

AGENDA ITEM DETAILS

Subject: *Review and Discussion of ERS' Investment Practices and Performance Relating to Senate Bill 322

BACKGROUND:

Senate Bill 322 (86R) became effective on June 10, 2019. The corresponding statute, Texas Government Code § 802.109, requires certain Texas public retirement systems to select an independent firm with substantial experience in evaluating institutional investment practices and performance to evaluate the appropriateness, adequacy, and effectiveness of the retirement system's investment practices and performance and make recommendations for improvement.

A report of this first evaluation must be filed with the governing body of the system not later than May 1, 2020. ERS and other systems with assets of at least \$100 million must complete an evaluation once every three years.

INVESTMENT PRACTICES AND PERFORMANCE EVALUATION

Pursuant to Texas Government Code § 802.109, the evaluation must include the following:

1. an analysis of any investment policy or strategic investment plan;
2. a detailed review of the retirement system's asset allocation;
3. a review of the appropriateness of investment fees and commissions paid by the retirement system;
4. a review of the retirement system's governance processes related to investment activities; and
5. a review of the retirement system's investment manager selection and monitoring process.

The PRB recognizes that evaluations should and will vary significantly based on the specific characteristics of each system's size, governance structure, and investment program. They have provided general guidance to inform systems and their stakeholders on the basic aspects of the evaluations and associated reports.

ERS' general investment consultant, NEPC, LLC, has independently evaluated these items. This evaluation report seeks to help current trustees, plan members, and other stakeholders gain a better understanding of current investment policies, procedures, and practices as well as how they compare against both their peers and industry best practices.

STAFF RECOMMENDATION:

This agenda item is provided for informational and discussion purposes only. The proposed draft of the Evaluation of Investment Policies, Procedures and Practices Report presented may be subject to immaterial changes prior to final submission to the Pension Review Board. No action is required.

**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.*

ATTACHMENT(S):