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TEXPERS Office Locations

Austin, TX:
1504 San Antonio St.,
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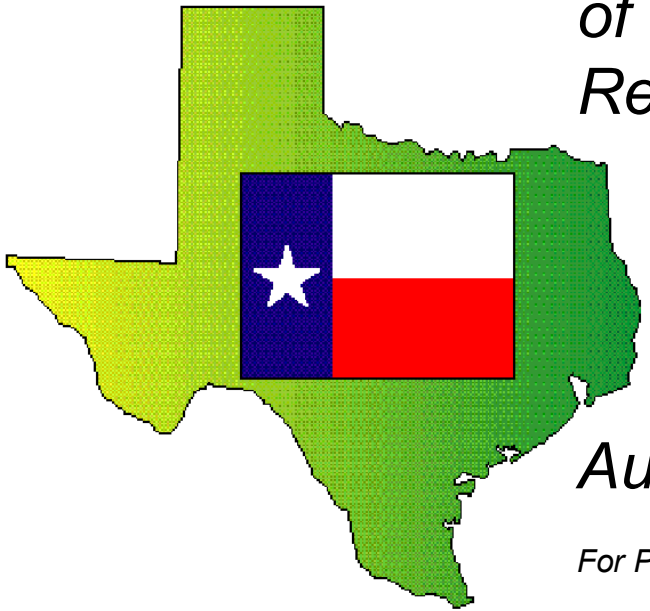
Houston, TX 77040
713-622-8018

The Texas Association of Public Employee Retirement Systems



August 2023

For Periods Ending September 30, 2022

Key Findings

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Twenty-six participating members contributed data for the fiscal year 2022 Asset Allocation and Investment Performance of Texas Public Employee Retirement Systems, and represented approximately $13.41 billion in total assets.

- Participating TEXPERS members' FY 2022 dollar-weighted asset allocation (for the fiscal year ending September 30, 2022) was: equities (domestic, international, and global), 45.53%; alternative strategies, 33.01%; fixed income, 20.84%; and short-term securities/cash/other, 0.61%.

- In terms of relative performance, TEXPERS members have on a weighted average basis outperformed a global 60/40 benchmark over all time horizons (1, 3, 5, 10, 15, and 20 years).

- Reviewing plan returns on a risk adjusted basis over 5 and 15 years
  - Plans with an Alternatives allocation of > 25% have significantly outperformed other plans, as well as broad industry benchmarks, with significantly less volatility.
  - Plans with an Equity allocation of > 60% have experienced higher volatility and lower risk adjusted returns.

- Roughly two thirds of the TEXPERS respondent universe report funding ratios of over 60% as of a June 2023 PRB report, with 6% reporting a funding ratio of over 100%.

- TEXPERS respondents have average assumptions of a 7.2% actuarial return and 2.8% expected inflation.

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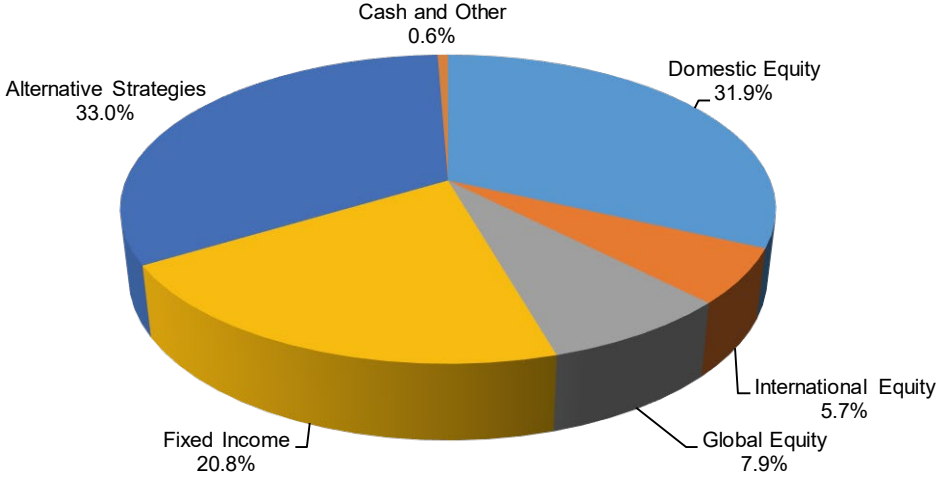
Weighted Average TEXPERS Asset Allocation

Market Value $13.41 Billion
As of September 30, 2022



The asset allocation demonstrates that, in aggregate, the respondents have a level of diversification within the norm for public pension systems.

** Dollar-weighted means that individual responses are weighted according to size of the asset base when calculating the average results – meaning that responses from large participants have a greater impact on average results than those of smaller participants.*

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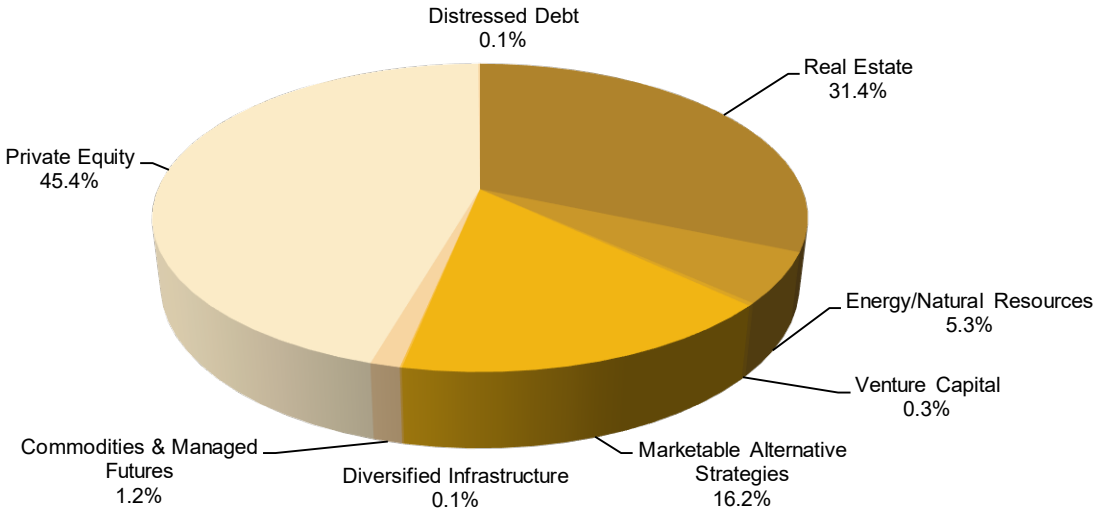
Weighted Average TEXPERS Allocation to Alternatives

Alternative Strategies Breakout



** Marketable Alternative Strategies include Hedge Funds, Absolute Return, Market Neutral, Long/Short, 130/30 Strategy, Event Driven and Derivatives*

Variance of Average Asset Allocation: 2023 vs 2022

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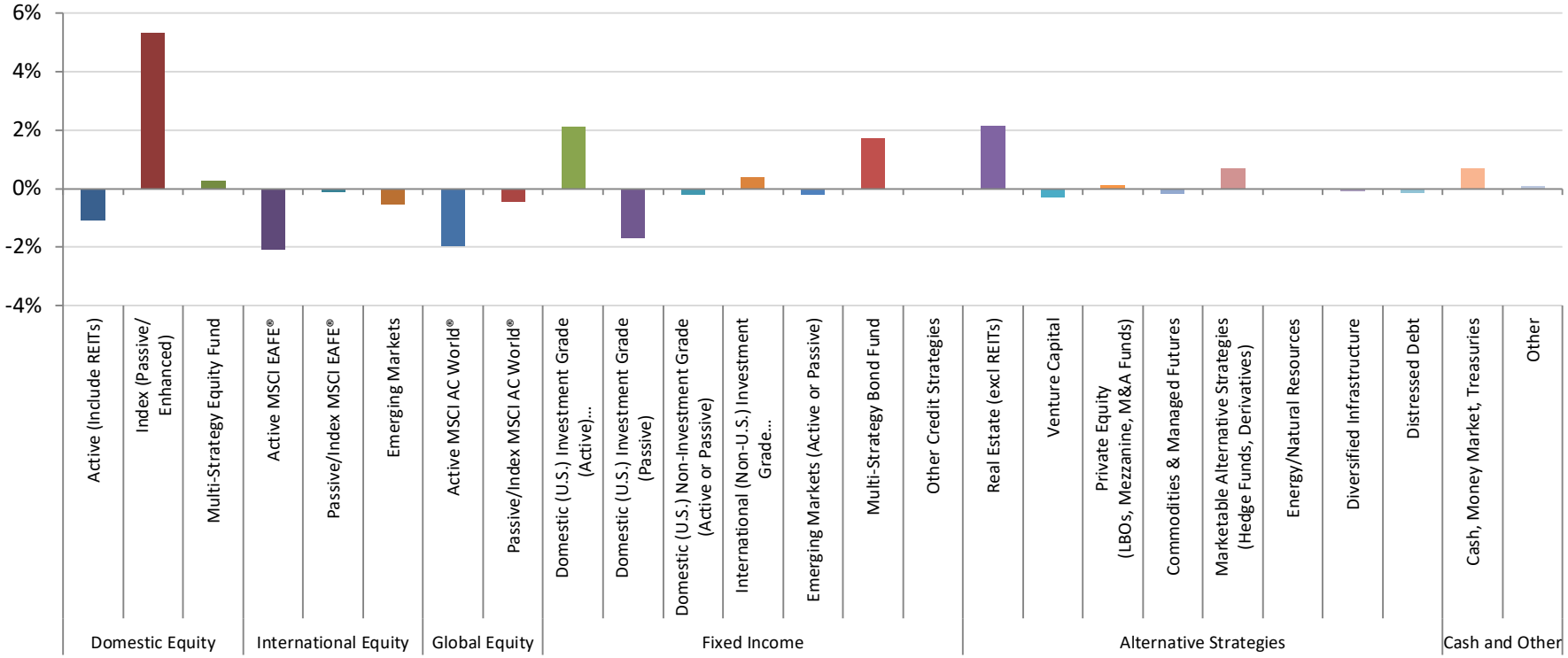

