



**MINUTES**  
**INVESTMENT COMMITTEE**

Public Meeting held in person and videoconference  
on November 18, 2022 at 10:00 a.m. CT

Pursuant to Texas Govt. Code 551.127

**Committee Member**  
**Present/(Absent)**

Michael Benson, Committee  
Chair  
Michael Granof  
Amy Hunter  
Dick Lavine  
(Chris Noak)

Guests:

Ian Bray, RVK  
Spencer Hunter, RVK  
Paige Saenz, General Counsel  
Joe Ebisa, WithIntelligence\*

**Other Board Trustees**  
**Present/(Absent)**

(Kelly Crook)  
(Yuejiao Liu)  
(Leslie Pool)  
(Anthony B. Ross, Sr.)  
(Brad Sinclair)  
(Diana Thomas)

**Others Present**

Staff:

Christopher Hanson  
David Kushner  
David Stafford  
Sarah McCleary  
Ty Sorrel  
Kelly Doggett  
Jenni Bonds  
Yun Quintanilla\*  
Amy Kelley\*

\* present telephonically

† present via videoconference

**1 Call roll of Committee members**

Committee Chair Benson called the meeting to order at 10:01 a.m. The following Committee members were present in person: Mr. Benson, Mr. Granof, Ms. Hunter, and Mr. Lavine.

**2 Review order of business and establish meeting objectives**

Committee Chair Benson reviewed the order of business and meeting objectives with the Committee. No changes were made to the order of business.

### **3 Receive public comments**

Committee Chair Benson asked if any members of the public wished to speak, either now or during an agenda item. There were no comments.

### **4 Consider approval of the August 26, 2022 Investment Committee minutes**

Committee Chair Benson asked the Committee to review the Investment Committee minutes. Mr. Michael Granof moved approval of the August 26, 2022 Investment Committee minutes. Mr. Dick Lavine seconded, and the motion passed 4-0.

### **5 Review investment performance including strategy, compliance, and delegation of authority**

The Committee reviewed investment performance and market data from RVK through September 30, 2022. Fund investments lost 5.66% net of fees during the quarter, outperforming both the policy index and the passive index. Mr. David Stafford noted that the challenging market environment has pushed trailing 3-, 5- and 10-year returns below the actuarial assumed rate of return. He also shared data showing that implementation of policy has added significant value relative to the Passive and Policy Benchmarks and estimated that this outperformance has preserved approximately \$100 million for the Fund year-to-date.

Mr. Stafford reviewed the investment strategy dashboard and noted that Staff continues to consider the long-term performance of the Fund in concert with what has been a difficult current market environment. He noted that Fixed Income, a traditional hedge, has not worked well as a diversifying asset in the current market environment.

Mr. Ian Bray of RVK noted that investment sentiment and market movements continued to be driven by persistent inflation levels and tightening of monetary policy.

Mr. Stafford also reviewed the compliance report, the delegation of authority report, and the investment cash activity report.

Mr. Christopher Hanson informed the Committee of his approval of a temporary policy deviation request from Staff regarding market drift and rebalancing.

### **6 Review investment strategy including Investment Risk Framework**

Mr. Stafford reported that the risk regime remains elevated with options markets implying near-term elevated volatility for neutral Fund positioning. He reported that Staff analysis indicates that a regime shift in the relationship between stocks and bonds is likely and noted that the current drawdown was the third largest in the history

of the Fund. Mr. Stafford suggested that Cash continues to grow in importance and noted that Staff intends to recommend a strategic rebalance of the Fund at the December Board meeting.

*Trustees took a break from 11:19 a.m. to 11:36 a.m.*

## **7 Discuss and consider investment implementation including Premier Lists for Real Assets**

Mr. Ty Sorrel presented a report on the investment program's implementation activities during the third quarter, reviewed the manager monitoring report, and discussed investment manager fees by quarter.

Mr. Sorrel presented a report on Real Assets including their historical context and portfolio role. He noted that the Real Assets portfolio continues to provide diversification of returns and a differentiated risk profile to the Fund through exposure to different underlying asset types, vehicles, and management styles. He noted that the Fund only has exposure to private market investments through Real Assets and noted that these strategies benefit from not having to mark-to-market their values daily, which results in a smoother return profile. He showed data suggesting that current Real Estate and Infrastructure mandates are considered "core" strategies which typically have more conservative risk-return profiles. Finally, Mr. Sorrel discussed portfolio performance relative to the benchmark and provided Real Estate and Infrastructure market commentary.

Ms. Amy Hunter moved to recommend to the Board proposed changes to the Premier List for Real Assets and to direct Staff to develop a funding implementation plan related to the Premier Lists and the prior risk management discussion. Mr. Dick Lavine seconded, and the motion passed 4-0.

## **8 Discuss and consider 2023 Investment Budget**

Mr. Stafford noted that a strong alignment with investment beliefs and consistent execution in manager selection has led to reduced investment costs over the past several years, while reminding Trustees that cheapest does not always equal best.

Mr. Stafford noted the shift toward internal resources over time, with a greater focus on asset allocation and strategy. He discussed that the proposed budget for 2023 included modest further increases in internal resources to improve on risk management capabilities and due diligence needs. The budget also included project-based items from the Strategic Plan including updates to the Asset/Liability Study, CEM Cost Benchmarking, and the required Texas Pension Review Board report. He did note that additional initiatives from the Asset/Liability Study may have supplementary budgetary considerations. Mr. Stafford also noted the new budget presentation layout which categorizes expenses that are variable in nature and those that are budgeted. Staff costs were included for transparency, though those are carried in the Administrative Budget. Staff also reviewed budget progress for year-to-date

2022 during this conversation.

Trustees requested that additional detail be included for each line item in the 2023 Investment Budget when presented to the full Board.

Mr. Lavine moved to recommend to the Board the 2023 Investment Budget as presented. Mr. Granof seconded, and the motion passed 4-0.

## **9 Discuss and consider Investment Committee Charter**

Mr. Kushner noted that the Committee Charter was due for review. Staff proposed two edits to reflect the current practice of formulating and maintaining investment processes, and recommending to the Board service providers for professional services. Mr. Granof moved to refer the revised Investment Committee Charter to the Board as presented. Ms. Hunter seconded, and the motion passed 4-0.

## **10 Review 2022 Committee Work Plan and discuss development of 2023 Committee Work Plan**

Mr. Hanson noted that the Committee had completed its goals for the 2022 Work Plan. Additional goals had been added after the creation of the original 2022 Work Plan for the October Workshop that were later postponed. A draft of the 2023 plan was presented. Mr. Hanson noted that an additional meeting in April would likely be needed to accomplish the goals. The Committee discussed continuing to meet on Fridays during the daytime.

## **11 Receive key meeting takeaways and call for future agenda items**

Committee Chair Benson summarized the actions taken and information discussed at the meeting and provided an opportunity to add future agenda items.

As there were no further items to address, the meeting adjourned at 12:54 p.m.

**These minutes were approved at the February 24, 2023 Investment Committee meeting.**