Texas Permanent School Fund Corporation

Strategic Plan

Fiscal Years 2027-2031

Texas Permanent School Fund CORPORATION

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Fiscal Years 2027 to 2031

Prepared under the direction of

Robert Borden, CFA

Chief Executive Officer and Chief Investment Officer

Board Member	Term Expiration Date	Hometown
Tom Maynard, Chair (SBOE)	1/1/2027	Florence, TX
Bradfield Wright, Vice Chair (Governor)	1/1/2027	Houston, TX
Aaron Kinsey, Secretary (SBOE)	1/1/2027	Midland, TX
Dawn Buckingham (GLO)	1/1/2027	Lakeway, TX
Keven Ellis (SBOE)	1/1/2027	Lufkin, TX
Will Hickman (SBOE)	1/1/2027	Houston, TX
Marisa Perez-Diaz (SBOE)	1/1/2027	San Antonio, TX
Jim Stanislaus (GLO)	1/1/2031	Austin, TX
Cliff Thomas (Governor)	1/1/2029	Victoria, TX

Submitted June 25, 2026

Signed ______________________

TEXAS PERMANENT SCHOOL FUND CORPORATION
Strategic Plan, Fiscal Years 2027-2031

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Mission, Vision and Values

Our Mission

Our mission is two-fold:

Provide permanent funding to Texas public schools by generating exceptional, risk-adjusted investment returns.	**Reduce borrowing costs for Texas schools and charter districts** through the Bond Guarantee Program.

Our Vision

In executing our mission, we use our corporate resources to be a:

Magnet for exceptional talent.	**Leader in endowment management.**
Partner of Texas universities, corporations, and industries.	**Source of perpetually increasing funding for education.**

Our Values

Stewardship - We fulfill our fiduciary duty by making prudent decisions consistent with industry best practices.	**Integrity** - We uphold unwavering honesty and transparency in our actions, fostering a culture of trust and reliability.
Competence - We strive to have a high level of professional training, skills, experience, and knowledge.	**Effort** - We seek to achieve continuous improvement in all our processes.
Results - We emphasize the importance of outcomes that contribute to our Mission and Vision.	**Collegiality** - We create an environment that fosters collaboration, teamwork, and creativity, yet challenges employees to reach their full potential.

OPERATIONAL GOALS AND ACTION PLANS

Shortly after Bob Borden joined the Texas Permanent School Fund Corporation (Texas PSF Corp., or the Corporation) as its new Chief Executive Officer and Chief Investment Officer (CEO/CIO) in December 2023, the Corporation launched its first strategic planning process. Over the following 2 ½ years, this initiative has transformed the organization by identifying our collective priorities, aligning the efforts of each staff member, and providing an operational framework for organizing and measuring the progress we make. Each Texas PSF Corp. team member is represented in the strategic plan; their work is mapped onto the overarching goals by drilling down to the strategies, action plans and individual tasks needed for us to collectively reach those goals.

The Texas PSF Strategic Plan guides the process of continual improvement at the corporation, but it also evolves as we further professionalize every aspect of our operations. Our Board of Directors first approved the Strategic Plan structure in December 2024, and receives a status update on our progress across all goals from CEO/CIO Borden at each quarterly meeting.

The plan identifies six primary operational goals:

GOAL 1 – Optimize Asset Allocation
GOAL 2 – Improve Portfolio Implementation
GOAL 3 – Attract, Develop and Retain Talent
GOAL 4 – Enhance Communications
GOAL 5 – Strengthen Corporate Governance
GOAL 6 – Fortify Internal Controls

Below is a summary of each goal, with descriptions of key action items to achieve the goal, and how the goal and action plans support the statewide objectives of Texas.

GOAL 1: OPTIMIZE ASSET ALLOCATION
Decisions regarding asset allocation within a diversified portfolio typically drive around 90 percent of investment returns. It is imperative to fine-tune asset allocation to meet the expected return and risk objectives of the Texas Permanent School Fund, while also factoring in the endowment's liquidity needs and the prevailing market opportunities.
KEY ACTION ITEMS TO ACHIEVE GOAL 1
1. **Implement New Asset Allocation Transition Plan.** This plan will guide the prudent execution of the Board-approved asset allocation changes over time in a disciplined, risk-aware manner. The transition plan is designed to move the portfolio toward its target structure while maintaining appropriate liquidity, supporting the Fund's AAA-related considerations, and minimizing unnecessary implementation costs or disruption. In doing so, the Corporation seeks to position the Fund for stronger long-term risk-adjusted returns, improve resilience across changing market environments, and enhance the long-term financial support the PSF provides to Texas public schools. 2. **Build Out Risk Modeling and Establish a Risk Committee with Reporting Protocols.** This initiative is intended to strengthen the Corporation's ability to identify, measure, monitor, and communicate risk

across the total fund in a more disciplined and transparent manner. The work includes enhancing risk modeling capabilities, developing regular risk reporting protocols, and establishing a formal Risk Committee to support oversight, escalation, and consistent decision-making. Together, these efforts will help leadership and the Board better understand portfolio exposures, evaluate potential impacts under different market scenarios, and make more informed decisions as the Fund evolves. This initiative also directly supports the Corporation's ability to develop a rapid response to market dislocations by providing the governance structure, reporting cadence, and analytical tools needed to respond more quickly and effectively during periods of stress or volatility.