Allocation Dispersion

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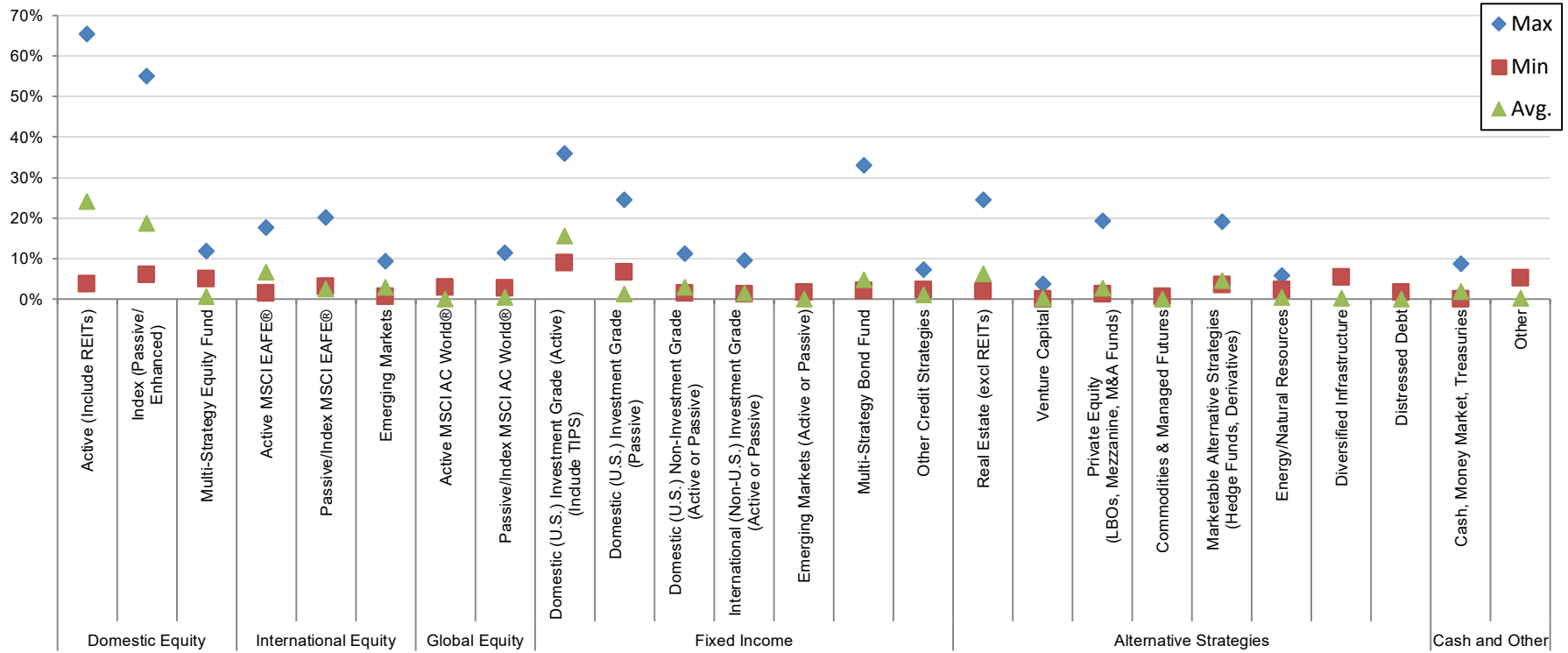

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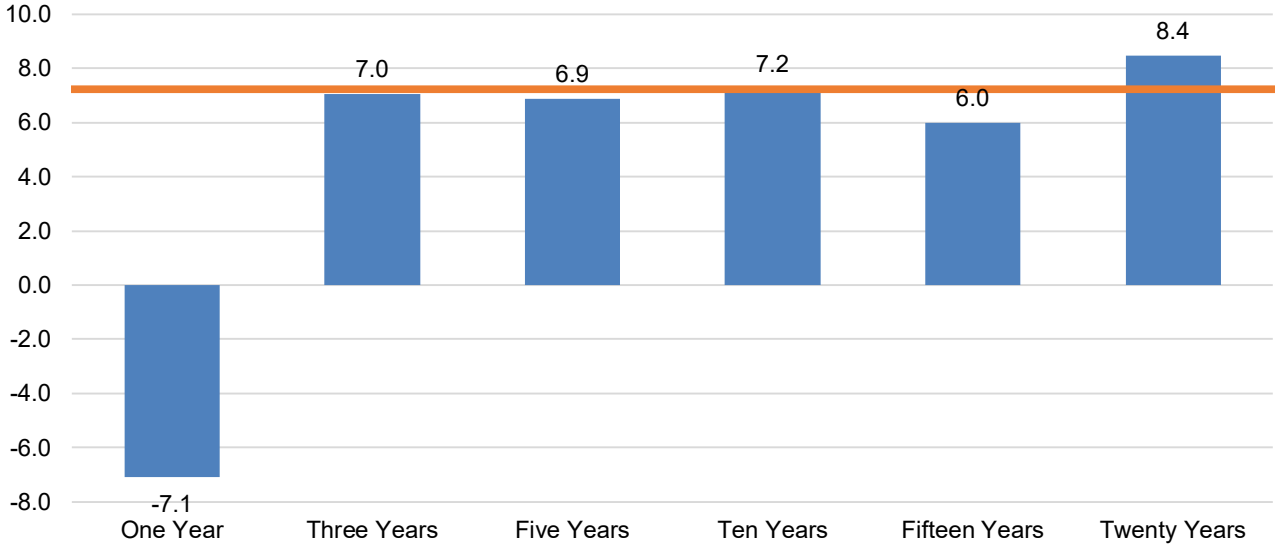
Investment Performance (Weighted Average)

Trailing Period Returns - Chart

Weighted Average Returns vs. Average Actuarial Assumption*

For periods ending September 30, 2022



** This year's actuarial assumption of 7.2% is the average of what was reported among participating TEXPERS members.*

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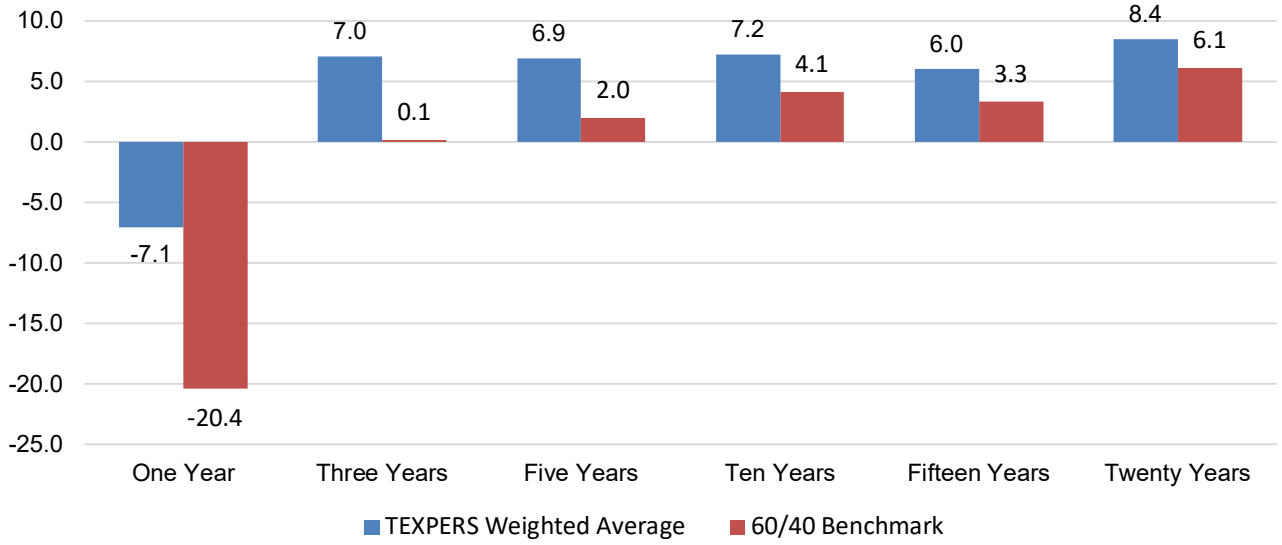
Investment Performance (Weighted Average)

Annualized Returns for the Periods Ending 9/30/2022	One Year	Three Years	Five Years	Ten Years	Fifteen Years	Twenty Years
TEXPERS Weighted Average	-7.1	7.0	6.9	7.2	6.0	8.4
60/40 Benchmark	-20.4	0.1	2.0	4.1	3.3	6.1



** 60% MSCI ACWI / 40% Bloomberg Barclays Global Aggregate*

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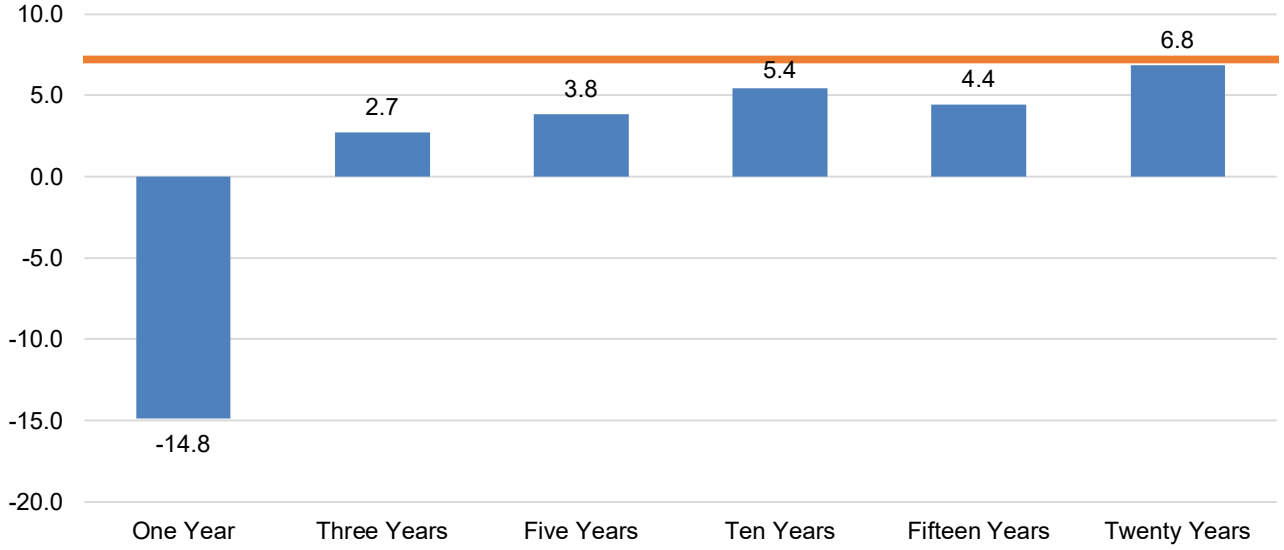
Investment Performance (Average)

