

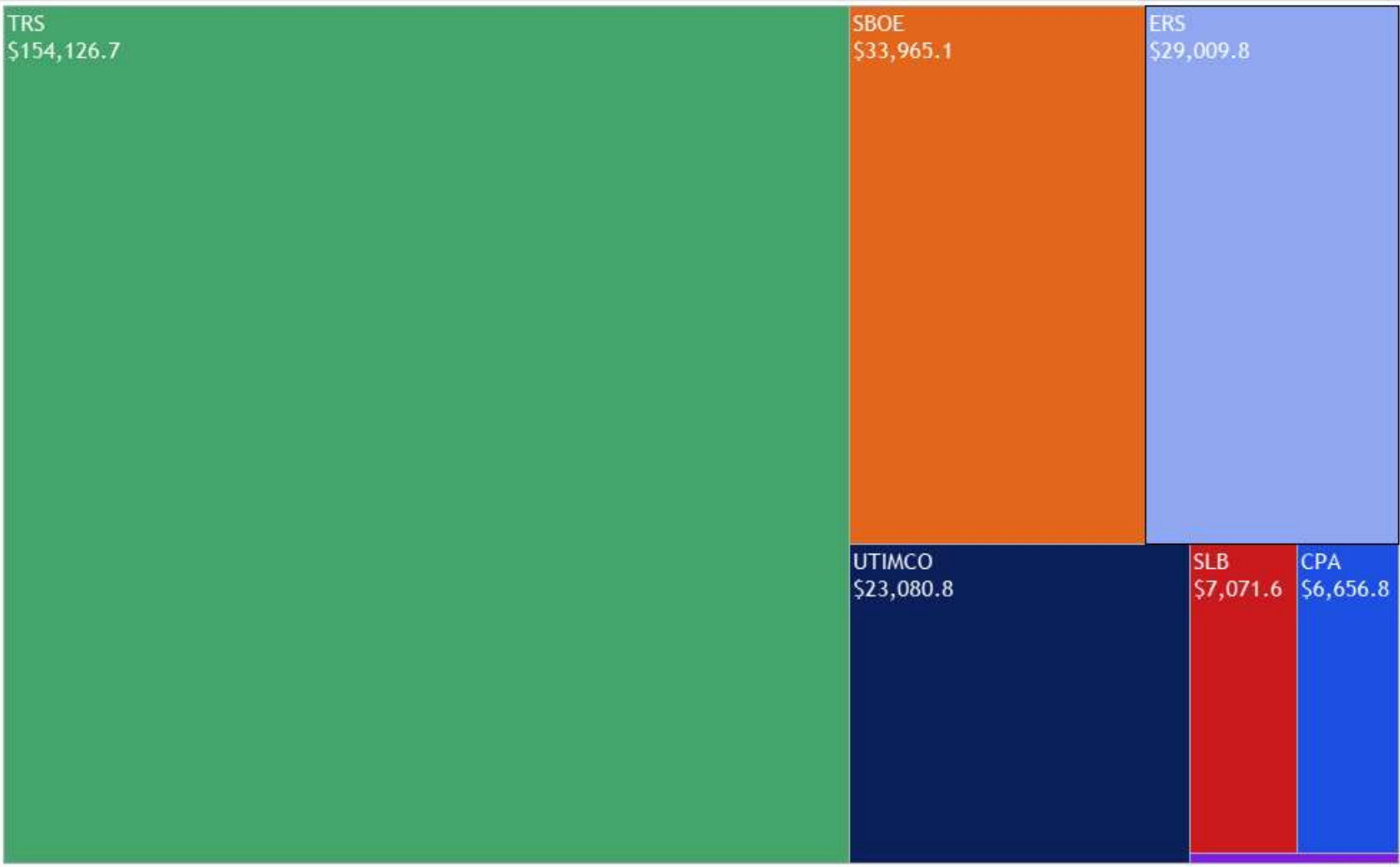


LEGISLATIVE BUDGET BOARD

Overview of Major State Investment Funds, and Significant Related Legislation

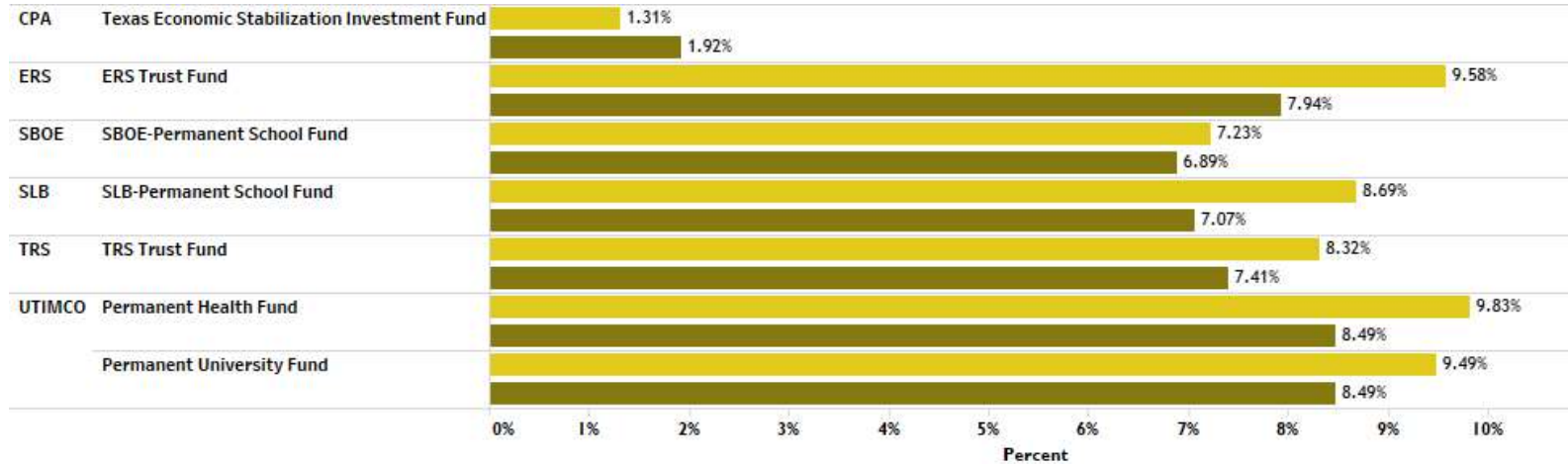
PRESENTED TO SENATE FINANCE COMMITTEE
