

AGENDA ITEM DETAILS

Subject: *Consideration of Asset Class Investment Committee Charter – (Action)

RECOMMENDED ACTION:

Move that the Investment Advisory Committee recommend that the Board of Trustees of the Employees Retirement System of Texas approve the Asset Class Investment Committee Charter attached as Exhibit A to this agenda item.

Contingent upon adoption of the above motion by the Investment Advisory Committee, staff recommends the following motion to the Board of Trustees:

Move that the Board of Trustees of the Employees Retirement System of Texas approve the Asset Class Investment Committee Charter attached as **Exhibit A** to this agenda item.

BACKGROUND

The ERS Asset Class Investment Committee (ACIC) Charter is a governing document that defines the purpose, membership and responsibilities of the ACIC. ERS staff review the charter annually for necessary updates to reflect the appropriate mission and practices of the ACIC. The board last revised the charter in August 2019.

The ACIC Charter is a record of the responsibilities, structure, and authority of the individual asset class committees and establishes written procedures that foster prudent investment practices and active participation by committee members.

Staff recommends revisions to the ACIC charter to clarify meeting procedures and authority and improve the framework of ACIC governance.

SUMMARY OF PROPOSED CHANGES:

Staff proposes the below changes to improve the ACIC process in supporting the Board and the IAC, and to better guide ERS staff in daily management of the investment program.

- Increase the threshold of investments from \$15 million to \$25 million that ACIC members may approve via email, rather than requiring an in-person meeting. This will allow for streamlined approvals on certain deals. The types of investments involved include, but are not limited to, Private Equity, Private Real Estate, Global Credit, Private Infrastructure, Hedge Funds, Public equity, Co-investments and Top-up investments the ACIC may approve by email. A Top-up Investment is a direct commitment to a private fund or Co-Investment to which ERS has previously made a commitment. The changes will contribute to a more efficient management of the assets while allowing additional management flexibility to invest in time-sensitive opportunities.
- Removes the Opportunistic Credit Asset Class
- Clarifies the role on non-voting ACIS members
- Adds process for compliance with Texas Government Code 815.3015, requiring Board approval of alternative investments above a statutorily determined level

**ERS is accredited by the State Pension Review Board (PRB) as a Minimum Educational Training (MET) sponsor for Texas public retirement systems. This accreditation does not constitute an endorsement by the PRB as to the quality*

of our MET program. This agenda item may be considered in-house training provided by ERS to board trustees and the system administrator for purposes of fulfilling the MET program requirements. ERS is an accredited sponsor of MET for its system administrator and trustees for continuing education.

ATTACHMENTS:

1. Exhibit A — Draft ACIC Charter Proposed for August 25, 2021 Joint Meeting of the Board and IAC.
2. Slides - Asset Class Investment Committee Charter