fully closed investment vehicle, inclusive of assets in a master fund and/or offshore fund. The 30% concentration limit shall not apply to continuation vehicles as described in section 12.C.(8). Any one investment vehicle may not comprise more than 10% of the Private Real Estate Program once it is fully invested, calculated on a committed capital basis. The optimum number of investment vehicles in the portfolio and the maximum exposure to any one investment vehicle varies with time and will be evaluated as part of the annual plan for the Private Real Estate Program.

(6) **Investment Timing.** TCDRS shall strive to limit the potential for any one investment to negatively impact the long-term results of the Private Real Estate Program by investing across business cycles and vintage years.

(7) **Liquidity.** Private real estate investments are illiquid and typically have expected holding periods of 8-10 years. Investments are typically held until maturity and selling prior to maturity may result in realizing a sales price that reflects a discount to fair market value. Liquidity risk is managed by analyzing liquidity needs of the entire TCDRS portfolio and maintaining adequate liquidity levels in other parts of the portfolio .

(8) **Distributed Securities.** TCDRS shall ordinarily direct the sale of securities distributed by its investment vehicles as soon as practically possible and strive to not impair the value of the security. TCDRS may transfer assets into an investment vehicle managed by the same general partner that is a continuation of the same vehicle from which the assets are transferred. A

continuation vehicle as described in the previous sentence is not intended to include a successor fund in a series of funds managed by the same general partner.

(9) Performance Evaluation. The individual investment vehicle performance, as measured by the internal rate of return, will be evaluated compared to the performance of respective peer universes and vintage years, as reflected by the Private Real Estate Program benchmark set forth on Table 1 of Exhibit A. **It is recognized that immature private real estate investments will ordinarily have a “J-curve effect” whereby there are low to negative returns in the initial years due to the payment of investment management fees during a period when investments are typically carried at cost and returns have not been realized.**

13. Investment Guidelines and Performance Measurement Standards for Credit Portfolios

A. Introduction

The following investment guidelines and objectives govern the implementation of the Credit Program. The Credit Program includes distressed debt, direct lending, and strategic credit investments, which comprise the Credit asset allocation of the System.

B. Investment Objective

The investment objective of the Credit Program is to enhance the total fund performance through the investment in publicly and non-publicly traded securities by generating a long-term rate of return that exceeds that of established credit indices. Credit investments may be liquid or illiquid and long-term in nature.

Given the above investment objective, the overall expectations of the various components of the Credit Program are as follows:

- *Overall Expectation for Distressed Debt Component:* Over the long term, performance of the Distressed Debt component is expected to exceed that of the TCDRS Strategic Credit asset class benchmark by 3%, net of fees and expenses.
- *Overall Expectation for Direct Lending Component:* Over the long term, performance of the Direct Lending component is expected to exceed that of the TCDRS Strategic Credit asset class benchmark by 2%, net of fees and expenses.
- *Overall Expectation for Strategic Credit Component:* Over the long term, the Strategic Credit component is expected to exceed that of the TCDRS Strategic Credit asset class benchmark, net of fees and expenses.

The long-term investment performance objectives of the Credit Program and its various components are set forth in Table 1 of Exhibit A.

The Distressed Debt, Direct Lending, and Strategic Credit components of the Credit Program will

have performance benchmarks appropriate for credit asset classes, and such performance benchmarks will be utilized when incorporating the allocation of these components into the TCDRS Policy Index.

C. Investment Guidelines

(1) Credit Investments. Investment is authorized in vehicles that invest in a broad array of various publicly and non-publicly traded securities, including but not limited to:

- *Distressed Debt Investments* include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments and bank loans. Equity exposure is acceptable as debt positions are often converted to equity during the bankruptcy reorganization process. Investments are typically made in years one through five and returns typically occur in years three through ten. Investments may be made in companies that are either U.S. or non-U.S. domiciled.
- *Direct Lending Investments* include investments primarily in privately originated debt and preferred equity instruments to companies and privately originated senior and mezzanine debt for real estate investors that provide return opportunities resulting from dislocations in the capital markets. Direct Lending investments may also include other types of yield oriented non-correlated funds including, but not limited to, royalty streams and leasing. Investments may be made that are either U.S. or non-U.S. domiciled.
- *Strategic Credit Investments* include investments primarily in debt instruments that provide return opportunities resulting from dislocations in the capital markets or from credit risk, and credit/distressed strategies such as capital-structure arbitrage, fixed-income arbitrage, and distressed debt/equity. Investments may be made in companies that are either U.S. or non-U.S. domiciled.
- *Co-Investments* include direct investments in companies made alongside the System's existing general partners and may include both control positions or non-control positions where there are significant governance rights and control provisions. They may include distressed debt, strategic credit and direct lending investments and may be in companies that are U.S. or non-U.S. domiciled. Co-investments are subject to the specific guidelines set forth in Section 13C(10) below.