LEGISLATIVE BUDGET BOARD STAFF, FEBRUARY 2020

Market Value of Major State Investment Funds by Agency for Fiscal Year 2018

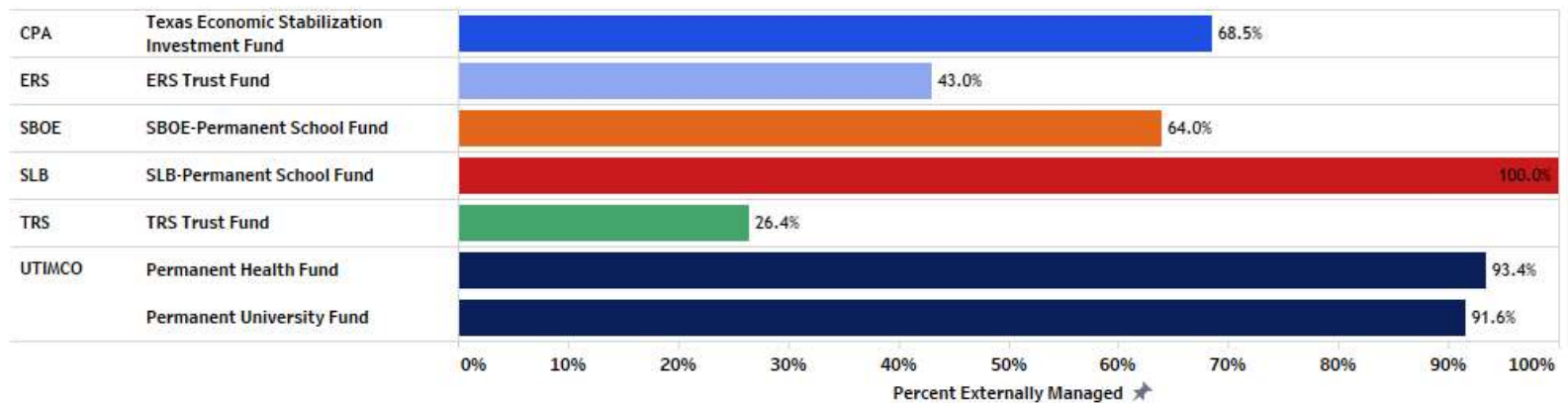


Performance Compared to Benchmarks and Percent Externally Managed Fiscal Year 2018

