

AGENDA ITEM DETAILS

Subject: Consideration of Annual Review of the Investment Advisory Committee Member Eligibility and Compliance

BACKGROUND

Texas Government Code § 815.5091 through § 815.5093 establishes eligibility standards for Investment Advisory Committee (“IAC”) members and requires the Board of Trustees (“Board”) to review the eligibility of IAC members annually. Pursuant to that statute, the ERS Investment Policy Statement (“IPS”) requires an annual review by the Board of the eligibility status of members of the IAC. The IPS requires that the annual review of the IAC be accompanied by a survey of all current Trustees regarding the functioning of the IAC at the aggregate and individual level.

A person appointed to serve as a member of the IAC must be:

- a person with expertise in the management of a financial institution or other business in which investment decisions are made; or
- a prominent educator in the field of economics, finance, or another investment-related area.

A person is not eligible for appointment to the IAC if:

- the person or their spouse is employed by or participates in the management of a business entity or other organization receiving funds from ERS,
- the person or their spouse owns or controls, directly or indirectly, more than a 10% interest in a business entity or other organization receiving funds from ERS, or
- the person or their spouse is a paid officer, employee, or consultant of a Texas trade association in the field of insurance or investment, or
- if the person is required to register as a lobbyist because of their activities for compensation on behalf of a business or an association related to the investments of the state or of ERS.

An IAC member may be removed from the committee if they:

- are not qualified for appointment to the IAC,
- are unable to perform their duties because of illness, disability, or other personal circumstances, or
- are absent for more than half of the scheduled meetings of the IAC.

Pursuant to Texas Government Code § 815.5093(e), the Board has adopted the following process for removal of an IAC member, based on any ground for removal.

- Any IAC member with any ground for removal noted shall, based on applicable circumstances and at the discretion of the Board of Trustees, either be (a) removed from the IAC or (b) be given an opportunity to cure the ground for removal if possible.
- Any person given an opportunity to cure a ground for removal must affirm to the Board that the person will make a good faith attempt to cure all grounds for removal.
- Following this affirmation, the IAC member may be allowed to continue to serve until the next annual review unless it is apparent before then that the IAC member is not able, not willing or not making reasonable efforts to cure the ground for removal.

- If any ground for removal is not going to be cured or is incapable of being cured, the Board shall remove the person from the IAC.

In addition to the process set forth above, the Board may choose to remove an IAC member at any time, at their discretion.

ANNUAL IAC ELIGIBILITY AND COMPLIANCE REVIEW

To facilitate the Board's review of IAC member eligibility, IAC members complete an affirmation of their qualifications and eligibility. Additionally, ERS records attendance at scheduled Joint Meetings and Working Sessions of the Board/IAC. ERS staff confirmed that all IAC members affirmed their eligibility from their certification in the annual affirmation according to the requirements of the ERS Investment Policy Statement.

The IAC Charter requires the Board's annual review to be accompanied by a survey of all current Board members regarding the functioning of the IAC at the individual and aggregate level. The purpose of this survey is to assess at regular intervals whether the IAC is meeting the needs of the Board, to consider the reappointment of IAC members, and to provide feedback in pursuit of continuous improvement.

As reported in Exhibit A of this agenda item, all IAC members have met the Board meeting attendance requirements. Exhibit B of this agenda item includes the full list of IAC members, highlighting their expertise. Exhibit C of this agenda item includes the results of the survey of Board members regarding the IAC at the aggregate and individual level.

STAFF RECOMMENDATION:

This agenda item is provided for informational and discussion purposes only. No action is required.

ATTACHMENTS:

1. Exhibit A – Investment Advisory Committee Board Meeting Attendance for Calendar Year 2023
2. Exhibit B – Investment Advisory Committee Skills Assessment as of December 1, 2023
3. Exhibit C – Investment Advisory Committee Survey Results - *(CONFIDENTIAL FOR BOARD ONLY)*
4. Slides - Annual Consideration of Eligibility and Compliance of the Investment Advisory Committee