(2) Credit Investment Targets. The targets for the Distressed Debt, Direct Lending and Strategic Credit components of the Credit Program are listed in Table 1 of Exhibit A as separate investment allocations.

It is recognized that it may take an extended period for the Credit Program to be fully invested and that there may be deviations from the previously mentioned targets during the initial funding period.

(3) Investment Vehicles. The vehicles for credit investments are typically limited

partnerships but may also include other entities such as limited liability companies, public or private business development companies, or offshore corporations. Separately managed accounts and “fund of one” structures may also be utilized. These investment vehicles may invest in any type of security throughout the capital structure.

(4) Industry/Geographic Concentration. TCDRS shall endeavor to limit the potential for any one investment to negatively impact the long-term results of the Credit Program by investing across a variety of industries and geographic locations.

(5) Investment Vehicle Concentration. Any one investment vehicle may not comprise more than 10% of the Credit Program once it is fully invested, calculated on a committed capital basis. The optimum number of investment vehicles in the portfolio and the maximum exposure to any one investment vehicle varies with time and will be evaluated as part of the annual plan for the Credit Program.

(6) Investment Timing. Within Distressed Debt and Direct Lending, TCDRS shall strive to limit the potential for any one investment to negatively impact the long-term results of the Credit Program by investing across business cycles and vintage years. Investments shall be selected with the goal of gaining exposure to the array of financing stages by opportunistically exploiting the best investments at different stages of the business cycle.

(7) Liquidity. Credit investments may be illiquid, in which case expected holding periods are generally 3-10 years. For investments intended to be held until maturity, selling prior to maturity may result in realizing a sales price that reflects a discount to fair market value. Liquidity risk is managed by analyzing liquidity needs of the entire TCDRS portfolio and maintaining adequate liquidity levels in other parts of the portfolio.

(8) Distributed Securities. TCDRS shall ordinarily direct the sale of securities distributed by its investment vehicles as soon as practically possible and strive to not impair the value of the security. TCDRS may transfer assets into an investment vehicle managed by the same general partner that is a continuation of the same vehicle from which the assets are transferred. A continuation vehicle as described in the previous sentence is not intended to include a successor fund in a series of funds managed by the same general partner.

(9) Performance Evaluation. The Distressed Debt, Direct Lending and Strategic Credit components within the Credit Program will be evaluated compared to the asset class benchmarks set forth on Table 1 of Exhibit A. **It is recognized that immature credit investments will ordinarily have a “J-curve effect” whereby there are low to negative returns in the initial years due to the payment of investment management fees during a period when investments are typically carried at cost and returns have not been realized.**

(10) Co-Investment Guidelines

Category	Guideline
Annual capital deployment	Not to exceed 10% of targeted credit annual commitments

GP relationship	May only co-invest with the System's existing general partners
Max equity size	Not more than \$50 million co-investment in any transaction determined at the time of initial co-investment
Max equity ownership per deal	Not more than 40% of the direct investment (combined ownership through the fund and co-investment) determined at the time of initial co-investment
Max number of deals per year	10
Investment strategy	Co-investments must be consistent with the general partner's strategy, focus and skill set
Control	May only invest in companies where the Investment Group (consisting of general partner, co-investment partners and affiliated funds) has control or is in a non-control position but has significant governance rights and control provisions
Investment vehicle	Prefer partnership structure to limit liability, but investment can be made directly as well
Terms	On substantially similar or better terms and conditions as provided to the primary partnership or the partnership in which the System is invested

14. Investment Guidelines and Performance Measurement Standards for Hedge Fund Portfolios

A. Introduction

The following investment guidelines govern the implementation of the Hedge Fund Program.