Trailing Period Returns - Chart

Average Returns vs. Average Actuarial Assumption*

For periods ending September 30, 2022



** This year's actuarial assumption of 7.2% is the average of what was reported among participating TEXPERS members.*

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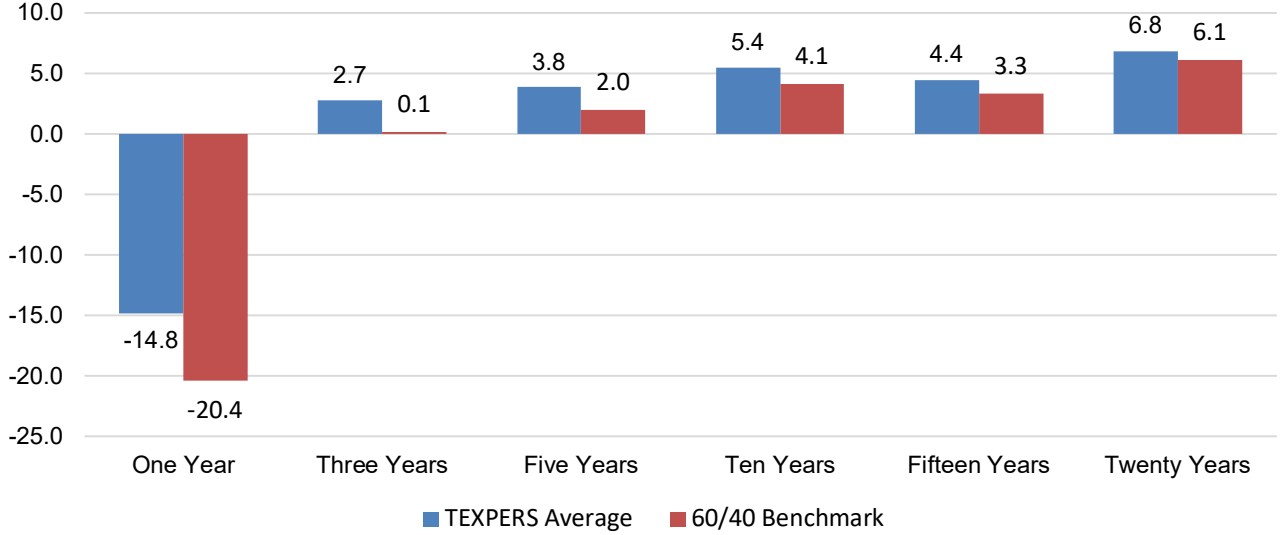
Investment Performance (Average)

Annualized Returns for the Periods Ending 9/30/2022	One Year	Three Years	Five Years	Ten Years	Fifteen Years	Twenty Years
TEXPERS Average	-14.8	2.7	3.8	5.4	4.4	6.8
60/40 Benchmark	-20.4	0.1	2.0	4.1	3.3	6.1



** 60% MSCI ACWI / 40% Bloomberg Barclays Global Aggregate*

Quadrants by TEXPERS Average

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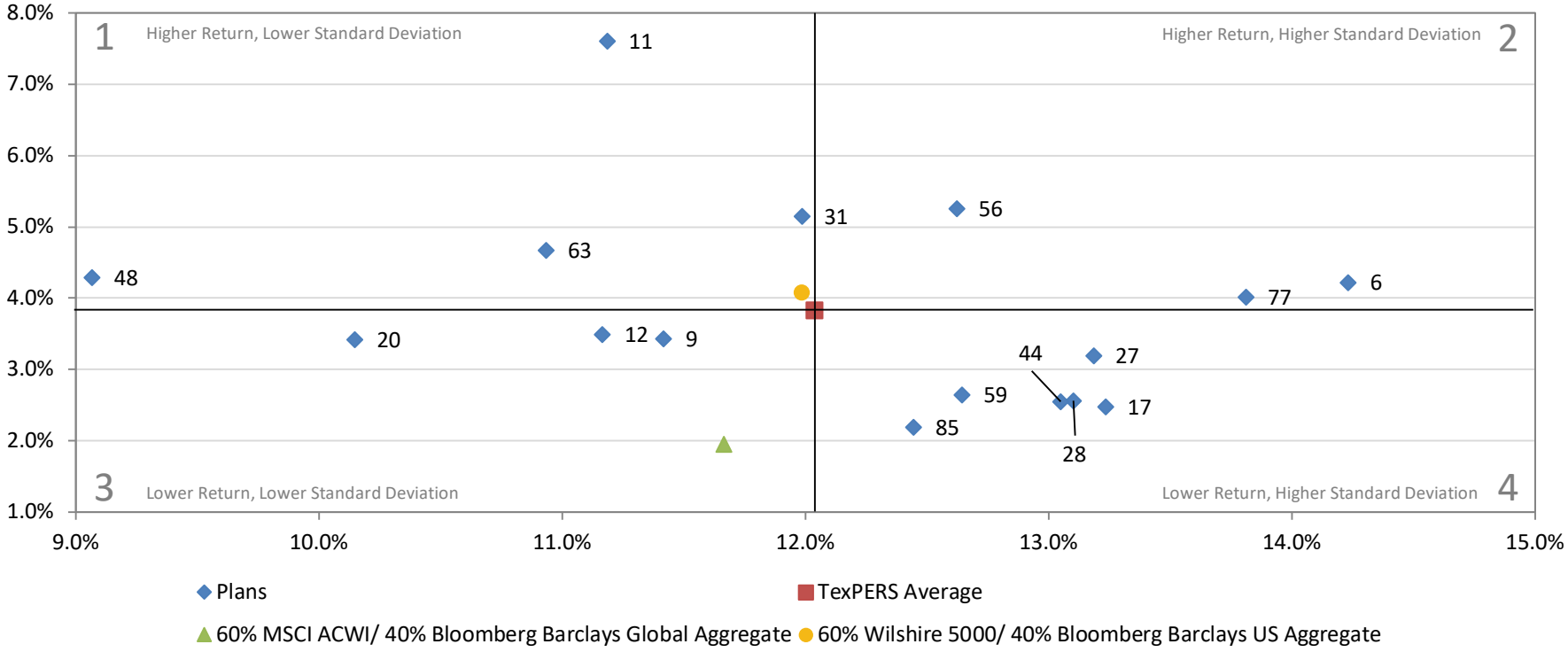
Risk vs Return: 5 Year Time Horizon



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Quadrants by TEXPERS Average – Funds Overweight Alternatives ≥ 25%

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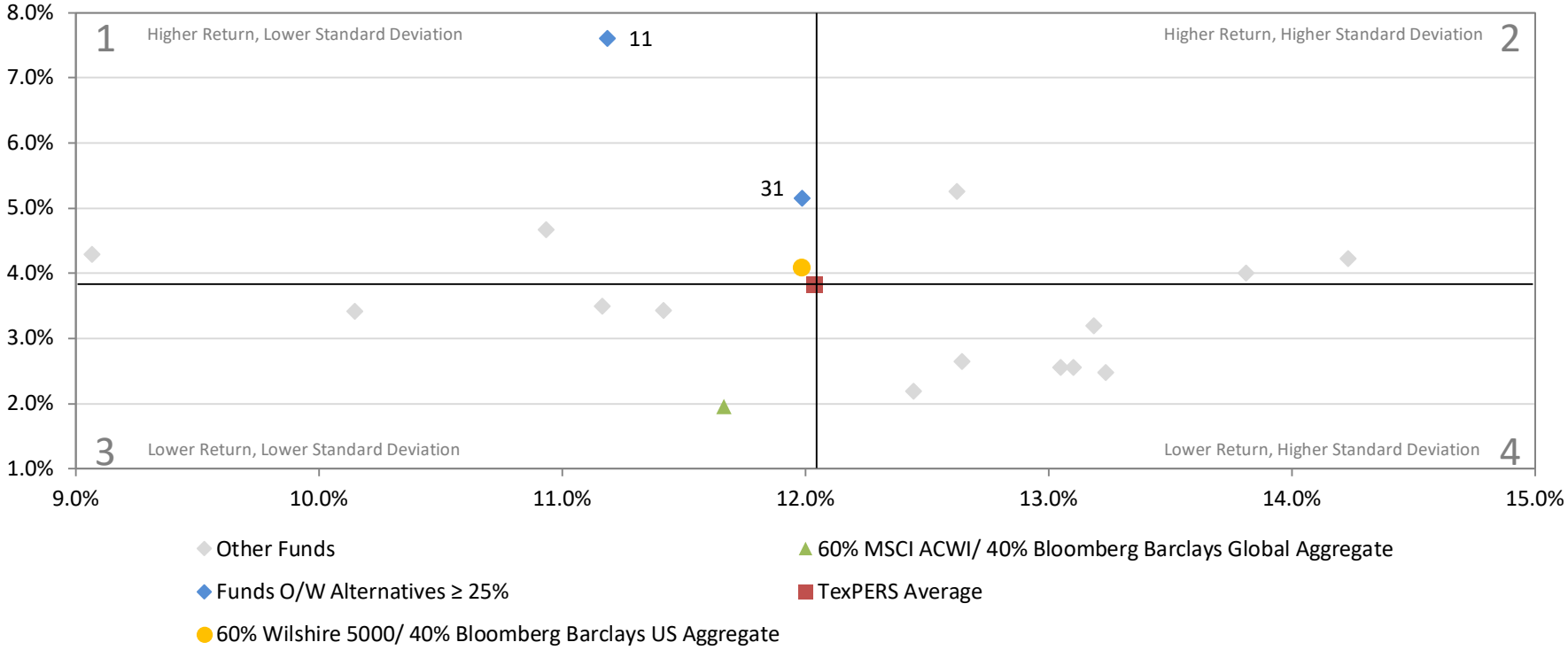
Risk vs Return: 5 Year Time Horizon



