**Board of Trustees Meeting**

**April 14, 2021**

**5:00 PM**

**Go-To-Webinar Transcription**

0:06

CRAIG HESTER: Good afternoon, and welcome to the Wednesday, April 14th, 2021 board meeting of the Employees' Retirement System of Texas.

0:16

Public notice of the Employees' Retirement System Board of Trustees, meeting containing all items on the proposed agenda item was filed with the Office of the Secretary of State at 10:59 AM on Tuesday, April 6, 2021, as required by Chapter 551, Texas Government Code, referred to as the Open Meeting Law.

0:38

CRAIG HESTER: We have two agenda items today to take up at this meeting and the first one is a discussion and consideration and possible action on an alternative investment or potential Alternative Investment Special Situations fund.

0:55

So, we'll we'll open the meeting up and I think Tom ...

0:59

Inaudible [Sophos] presentation.

1:01

TOM TULL: Thank you, Chair. People Investment Officer and based on the recent Asset Class Investment Committee, approval of this recommendation subject to satisfactory resolution of a trigger event.

1:16

The Hedge Fund team recommended for approval of investment allocation of 175 million and alternatives for inclusion into the overall trust, consistent with past practice.

1:29

These funds are to reside within the trust's Special Situations Portfolio.

1:35

I believe Cathy Terrell, will be reading the motion for this event.

1:44

CATHY TERRELL: I do have a motion, if you're ready at this point. Mr. Chair?

1:49

CRAIG HESTER: Yeah,

CATHY TERRELL: Move that the Board of Trustees of Employee Retirement System of Texas authorize the Executive Director to increase investment and an alternative investment fund under Texas Government Code Section 815.3016

2:06

by negotiating and executing documentation for the investment with terms and conditions acceptable by ERS and to authorize the Executive Director to thereafter administer the investment in accordance with negotiated terms and conditions.

2:23

BRIAN BARTH: Mr. Chairman, this is Brian Barth, I want to make that motion.

2:29

CRAIG HESTER: Have a motion by Mr. Barth, is there a second?

2:34

CATHERINE MELVIN: This is Catherine Melvin, I'll second.

2:37

CRAIG HESTER: And we have a motion by Ms. Melvin, Is there any any further discussion? I think trust individually, Vault.

2:42

CRAIG HESTER: We've all had a chance to review this and be briefed individually and but if there are any questions at this time.

2:54

CRAIG HESTER: Hearing none, call it to a vote, All in favor, please say aye.

2:59

Ah.

3:01

Any opposed?

3:04

Motion carries. So thank you very much.

3:06

CRAIG HESTER: Just move on to the third agenda item which involves the Trustees' election calendar, and Porter, you're going to be leading this one, Bernie is all public. That's actually me.

3:26

BERNIE HAJOVSKY: Good afternoon, Bernie ... with the Enterprise Planning Office, and I'll present some of the proposed changes to this year's Board of Trustees.

3:33

Election Calendar based on some of the events that had transpired over the last 45 days.

3:40

So you'll recall the December Board meeting in which you, the board, adopted the calendar that you see here.

3:46

Ilesa’s Trustees Election Term for Ms. Daniels, one of our elected members, it runs through the end of August.

3:52

And so we plan to run an election to bill her seat on the board.

3:57

And so listed here are the previously adopted milestones, which began in March, and we're scheduled to run through mid July.

4:04

So let's, let's recap what's happened since early March, and I'll explain why we're my waiver posing to revert, to revise the adopted calendar that you see.

4:14

Let's you'll see here momentarily.

4:17

So, we adopt, or I'm sorry, we opened the candidate nomination period on March first, and throughout the month of March, we had five state employees that reached out asking to be set up on the electronic platform for the candidate nominations.

4:31

The electronic planning platform was a new feature that was added this year.

4:35

It was made available for the potential candidates to submit the candidate questionnaire and to also get the 300 or more voters signatures that are needed to get on the ballot.

4:45

Now, despite the interest from multiple individuals, we had only one person who submitted the questionnaire and obtain the 300 plus coder signatures to satisfy the candidates certification requirements by the March 31 deadline.

5:00

And I think it's fair to say that, that remote work environment, that many people are still dealing with today, made it challenging for these individuals to get voter signatures, even with the new electronic platform being available to them.

5:13

Getting support for your campaign even amongst co-workers and other state employees be pretty difficult when you have little or no face-to-face contact with peers.

5:22

But that said, one individual was able to overcome these challenges and was certified as the lone candidate for the election.

5:30

Kelley, let's move on to the next slide, please.

5:34

And so, last week, the US held its candidates application meeting, Nieka Clark, the Health and Human Services Commission, are certified as the only candidate.

5:45

Ms. Clark submitted her questionnaire, and she collected more than 360 signatures from the eligible voters by either the March 31st deadline.

5:53

And so, with that, we had just one candidate that was certified. So we began to look at options and research statute rules to determine if an election is, in fact, needed in this instance.

6:07

And so here's just a key, a few key points from our analysis.

6:11

First off, there's no statute or rule that authorizes canceling the election when there's only one candidate that's been certified.

6:19

And we can't say definitively that this is the first time we've only had one candidate for the election, that we can't recall a previous election cycle where there was just a alum candidate.

6:31

I think it's also important to note that neither statute nor rules allow for writing candidates, meaning that voters would not be able to cast a vote for someone that's not listed on the ballot.

