Texas PSF Corporation

Board Meeting Recap
May 14, 2026

SUMMARY

- The Texas PSF Corporation Board of Directors met Thursday, May 14, 2026, in person and by videoconference 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/watch?v=tI4nfi56w94

NEXT BOARD MEETING

- The next regular board meeting is set for August 20, 2026. The meeting location and agenda will be posted to the Texas PSF Corporation website in advance. www.texaspsf.org/meetings

MEETING HIGHLIGHTS

EXECUTIVE SESSION DISCUSSION AND BOARD ACTION ON PERSONNEL MATTERS REGARDING THE CEO

The Board met in executive session to discuss this agenda item; upon return to open session, they voted on the recommendations of the Budget & Compensation committee regarding the CEO.

The Board adopted the recommendations unanimously.

DISCUSSION ON BOARD SELF-ASSESSMENT

Lane Arnold, General Counsel, summarized the results of the recently completed Board self-assessment. All nine members completed the survey, which covered four topics: governance & oversight; board structure & meeting processes; board relationships; and relationship with CEO.

The results were positive overall; on a Likert scale 1-5 (5 being the most positive), the median score was 5 and the average was 4. Training and education as areas to focus on moving forward.

REPORT FROM THE CEO

CEO/CIO Bob Borden provided updates on investment performance, upcoming discussions on distributions to the Available School Fund, and the corporation's preliminary appropriations request, among other topics.

Borden stated the corporation is preparing its recommendations to the State Board of Education (SBOE) for its upcoming 5(a) distribution decision for fiscal years 2028 and 2029, as well as the Board's 5(g) supplemental distribution decision in August. He noted that while inflation is trending higher, student enrollment trends are flat to negative; applied to a higher asset base, this may produce a distribution increase.

CFO Mike Meyer briefly summarized the preliminary Legislative Appropriations Request (LAR) for the 2028-29 biennium. The baseline 2-year limit is projected to be $124.3 million, with a $2.4 million request to sustain the FY2027 funding level into the 2028-29 biennium and $1.0 million to fund an additional 5 staff positions. If funded, the total request would represent a 2.7% increase in funding from the current biennium. Approval of the final LAR will be on the agenda for the August meeting.

Report from the CEO, continued...

Finally, CEO/CIO Borden reported strong investment performance despite market volatility and a major portfolio transition. The one-year returns were approximately 11.4%, compared to an 11.0% policy benchmark, and the 3-year return was 9.4% against an 8.9% benchmark. Market risks related to the Iran conflict and the ensuing oil disruption remain significant, but he noted that corporate earnings have been strong and markets have rallied.

REPORTS FROM THE INVESTMENT CONSULTANT NEPC AND TEXAS PSF PRIVATE DEBT TEAM

Colton Lavin, Senior Investment Director of NEPC, reviewed the current state and NEPC's outlook on Private Debt. Lavin noted that although Private Debt is an extremely diverse asset class that now exceeds $2 trillion globally, it still represents only approximately 4% of global fixed income assets.

Since the Great Recession, Private Debt has demonstrated consistent overperformance compared to a public market equivalent; however, Lavin noted that this performance has not been tested during a recessionary economic cycle. He acknowledged negative headlines on Private Debt, but stated the real issue is beneath-the-surface credit quality, noting that there are opportunities for well-positioned investors like PSF.

John Newell, Texas PSF VP and Head of Debt, stated that the Fund's Private Debt program is performing well overall, but that discipline is required given sections of the market are getting crowded and riskier. He outlined three non-core Private Debt issues his team is monitoring: (1) major capital flows into direct lending; (2) asset-liability mismatches in retail focused structures; and (3) software exposure and AI disruption risk. He described the ways in which the PSF is relatively well-positioned across these issues, with limited exposure to the observed risks and $2.6 billion in dry powder.

Newell concluded that Texas PSF is keeping an eye on liquidity, and will deploy its dry powder to capitalize on volatility and invest opportunistically, with a focus on long-term return.

COMMITTEE REPORTS

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