

PUBLIC AGENDA ITEM - #22

22. Status Update and Discussion on Review and Rewrite of the ERS *Investment Policy*

August 25, 2009

BACKGROUND:

Pursuant to Section 815.301(c) of the Texas Government Code, and Section 4, page 12, of the Employees Retirement System of Texas (ERS) *Investment Policy*, ERS may retain professional investment consultants to assist and advise the ERS Board of Trustees (Board), the Investment Advisory Committee (IAC) and ERS staff. Further, Section 2, Item 3, of ERS' *Investment Policy* states that annually and as necessary, the ERS staff shall review and recommend changes to the *Investment Policy*.

At the May 19, 2009 joint meeting of ERS' Board and IAC, consultants from Ennis Knupp & Associates, Inc., included in their work plan a comprehensive review of ERS' Investment Policy.

Since that time, Investments staff, IAC members Laura Starks and Robert Alley and consultants from Ennis Knupp, have commenced work on a draft of a new *Investment Policy*. The group has held seven teleconference meetings to date to review ERS' current policy and evaluate policy statements of other public pension systems.

Some of the noteworthy proposed changes discussed to date include:

- Creation of a distinct and separate section on ethics
- Modifications to the risk budget in the appendix
- Consideration of the use of a "Special Situations" fund
- Improvement and modernization of the risk management section
- Inclusion of emerging investment service provider language

A working session to present and discuss the draft *Investment Policy* to the Board, IAC members, ERS staff has been scheduled for Thursday morning, September 17, 2009. A second working session, if needed, is scheduled for Thursday afternoon, October 15, 2009 with a goal of presenting a final draft to the IAC and Board at their joint workshop in November 2009.

This agenda item is presented for discussion purposes only.

STAFF RECOMMENDATION:

No action is required on this agenda item.