

Committee of the Full Board

Nov. 18, 2020

2. Decision on the Percentage Distribution of the Permanent School Fund

(Board agenda page I-139) [Consent agenda item #(1)]

Holland Timmins, executive administrator, and chief investment officer, presented an overview of the most recent State Board of Education (SBOE) action to date, including the preliminary adoption of a 4.0% rate at the September meeting. Mr. Timmins explained the spending impact and commented on the SBOE's objective to strive to maintain intergenerational equity when setting the distribution rate.

Mark Shewmaker, portfolio manager, fixed income, presented the Permanent School Fund (PSF) staff recommendation for a distribution rate of between 3.90% and 4.18%. He discussed the factors that were considered in determining an appropriate distribution rate for the fund as well as an analysis of the board's goal to maintain intergenerational equity. He explained that the board has achieved intergenerational equity and should continue to do so with a payout between 3.90% and 4.18%. At those rates, distributions would be expected to range between \$1.602 billion and \$1.717 billion annually, respectively.

Rhett Humphries, partner with NEPC, the board's general investment counsel, explained the process by which NEPC arrived at their recommendation and stated that the outcomes across various spending rates and economic environments led them to recommend a rate of up to 4.08%.

MOTION AND VOTE: *It was moved by Mr. Maynard, seconded by Ms. Hardy, and carried unanimously that the State Board of Education approve the percentage distribution rate to the Available School Fund from the Permanent School Fund for the 2022-2023 fiscal biennium of 4.18%, for projected amounts of \$1.717 billion annually and \$3.434 billion for the biennium.*

(Mr. Cortez was absent for the vote.)