Minutes of the Texas Permanent School Fund Corporation

Board of Directors

November 16, 2023

The Board of Directors of the Texas Permanent School Fund (Texas PSF) Corporation met at 9:12 a.m. on Thursday, November 16, 2023, in Room #1-104 of the William B. Travis Building, 1701 N. Congress Avenue, Austin, Texas.

Present: Tom Maynard; Brad Wright; Aaron Kinsey; Commissioner Dawn Buckingham; Keven Ellis; Pat Hardy; Marisa Perez-Diaz; Jim Stanislaus; Cliff Thomas, Jr.

Public Testimony

The Board of Directors received no presentations of public testimony.

ACTION ITEMS

1. **Discussion and Appropriate Action Related to the Minutes of the August 31, 2023, and November 2, 2023, Meetings (Discussion and Possible Action)**

   MOTION AND VOTE: *It was moved by Commissioner Buckingham, and seconded by Mr. Stanislaus, and carried without objection to approve the minutes of the August 31, 2023, and November 2, 2023, meetings of the Texas PSF Corporation Board, as printed.*

2. **Board of Directors Meeting Dates for CY2024 (Discussion and Possible Action)**

   MOTION AND VOTE: *It was moved by Mr. Wright, and seconded by Mr. Stanislaus, and carried without objection to approve the Texas PSF Corporation Board CY2024 meeting dates, as proposed.*

DISCUSSION ITEMS

3. **CEO Update: Market Perspective, Texas PSF Performance Review, and Review of Texas PSF Standing and Impact (Discussion Only)**

   Britt Harris, acting chief executive officer, provided an overview of the history, purpose and unique characteristics that distinguish the Texas PSF from the greater universe of investment funds. He noted the impressive accomplishments of the Texas PSF team's recent engagement in the Children's Fund Trains to Excellence project ("Trains"), a planned transformative initiative.

4. **Review of Investment Teams Plans for Excellence (Discussion and Possible Action)**

   Rusty Martin, deputy chief investment officer and head of real assets, noted that the goal of the Trains project was threefold; the first goal, to achieve total alignment between the Texas PSF investment team, the Board, and the Texas PSF constituents; the children in the public school system of Texas. The second goal was to develop a clearly defined corporate culture. The third goal was to critically review and transform business processes to yield improvements that result in higher investment returns and more efficient investment operations.

Mr. Martin gave a summary of the project findings in each of the four separate but correlated Trains, to include the culture, investment, operations, and support Trains teams. He then introduced the Conductors of each of the Train cars to provide an update on accomplishments.

Culture Train

John McGeady, managing director of governmental relations, presented priority deliverables to include, a mission and core values statement, and empowerment formula for the Texas PSF.

Investments Train

Investment Beta: Jared Stout, managing director of risk, reviewed the risk management framework, modeling and product development, and standardized reporting outcomes achieved through the beta Train project initiatives.

Investment Alpha: Mr. Martin provided an overview of the potential strategies identified to generate or capture new alpha, to include reductions in management fees, factor-based investing, a tactical asset allocation framework, co-investments, and strategic partnerships.

Operations Train

Finance: David Trice, senior managing director of investment finance and operations, detailed the final elements and accomplishments of the reconciliations and data integrity, automation and efficiency of processes, and buildout and completion of back-office support and processes projects.

Investment Technology: Eric Obermier, managing director of information technology, reported the successful completion of the new cyber security program implementation, and inventory and assessment of all system-wide applications. He confirmed that the investment technology team was now in the final stages of testing of the new Texas PSF information technology infrastructure and complete technology separation from the Texas Education Agency.

Support Train

Human Resources and Texas PSF Talent: Diana Herring, senior director of human resources, presented an overview of potential modifications to existing compensation modeling and enhancement recommendations related to career path guidelines, performance evaluation, employee development, workforce planning, and HRIS.

Legal: John Wright, general counsel and chief compliance officer, and Briana Godbey, senior counsel, corporate operations, reported the successful development of the new Texas PSF board training program, and proposals for an operational due diligence process for background checks on fund managers and operational due diligence strategic plan.

Communication: Carolyn Perez, director of communications, presented implemented deliverables, to include launching a Texas PSF employee intranet site and LinkedIn company page, and developing a framework for Town Hall meetings.

ACTION ITEM

The Board of Directors of the Texas PSF Corporation entered into executive session at 9:15 a.m. to discuss agenda item five (5) under the cited sections of the Texas Government Code.

5. **Receive an Update on and Consider any Final Actions Necessary Related to the Selection of the Executive Leader of the Texas Permanent School Fund Corporation (Discussion and Possible Action),** pursuant to Texas Government Code, Sections 551.071 and 551.074 to deliberate personnel matters, and to consult with legal counsel, as needed.

The Board of Directors entered into open session at 10:32 a.m.

No action was taken by the Board in closed session.

The Board of Directors returned to executive session at 12:39 p.m.

The Board of Directors entered into open session at 2:10 p.m.

No action was taken by the Board in closed session.

MOTION: *It was moved by Mr. Wright, and seconded by Dr. Ellis, and carried without objection to approve the selection of Robert Lee Borden as Chief Executive Officer for the Texas PSF Corporation subject to final negotiation of terms and legal review.*

VOTE:	**Aye:**	Ms. Perez-Diaz	Mr. Thomas, Jr.
		Dr. Ellis	Mr. Stanislaus
		Ms. Hardy	Mr. Wright
		Mr. Kinsey	Mr. Maynard
	Present:	Commissioner Buckingham	

Mr. Maynard introduced and welcomed Mr. Robert Lee Borden to the Texas PSF Corporation team.

DICUSSION ITEMS:

6. Update on Facilities Planning at Innovation Towers (Discussion Only)

Nick Tramontana, senior managing director and head of real estate, provided an update on the new Texas PSF facilities, to include the pending lease agreement, architectural plans and construction drawings, and the key dates in the project timeline.

7. Budget and Compensation Committee (Discussion Only)

Mr. Wright affirmed the comprehensive and strategic nature of the work of the Human Resources and Talent Train in regard to compensation, human resources, and talent. He provided an update on the robust Texas PSF cybersecurity initiatives to include cybersecurity insurance options and the ongoing vigilant protections against potential threats. Mr. Wright then summarized Committee discussion related to the evolution of the one-year budget toward a five-year budget in alignment with the strategic plan.

8. Audit and Ethics Committee (Discussion Only)

Dr. Ellis provided a summary of the June 2023 Board of Directors meeting decision related to the Boards determination to use the State Auditor's Office (SAO) to conduct the financial audit of the assets of the Texas PSF Corporation for the fiscal year 2023. He reported on a recent update from the SAO and Texas PSF team on the status of the current audit. No concerns were noted in the preliminary update. Dr. Ellis reported highlights of Committee discussion of the Board training and new Member orientation programs to include the prescribed fiduciary, governance, and ethics components, as well as any additional special training topic sessions, as needed.

Dr. Ellis reported that since the Audit and Ethics Committee's last meeting on August 24, 2023, there have been no compliance, policy, or ethics violations.

9. Strategic Planning and Policy Committee (Discussion Only)

No report was provided.

The meeting of the Board of Directors of the Texas PSF Corporation adjourned at 2:13 p.m.