Quadrants by TEXPERS Average – Funds Overweight Equity ≥ 60%

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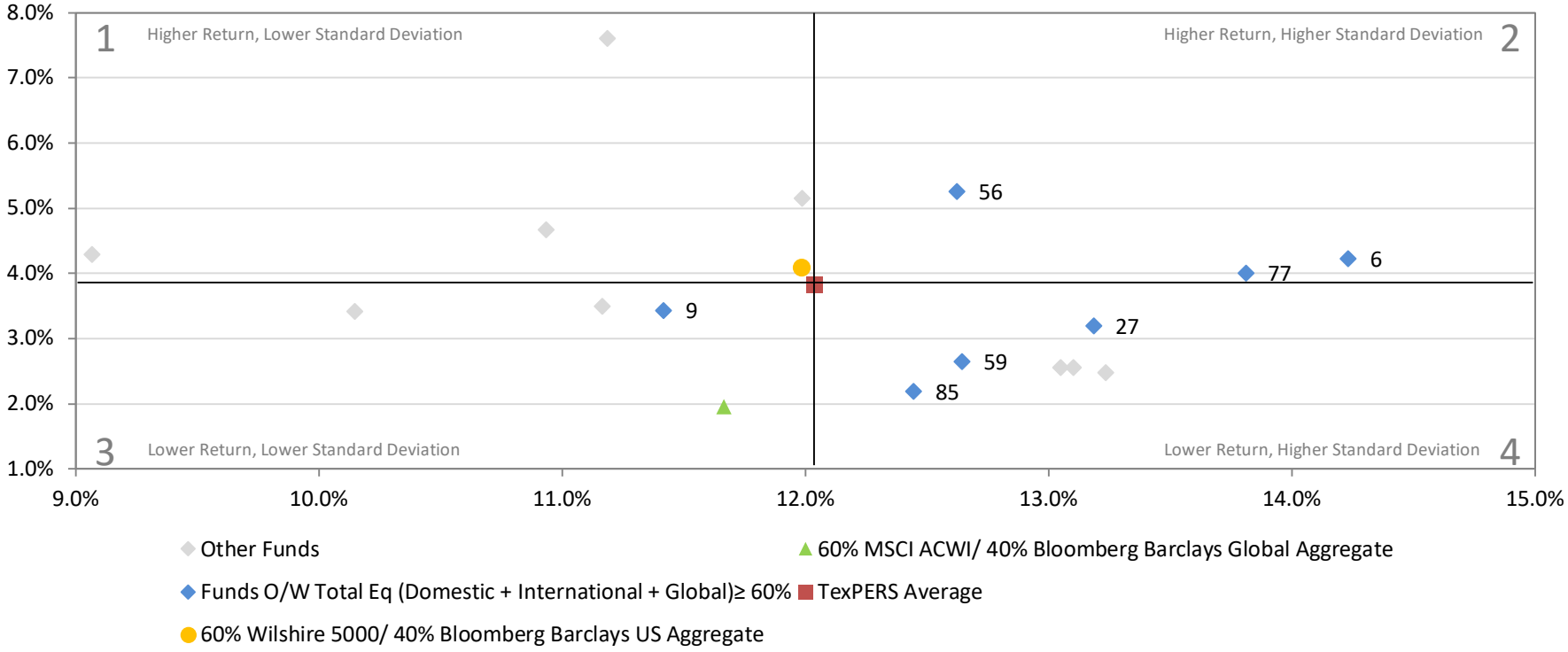
Risk vs Return: 5 Year Time Horizon



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Quadrants by TEXPERS Average

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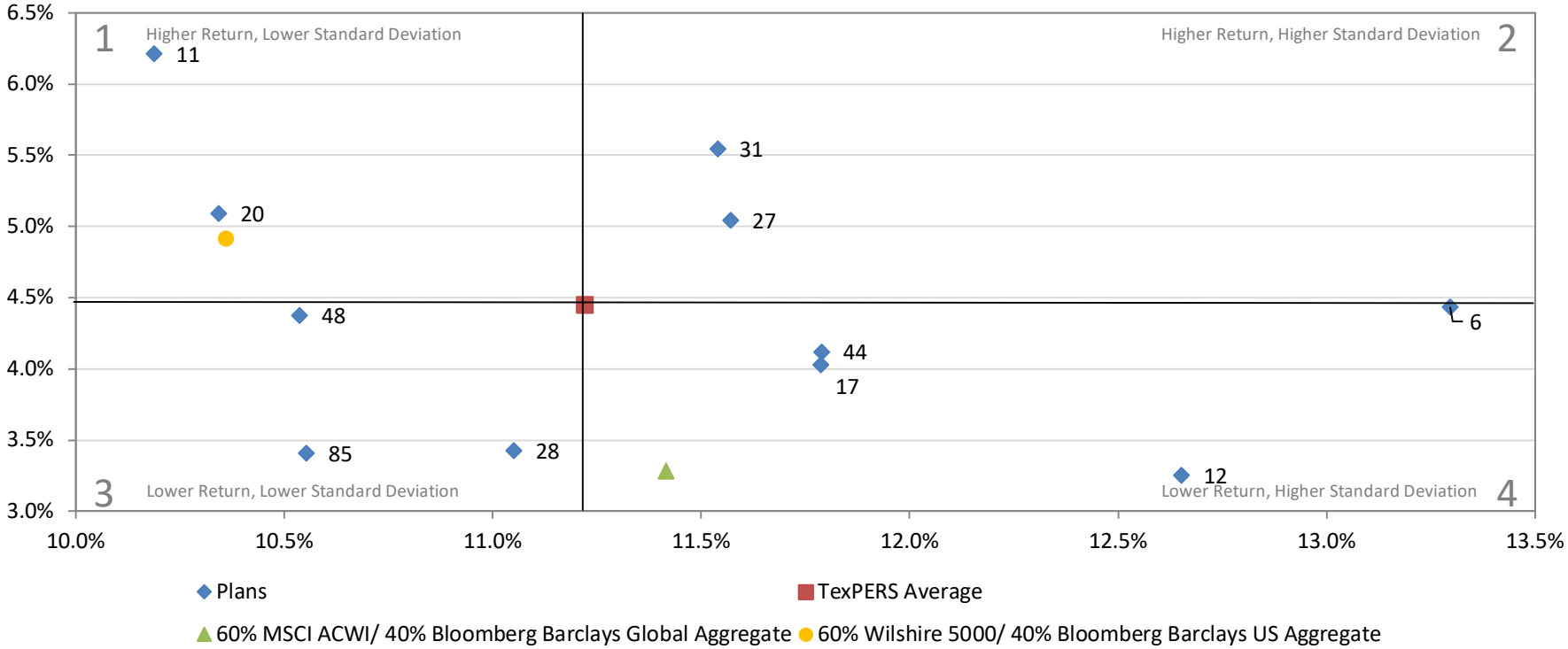
Risk vs Return: 15 Year Time Horizon



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Quadrants by TEXPERS Average – Funds Overweight Alternatives ≥ 25%

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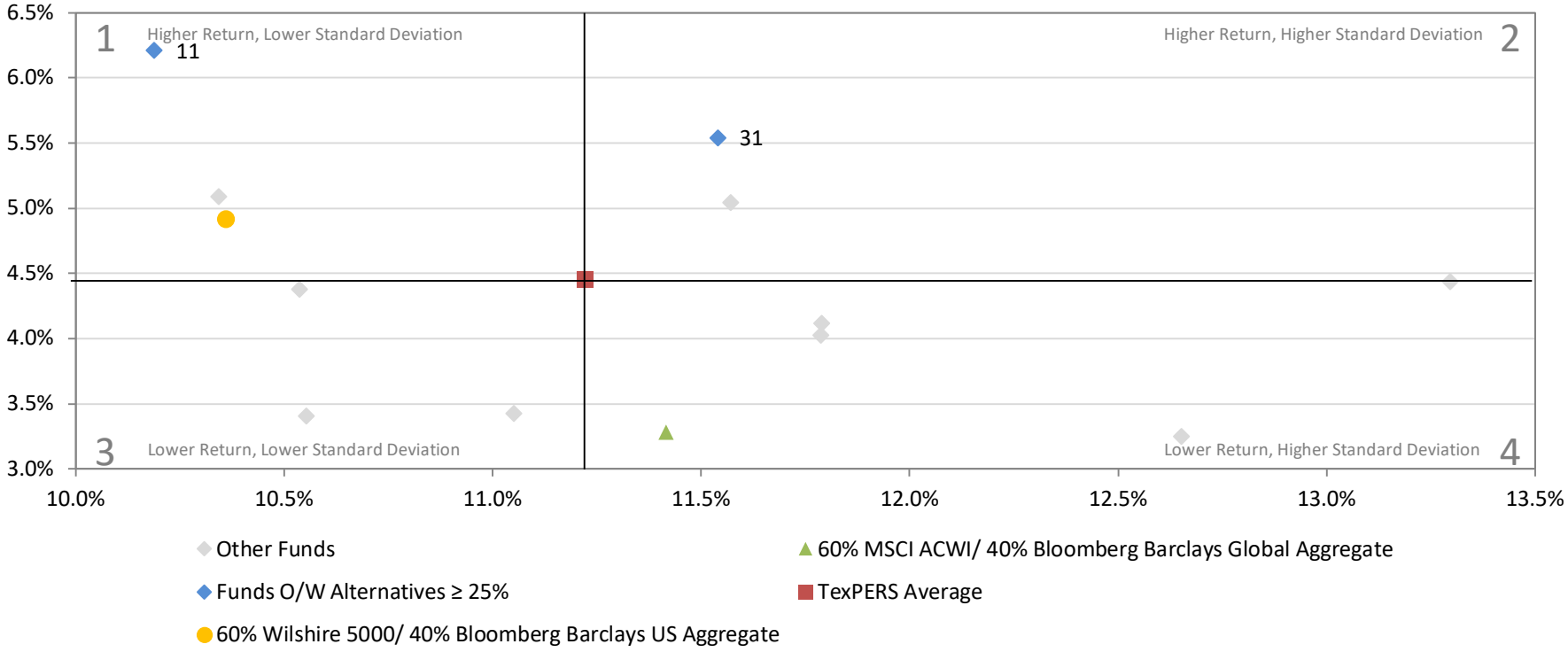
Risk vs Return: 15 Year Time Horizon



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Quadrants by TEXPERS Average – Funds Overweight Equity ≥ 60%