B. Investment Objective

The investment objective of the Hedge Fund Program is to utilize a portfolio of hedge funds to achieve positive returns with a degree of independence from movements in equity and fixed income markets and independent of traditional performance benchmarks. Hedge funds represent a distinctive investment style that is different from traditional, long-only funds. A fundamental difference is that hedge fund managers may use a wider range of investment techniques, such as leverage, short selling and derivatives to achieve their objectives. A portfolio of hedge funds is expected to deliver an absolute return with a risk level between that of stocks and bonds. The portfolio should also have a low correlation with other asset classes and therefore help diversify TCDRS. As such, the objective of the Hedge Fund Program is to reduce the volatility of the TCDRS total fund while continuing to maximize returns in a variety of market environments.

Given the above investment objective, the overall expectation and performance of the Hedge Fund Program will be compared against the benchmark for the Hedge Fund Program as set forth on Table 1 of Exhibit A.

C. Investment Guidelines

(1) Hedge Fund Styles. Investment is authorized in hedge funds that use a broad array of various hedge fund styles, including but not limited to:

- *Market Neutral strategies* such as equity market neutral, fixed income arbitrage, and convertible bond arbitrage.
- *Event Driven strategies* such as risk arbitrage, merger arbitrage, activist and other event-driven strategies.
- *Credit/Distressed strategies* such as capital-structure arbitrage, fixed-income arbitrage, and distressed debt/equity.
- *Equity long/short strategies* where there is combination of long and short positions primarily in publicly traded equities, with a net market exposure less than that of the overall equity market. Strategies may be focused on U.S., non-U.S., and/or specialty mandates.
- *Global Macro strategies* such as all market portfolios, opportunistic long-only, managed futures, currency, dedicated short selling strategies or other specialty strategies.
- *Multi-strategies* where hedge funds invest using a combination of previously described strategies.

(2) Investment Vehicles. The vehicles for hedge fund investments are typically a variety of commingled vehicles, such as limited partnerships, limited liability companies, or offshore corporations. Separately managed accounts and “fund of one” structures may also be utilized.

(3) Investment Constraints. No more than 30% of the Hedge Fund Program’s market value of assets may be invested in any single hedge fund.

(4) Liquidity. Individual hedge fund investments may have specified liquidity parameters defining lock-up periods and withdrawal frequency. Liquidity risk is managed by monitoring and maintaining a schedule of the liquidity of the individual hedge funds and aggregating it at the total Hedge Fund Program level.

(5) Distributed Securities. TCDRS shall ordinarily direct the sale of securities distributed by its investment vehicles as soon as practically possible and strive to not impair the value of the security.

(6) Performance Evaluation Benchmark. The performance of individual hedge funds will be evaluated relative to peer universes, as measured by the Hedge Fund Program’s benchmark on Table 1 of Exhibit A.

15. Proxy Voting

TCDRS recognizes that publicly traded securities and other assets of the System include certain ancillary rights, such as the right to vote on shareholder resolutions at companies’ annual shareholders’ meetings. The investment managers may be authorized to vote proxies or respond to “corporate action notifications” on such securities all in accordance with the contracts between

the System and such managers. Each appropriate investment manager contract will include proxy voting guidelines that have been reviewed by the Investment Officer and an investment consultant.

16. Review and Modification of Investment Policy

The Board will review this Policy on a regular basis and may modify this Policy from time to time at the Board's discretion. Modifications to the Policy may also be submitted for consideration to the Board by the Investment Officer as circumstances warrant.

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Exhibits

	<u>Page</u>
A. Tables for Asset Allocation Parameters and Capital Market Assumptions.....	26
B. TCDRS Policy for Placement Agents and Political Contributions.....	29
C. List of Investment Service Providers.....	31
D. Policy for Terms and Conditions of Investment Agreements.....	32

Exhibit A

Tables for Asset Allocation Parameters and Capital Market Assumptions

Table 1. Asset Allocation Parameters

Asset Class (Portfolio)	Measurement Benchmark (Index)	Min %	Max %	Target %
U.S. Equities	Dow Jones U.S. Total Stock Market Index	4%	19%	11.5%
Global Equities	MSCI World (net) Index	0%	6%	2.5%
Intl Equities – Developed Markets	MSCI World ex USA (net) Index	1%	11%	5%
Intl Equities – Emerging Markets	MSCI Emerging Markets (net) Index	1%	11%	6%
Investment-grade Bonds	Bloomberg US Aggregate Bond Index	1%	15%	3%
Strategic Credit ¹	FTSE High-Yield Cash-Pay Index	5%	16%	9%
Direct Lending ¹	Morningstar LSTA US Leveraged Loan TR USD Index	4%	23%	16%
Distressed Debt ¹	Cambridge Associates Distressed Securities Index ⁴	1%	7%	4%
TIPS	Bloomberg US 10 Year Breakeven Inflation Index	0%	3%	0%
REIT Equities	67% FTSE NAREIT All Equity REITs Index +33% S&P Global REIT (net) Index	0%	5%	2%
Commodities	Bloomberg Commodities Index	0%	3%	0%
Master Limited Partnerships	Alerian MLP Index	0%	5%	2%
Private Real Estate Partnerships ¹	Cambridge Associates Real Estate Index ²	1%	10%	6%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ³	10%	35%	25%
Hedge Funds	HFR, Inc. (HFRI) Fund of Funds Composite Index	0%	13%	6%
Cash Equivalents	90-day US Treasury	0%	10%	2%