3. **Enhance Domestic Active Beta 1 and Enhance International Active Beta 1 Programs.** The goal of these efforts is to capture more efficient, risk-aware market exposure while giving the investment team additional tools to improve portfolio performance. This will require working with strategic partners and the Internal Equity team to identify optimal risk allocation strategies; improve diversification and identify sources of funding; and develop analytical model capabilities to better understand return and risk attribution potential.

HOW GOAL 1 AND ITS ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. ***Accountable to tax and fee payers of Texas***. Additional investment returns generated by an optimized and efficient Permanent School Fund (PSF) translate directly into additional distributions to the Available School Fund (ASF). This important source of education revenue supports not only instructional materials and education technology, but also is a method of financing the state share of Texas school funding. More revenue in the ASF can alleviate fiscal pressure on the state Treasury, potentially lowering the tax burden or allowing scarce tax revenues to be used in other ways to benefit Texans.

2. ***Efficient by producing maximum results with no waste of taxpayer funds and by identifying any function or provision considered redundant or not cost-effective.*** Recent and ongoing assessment of the PSF asset allocation, including the movement into the private credit asset class, have helped to increase projected returns with no increase in risk exposure.

3. ***Effective by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve.*** Significant effort has been made toward maximizing Fund returns which represents the core fiduciary function of the Corporation. In addition to the asset reallocation, the board regularly reviews benchmarks to provide the best performance evaluation framework possible. These efforts are ongoing and will be continuously monitored and evaluated for adjustment and improvement.

4. ***Transparent such that agency actions can be understood by any Texan.*** Texas PSF Corp. has a commitment to public transparency. The PSF's asset allocation is discussed and determined by our board in a public, webcast meeting. Any changes to our asset allocation, including the most recent adoption in February 2026, are promptly posted to the corporate website, TexasPSF.org.

GOAL 2: IMPROVE PORTFOLIO IMPLEMENTATION

Portfolio implementation serves as the primary source of alpha for the endowment. The Texas Permanent School Fund Corporation is committed to optimizing investment management, risk management, and operational processes for greater efficiency. The strategy includes seeking "Texas First" allocation

opportunities: this entails efforts, consistent with our fiduciary duties, to seek Texas-based or Texas-connected opportunities when they meet the Fund's risk, return, and diversification standards.
KEY ACTION ITEMS TO ACHIEVE GOAL 2
1. **Review Performance Analysis and Benchmarking.** This will strengthen how the Corporation evaluates investment performance by ensuring results are measured against the most appropriate benchmarks, expectations, and implementation costs. A more disciplined performance analysis framework will improve the Corporation's ability to assess whether managers, strategies, and portfolio decisions are adding value on a risk-adjusted basis, while also supporting greater accountability, transparency, and informed decision-making by leadership and the Board. 2. **Develop and Implement Equity Tactical Asset Allocation Program.** This initiative is intended to give the Corporation a disciplined framework for adjusting equity exposures in response to changing market conditions, relative value opportunities, and evolving risk considerations, while remaining aligned with the Fund's long-term investment strategy. A well-governed tactical allocation program can improve agility, support more efficient portfolio implementation, and enhance the Corporation's ability to prudently respond to changing market environments without sacrificing strategic discipline. ***3.*** **Centralize Co-Investments.** This project aims to create a more consistent and scalable approach to co-investment activity across the Corporation by centralizing evaluation, governance, and execution processes. A more centralized model can improve oversight, reduce duplication, enhance cost efficiency, and help the Corporation pursue attractive co-investment opportunities more effectively through stronger coordination with existing and prospective strategic partners. Over time, this approach is expected to support improved implementation outcomes and greater value capture for the Fund.
HOW GOAL 2 AND ITS ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES
1. Accountable to tax and fee payers of Texas. Texas PSF Corp. understands the close relationship between the Fund, its revenue sources, and the larger Texas economy. Generally, what benefits the Texas economy will also benefit the Fund. In light of this synergy, the Corporation is launching an initiative that, all else equal, will direct investment allocations to asset managers and collaboration with those service providers who are based in or have a presence in Texas. This strategic approach aims to maximize the endowment's impact on the people of Texas and the local economy. ***2. Efficient by producing maximum results with no waste of taxpayer funds and by identifying any function or provision considered redundant or not cost-effective***. The Corporation is working to more fully integrate research functions of risk management, data analytics and information systems into its daily investment decision-making processes. This will make investment operations both more efficient and effective. 3. ***Effective by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve.*** As stated above, the Corporation recognizes the need to be agile in recognizing and capitalizing on market changes. Our investment team is dedicated to continuous improvement, with regular restructuring and re-orienting with the ongoing goal of becoming nimbler and more flexible in its investment decisions.

4. ***Transparent such that agency actions can be understood by any Texan.*** Texas PSF Corp. has a commitment to public transparency. The PSF's asset allocation is discussed and adopted by our board in a public, webcast meeting. Any changes to our asset allocation, including the most recent adoption in February 2026, are promptly posted to the corporate website, TexasPSF.org.

