



**MINUTES**  
**INVESTMENT COMMITTEE**

Public Meeting held in person and videoconference  
on August 26, 2022 at 10:00 a.m. CT

Pursuant to Texas Govt. Code 551.127

<b>Committee Member Present/(Absent)</b>	<b>Other Board Trustees Present/(Absent)</b>	<b><u>Others Present</u></b>
Michael Benson, Committee Chair Michael Granof Amy Hunter† Dick Lavine† Chris Noak	(Kelly Crook) (Yuejiao Liu) (Leslie Pool) (Anthony B. Ross, Sr.) (Brad Sinclair)* (Diana Thomas)	<u>Staff:</u> Christopher Hanson David Kushner David Stafford Sarah McCleary Ty Sorrel Kelly Doggett Mehrin Rahman Yun Quintanilla* Russell Nash* Amy Kelley*
<u>Guests:</u> Ian Bray, RVK Paige Saenz, General Counsel Joe Ebisa, WithIntelligence*	<i>*As Mr. Sinclair stayed on the phone but not on camera, his attendance is not counted.</i>	
* present telephonically † present via videoconference		

---

**1 Call meeting to order**

Committee Chair Benson called the meeting to order at 10:01 a.m. The following Committee members were present in person: Mr. Benson, Mr. Noak, and Mr. Granof. The following Committee members were in virtual attendance: 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 System member and 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 May 20, 2022 Investment Committee minutes**

---

Committee Chair Benson asked the Committee to review the Investment Committee minutes. Mr. Michael Granof moved approval of the May 20, 2022 Investment Committee minutes. Mr. Chris Noak seconded, and the motion passed unanimously.

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

The Committee reviewed investment performance and market data from RVK through June 30, 2022. Fund investments lost 11.08% net of fees during the quarter and gained 4.09% during the trailing three-year period.

Mr. David 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. Mr. Stafford noted that recent performance was challenging on an absolute basis which pushed returns below the Fund's assumed rate of return for the trailing 3- and 5-year periods. He also noted that implementation of a more diversified strategic asset allocation has added value for the Fund as relative performance exceeded the passive and policy benchmarks over the trailing 3-, 5- and 10-year periods. Mr. Stafford also presented data that suggested the Fund has been very well rewarded on a risk-adjusted basis over the trailing 10-year period.

Mr. Ian Bray of RVK noted that continued rising inflation, accelerated tightening of global monetary policy, and falling economic growth estimates led to most major indices ending negative in the second quarter. Inflation continued to rise in the US spurred on by supply chain disruptions, the war in Ukraine, and China's zero-COVID policy. Mr. Bray suggested that this market environment was highly unusual as this represented the first time in decades that both stocks and bonds declined concurrently in consecutive quarters.

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

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

Mr. Stafford reviewed the risk/return outlook for the Fund via the Investment Risk Framework. He noted that markets imply modestly elevated near-term volatility for neutral Fund positioning. He further noted that the market environment is highly unusual with both stocks and bonds performing poorly at the same time, now for consecutive quarters. Additionally, he noted that every major asset class declined in the quarter, with the only exception being cash. As such, he suggested that US treasuries have lost some efficacy as a hedge to equity risk, and that Fund positioning with modest overweight to real estate, a bar-belled US Treasuries structure, and current cash amounts remains appropriate.

## **7 Discussion of Asset/Liability Study**

Mr. David Kushner provided education on the Asset/Liability Study process. He explained the difference between an Asset Allocation study and an Asset Liability

---

Modeling study. He discussed how Asset Liability Modeling (ALM) looks at how different asset mixes affect the liability and cash flow needs of the Fund under different scenarios, and also considers contribution and benefit policies, and how these may influence the investment policies. Mr. Kushner provided the Committee with an outline of the steps of the ALM process.

## **8 Receive education on Global Equities asset class including role in the Strategic Asset Allocation and private markets considerations**

Mr. Stafford discussed the role of Global Equities in the total Fund context. He shared data suggesting that Global Equities contribute about 65% of the returns and nearly all of the expected risk for the total Fund on a look through basis, using RVK assumptions. As such, he suggested that robust risk management is required by policy to carefully manage these investments, which includes maintaining prudent levels of diversification. He noted that currently the Fund is fully implemented via public equity markets and that many peers also implement via private markets. He suggested that it was prudent to discuss the potential benefits of private equity alongside the drawbacks to those strategies and suggested that the Asset Liability Study presented an opportunity to help evaluate those strategies in the total portfolio context.

Mr. Ian Bray of RVK provided an educational presentation on private equity and noted that the primary goals of private equity strategies are typically to enhance total portfolio return and increased diversification. He discussed the four broad private equity strategies of growth equity, buyouts, venture capital, and turnarounds/distressed/special situations. Additionally, he noted the broad range of performance outcomes in private equity and highlighted the importance of manager selection and portfolio structuring in leading to successful outcomes.

For reporting purposes to the Pension Review Board, training began at 11:08 am and ended at 11:58 a.m.

*Trustees took a break from 11:59 a.m. to 12:16 p.m.*

## **9 Discuss and consider investment implementation including Premier List for Global Equities**

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

Mr. Sorrel reviewed the current implementation and performance of Global Equities including a review of implementation choices in the US, developed markets and emerging markets sub-asset classes. Mr. Sorrel discussed data which he noted supported the risk managed approach undertaken by the Fund including the use of more diversified indices in the US, the use of futures for liquidity, and more active management in international equities, among other items. Given the upcoming Asset/Liability Study, he suggested that maintaining the current structure of these mandates was appropriate. Mr. Sorrel then proposed updates to the Premier Lists for

---

Global Equities.

Mr. Noak moved to recommend the proposed changes to the Premier Lists for Global Equities. Mr. Granof seconded, and the motion passed unanimously.

## **12 Review 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. He noted a few revisions to the 2022 Committee Work Plan related to the decision to bring the Asset/Liability Study in 2022 and noted that RVK will do further education on the Asset Liability Modeling at the September Board meeting.

As there were no further items to address, the meeting adjourned at 1:00 p.m.

**These minutes were approved at the November 18, 2022 Investment Committee meeting.**