¹ Due to the extended period required to transact in Strategic Credit, Direct Lending, Distressed Debt, and Private Real Estate asset classes, the benchmarks for these asset classes will be incorporated into the TCDRS Policy Index at their actual weights until they approach their target allocations. Unfunded target allocations will be invested equally between U.S. Equity and Investment-Grade Bonds with the TCDRS Policy Index weights for each increased accordingly.

² Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

³ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁴ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

**Table 2. Capital Market Assumptions---Expected Return, Risk and Correlations between Asset Classes
(Adopted March 21, 2024)**

	Public Equity				Fixed Income	Cash	Real Assets					Private Equity	Hedge Funds
	U.S. Stock	Dev. Intl Stocks	Emerging Mkt Stocks	Global Stocks	Inv Grade Bonds	SOFR (cash)	10-yr TIPS	Public REITs	MLPs	Commodities	Pvt RE Funds	Private Equity	Hedge Funds
Return (%Geometric)	6.95	6.95	6.95	6.95	4.55	2.80	3.90	6.30	7.40	2.70	7.90	9.95	5.00
Risk (%)	17.00	19.00	22.00	17.00	5.00	2.00	7.00	22.00	24.00	18.00	15.75	20.00	4.00
<u>Correlations:</u>													
U.S. Stock	1.00												
Dev. Intl Stocks	0.85	1.00											
Emerging Mkt Stocks	0.85	0.80	1.00										
Global Stocks	0.90	0.90	0.85	1.00									
Inv Grade Bonds	0.20	0.15	0.15	0.15	1.00								
SOFR (cash)	0.00	0.00	0.05	0.00	0.05	1.00							
10-yr TIPS	0.30	0.25	0.25	0.25	0.80	-0.05	1.00						
Public REITs	0.70	0.65	0.65	0.65	0.15	-0.15	0.20	1.00					
MLPs	0.50	0.50	0.54	0.51	-0.05	0.00	0.15	0.35	1.00				
Commodities	0.35	0.50	0.55	0.45	0.05	-0.10	0.35	0.25	0.40	1.00			
Pvt RE Funds	0.50	0.45	0.40	0.45	0.00	0.00	0.00	0.65	0.35	0.10	1.00		
Private Equity	0.80	0.70	0.60	0.70	0.20	0.00	0.30	0.60	0.50	0.20	0.60	1.00	
Hedge Funds	0.70	0.70	0.65	0.70	0.00	-0.10	0.15	0.55	0.60	0.60	0.20	0.30	1.00
Distressed Debt	0.65	0.60	0.60	0.60	0.20	-0.15	0.30	0.65	0.65	0.35	0.70	0.65	0.30
Direct Lending	0.65	0.60	0.60	0.60	0.00	-0.15	0.30	0.65	0.65	0.35	0.70	0.80	0.30
Strategic Credit	0.60	0.60	0.60	0.60	0.20	0.00	-0.10	0.30	0.30	0.60	0.30	0.50	0.30

Source: Cliffwater LLC

Based on the asset allocation plan adopted by the Board and the capital market assumptions set forth above, the expected annualized investment return of the System is 8.41% and the expected risk is 11.78%.

Exhibit B

TCDRS Policy for Placement Agents and Political Contributions

In order to ensure the integrity and independence of the investments of the System and conformity with applicable fiduciary, ethical, and legal standards, the System will not knowingly invest with an investment manager or investment vehicle if (a) the manager or vehicle directly or indirectly pays finder's fees, brokerage fees, or similar fees or commissions ("Placement Fees"), other than to an officer, member, partner, or employee of such manager or vehicle, as a result of the System's investment with such manager or vehicle, (b) the manager or vehicle directly or indirectly pays any compensation or benefits to a Trustee, officer, or key employee (as defined in the TCDRS Code of Ethics) of the System (a "System Representative") or, to such investment manager's or vehicle's knowledge, to an immediate family member of such Trustee, officer, or key employee in connection with the System's investment, or (c) the System will bear any Placement Fees in connection with any investment, whether or not the Placement Fees arise as a result of the System's investment.