GOAL 3: ATTRACT, DEVELOP AND RETAIN TALENT

To achieve our mission, it is critical that Texas PSF Corp. attract, hire, and retain top talent. Hiring employees and ensuring they can perform at their highest level strengthens the Corporation's ability to manage the Fund, support the Bond Guarantee Program, and deliver value for Texas schools and taxpayers. To achieve this goal, we will enhance our talent acquisition process, develop a comprehensive and competitive compensation package, develop and implement employee development programs to ensure employees continue to grow and thrive in their careers, implement an employee engagement program, and implement enhanced HR operations and support so employees can focus on what's important.

KEY ACTION ITEMS TO ACHIEVE GOAL 3

1. **Implement an employee development and training program**. Currently, every Texas PSF Corp. employee develops a career plan to chart their individual development for the upcoming year to create alignment between the Corporation's strategic plan and employee performance. Such development often means creating opportunities to gain additional knowledge, skills and abilities. To this end, the Corporation is building out a robust employee training program, focusing on both hard and soft workplace skills, as well as an executive leadership and management program. Texas PSF is also implementing a focused tuition/certification reimbursement initiative, designed to upgrade our workforce's capabilities, and acting as a powerful recruitment and retention tool.

2. **Enhance Recruitment and Hiring Practices.** Through this effort, we intend to strengthen the Corporation's ability to attract and select high-caliber talent by building a more strategic, disciplined, and efficient talent acquisition process. The work includes refining recruitment strategies, improving candidate sourcing and evaluation methods, and implementing more structured, evidence-based hiring practices to support consistent and high-quality hiring decisions. Together, these efforts will help the Corporation compete more effectively for specialized talent, reduce hiring risk, and better align workforce needs with the skills required to advance the Fund's long-term mission and performance objectives.

3. **Retain Top Talent.** The Corporation is pursuing numerous strategies to retain high-performing employees by creating an employee experience that supports long-term engagement, growth, and organizational commitment. The work includes enhancing onboarding and integration, expanding professional development and career growth opportunities, improving employee engagement and feedback mechanisms, and continuing to build a strong, supportive corporate culture through recognition, wellness, and other workforce initiatives. Together, these efforts will help reduce turnover risk, preserve institutional knowledge, and support the stable, high-performing workforce needed to advance the Fund's long-term mission and performance objectives.

HOW GOAL 3 AND ITS ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. ***Accountable to tax and fee payers of Texas.*** The strategic action plans in place for this goal will improve Texas PSF Corp.'s ability to produce for the State of Texas. A stronger workforce improves

productivity, efficiency, and investment performance, which translates to exceptional investment returns, larger distributions to the ASF and increased capacity for the Bond Guarantee Program, reducing demand on school district property taxes.

2. ***Efficient by producing maximum results with no waste of taxpayer funds and by identifying any function or provision considered redundant or not cost-effective.*** When the Corporation becomes a magnet for talent; and we recruit, hire, and retain top talent; each employee will have the ability to be more efficient and productive.

3. ***Effective by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve.*** Improving talent acquisition and employee development processes improves Texas PSF Corp.'s ability to achieve our core functions. By hiring top talent, each employee becomes more effective and efficient to the benefit of the State of Texas. Once employees are hired, it is critical to continue to develop those employees to ensure the Corporation can continue to improve performance and respond effectively to changing internal and external factors.

GOAL 4: ENHANCE COMMUNICATIONS
Clear and consistent communication is key to establishing the trust, transparency and sense of common purpose that is essential for us to achieve our mission. Texas PSF Corp. will improve and professionalize internal systems of communication between all levels of the organization, enhance external relationships, particularly with our board and key stakeholders, and work to build on Texas PSF's reputation as a known and trusted brand.
KEY ACTION ITEMS TO ACHIEVE GOAL 4
1. **Improve Internal Communications**. These action items focus on improving how information flows across the Corporation. Better internal communication can reduce confusion, improve coordination, and help teams work more effectively toward shared goals. To this end, Texas PSF has hired a full-time communications coordinator and maintains a regular communication internship. Through the remainder of the 2026-27 biennium, staff will continue to develop and manage internal communication systems, protocols, and tools, and improve resources on the employee intranet. 2. **Enhance External Outreach and Dissemination.** We seek continual improvement in how the Corporation communicates with external stakeholders by improving the clarity, consistency, and accessibility of information about its mission, activities, and public value. The work includes building stronger relationships with key stakeholders, expanding thoughtful engagement with education and policy-focused organizations, and continuing to develop connections with Texas universities and other institutions that can support knowledge-sharing, talent pipelines, and strategic collaboration. Together, these efforts will help ensure the Corporation is better understood as a trusted, transparent, and mission-focused steward of public resources, while also creating more opportunities to communicate its work in a clear, credible, and constructive manner. 3. **Foster Team Building.** This initiative is intended to strengthen trust, alignment, and collaboration across the Corporation by creating shared experiences that reinforce culture, mission, and employee engagement. The work includes continuing wellness initiatives, guest speakers and lunch-and-learn activities, employee recognition efforts, and other programs that support connection across teams. It also includes the development of a volunteer program that creates opportunities for employees to

serve in ways that reflect the Corporation's public mission. Together, these efforts can help strengthen organizational cohesion, improve cross-functional collaboration, and extend the Corporation's positive impact not only on Texas schoolchildren, but also on the broader communities the Fund ultimately serves.