Gross Return (Top) and Benchmark (Bottom) Fiscal Year 2018

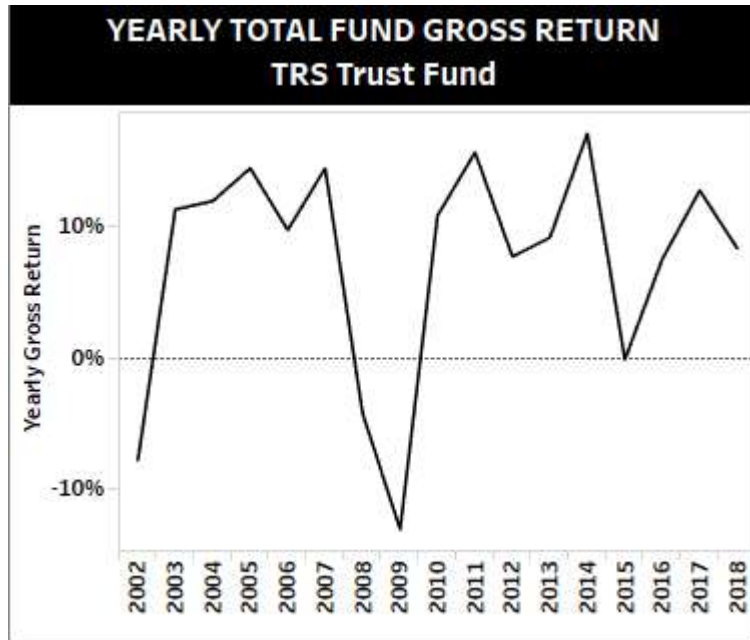


Percent of Fund Balance Externally Managed Fiscal Year 2018

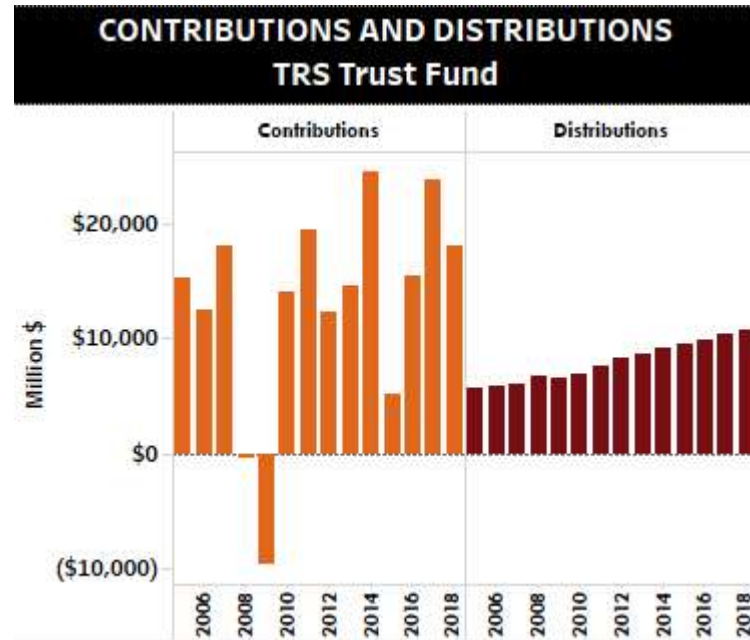


Historical Performance and Contributions/Distributions for TRS

Yearly Returns for the TRS Trust Fund
2001-2018



Contributions and Distributions in Millions of Dollars to/from TRS Trust Fund 2001-2018



Contributions include investment gains and losses.

