Texas PSF Corporation

Board Meeting Recap
February 20, 2025

SUMMARY

- The Texas PSF Corporation Board of Directors met Thursday, February 20, 2025, in person at the Innovation Tower Building (1300 Red River St., Suite 700, Austin)
- A recorded webcast of this and previous archived meetings can be viewed at: https://www.youtube.com/live/W2CgBQntmlg

NEXT BOARD MEETING

- The next regular board meeting is set for May 22, 2025. The meeting location and agenda will be posted to the Texas PSF Corporation website in advance. www.texaspsf.org/meetings

MEETING HIGHLIGHTS

ITEM: REPORT FROM THE CEO

CEO/CIO Bob Borden opened by noting that this was the first board meeting conducted in the Corporation's new offices in Innovation Tower, and that the build-out project was on-time and under budget.

Performance: Mr. Borden provided a Fund performance overview, noting the 1-year return of 7.92%, nearly identical to the benchmark of 7.91%, an outstanding result given that $28 billion in assets were reallocated during the year. The 3-year return exceeded benchmark by 1.03%, most of which is attributable to the Fund's Real Assets book.

Lastly, Texas PSF has made progress in performance vs. its peer group, moving from the bottom quartile between 2020-2023 to above median performance over the last year.

Legislative update: Mr. Borden described the Corporation's budget request currently in front of the Legislature: $14.5 million over 2 years for a total of 24 additional positions by FY2027 to build out the investment and support staff needed to increase potential returns by $0.5 to $1.0+ billion.

Strategic planning update: Mr. Borden provided updates to projects currently underway to continue the implemention of the Corporation's strategic plan, including: modeling total investment risk exposure; building out co-investment, direct and special situations team; staff training; and board governance and ethics policies.

ITEM: REVIEW OF PUBLIC EQUITIES AND ABSOLUTE RETURN STRATEGIES

President and Deputy CIO Stu Bohart lead a discussion on structural changes made to the Public Equity and Absolute Return Programs at the PSF.

Public Equity: Mr. Bohart discussed strategic changes to focus on developed markets, especially the US, noting the program's strong short and long-term performance.

REVIEW OF PUBLIC EQUITIES AND ABSOLUTE RETURN STRATEGIES, continued

Absolute Return: Mr. Bohart reviewed changes to focus on more stable value strategies, seeking a lower number of manager relationships, improved downside protection, and lower correlation to public markets.

These changes should result in a more resilient portfolio during times of market stress, according to Mr. Bohart.

ITEM: COMMITTEE REPORTS

The Chairs of the Audit & Ethics, Budget & Compensation and Strategic Planning & Policy committees reported to the full board on their committee discussions and current work.

Highlights include: receipt of a clean report from external auditor KPMG; an update on cybersecurity; first readings of a board ethics policy and a governance policy; a legislative update on the Corp.'s budget request and other relevant legislation; work on a CEO performance evaluation policy; an overview of strategic planning for 2025; and an update on compliance with Governor directives relating to divestment from China.

ITEM: ELECTION OF OFFICERS, COMMITTEE ASSIGNMENTS

The following members were elected as officers of the Board:

Officers

Tom Maynard, Chair
Brad Wright, Vice Chair
Aaron Kinsey, Secretary

Committee Assignments

Chairman Maynard announced committee assignments, which may be found here: https://texaspsf.org/board-of-directors/.