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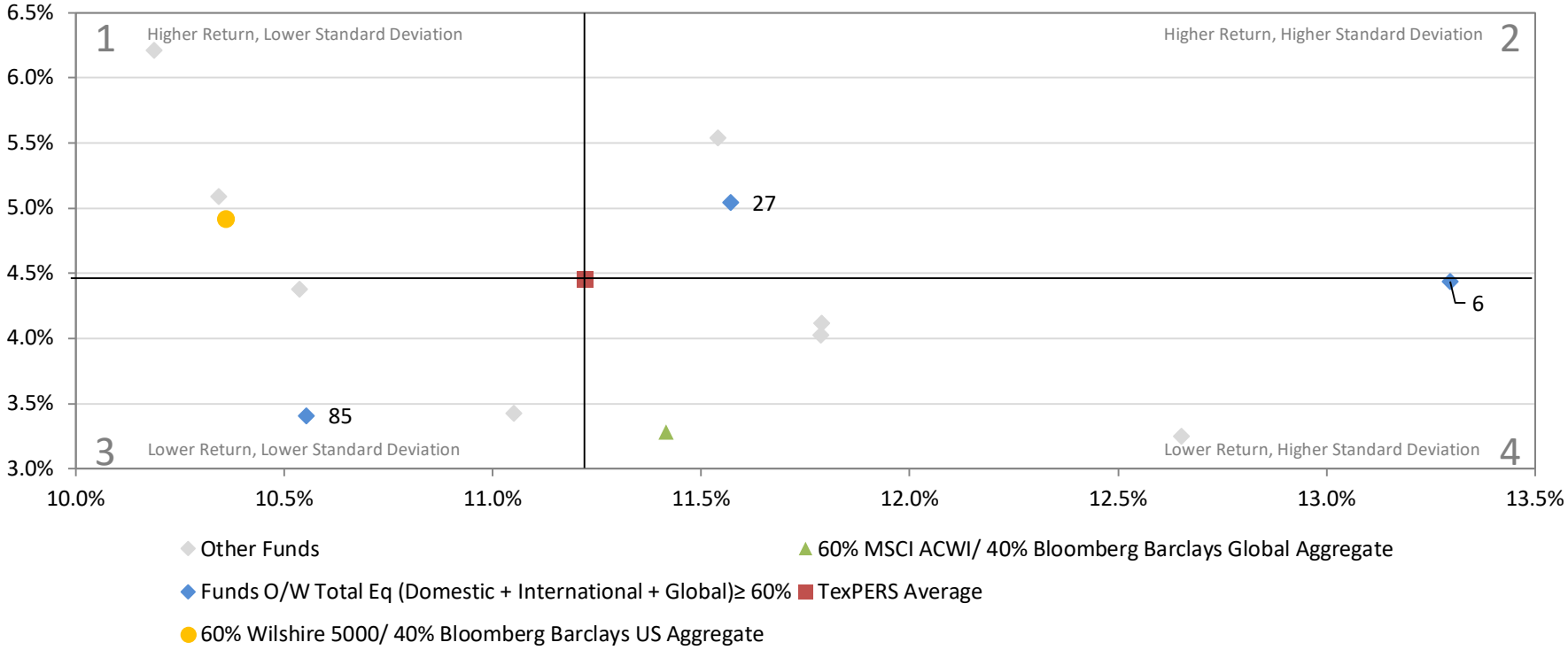
Risk vs Return: 15 Year Time Horizon



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International Equities Currently Trading At A Significant Discount

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Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.

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Average Asset Allocation Comparison

Asset	5 Year Quadrant			
	1	2	3	4
Domestic Equity	35.74%	49.40%	47.51%	41.30%
International Equity	11.48%	14.52%	11.10%	12.46%
Global Equity	2.88%	0.97%	0.00%	0.46%
Fixed Income	23.16%	20.69%	31.12%	33.50%
Alternative Strategies	24.57%	13.09%	8.93%	10.48%
Cash and Other	2.17%	1.34%	1.34%	1.82%

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Detailed Average Asset Allocation Comparison

Asset	5 Year			
	1	2	3	4
Domestic Equity	**35.74%**	**49.40%**	**47.51%**	**41.30%**
International Equity	**11.48%**	**14.52%**	**11.10%**	**12.46%**
Global Equity	**2.88%**	**0.97%**	**0.00%**	**0.46%**
Fixed Income	**23.16%**	**20.69%**	**31.12%**	**33.50%**
Alternative Strategies	**24.57%**	**13.09%**	**8.93%**	**10.48%**
Real Estate (excl REITs)	8.66%	1.02%	6.83%	1.85%
Venture Capital	0.03%	0.00%	0.00%	0.33%
Private Equity (LBOs, Mezzanine, M&A Funds)	10.04%	5.01%	0.93%	1.17%
Commodities & Managed Futures	0.15%	0.00%	0.00%	0.00%
Marketable Alternative Strategies (Hedge Funds, Derivatives)	5.13%	4.83%	1.17%	7.13%
Energy/Natural Resources	0.58%	1.63%	0.00%	0.00%
Diversified Infrastructure	0.00%	0.00%	0.00%	0.00%
Distressed Debt	0.00%	0.60%	0.00%	0.00%
Cash and Other	**2.17%**	**1.34%**	**1.34%**	**1.82%**

Comparison of Quadrants using Allocation to Alternatives

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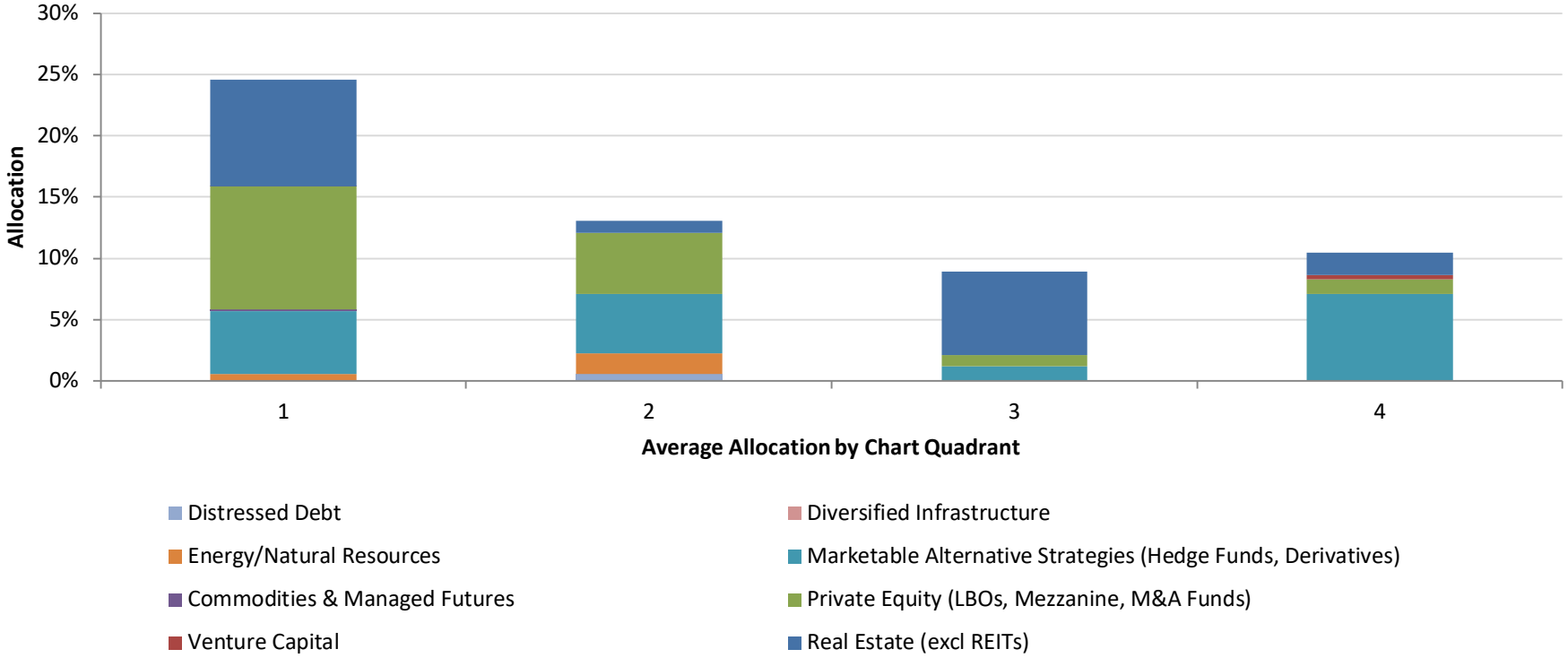

TEXPERS Funding Ratios as of June 2023 PRB Report

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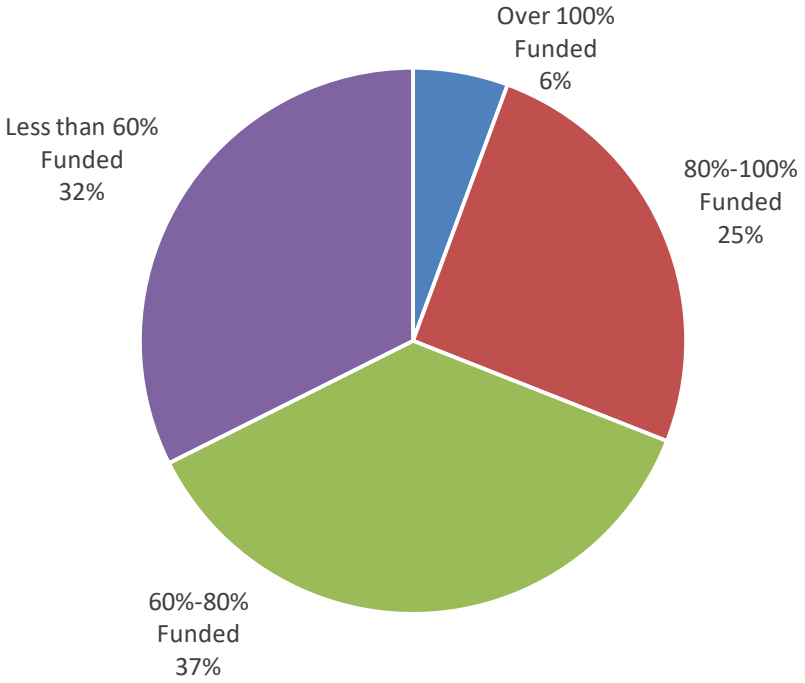
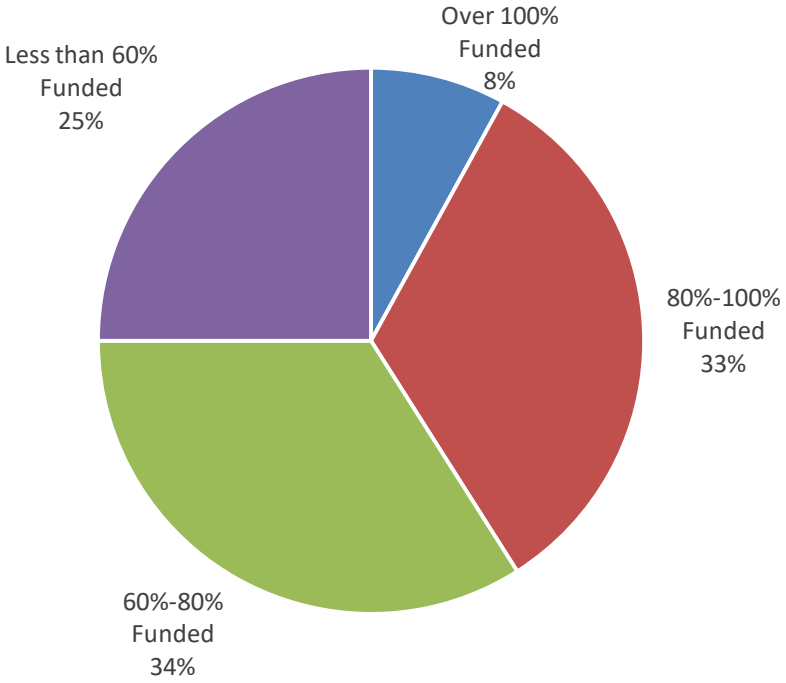
TEXPERS Survey Participants (Past & Present)