HOW GOAL 4 AND ITS ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. ***Accountable to tax and fee payers of Texas***. Every additional dollar generated by the PSF for distribution to Texas schools potentially offsets the state's need to generate that revenue through taxes and fees. The Bond Guarantee Program also lowers school district borrowing costs, allowing them to levy lower tax rates than otherwise be necessary to fund facility projects. Texas PSF Corp. communications, including its website and publications, will use clear, accessible language and infographics to explain how the corporation's work creates value for Texas schools and taxpayers.

2. ***Effective by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve***. Actions under this goal include ensuring the effective operations of the Corporation even in times of crisis by creating and deploying a crisis communications management plan. Additionally, all initiatives to improve internal communications systems will incorporate feedback loops to build on a corporate culture of continuous improvement.

3. ***Attentive to providing excellent customer service***. Our communications strategies explicitly identify key groups that can be viewed as the Corporation's "customers" and contain action plans to improve and formalize the flow of information to and from them. This includes our board, state leadership and the Texas legislature, our strategic and business partners, and the public.

4. ***Transparent such that agency actions can be understood by any Texan***. Under this goal, Texas PSF Corp. is developing accessible website content, including videos and infographics, to clearly explain the history, mission and performance of the Corporation. Additionally, action plans call for improving board members' access to information and resources, as well as documenting and archiving all board actions.

GOAL 5: STRENGTHEN CORPORATE GOVERNANCE

A strong culture of corporate governance is essential for a well-functioning organization, creating alignment and building trust between the Board, staff, and stakeholders. As part of this process, Texas PSF Corp. will review both current board governance and management governance of corporate policies and procedures.

KEY ACTION ITEMS TO ACHIEVE GOAL 5

1. **Implement Board Self-Assessment Program and Training Program.** These efforts strengthen Board effectiveness by creating a more structured approach to director development, fiduciary oversight, and continuous improvement. Building on the Board's first self-assessment in fiscal year 2026, the Corporation will use the results to inform a more deliberate training program that includes annual education for all members, new member orientation, and targeted development to address identified governance needs. Together, these efforts will support stronger decision-making, clearer accountability, and closer alignment between Board responsibilities and the Corporation's long-term mission.

2. **Develop Mature Project Management Office.** This initiative will create a more disciplined enterprise approach to prioritizing, governing, and delivering strategic initiatives across the Corporation. A more mature project management office will help standardize intake, clarify ownership, improve visibility into capacity and progress, and ensure major initiatives are aligned with strategic goals and measurable outcomes. Over time, this work is expected to strengthen execution, improve cross-functional coordination, and provide leadership and the Board with clearer line of sight from strategy to results.

3. **Enhance Operational Efficiency and Effectiveness.** The Corporation is engaged in ongoing efforts to strengthen how we manage and improve our internal operations by embedding continuous improvement, clearer performance measurement, and more disciplined governance of policies, procedures, and business processes. The work includes conducting operational assessments and business process reviews, developing reporting mechanisms and key performance metrics, improving policy and procedure management, and establishing more consistent methods to evaluate organizational effectiveness. Together, these efforts will help reduce friction, improve transparency, support better management decision-making, and reinforce the operational foundation needed to advance the Corporation's mission.

HOW GOAL 5 AND ITS ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. ***Accountable to tax and fee payers of Texas***. An organization with strong governance policies in place and alignment between the Board and staff is more efficient and can better meet its mission and goals. For Texas PSF Corp., improving corporate governance will better enable the organization to successfully pursue exceptional returns and reduce the borrowing costs for Texas school and charter districts.

2. ***Efficient by producing maximum results with no waste of taxpayer funds and by identifying any function or provision considered redundant or not cost-effective.*** One objective of the plan to reevaluate key service providers is to ensure that the Corporation, and the public Fund in our care, is well-served by partners who offer the best and most cost-effective services available.

3. ***Effective by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve***. By better ensuring that each party has a clear understanding of its roles and responsibilities and by creating better alignment between the Board and staff, Texas PSF Corp. will be in a better position to achieve its performance measures and fulfill its core functions. Part of this strategic goal is to further develop board training and self-assessment programs that provide for continuous improvement in the education and training board members receive as well as a periodic review of how well the board is performing its fiduciary duties.

4. ***Attentive to providing excellent customer service***. The Board can be considered one of Texas PSF Corp.'s "customers." By creating alignment with the Board and improving the training offered to the directors, we are improving the customer service being provided by the Corporation. Additionally, through its overall objective to strengthen corporate governance, the customer service provided to our other customers, including, state leadership and the Texas legislature, our strategic and business partners, and the public, will be enhanced.