Significant Legislation – 86th Legislature

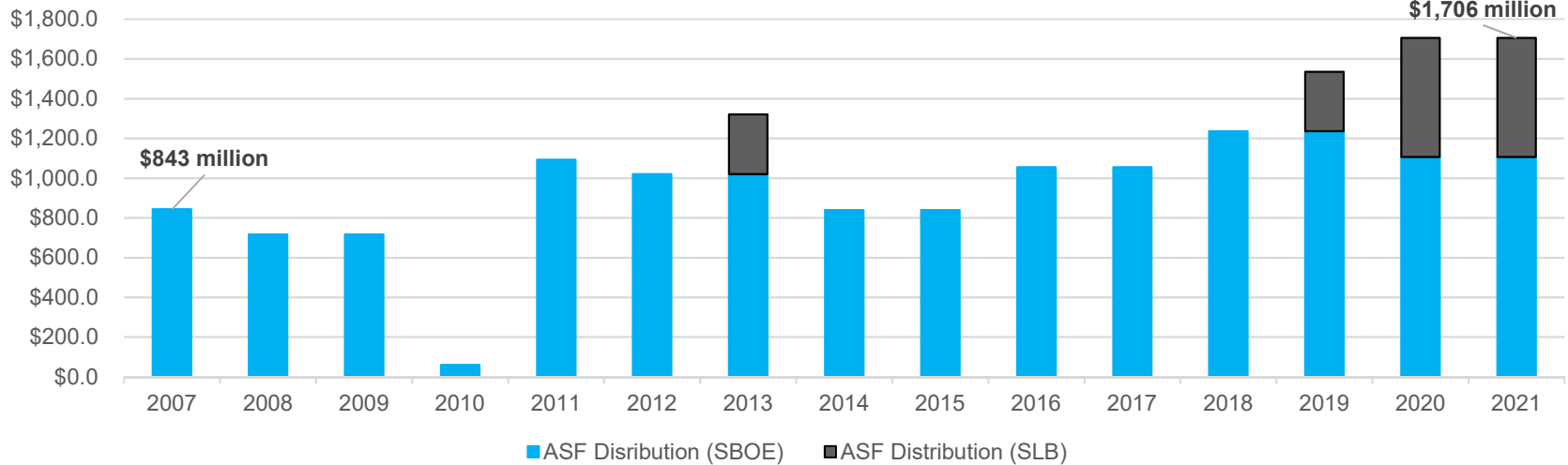
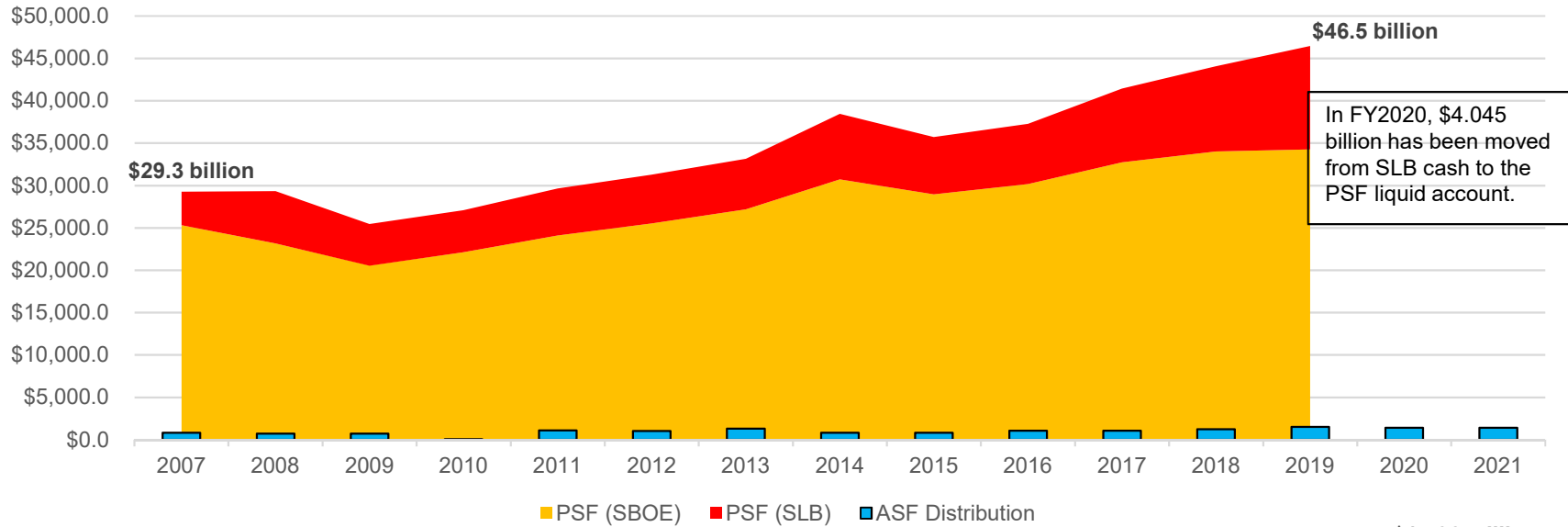
- ESF – Senate Bill 69
 - Allows the Comptroller to invest up to 75% of ESF in TESTIF
 - Prior law allowed % of the ESF above the Sufficient Balance in TESTIF
- TRS – Senate Bill 12
 - Increases State, Employer, and Employee contributions to TRS Pension Trust Fund in varying steps over 5 years
 - Projected \$954 million additional contributions for 2020-21 biennium
 - \$524 million of total represents state cost appropriated from the ESF
- PSF – House Bill 4388
 - Creates PSF Liquid account to invest certain funds from SLB portion of PSF
 - Adds quarterly reporting requirements for SBOE/SLB
 - TEA/GLO study on PSF distributions due June 1, 2020
- PSF – House Joint Resolution 151
 - Allows SBOE or SLB to distribute up to \$600 million of revenue annually from PSF land/properties to ASF
 - Prior law allowed only SLB to distribute up to \$300 million annually