PRB Universe



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Future Rates Environment & Inflation Assumptions

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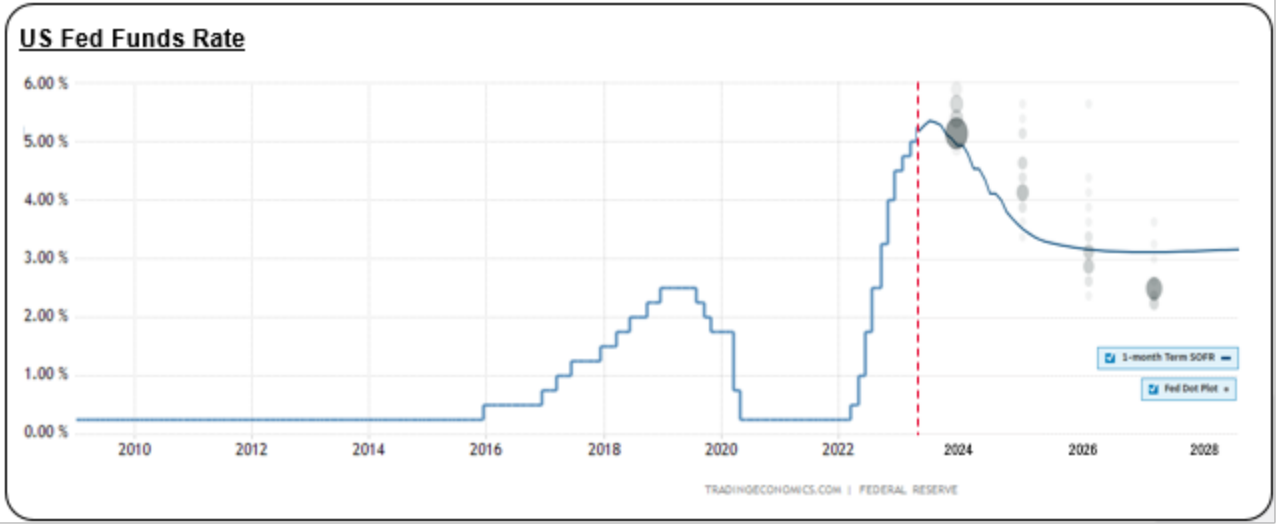
A return to inflation rates in-line with the long-term trend pre-NAFTA is possible, and would significantly impact the core building blocks of portfolio construction..



Dispersion of Inflation Assumptions

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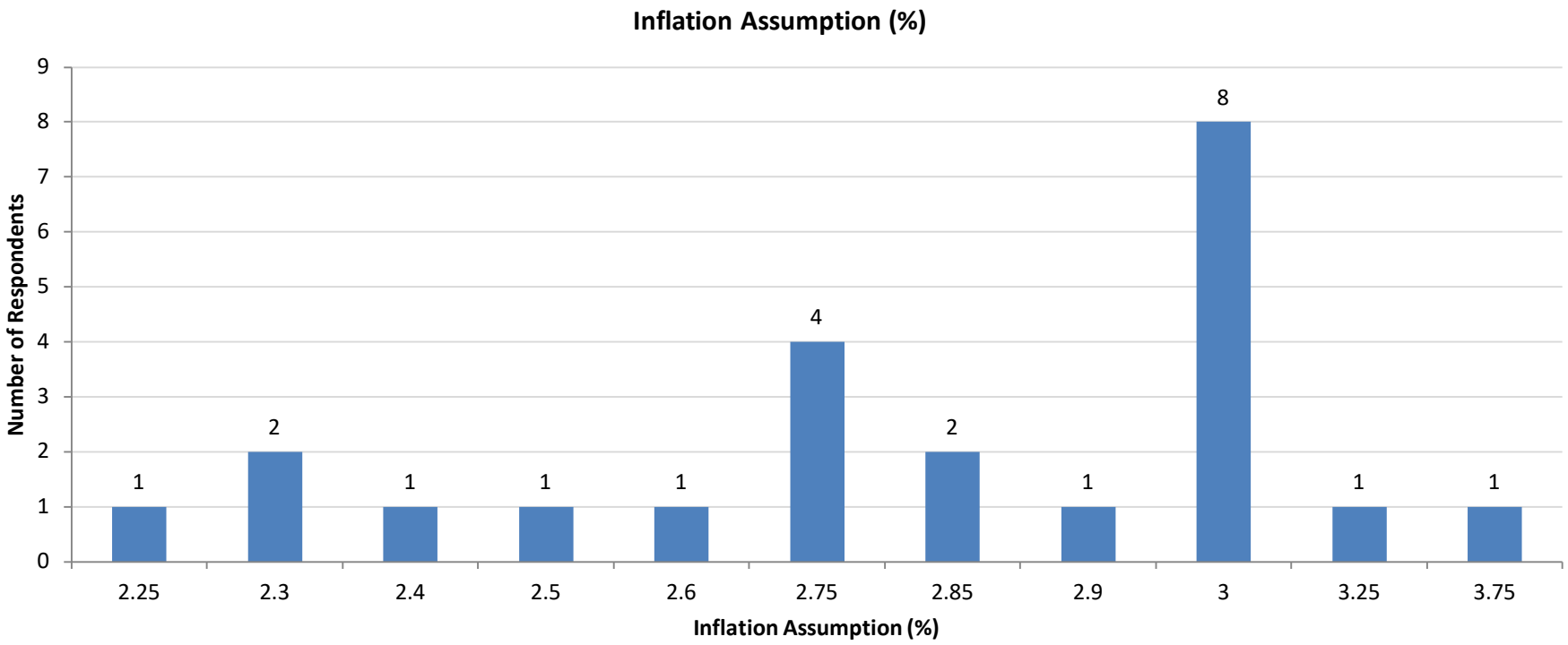

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Appendix – Dispersion of Actuarial Investment Return Assumptions

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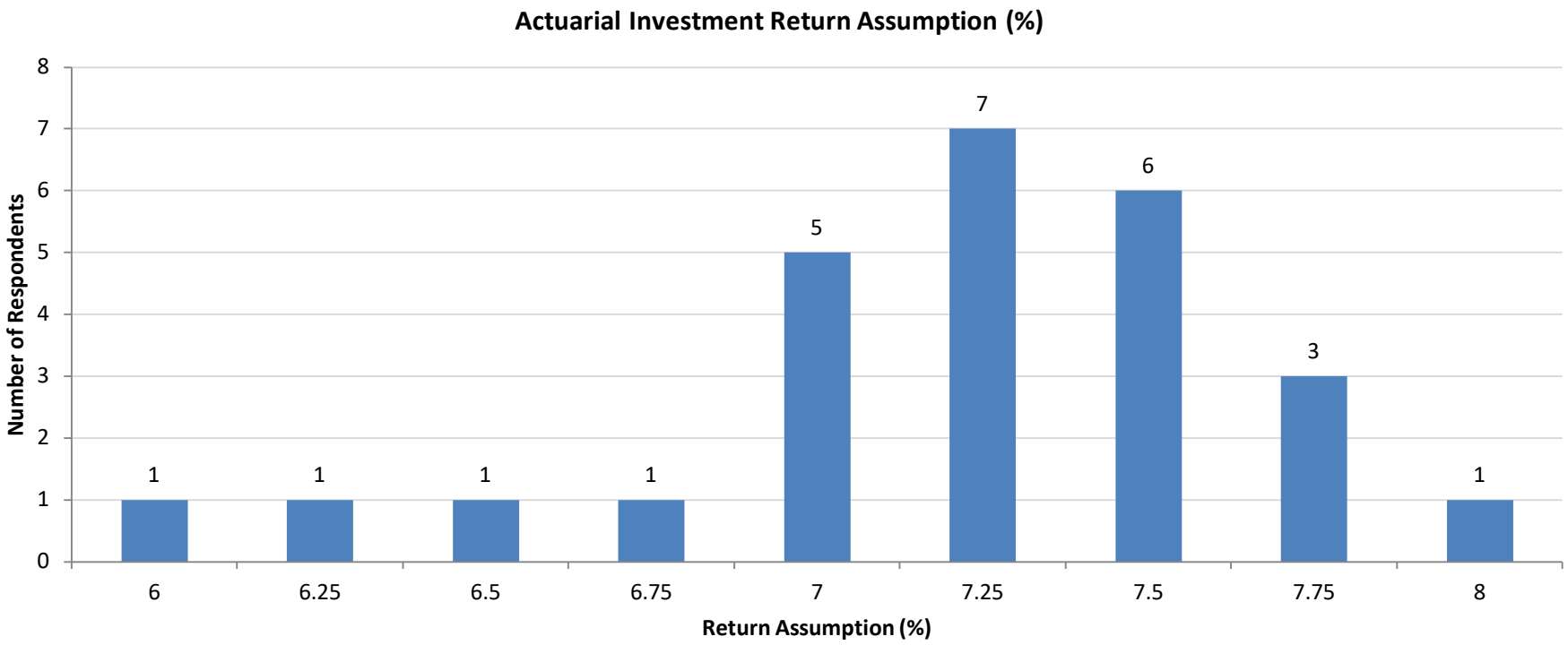

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Appendix – Sub-Asset Class Allocation by Plan

