

AGENDA ITEM DETAILS

Subject: *Educational Presentation: Global Demographic Trends and their Implications for the ERS Investment Program

BACKGROUND

The purpose of this educational agenda item is to provide Trustees and Investment Advisory Committee members insight into key global demographic trends that could affect the decisions and outcomes of the ERS investment program.

INVESTMENT OBJECTIVE

Significant demographic changes are transforming economies globally. The large post-World War II generation is retiring and working age populations in many countries are shrinking as a result. This demographic shift is translating into slower economic growth and lower interest rates. Technological changes are also profoundly affecting the productivity of workers. Entire industries are being rapidly redefined and the meaning of work is being transformed at a quicker pace than before.

The COVID-19 pandemic catalyzed some of these trends and caused others to reverse. The ongoing decline in birth rates witnessed globally in recent decades accelerated over the last 18 months. In contrast, steady gains in life expectancy in recent decades have reversed due to higher rates of mortality brought on by the pandemic. Similarly, the adoption of remote work has accelerated dramatically in just 18 months and brought about increased acceptance and use of important technological advances.

Population increases and productivity gains represent the primary components of long-term economic growth. Since economic growth in turn fuels the engine that powers long-term investment returns, these trends represent an important consideration for long-term fundamental investors such as ERS. The investment team intends to monitor these trends regularly as a key input to investment decisions with regard to both strategy and implementation.

This presentation will explore key trends in birth rates, life expectancy, productivity and labor force participation in more detail. The presentation will review the potential impact of these factors on other drivers of investment returns, including inflation and interest rates and highlight long-term investment themes that are developing in specific areas such as real estate.

This agenda item is presented for informational purposes only. No action is necessary.

**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. Slides – Educational Presentation on Global Demographics