In addition, the System will not knowingly invest with an investment manager or investment vehicle if the manager or vehicle (or any officer, director, employee or owner of such manager or vehicle) has within the two previous years made a political contribution to a Trustee who is an elected official. Investment managers and vehicles with whom the System invests should also be aware that, for purposes of compliance with applicable law, Trustees are appointed under Texas Government Code section 845.002, which provides "The governor shall appoint the members of the board of trustees with the advice and consent of the senate."

In conjunction with this Policy, an investment consultant, when performing due diligence on prospective investments of the System, shall inquire as to the payment and expensing of Placement Fees and provide any relevant information to the Investment Officer.

Additionally, any investment manager or vehicle that contracts with the System should represent or confirm through provisions in its contract that such investment manager or vehicle (a) has not directly or indirectly paid, and no person is entitled to, Placement Fees in connection with the System's investment, (b) has not directly or indirectly paid compensation or benefits to any System Representative or, to such investment manager's or vehicle's knowledge, an immediate family member of a System Representative, in connection with the System's investment, (c) the System will not bear any Placement Fees, and (d) within the two previous years no political contributions have been made by the investment manager or vehicle (or any officer, director, employee or owner of such investment manager or vehicle) to any Trustee who is an elected official. Any investment manager or vehicle that contracts with the System should also acknowledge that Trustees are appointed under Texas Government Code section 845.002, as provided above.

The foregoing notwithstanding, in the event that an investment manager or vehicle cannot make the representations, confirmations or acknowledgements set forth in clauses (a), (b) or (c) above, the investment manager or vehicle shall disclose the relevant transactions or circumstances that prevent it from agreeing to such contractual provisions, and the Investment Officer and System

legal counsel will determine whether or not (1) alternative contractual representations or acknowledgements are appropriate and (2) the investment will otherwise satisfy the purpose of this Policy and applicable law; and, if so determined by the Investment Officer and System legal counsel, the System may make such investment.

Exhibit C**List of Investment Service Providers**

In managing the assets of the System, the Board has retained the following providers of investment services to assist in the management of investment assets:

Investment Service Providers

Investment Services Provided	Provider
Custodian	<ul style="list-style-type: none"> • BNY Mellon Corporation (Boston, MA)
Securities Lending Agents	<ul style="list-style-type: none"> • BNY Mellon Corporation (Boston, MA)
Performance Measurement Analyst	<ul style="list-style-type: none"> • BNY Mellon Corporation (Boston, MA)
Investment Consultant (General)	<ul style="list-style-type: none"> • Cliffwater, LLC (Marina del Rey, CA)
Investment Consultant (Private Equity)	<ul style="list-style-type: none"> • Cliffwater, LLC (Marina del Rey, CA)
Investment Consultant (Real Estate)	<ul style="list-style-type: none"> • Cliffwater, LLC (Marina del Rey, CA)
Investment Consultant (Hedge Funds)	<ul style="list-style-type: none"> • Cliffwater, LLC (Marina del Rey, CA)
Legal Counsel	<ul style="list-style-type: none"> • Chapman and Cutler LLP • DLA Piper LLP • Foster Garvey P.C. • Reed Smith LLP • Jackson Walker L.L.P. • Norton Rose Fulbright US LLP • Vinson & Elkins LLP

Whenever the System changes investment service providers on action by the Board, this table shall automatically be amended to reflect such action.

Exhibit D**Policy for Terms and Conditions of Investment Agreements**

It is the policy of the System in connection with its investments that the System:

- will not agree to the arbitration of disputes arising out of or in connection with such investment;
- will not agree to consent to jurisdiction or venue in any courts other than applicable state or federal courts of the State of Texas;
- will require the investment manager, investment vehicle and such investment vehicle's general partner, managing member or investment manager to agree to bring any action which such investment manager or such general partner, managing member or investment manager of an investment vehicle (for itself or on behalf of the investment vehicle) may institute against the System only in applicable state or federal courts of the State of Texas; and
- will not agree to any representation, warranty or covenant which requires or could be construed to require the System to institute, or to join in, any proceeding in any state or federal court without the System's express consent.