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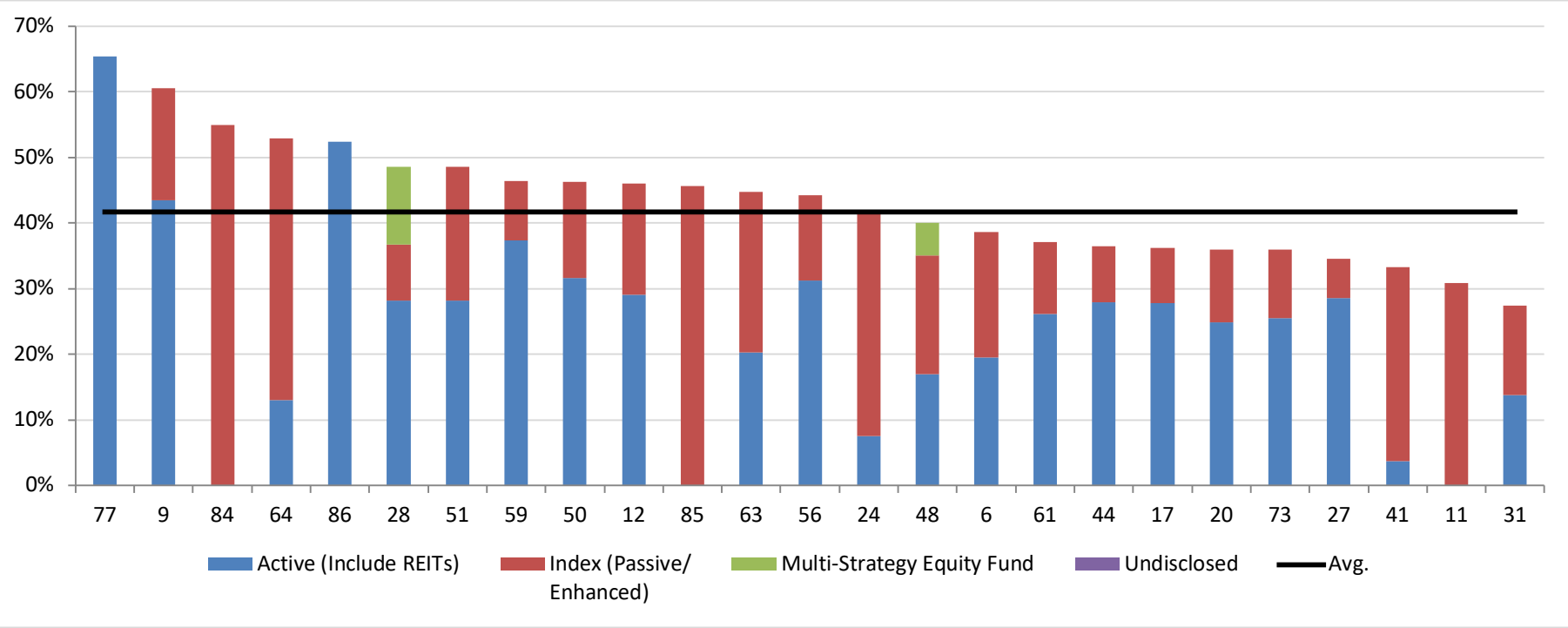
Domestic Equity



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Appendix – Sub-Asset Class Allocation by Plan (cont.)

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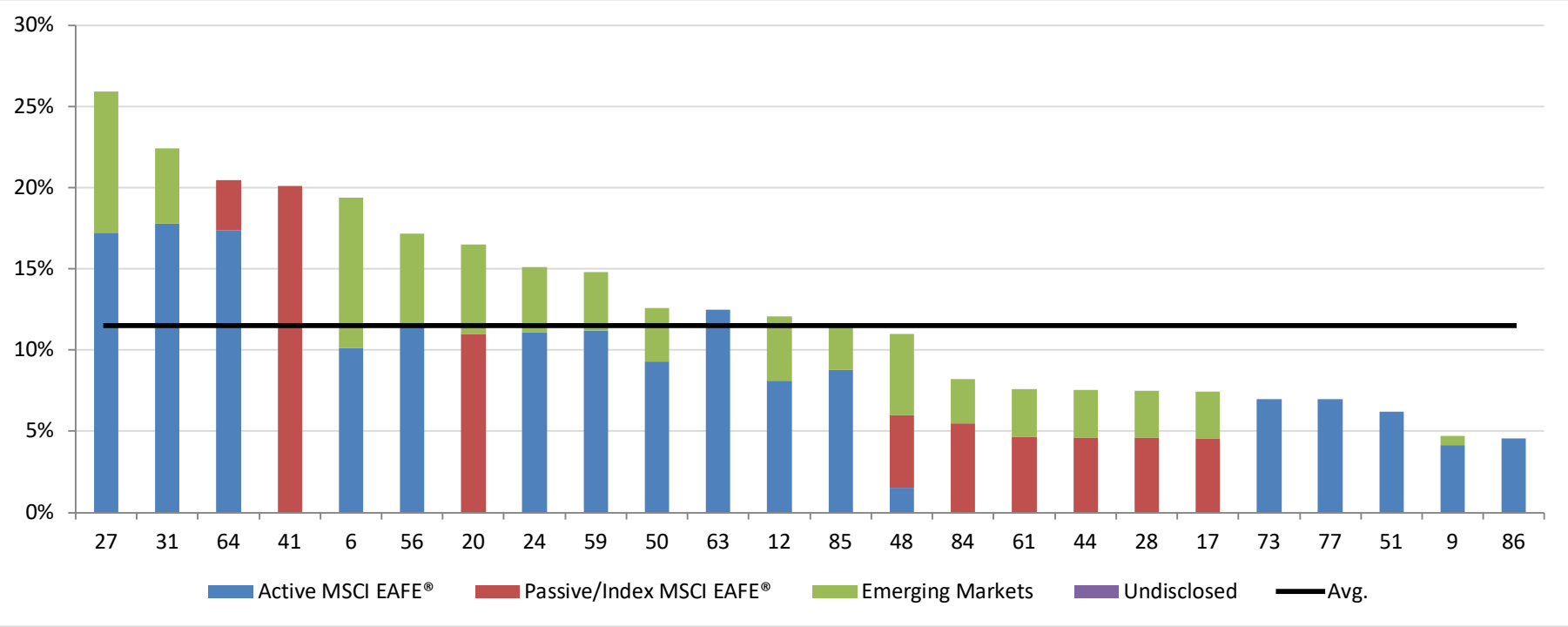
International Equity



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Appendix – Sub-Asset Class Allocation by Plan (cont.)

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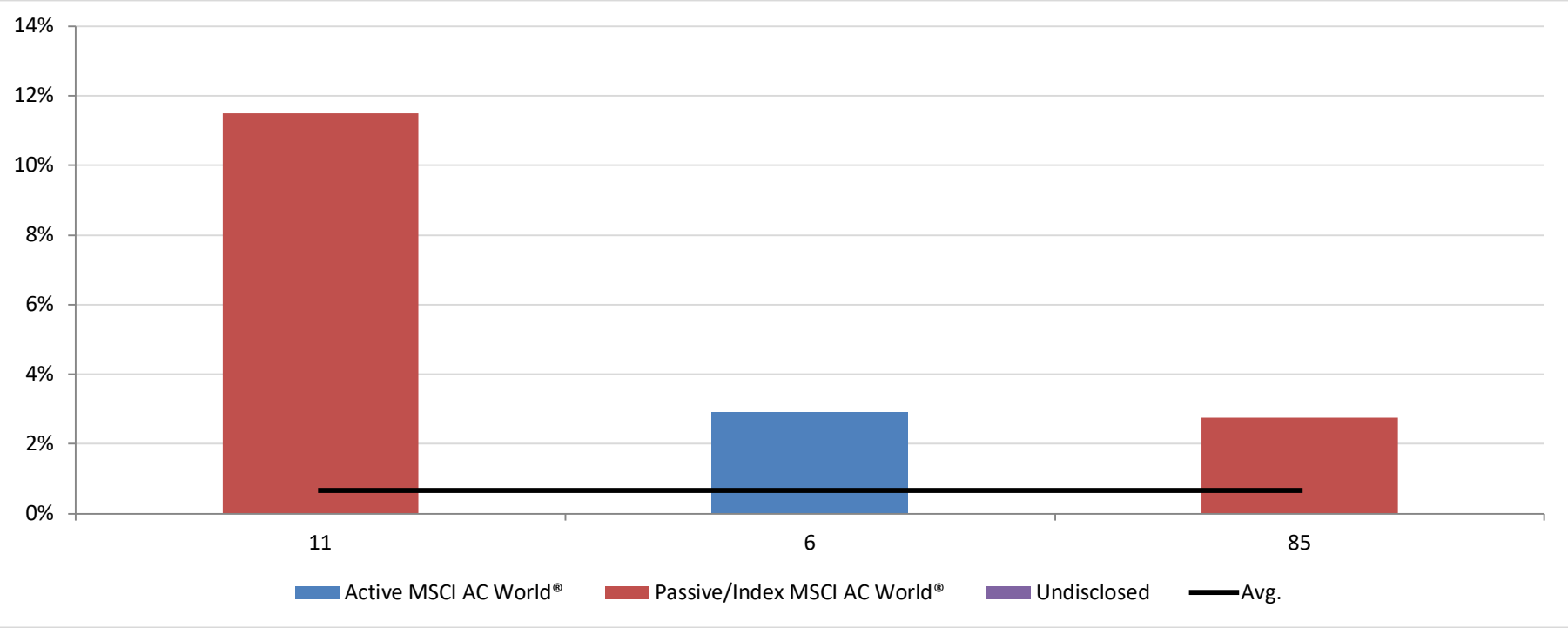
Global Equity



Appendix – Sub-Asset Class Allocation by Plan (cont.)

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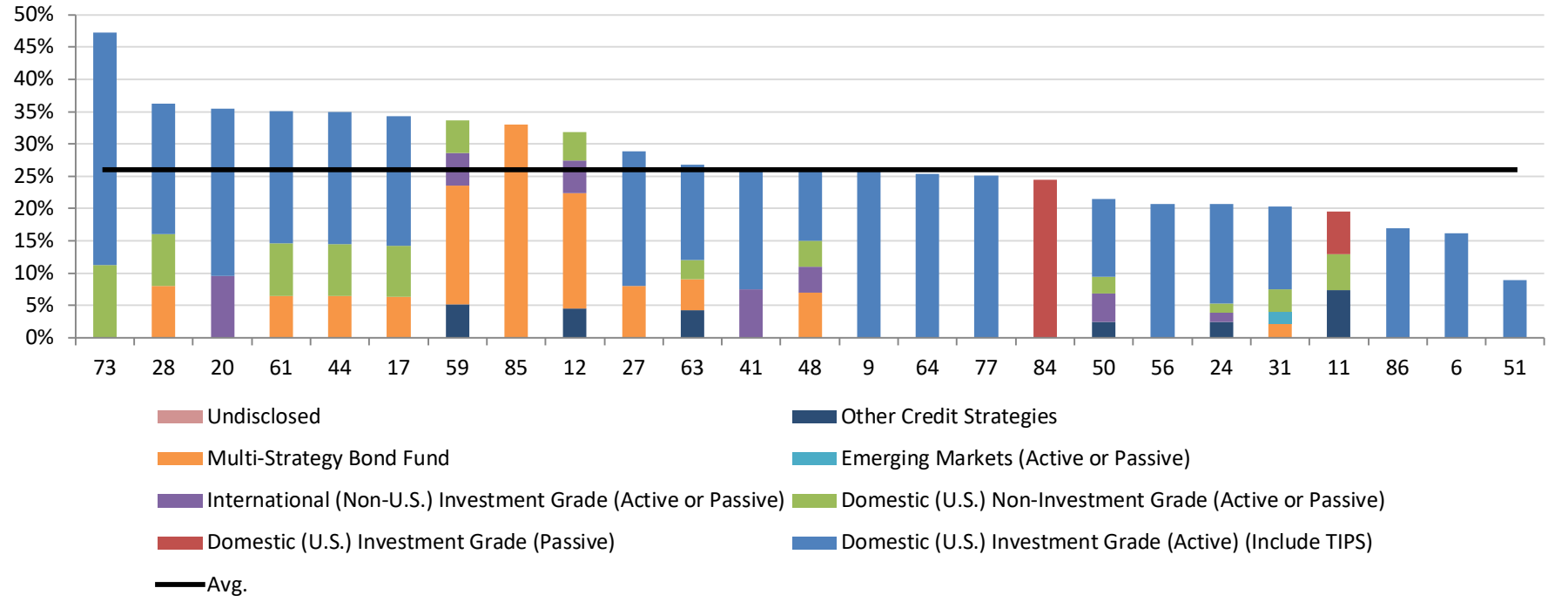
Fixed Income



Appendix – Sub-Asset Class Allocation by Plan (cont.)

