

## Investment Committee Minutes

September 29, 2020

1. **Meeting called to order (0:07)**

The Pension Review Board (PRB) Investment Committee meeting was called to order by Chair Christopher Zook on Tuesday, September 29, 2020, at 10:00 a.m. via video- and teleconference.

2. **Roll call of Committee members (0:37)**

Committee Members Present:

Chair Christopher Zook  
Keith Brainard  
Shari Shivers

3. **Roll call of members of the public (0:59)**

There were no pre-registered members of the public.

4. **July 28, 2020. Committee meeting minutes (1:09)**

Chair Zook entertained a motion to suspend the reading of the minutes of the July 28, 2020, meeting of the Investment Committee and approve them as circulated.

The motion was made by Ms. Shivers and seconded by Mr. Brainard.

The motion passed unanimously.

5. **Update on Investment Practices and Performance Evaluations as required by Government Code Section 802.109 (SB 322). including: (1:39)**

a. **Reporting compliance as required by SB 322 (1:47)**

Mr. Herbold stated that 50 of the expected 55 Investment Practices and Performance Evaluations (IPPEs) have been received, along with two additional evaluations from systems with less than \$30 million in assets. He updated the committee on the systems that have not yet completed their IPPEs.

b. **Draft report on Investment Practices and Performance Evaluations (3:47)**

Mr. Herbold presented the draft of the agency's Investment Performance Report that is required by statute to be submitted to the legislature. He explained it would include an analysis of the evaluations to identify trends and practices that may be helpful to all Texas public retirement systems. He stated that it would include both recommendations for the legislature and for systems.

**c. Recommended improvements to Investment Practices and Performance  
Evaluation statute (8:33)**

This item was taken up as part of item 5b.

Mr. Herbold presented potential legislative recommendations for the 87<sup>th</sup> Legislature. He stated that these were based on both legislative intent behind the IPPE requirement and questions that emerged as systems began submitting their evaluations. He stated that the recommendations primarily focus on clarifying what should be included in IPPEs to improve transparency and communicate effectively with stakeholders.

The committee discussed the potential legislative recommendations.

Chair Zook opened the floor to public comments. There were no public comments.

Chair Zook entertained a motion to direct staff to draft potential legislative recommendations for improvements to the Investment Practices and Performance Evaluation statute, incorporating input agreed upon by the committee, for consideration by the full board at its November 12 meeting.

The motion was made by Mr. Brainard and seconded by Ms. Shivers.

**The motion passed unanimously.**

Mr. Herbold presented the additional recommendations to serve as guidance for retirement systems that would be included in the draft Investment Performance report, such as prioritizing passive investments with lower fees, benchmarking returns net of fees as well as gross returns, and documenting the ratio of passive to active investments. He stated that these were not recommendations to the legislature but that the guidance could be educational for systems to learn from each other.

The committee discussed the possibility of making this guidance for systems additional required disclosures because of the potential educational value. The board also discussed the differences between PRB rulemaking and codifying requirements in statute. Anumeha Kumar explained that rulemaking is a more formal process of engaging with stakeholders and creating rules that are more enforceable than informal guidance. The board discussed the extent of the board's rule-making authority for IPPEs. Ms. Kumar stated that staff could discuss options with the PRB attorney general counsel and provide an update on the extent of PRB rulemaking authority in this instance.

Mr. Herbold provided an example of the individual IPPE summaries to be included in the Investment Performance Report.

The committee discussed the best way to present these summaries. It also acknowledged the work of staff to create the summary section which would be a great resource for retirement systems to compare their practices and experiences with other systems.

**d. Updates on correspondence with certain systems regarding concerns with  
Investment Practices and Performance Evaluations (50:29)**

Mr. Herbold reminded the committee that staff had been asked to follow up with systems that submitted IPPEs that were less detailed or did not include

recommendations. He updated the committee on the communications with systems and their consultants seeking additional details to clarify their IPPEs. He stated that everyone staff spoke to was receptive to making requested changes.

6. **Date and location of next Investment Committee meeting –TBD (52:32)**

Chair Zook stated that the date of the next Investment Committee meeting had not been set. An update will be sent out when the date is set.

7. **Invitation for public comment (52:45)**

There were no public comments.

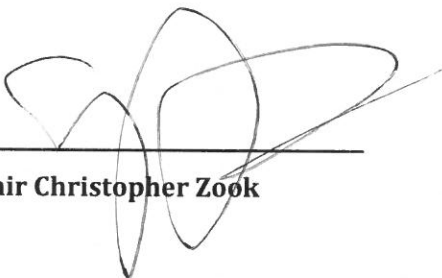
8. **Adjournment (53:08)**

Chair Zook made a motion to adjourn. The motion was seconded by Mr. Brainard.

**The meeting was adjourned at 10:53 a.m.**

**PRB Staff Present:**

Anumeha Kumar  
Michelle Downie Kranes  
Ashley Rendon  
Kenny Herbold  
Bryan Burnham  
James King  
Lindsay Seymour  
Mariah Miller  
Robert Munter  
Wesley Allen

  
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**Chair Christopher Zook**

