



MINUTES

INVESTMENT COMMITTEE

Public Meeting held in person and videoconference
on April 21, 2023 at 10:00 a.m. CT

Pursuant to Texas Govt. Code 551.127
6850 Austin Center Blvd., Suite 320, Austin, TX 78731

**Committee Member
Present/(Absent)**

Yuejiao Liu, Committee Chair
Michael Granof
Amy Hunter
Dick Lavine
Diana Thomas

Guests:

Ian Bray, RVK†
Spencer Hunter, RVK†
Paige Saenz, General Counsel
Cyril Espanol,
WithIntelligence*
Zack Cziryak, Financial
Investment News*

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

Michael Benson*
(Kelly Crook)
Chris Noak
(Leslie Pool)
Anthony Ross
Brad Sinclair*

Others Present

Staff:

Christopher Hanson
David Kushner
David Stafford
Ty Sorrel
Kelly Doggett
Sarah McCleary
Mehrin Rahman
Jenni Bonds
Yun Quintanilla
Amy Kelley*
Jay Inghram

* present telephonically
† present via videoconference

1 Call roll of Committee members

Committee Chair Liu called the meeting to order at 10:01 a.m. The following Committee members were present in person: Liu, Granof, Hunter, Lavine, and Thomas. Trustees Benson and Sinclair were not on camera thus not considered present at this meeting.

2 Review order of business and establish meeting objectives

Committee Chair Liu 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 Liu 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 February 24, 2023 Investment Committee minutes

Committee Chair Liu asked the Committee to review the Investment Committee minutes. Mr. Dick Lavine moved approval of the February 24, 2023 Investment Committee minutes. Mr. Michael Granof seconded, and the motion passed unanimously.

5 Discuss and consider Asset Allocation Study

Mr. David Kushner discussed with the Committee the ongoing process of the Asset-Liability Study and Asset Allocation Study. Mr. Kushner explained that this agenda item was intended for discussion purposes because the Asset-Liability Study would not be completed until COAERS knew if its pension legislation had passed the 88th Texas Legislative Session. Mr. Kushner informed the Committee that this Asset Allocation Study was to be considered a starting point for information and discussion; once the Legislative Session was complete, Staff and RVK would finalize the Asset-Liability Study for final Committee review.

Mr. Ian Bray from RVK discussed the results of the preliminary Asset Allocation Study and the impact of broadening the opportunity set of investments included in the Strategic Asset Allocation. He compared the results of four efficient frontier graphs: one showing current asset class exposures, one introducing private credit, one introducing private equity, and one introducing a broad range of other asset classes. In comparing these efficient frontiers, he showed data that indicated better risk-adjusted returns could be achieved through the introduction of new asset classes, with the largest benefits coming from the addition of private credit and private equity.

6 Receive educational presentation on Functionally Focused Portfolio asset allocation approach

****This agenda item is considered in-house training provided by COAERS, an accredited sponsor of Minimum Educational Training (MET) for purposes of fulfilling the Pension Review Board's MET Program requirements.**

(For PRB purposes, this presentation began at 10:44 a.m. and ended at 11:29 a.m.)

Mr. David Stafford led an educational presentation which examined the investment decision-making process whereby the structure of the Strategic Asset Allocation could be viewed by the roles that each investment serves in the total portfolio context: growth, diversification, and liquidity. He shared data that showed the importance of asset allocation decisions and the history of the approaches used by the System. Mr. David Kushner demonstrated how asset classes can be viewed through a variety of

lenses: return, risk, access and structure, liquidity and pricing, administrative burden, and ease of oversight. Mr. Stafford discussed the expected benefits of such an approach including simplifying decision making, aligning portfolio evaluation with intended goals, and broadening the opportunity set. Mr. Stafford also laid out some of the considerations for implementing such an approach.

7 Receive educational presentation on private investments

****This agenda item is considered in-house training provided by COAERS, an accredited sponsor of Minimum Educational Training (MET) for purposes of fulfilling the Pension Review Board's MET Program requirements.**

(For PRB purposes, this presentation began at 10:30 a.m. and ended at 12:12 p.m.)

Mr. Ty Sorrel led an educational presentation on private market investments. He provided background information on COAERS historical asset allocation and showed that the Fund has very limited exposures to the private credit and private equity markets. He shared data that showed the benefits many investors expect by allocating to these types of investments including strong risk-adjusted, net of fees returns, enhanced diversification, and access to new investment opportunities. Additionally, he discussed the market dynamics in private credit and explained the various ways to implement such an allocation.

Trustees directed Staff to proceed as discussed during the May Committee meeting, as well as continuing work for the Asset Allocation Study and private equity and credit education.

8 Review key meeting takeaways and call for future agenda items

Committee Chair Liu 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 12:16 p.m.

These minutes were approved at the May 19, 2023 Investment Committee meeting.