Minutes of the Texas Permanent School Fund Corporation

Board of Directors

April 13, 2023

The Board of Directors of the Texas Permanent School Fund (PSF) Corporation met at 10:53 a.m. on Thursday, April 13, 2023, in Room #1-104 of the William B. Travis Building, 1701 N. Congress Avenue, Austin, Texas.

Present: Tom Maynard, Keven Ellis; Patricia Hardy; Aaron Kinsey; Marisa Perez-Diaz; Brad Wright; Commissioner Dawn Buckingham

Absent: Jim Stanislaus

Public Testimony

The Board of Directors received no presentations of public testimony.

ACTION ITEMS

1. Approval of Minutes, Meeting of the Board of Directors, March 1, 2023 (Discussion and Possible Action)

MOTION AND VOTE: *It was moved by Mr. Wright, seconded by Ms. Hardy, and carried without objection to approve the minutes from the of the March 1, 2023, meeting of the Texas Permanent School Fund Corporation Board, as printed.*

2. Approval of Proxy Voting Policy (Discussion and Possible Action)

Andrew Bunker, senior managing director of global public equities, introduced the Proxy Voting Policy presented for third reading. Mr. Bunker cited that edits were made to the purpose, delegation, and general voting guidelines paragraphs to provide language that would encompass the best economic interest and overall performance of the fund. He also noted the addition of language indicating that a list of Proxy Advisors would be reviewed by the Board at least annually.

MOTION: *It was moved by Mr. Wright and seconded by Ms. Hardy to approve the Texas Permanent School Fund Corporation Proxy Voting Policy as presented.*

VOTE: *The motion failed with 2 members voting Aye, 4 members voting No, and 1 member Abstaining as follows:*

Aye:	*Ms. Hardy*	
	Ms. Perez-Diaz	
No:	*Dr. Ellis*	*Mr. Kinsey*
	Mr. Wright	*Commissioner Buckingham*
Abstain:	*Mr. Maynard*	

It was determined that a work group consisting of fiduciary counsel, board members, and select Texas PSF and General Land Office staff be established to draft the Proxy Voting Policy to be presented to the board at the June 2023 board meeting.

3. Review and Consideration of Divestment of Texas PSF Holdings, contractual and other matters related to Government Code Chapters 808 and 809 (Discussion and Possible Action)

John Wright, general counsel, advised the Board of a March 20, 2023, update issued by the Texas Comptroller of Public Accounts ("Comptroller") which added an additional financial company to the Chapter 809 Annex I list. Mr. Wright then gave an overview of the direct holdings held by the Texas PSF under Chapters 808 and 809 and reviewed the expected benchmark deviations if all direct holdings were divested. He further provided the Board with the staff recommendation that the Board divest from all direct holdings under Chapters 808 and 809.

Mr. Wright introduced Rich Kushel, Senior Managing Director, BlackRock. Mr. Kushel provided an overview of the relationship between BlackRock and the Texas PSF, BlackRock's fiduciary duty, and BlackRock investment strategies.

MOTION AND VOTE: *It was moved by Mr. Wright, seconded by Ms. Hardy, and carried without objection to approve the divestment of all direct holdings under Chapters 808 and 809, Texas Government Code.*

(Commissioner Buckingham was absent for the vote.)

DISCUSSION ITEMS

4. Fourth Quarter 2022 Permanent School Fund (Discussion)

Mr. Mike Maher, Vice President of BNY Mellon Global and Risk Solutions, presented the fourth quarter of 2022 Permanent School Fund performance report. Mr. Maher began with an overview of the U.S and foreign capital markets. He then reviewed the performance of the Fund for the fourth quarter of 2022. Mr. Maher stated that the PSF returned 4.36% net of fees for the fourth quarter outperforming the Total Plan Benchmark by 16 basis points. Mr. Maher attributed most of the outperformance to Domestic and International Equities.

Mr. Maher then reviewed the fourth quarter 2022 performance of the Permanent School Fund by asset class, stating that the Total Domestic Large Cap Equity composite returned 7.60%, outperforming its benchmark for the quarter by four basis points. Mr. Maher added that Small/Midcap Equity portfolio returned 10.35% in the quarter, outperforming its benchmark by four basis points. He added that the International Equities composite returned 14.47% for the quarter, outperforming its benchmark by 19 basis points for the period. He stated that the Total Emerging Market Equity composite returned 10.45% for the fourth quarter 2022, outperforming its benchmark by 75 basis points.

The Domestic Fixed Income composite returned 1.58% for the quarter, underperforming its benchmark by 29 basis points. Mr. Maher added that the High Yield composite returned 4.43% during the quarter, outperforming its benchmark by 26 basis points. Mr. Maher stated that the Absolute Return composite returned 1.63% for the quarter, underperforming its benchmark, the HFRI Fund of Funds Composite Index, by 35 points. Mr. Maher added that the Real Estate composite returned 1.28% for the quarter, outperforming its benchmark by 122 basis points. He further stated that the Real Return asset class returned 2.10% for the quarter, outperforming its benchmark by one basis point. He added that Emerging Market Debt returned 8.93% for the quarter, outperforming its benchmark by 48 basis points. Mr. Maher stated that Private Equity returned -0.09% for the quarter, outperforming its benchmark by 155 basis points. Mr. Maher stated that the Energy composite returned -0.53% for the quarter, underperforming its benchmark by 53 basis points. Mr. Maher added that the Infrastructure composite returned 5.23% for the quarter, outperforming its benchmark by 523 basis points. Finally, Mr. Maher stated that the Total Emerging Manager composite returned 2.74% for the quarter, outperforming the benchmark by 330 basis points.

5. Review of Real Return Asset Class (Discussion)

Katie Reissman, senior managing director of fixed income, summarized the real return asset class strategy and objectives. Ms. Reissman provided an overview of the commodities portfolio to include strategy, characteristics, and performance. Bill Glenn, fixed income portfolio manager, gave a presentation on the treasury inflation protected securities (TIPS) portfolio. Mr. Glenn provided an overview of the TIPS market, mechanics, strategy, and performance.

6. Review of Absolute Return Asset Class (Discussion)

Carlos Castro, director of global risk control strategies, presented the item. He introduced John Newell, managing director, global risk control strategies, and Andriy Mysyk, managing director, global risk control strategies. Mr. Castro provided an overview of the absolute return portfolio role, goals, characteristics, and performance.

7. Board Committees (Discussion)

Mr. Maynard introduced this item and provided an overview of each of the board committee membership assignments as follows:

Audit and Ethics Committee:	Dr. Ellis, Chair Mr. Maynard Ms. Perez-Diaz
Budget and Compensation:	Mr. Wright, Chair Ms. Hardy Mr. Maynard
Strategic Planning and Policy:	Mr. Kinsey, Chair Mr. Stanislaus Mr. Maynard Commissioner Buckingham

8. Report of the CEO (Discussion)

Holland Timmins, chief executive officer, introduced John McGeady, director of government relations, who provided an overview of the significant legislation related to the Texas Permanent School Fund in the 88th Legislative Session.

Mr. Timmins noted that efforts were underway to implement the Diligent BLC Essentials platform. This software application offers a portal designed to enhance communication with board members. He also reported that Texas PSF is in the latter stages of development of a new website. The new Texas PSF website is scheduled to be online before the next board meeting.

The meeting of the Board of Directors of the Texas PSF Corporation adjourned at 2:30 p.m.