Minutes of the Texas Permanent School Fund Corporation

Board of Directors

March 1, 2023

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The Board of Directors of the Texas Permanent School Fund (PSF) Corporation met at 11:03 a.m. on Thursday, March 1, 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; Brad Wright; Commissioner Dawn Buckingham

Absent: Marisa Perez-Diaz, Jim Stanislaus

Public Testimony
The Board of Directors received no presentations of public testimony.

Tom Maynard, Chair of the Texas Permanent School Fund Corporation Board of Directors, confirmed attendance. It was determined that the number of board members present constituted a quorum of the board.

ACTION ITEMS

1. Election of Officers of the Board of Directors (Discussion and Possible Action)

Mr. Maynard introduced this item noting that pursuant to the corporate bylaws the board is provided authority to elect officers of the board of directors from its members, to include a Chair, Vice-Chair, and Secretary.

NOMINATION: Ms. Hardy nominated Mr. Maynard for Chair of the Texas Permanent School Fund Corporation Board of Directors.

MOTION AND VOTE: I*t was moved by Dr. Ellis and seconded by Ms. Hardy and carried without objection to close nominations for the Chair of the Texas Permanent School Fund Corporation Board of Directors.*

With no objections and by unanimous consent Mr. Maynard was elected Chair of the Texas Permanent School Fund Corporation Board of Directors. Motion carries.

NOMINATION: Ms. Hardy nominated Mr. Wright for Vice-Chair of the Texas Permanent School Fund Corporation Board of Directors.

MOTION AND VOTE: *It was moved by Dr. Ellis, seconded by Ms. Hardy, and carried without objection to close nominations for the Vice-Chair of the Texas Permanent School Fund Corporation Board of Directors.*

With no objections and by unanimous consent Mr. Wright was elected Vice-Chair of the Texas Permanent School Fund board of directors.

NOMINATION: Dr. Ellis nominated Commissioner Buckingham for Secretary of the Texas Permanent School Fund Corporation Board of Directors. Commissioner Buckingham requested her name be withdrawn.

NOMINATION: Ms. Hardy nominated Mr. Kinsey for Secretary of the Texas Permanent School Fund Corporation Board of Directors.

MOTION AND VOTE: *It was moved by Ms. Hardy, seconded by Dr. Ellis, and carried without objection to close nominations for the Secretary of the Texas Permanent School Fund Corporation Board of Directors.*

With no objections and by unanimous consent Mr. Kinsey was elected Secretary of the Texas Permanent School Fund board of directors.

2. Approval of Minutes, Meeting of the Board of Directors, November 17, 2022 (Discussion and Possible Action)

MOTION AND VOTE: *It was moved by Ms. Hardy, seconded by Dr. Ellis, and carried without objection to approve the minutes from the of the November 17, 2022, meeting of the Texas Permanent School Fund Corporation (Corporation) Board, as printed.*

DISCUSSION ITEMS

3. Update on Transition (Discussion)

John Grubenman, director of private markets and chief of staff, gave a presentation on the status of the transition of the operations and management of the Texas Permanent School Fund from the Texas Education Agency and General Land Office to the Texas Permanent School Fund Corporation. The presentation reviewed objectives, prior key actions, completed and ongoing transition milestones, and a facilities update.

ACTION ITEMS

4. Approval of Securities Lending and Proxy Voting Policies (Discussion and Possible Action)

Holland Timmins, chief executive officer, noted that the core Investment Policy Statement had been approved at the November 2022 meeting. Staff would be addressing two standalone ancillary pieces of this Investment Policy Statement, the Securities Lending Policy, and the Proxy Voting Policy.

Mr. Timmins also stated that an additional policy related to distributions would be forthcoming to the board in the near future.

Katie Reissman, senior managing director of fixed income, provided an overview of securities lending and the Securities Lending Policy being presented for second reading. No changes related to the policy purpose, objective, accountabilities, or guidelines were offered. Ms. Reissman cited three administrative edits made to ensure naming convention consistency and that the document language aligned with that in the Investment Policy Statement.