5. Transparent such that agency actions can be understood by any Texan. Texas PSF Corp. will maintain and periodically update board governance policies on ethics, investments and other topics, in a manner that is clear and publicly available on the corporate webpage.

GOAL 6: FORTIFY INTERNAL CONTROLS
Fortifying internal controls is a critical process that enhances the Corporation's ability to manage risk, maintain compliance and safeguard its assets. This is done by implementing effective control activities and procedures, leveraging information and communication systems, and continuous monitoring and improvement.
KEY ACTION ITEMS TO ACHIEVE GOAL 6
1. **Advance Internal Audit Practices for Greater Organizational Impact.** This ongoing work will bolster the Corporation's independent assurance function by further developing internal audit into a more strategic, risk-focused, and enterprise-wide capability. Building on the creation of a fully staffed Internal Audit team, the work will emphasize comprehensive audit coverage across organizational functions, stronger alignment with governance and risk management priorities, and earlier identification of control gaps or emerging issues. Over time, these efforts will help leadership and the Board gain greater confidence that risks are being identified and addressed in a timely, disciplined, and transparent manner. 2. **Enhance Cybersecurity Program.** We are working constantly to strengthen the Corporation's resilience against cyber threats by improving governance, controls, monitoring, and organizational awareness across its technology environment. The work includes enhancing cybersecurity technologies and processes, establishing more formal reporting protocols, benchmarking the program against financial industry practices, and continuing to build a culture of cybersecurity awareness through training and testing. Together, these efforts will help protect critical systems and data, support operational continuity, and reinforce the Corporation's ability to manage technology-related risk in a disciplined and accountable manner. **3. Establish Data Governance and Data Strategy.** This project will transform how the Corporation manages, protects, and uses data as a strategic asset in support of decision-making, controls, and reporting. The work includes creating a cross-functional data governance structure, assessing the current data landscape, defining a strategic future state, clarifying roles and accountability for critical data, and implementing supporting tools and standards. Together, these efforts will improve data quality, consistency, and accessibility across the organization, while reinforcing stronger internal controls and more reliable information for management and Board oversight. 4. **Establish an Enterprise-Wide AI Strategy.** This initiative is intended to help the Corporation responsibly capture the benefits of artificial intelligence while maintaining appropriate safeguards around security, data quality, ethics, and oversight. The work includes establishing a cross-functional governance framework for AI use, developing a long-term roadmap aligned with the Corporation's business strategy and data governance efforts, and defining clear guardrails for evaluating, approving, and deploying AI tools, vendors, and use cases. Together, these efforts will support thoughtful innovation, improve productivity and decision-making where appropriate, and ensure AI adoption occurs in a controlled, transparent, and risk-aware manner.

HOW GOAL 6 AND ITS ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES
1. ***Accountable to tax and fee payers of Texas.*** Internal controls help manage risks within the organization. By identifying and mitigating risk, these controls ensure that the organization operates effectively and efficiently. Strong internal controls also detect and prevent fraudulent activities. By safeguarding Fund assets and preventing financial misconduct, the Corporation is reinforcing its accountability to be a good steward to Texas tax and fee payers. 2. ***Efficient by producing maximum results with no waste of taxpayer funds and by identifying any function or provision considered redundant or not cost-effective***. Developing and fortifying internal controls helps to reduce the risk of material weaknesses and enhances efficiency within Texas PSF. This helps with cost management of the Fund and can reduce the cost of third-party advisors, audit fees, and legal fees. 3. ***Transparent such that agency actions can be understood by any Texan.*** Internal controls ensure that information flows smoothly, decisions are well-documented, and stakeholders can access relevant data. This increases the transparency of the operations and fosters accountability and trust.

REDUNDANCIES AND IMPEDIMENTS

1. Revise deadline dates for certain financial reporting	
SERVICE, STATUTE, RULE, OR REGULATION	Government Code §2101.053, Report Deadline; Content of Report.
WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS	This section requires bi-annual financial reporting by certain funds and trust accounts, including the PSF. The statutory deadlines for the two prior 6-month reporting periods are January 25 (for last 6 months of previous calendar year) and June 25 (for first 6 months of current calendar year). However, the Corporation does not receive validated fund value data in time to meet these statutory reporting deadlines. As a result, the Corporation files these reports up to one month after these dates.
RECOMMENDATION FOR MODIFICATION OR ELIMINATION	Move statutory deadlines to March 1 and August 1.
ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE	These dates would allow the Corporation to meet statutory reporting deadlines while still providing accurate, validated financial data. This delay of approximately five weeks would not impact current usage of these data.

2. Give closed session authority for board to meet w/ internal or external auditors	
SERVICE, STATUTE, RULE, OR REGULATION	Education Code §43.053, Board of Directors; Meetings.
WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS	Neither the PSFC board of directors nor its audit committee have explicit statutory authority to conduct a closed meeting with its internal or external auditor. Such a confidential setting is needed to discuss governance, risk management, internal control weaknesses, possible compliance violations or fraud, among other possible audit issues. PSFC peer funds like the Teacher Retirement System (TRS) are granted this authority.
RECOMMENDATION FOR MODIFICATION OR ELIMINATION	Provide the Corporation's full board and audit committee statutory authority to conduct a closed meeting with its internal and external auditors. Statutory language may be modeled on TRS' authority for closed meetings in Government Code §855.007(h).
ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE	This is best practice for interactions between an entity's audit functions and its governing board, and would help ensure that potential issues or weaknesses are addressed effectively and efficiently.