6:42

Then, finally, we looked at the costs that we would incur if we if we in fact carried out the remaining election activities as planned.

6:49

So, you recall that voting is conducted through both paper and electronic means, and there's more than 373,000 eligible voters.

6:58

And so, if we proceeded with the election as planned, we would spend approximately 225,000 dollars in printing, postage, and other administrative expenses.

7:11

So, let's get to our recommendation. Kelley, if you don't mind. Next slide.

7:15

Yes.

7:16

So, given the current statutes and rules that govern the election and looking at the prospect of running an election with only one candidate, staff recommends postponing the remaining 20 21 election activities and revising the election calendar as presented an exhibit necessary or prudent to proceed with the election.

7:37

With only one candidate, after all, you know the outcome of the election, before the voting period even even opens, and it's also important to be good stewards of the trust fund, So spending, you know, over $200,000 toward an election, under these circumstances, would not be a good use of trust.

7:55

And so, the budgeted election monies, instead remain in the trust on the planned election activities did not take place.

8:02

So, again, our recommendation is to stop the collection activities and revise the remaining lunch in Calendar, which is on the next slide.

8:11

If we can jump to that.

8:12

Thank you.

8:14

So, here's the revised calendar that we're proposing.

8:17

Here today, we recommend postponing the election activities and revising the election calendar as presented here.

8:24

Doing so would mean that we would not open the voting period on May seventh, as originally planned.

8:30

It will also give us some time to prepare and publish rule amendment.

8:33

That would authorize cancelation of a trustee election if only one candidate is certified.

8:41

You see on the proposed calendar that this rule amendment would be presented for your review consideration at the May 26th Board meeting.

8:49

And then, of course, contingent upon adoption of the proposed rule amendment in May.

8:54

This year's election would be canceled altogether by the end of June, and Ms. Clark with these certified as a new trustee elect on that day.

9:03

And then her term, of course, would not begin until September first.

9:07

So, Just a friendly reminder, this is an action item and I'm happy to answer any questions, but, before I do, I want to give a shout out to Cynthia

9:16

Hamilton our Acting General Counsel for the work that she put into reviewing the options available to us, and for providing the guidance on the next steps presented here. She, she did a wonderful job, and a picture.

9:29

Like, I'm out of time. So thank you, Cynthia.

9:34

CRAIG HESTER: Cynthia.

9:35

CRAIG HESTER: Welcome to the, to the board meeting for the first time. It's good, Good to see.

9:40

We look forward to working with you over this interim period.

CRAIG HESTER: Bernie, I have a question you mentioned, originally, that five state employees, I guess, expressed an interest on the electronic platform.

9:53

Did they not the other four, not secure enough signatures, or do they just decline to go forward?

10:00

BERNIE HAJOVSKY: It's actually probably a combination of both the week.

10:04

Obviously, we knew who these these folks were since they contacted us. And so toward the end of the nomination period, we send out reminders of the deadline and the need to get 300 signatures. And some of them provided information as to where their candidacy stood at, that time there were. There were multiple, that multiple people who said, yeah, you know, for one reason, or another.

10:31

Not going to be able to get the signatures or, or, you know, in one instance there was a situation where one of the individuals thought that there might be another candidate from within his own agency. Who was it?

10:46

Possibly, consider your mind as a candidate, never came to fruition and so, you know, he ended his campaign pretty, pretty soon thereafter.

10:58

So, again, it's it's a number of different factors.

11:02

As I said earlier, I think that the fact that the pandemic has everyone really socially distance and still working from remote, you know, work environments has played a big piece in this as well.

11:19

CRAIG HESTER: So what you're saying, It sounds like, if we arrested the staff, you did reach out to these other candidates to try to give them all the information they needed to move forward. and for various reasons, they've declined. So, yes, sir, yes, sir.

11:34

Saint Kitts situated. Like I said, just to gage just as its reasons, not the least skilled in working. With it, just it. Just something, They can get more.

12:04

Yes.

12:04

CRAIG HESTER: Any other questions before we hear the motion?

12:13

Chair Motion.

12:16

Move that the Board of Trustees of the Employee Retirement System of Texas, postone all remaining 2021 Election activities and approve the revised 2021 Election Calendar, as presented in Exhibit A of this agenda item.

12:34

CRAIG HESTER: If the motion has been read, do we have a motion to accept?

12:40

ILESA DANIELS: Second emotion.

12:43

CRAIG HESTER: Daniels', Is there a second,

BRIAN BARTH: this is Brian Barth second,

CRAIG HESTER: Mr. Barth, the second, OK? Any further discussion regarding the motion?

12:56

Yeah.

12:57

CRAIG HESTER: Hearing none, we'll call it to vote. All in favor, please say aye.

13:01

Aye.

13:03

CRAIG HESTER: Any opposed?

13:06

CRAIG HESTER: Motion carries.

13:06

CRAIG HESTER: Thank you very much. Is there any other business to come before the Board of trustees today?

13:15

PORTER WILSON: Thanks very much for your patience on this. Tuning in for your patience with different technology that we're using for this semicolon. So thanks everybody for your patience and persistence.

13:32

CRAIG HESTER: I failed to mention at the beginning that we actually started at 5:27 PM, and it is now 5:41 PM. And since there's no other business, we will adjourn this meeting. So, good to see everyone. Have a great weekend.

13:49

OK, thank you, Mr. Chair.

13:52

Thanks.

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