Texas PSF Corporation

Board Meeting Recap
June 22, 2023

TEXAS PSF EST. 1845

SUMMARY

- The Texas PSF Corporation Board of Directors met Thursday, June 22, 2023, in-person at the William B. Travis Building.
- A recorded webcast of this and previous archived meetings can be viewed here: adminmonitor.com/tx/tea

NEXT BOARD MEETING

- The next regular board meeting is set for June 27, 2023. The meeting location and agenda will be posted to the Texas PSF Corporation website in advance. www.texaspsf.org

MEETING HIGHLIGHTS

ITEM: FIRST QUARTER 2023 PERMANENT SCHOOL FUND PERFORMANCE REPORT

Mike Maher from BNY Mellon presented the report, highlighting a 3.56% return net of fees, which outperformed the benchmark by 77 basis points (0.77%). Key contributors to the outperformance included private equity, energy, and non-core real estate. Detailed performance by asset class was discussed, with notable returns in domestic large cap equity, small/midcap equity, and international equities.

Board Action: None taken, discussion only.

ITEM: REVIEW AND CONSIDER POSSIBLE CHANGES TO THE PERMANENT SCHOOL FUND ASSET ALLOCATION

John Grubenman, chief investment officer, stressed the significance of asset allocation as a key function of the board and crucial for the fund's overall performance. He provided a summary of recent board activities related to asset allocation review, highlighting the collaborative efforts between NEPC and the Texas PSF Corporation team. Rhett Humphries, a partner at NEPC LLC, shared insights on market outlook and how assumptions are applied to Texas PSF Corporation's allocations, presenting recommendations for revising the fund's allocation considering economic growth, inflation protection, and defensive strategies.

Board Action: The board requested more information on asset allocation assumptions and the current composition of fund managers, deciding to postpone any action on this matter to a future meeting.

ITEM: RECEIVE AN UPDATE ON FACILITIES AND AN UPDATE FROM THE EXECUTIVE SEARCH COMMITTEE REGARDING POSSIBLE RECOMMENDATION FOR NAMING ACTING CEO SUCCESSOR.

The board entered executive session to discuss facilities and legislative requirements pursuant to Texas Government Code Section 551.074.

Board Action: No actions were taken during the closed session.

ITEM: CONSIDER FROM THE AUDIT AND ETHICS COMMITTEE REGARDING SELECTION OF AN AUDITOR

The Audit and Ethics Committee recommended continuing with the Texas State Auditor's Office for the fiscal year 2023 audit.

Board Action: The board approved selecting the Texas State Auditor's Office to conduct a financial audit of the assets of the Texas PSF Corporation for the fiscal year 2023.

ITEM: CEO SEARCH

Board Action: The board selected Dave Barrett Partners, EFL Associates, and Korn Ferry as finalists for the Executive Services search related to hiring a new CEO.

ITEM: PROXY VOTING POLICY

The Proxy Voting Working Group discussed developing a policy document to guide proxy voting principles and guidelines.

Board Action: None taken, discussion only.

ITEM: UPDATE REGARDING THE 88TH LEGISLATIVE SESSION

John McGeady, managing director of governmental relations, provided a review of significant legislation and budgetary measures from the 88th Legislative Session.

Board Action: None taken, discussion only.

BOND GUARANTEE PROGRAM

Mark Shemaker provided an update on IRS Notice 2023-39 and its implications for the Bond Guarantee Program.

Board Action: None taken, discussion only.