3. Authorize PSF Corp. to conduct FBI criminal background checks	
SERVICE, STATUTE, RULE, OR REGULATION	Education Code §43.055, Employees.
WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR	Current statute is not clear regarding whether PSF Corp. is explicitly authorized to conduct criminal background checks on applicants for employment. PSF Corp. would prefer this authority to fully vet potential employees, a number of which will have management responsibility for

INEFFECTIVE AGENCY OPERATIONS	hundreds of millions of dollars in PSF assets. When the PSF was operationally attached to the Texas Education Agency (TEA), criminal background checks were run under TEA's statutory authority.
RECOMMENDATION FOR MODIFICATION OR ELIMINATION	Provide PSF Corp. explicit statutory authority to conduct criminal background checks on potential employees. Statutory language may be modeled on TEA's authority in Education Code §22.0825.
ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE	This authority would help protect the PSF from hiring unsuitable employees who could potentially put the Fund's assets at risk.

4. Increase notice period of charter district debt service default	
SERVICE, STATUTE, RULE, OR REGULATION	Ed Code §45.058, Notice of Default. Texas Administrative Code, Title 19, Ch. 33, Subch. A, Rule 33.7(k)
WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS	Currently, charter districts must notify TEA of inability to pay debt service 5 business days in advance of default (Note: statute requires "5 days" but the Texas Administrative Code rule clarifies it to "5 business days" for charter districts.) This may leave insufficient time for TEA and PSF Corp. to take mitigating steps to prevent the default of debt that is guaranteed through the Bond Guarantee Program. This could result in avoidable risk to the Charter District Bond Guarantee Reserve Fund and the PSF.
RECOMMENDATION FOR MODIFICATION OR ELIMINATION	Change statute and rule to increase number of days to 10, and clarify "business days" (note that statute also applies to ISDs).
ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE	Providing additional time for TEA and PSF Corp. could allow additional opportunities to find alternatives to charter district debt service default. Avoiding default could minimize potential operational interruptions and losses at affected charter schools, and also protect the Reserve Fund and PSF assets.

5. Exempt position salary limitations	
SERVICE, STATUTE, RULE, OR REGULATION	Request for a new rider in the Corporation's bill pattern in the 2028-29 General Appropriations Act (GAA).
WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS	GAA limitations on Chief Executive Officer (CEO) salary conflict with Texas PSF board's fiduciary responsibilities and provide potential barriers to hiring the most qualified candidate. Peer funds such as TRS and UTIMCO do not have such limitations. Recruiting the best possible leadership and investment talent to lead a $61 billion fund is a primary fiduciary responsibility of the PSF Corporation board of directors. To do so requires the ability to provide competitive compensation packages, including base salary.
RECOMMENDATION FOR MODIFICATION OR ELIMINATION	Add a GAA rider affirming the PSF Corporation board's ability to determine CEO and CIO salaries, similar to TRS' current Rider 8. The rider states, notwithstanding the limitations contained in the GAA, the TRS Board of

	Trustees may determine the salaries of the positions listed in their Schedule of Exempt Position without limitation.
ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE	Strong leadership in CEO and CIO roles can contribute, directly and indirectly, to the improved performance of the Fund. Just a single basis point difference in investment performance on a $61 billion Fund means an additional $6.1 million in returns each year. That benefit would cover any additional cost related to a higher CEO base salary than current GAA caps allow.

SCHEDULE A: BUDGET STRUCTURE – GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

Texas PSF Corporation's goal, objective, strategy and performance measures are shown as they have been approved by the Legislative Budget Board and Governor's Office, for purposes of submitting the Corporation's Legislative Appropriations Request for the 2028-29 biennium.

GOAL 1: Manage Permanent School Fund

Outcome Measure 1

PSF Corp. Managers: Performance in Excess of Benchmark as Basis Points of Net Assets

OBJECTIVE 1.1: Protect and Grow Fund Assets

STRATEGY 1.1.1: Agency Operations

Efficiency Measure 1

PSF Corp. Operations Expense as Basis Points of Net Assets

Explanatory Measure 1

Market Value of the Financial Assets of the Permanent School Fund (PSF) in Billions

SCHEDULE B: PERFORMANCE MEASURE DEFINITIONS

Name	PSF Corp. Managers: Performance in Excess of Benchmark as Basis Points of Net Assets
Definition	The Texas Permanent School Fund (PSF) Corporation is expected to produce returns over a complete investment cycle that are in excess of the benchmark set forth in the PSF Investment Policy Statement.
Purpose/Importance	To serve as a measure of value added by the investment managers for the Texas PSF Corporation.
Source / Collection of Data	Performance reports provided by the performance measurement consultant to the Texas PSF Corporation, fair market valuations of the portfolios provided by custodian, and the PSF Investment Policy Statement.
Method of Calculation	The method of calculation is to compare the composite returns of asset managers to their respective assigned benchmarks as reported by the performance measurement consultant. For each asset class, the total performance of all assets under management for the reporting period, as a percentage of gain or loss, is subtracted from the target of the assigned benchmark for that asset class. A composite measure of these excess returns is produced by calculating the weighted average, then multiplying by 100 to produce the result in basis points of net assets.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	Y (moved from efficiency to outcome)
Target Attainment	Higher than target