MOTION AND VOTE: *It was moved by Mr. Wright, and seconded by Ms. Hardy, to approve the Securities Lending Policy of the Texas Permanent School Fund Corporation.*

MOTION: *It was moved by Mr. Kinsey, and seconded by Dr. Ellis, to amend the first sentence of the first paragraph of the Lending Agent section on page one of the Securities Lending Policy of the Texas Permanent School Fund Corporation to read as follows.*

"The lending agent for the securities lending program (the "Lending Agent") shall be the Texas PSF's primary custodian or an affiliate of such primary custodian <u>and will be reevaluated by the board from time to time</u>."

Mr. Kinsey requested permission to withdraw his amendment. With no objections the amendment was withdrawn.

MOTION AND VOTE: *It was moved by Mr. Kinsey, and seconded by Commissioner Buckingham, to amend the first sentence of the first paragraph of the Lending Agent section on page one of the Securities Lending Policy of the Texas Permanent School Fund Corporation to read as follows.*

"The lending agent for the securities lending program (the "Lending Agent") <u>may</u> ~~shall~~ be the Texas PSF's primary custodian or an affiliate of such primary custodian."

The motion to amend the Securities Lending Policy language carried unanimously.

(Ms. Hardy was absent for the vote.)

VOTE: *A vote was taken on the motion to approve the Securities Lending Policy of the Texas Permanent School Fund Corporation as amended. The motion carried unanimously.*

Andrew Bunker, senior managing director of global public equities, introduced the Proxy Voting Policy presented for second reading. He provided background on the purpose of the Proxy Voting Policy and noted there were no edits or adjustments to the policy offered today.

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

MOTION AND VOTE: *It was moved by Mr. Kinsey to amend the second sentence of the Delegation section on page one of the Proxy Voting Policy of the Texas Permanent School Fund Corporation to read as follows.*

"Therefore, the Board delegates and authorizes the Chief Executive Officer to retain, direct, and oversee a Proxy Advisor to vote proxies as an agent of the Texas PSF according to the guidelines stated in this policy <u>provided any new agent is subject to board approval. A list will be reviewed by the board at least annually</u>.

The motion to amend the Proxy Voting Policy language carried unanimously.

MOTION: *It was moved by Ms. Hardy to postpone action on this item to the April 2023 board meeting. The motion carried.*

DISCUSSION ITEMS

5. Update on the PSF's Activities under Government Code Chapters 808 and 809 (Discussion and Possible Action)

John Wright, general counsel, updated the Board on the status of the Corporation's compliance with Chapters 808 and 809 of the Texas Government Code relating to certain prohibitions on investments. Mr. Wright explained that the Corporation currently holds certain direct and indirect investments with companies identified by the Comptroller as boycotting Israel or boycotting certain energy companies. He further noted that divestment of those direct holdings is required unless the Board finds the Corporation is exempt from divestment under Chapters 808 or 809, as applicable, of the Government Code.

The Board requested that additional information related to Chapter 808 and Chapter 809 listed securities held by the Texas PSF Corporation, including number of investments, assets under management, and types of strategies be provided to the Board.

No Action was taken.

6. Overview of Texas PSF Investment Portfolio (Discussion)

Jared Stout, managing director of risk and return, provided an overview of the Texas PSF investment portfolio highlighting current fund exposure and historical performance.

7. Review of Public Market Equities (Discussion)

Mr. Bunker provided a review of the Public Market Equities program. The presentation covered objectives, guidelines, and structure. Mr. Bunker discussed strategies for the internally and externally managed portfolios, and their respective historical performance.

8. Report of the CEO (Discussion)

Mr. Timmins introduced Rhett Humphreys, Partner, NEPC, LLC, to comment on the May 9 – 10, 2023, NEPC conference.

Mr. Timmins acknowledged the high quality of the design of the organization's eighteen-month transition process and the extremely successful outcomes achieved by the collaborative team to date. He also recognized the Texas PSF staff for their excellent work and continued commitment to the transition efforts and goals of the fund.

The meeting of the Board of Directors of the Texas PSF Corporation adjourned at 3:09 p.m.