Permanent School Fund

History of Major Legislation Since 2000

Year / Bill	Purpose	Description
2001 (HB 3558)	School Land Board (SLB) investment authority broadened	<ul style="list-style-type: none"> • Prior authority allowed use of proceeds from PSF land sales to buy other land. • Bill allowed proceeds from land sales AND mineral lease and royalty revenue to be deposited into a special account -- what is now the Real Estate Special Fund Account (RESFA) -- for purchase of other land OR mineral and royalty interests. • Any funds unused by SLB after 2 years reverted to the PSF corpus invested by SBOE
2003 (HJR 68)	PSF distribution methodology revised	PSF (SBOE) methodology for distributions from PSF to ASF changed from all dividend and interest income, to "total return" (% of average corpus market value over 16 trailing quarters), and not to exceed 6%.
2005 (HB 2217) 2007 (HB 3699)	SLB investment authority broadened	<ul style="list-style-type: none"> • SLB authority to keep and invest proceeds further broadened to include infrastructure, other real estate investments, and to pay professional fees related to investments. • Two year window for SLB to invest funds eliminated in 2007.
2011 (HJR 109)	SLB given direct distribution authority to ASF	<ul style="list-style-type: none"> • Constitutional amendment allowed SLB the option to distribute directly to ASF, up to \$300 million per year. • Broadened PSF base to which SBOE total return rate is applied by including SLB real assets and cash.
2019 (SB 608)	SLB governance and PSF coordination	<ul style="list-style-type: none"> • Expanded SLB from 3 to 5 members, with selection of 2 new members by Governor based on input from SBOE. • Requires annual joint meeting between SLB and SBOE to coordinate asset allocation.
2019 (HB 4388)	PSF governance	<ul style="list-style-type: none"> • Establishes a PSF Liquid Account to invest SLB cash. • Requires quarterly reporting and a study analyzing ASF distributions, due June 1, 2020.
2019 (HJR 151)	Direct distribution to ASF authority increased	Increases allowable distribution from SLB or SBOE from \$300 million to \$600 million per year.

Permanent School Fund Assets and ASF Distribution 2007-2021



RESFA Discretionary Real Assets and Cash, and Distributions from SLB PSF Holdings, 2007-2021)