Name	PSF Corp. Operations Expense as Basis Points of Net Assets
Definition	The Texas Permanent School Fund (PSF) Corporation's total expenses to manage the assets of the PSF are expected not to exceed 16 basis points annually.
Purpose/Importance	To serve as a measure of the relative cost of managing the Fund assets.
Source / Collection of Data	Fair market valuations of the Fund provided by annual financial report for year end and custodian bank for monthly valuations; budgeted expenses per appropriation bill.
Method of Calculation	The method of calculation is to calculate expenses as basis points of the net assets by dividing the total expenses projected/budgeted by the average net asset value of the Fund for the period and converting the result to basis point value by multiplying by 100 to obtain the percentage of expenses to asset value, and by further multiplying that percentage product by 100 to convert to basis points. Average net asset value for the Fund is calculated using the ending balance as of the

	previous fiscal year end and the value as of the current period month end.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	N
Target Attainment	Lower than Target

Name	**Market Value of the Financial Assets of the Permanent School Fund (PSF) in Billions**
Definition	This measure reports the current market value of the financial assets managed by the Texas PSF Corporation in billions of dollars.
Purpose/Importance	To monitor the value of the financial assets managed by the Texas PSF Corporation.
Source / Collection of Data	The Texas PSF Corporation custodian bank accounting system provides holding and prices or market value.
Method of Calculation	Holdings are multiplied by current market prices.
Data Limitations	None
Calculation Type	Non-cumulative
New Measure	N
Target Attainment	Higher than target

SCHEDULE F: CORPORATION WORKFORCE PLAN

Overview

The Texas Permanent School Fund (PSF) was created by Texas' first Constitution in 1845 as a perpetual fund to support the state's public schools and was seeded with $2 million in 1854. Since that time, the PSF has grown to comprise over $61 billion in assets and currently is distributing over $2.4 billion annually to Texas K-12 schools.

In 2021, the 87th Texas Legislature established the Texas Permanent School Fund Corporation as a stand-alone special-purpose governmental corporation effective January 1, 2023.

Texas PSF Corporation supports public education in two important ways:

First, the investment portfolio we manage generates returns which help fund a portion of the state's K-12 public educational expenses, including textbooks and technology. Since 1969, Texas PSF has distributed over $40 billion dollars to Texas public schools.

Second, through the Bond Guarantee Program, independent school districts and charter districts benefit from the Fund's AAA credit rating through lower interest rates on their debt, allowing more money to go toward school improvements, and saving Texas taxpayers hundreds of millions of dollars each year.

Texas PSF Mission:

To provide permanent funding to Texas public schools by generating exceptional, risk-adjusted investment returns, and to reduce the borrowing costs for Texas schools and charter districts through the Bond Guarantee Program.

Current Workforce Profile

Workforce Demographics

As of May 2026, Texas PSF has 95 full-time employees. Our office is located in Austin, TX and is comprised of departments that support the front-office investment portfolios and back-office operations of the corporation. The following tables profile the corporation's workforce, excluding Interns.

Age

	Number of Employees	Percent of Employees
20-29	14	15%
30-39	31	33%
40-49	29	30%
50-59	17	18%
60+	4	4%

Tenure

0-5 Years	65	68%
11-15 Years	11	12%
21-25 Years	0	0%

Gender

	Number of Employees	Percent of Employees
Male	64	67%
Female	31	33%

Ethnicity

Ethnic Group	Number of Employees	Percent of Employees
Asian	12	13%
Black/African American	4	4%
Hispanic	22	23%
Two or More Ethnic Groups	3	3%
White	54	57%

Retirement Eligibility Projections

The following chart shows estimates for the number of employees eligible to retire over the next five fiscal years. These estimates are based on the "Rule of 80" using total state services for employees. Currently 5.3% will be eligible to retire this year. An additional 7.4% will be eligible to retire over the next five years.

Retirement Eligibility

Fiscal Year	Eligible Employees
2026	0
2027	2
2028	1
2029	1
2030	3
Total Employees Eligible	7

Employee Turnover

Texas PSF turnover for FY2026 year-to-date was 5%, which is below the statewide average.

Future Workforce Profile

Texas PSF Corporation has developed a strategic plan comprising six operational goals approved by the CEO and Board of Directors. The goals are:

- Optimize Asset Allocation
- Improve Portfolio Implementation
- Attract, Develop, and Retain Talent
- Enhance Communications
- Strengthen Corporate Governance
- Fortify Internal Controls

The strategic plan informs the organizational structure of Texas PSF, including workforce planning activities.