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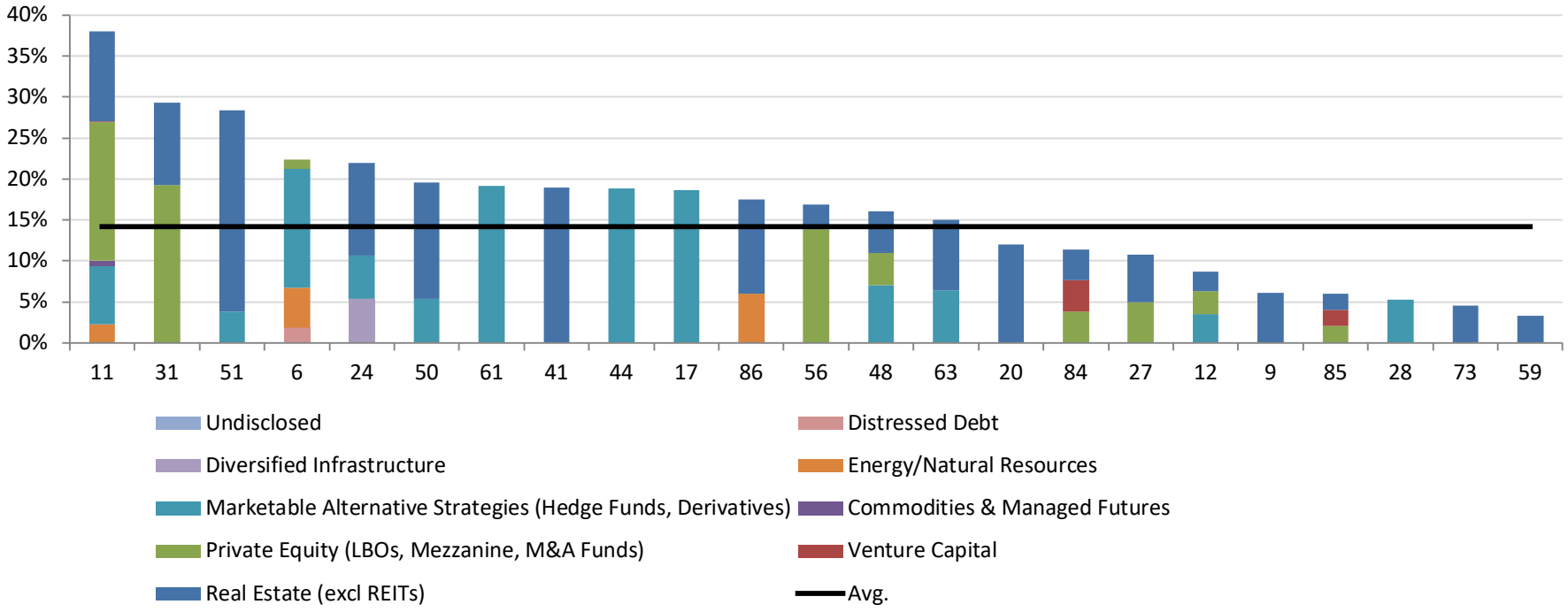
Alternative Strategies



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Appendix – 5 Year Growth of $1

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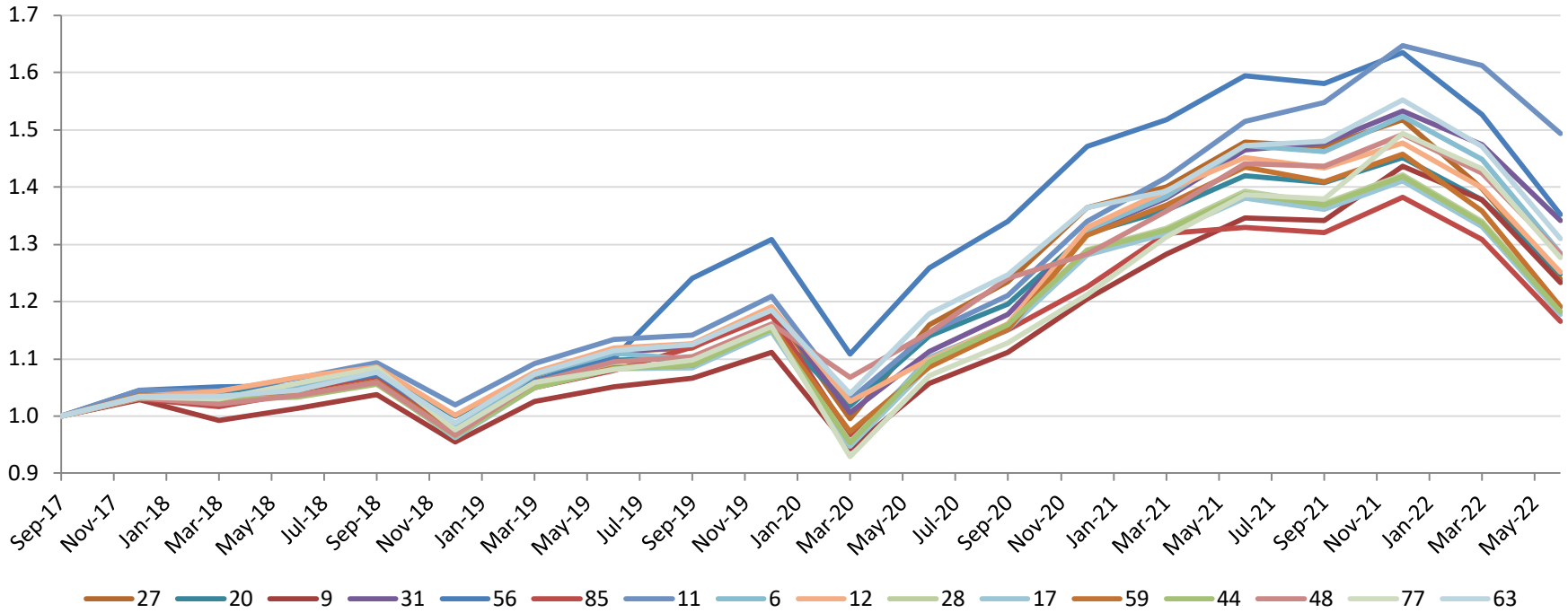

** Only including funds with 5 full years of data*

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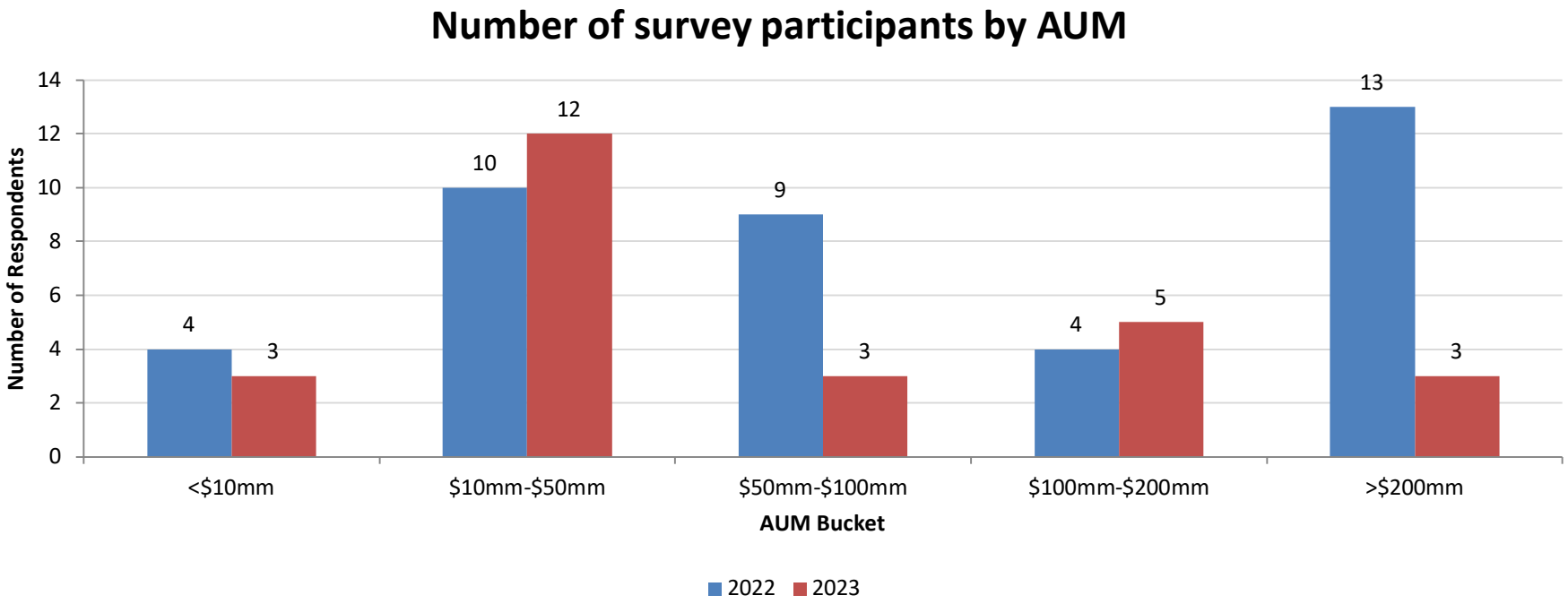
Appendix – AUM Dispersion

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