Gap Analysis

Texas PSF's ability to fulfill its mission depends on having a workforce with the specialized investment, risk management, operational, legal, technology, and governance expertise required to manage a large and increasingly complex public fund. The Corporation's board of directors regularly reviews and updates its strategic asset allocation, most recently at its February 2026 meeting. These updates are intended to deploy sophisticated investment strategies responsive to both the current investment climate and our fiduciary duties, and so the organization must ensure that its staffing model, skills, compensation structure, and development programs keep pace with the demands of a world-class endowment portfolio.

Over the next five years, our continued success will depend on our ability to attract and retain investment professionals with the expertise needed to implement the recent enhancements to our asset allocation strategy. To support this objective, the Texas PSF has established a robust recruiting and internship program designed to identify top talent, strengthen relationships with Texas universities, and build a sustainable pipeline of candidates for positions across the organization.

Over the past two years, we have expanded our internship program significantly, growing from eight interns in FY24 to 24 interns in FY26. During that same period, we successfully converted four of our highest-performing interns into full-time employees, demonstrating the program's effectiveness in developing and securing future talent.

Conclusion

The Texas Permanent School Fund Corporation continues to make significant progress toward achieving the goals outlined in its strategic plan. As we move forward, we will remain focused on monitoring our performance against these objectives, adapting to evolving opportunities and challenges, and building on our successes. We look forward to a bright future as we continue our mission of providing lasting financial support to Texas K–12 public and charter schools for generations to come.

SCHEDULE H: CUSTOMER SERVICE

As a special-purpose governmental corporation, Government Code, Chapter 2114 does not apply to Texas PSF (see Government Code §2114.001).

Although the corporation does not provide a service directly to customers in the manner for which the state's customer service reporting requirements are designed, Texas PSF has a number of key external stakeholders. Our corporate culture includes embracing a service-minded approach to interactions with these stakeholders: Our staff understand that the ultimate purpose of the corporation is to enhance public education in the state by providing an enduring source of funding and support that benefits Texas schoolchildren, their families, schools, communities, and Texas taxpayers as a whole.

Below are descriptions of Texas PSF's primary stakeholders and how the corporation works to serve their needs.

Texas School and Charter Districts

Texas PSF staff prudently manage a $61+ billion investment portfolio, generating returns which help fund a portion of the state's K-12 public educational expenses. Distributions from the PSF comprise all of the Technology and Instructional Materials Fund, and a majority of the Available School Fund, each of which are distributed to schools on a per capita basis. In total, PSF distributions are a reliable and sizeable source of funding for Texas public education, accounting for nearly 9 percent of all state funding each year.

The Bond Guarantee Program (BGP) allows school and charter districts to benefit from the Fund's AAA credit rating through lower interest rates on their debt, reducing borrowing costs and allowing more money to go toward school improvements. In 2023, Texas PSF collaborated with school district associations and other advocates to secure an IRS rule revision which substantially raised the program's federal capacity, ensuring the BGP will be available to school and charter districts for the foreseeable future.

Texas Citizens

In addition to being a substantial pillar of financial support of Texas public education, the PSF provides a direct benefit to Texas taxpayers. The BGP is estimated to reduce school borrowing costs in excess of $400 million statewide. This allows districts to reduce their Interest & Sinking (I&S) tax rates below what they otherwise would need to levy to fund their construction projects, saving Texas taxpayers hundreds of millions of dollars each year.

Texas PSF's commitment to public transparency is evident in the corporation's website, which provides easy access to information about the PSF, including asset allocation, ASF distribution history, the BGP, as well as board meeting resources.

Partner State Entities

Texas PSF staff serve as a responsible and dependable partner to several other state entities. Administration of the BGP is a shared responsibility of Texas PSF and the Texas Education Agency. Texas PSF also works closely with the School Land Board and the General Land Office, the state agency responsible for managing PSF lands, proceeds from which help grow the Fund.

State Board of Education, Governor and the Legislature

Texas PSF views the Legislature and state leadership as key stakeholders in our activities. Our commitment to transparency and accountability extends to both the executive and legislative branches of government, the ultimate caretakers of Texas public education.

The constitutional fiduciary over PSF assets remains the State Board of Education (SBOE). The Corporation is currently working to help both its own board of directors and the SBOE develop and coordinate their respective distribution decisions from the PSF to the ASF. These separate but related distributions will be made later in 2026 and will provide important education funding for the 2028-29 biennium.

As part of our overall service-oriented culture, Texas PSF pledges to communicate these distribution decisions, as well as all other important developments related to the PSF, to state leadership offices in a timely and helpful fashion.

SCHEDULE I: CERTIFICATION OF COMPLIANCE WITH CYBERSECURITY TRAINING

Texas Education Code §43.062 exempts the Texas PSF Corporation from the requirements of Texas Government Code Chapter 2054. Notwithstanding this exemption, Texas PSF aligns with the intent of these requirements and follows recognized industry standards.

Texas PSF requires staff to complete ongoing, quarterly cybersecurity awareness training which exceeds the State of Texas's annual requirement by incorporating continuous phishing simulations for all employees. The program also integrates artificial intelligence training with cybersecurity awareness to strengthen readiness against evolving threats, including AI-enabled attacks.