

ATTACHMENT

MEMORANDUM

TO: Committee on School Finance/Permanent School Fund

FROM: Holland Timmins, Executive Administrator and Chief Investment Officer

DATE: February 2018

RE: Compliance of Internally Managed Portfolio with 19 TAC Chapter 33, Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund

19 TAC §33.60(4) states that, "Annually, the SBOE Committee on School Finance/Permanent School Fund shall confirm that the PSF and each of its managed portfolios have complied with the provisions of this chapter concerning exclusions imposed by the SBOE, proxy voting, and trading and brokerage selection."

The following is the certification of the Executive Administrator and Chief Investment Officer of the Permanent School Fund regarding the compliance with 19 TAC Chapter 33 of internally managed investment portfolios.

§33.25, Permissible and Restricted Investments and General Guidelines for Investment Managers.

To the best of my knowledge, all investment transactions and holdings of the internally managed portfolios are in compliance with the requirements of 19 TAC §33.25. The Fund's portfolios are sufficiently diversified, and all trading has followed the principal of lowest cost and best execution as specified within §33.40, Trading and Brokerage Policy. All transactions and holdings of the Fund are reported to the State Board of Education at each regular meeting.

§33.40, Trading and Brokerage Policy.

To the best of my knowledge, all securities transactions for the Fund were conducted in accordance with the requirements of §33.40. All transactions have been reported to the State Board of Education at each regular meeting. All brokers utilized by the Fund's internal portfolio managers meet the criteria set forth in §33.40(c)(2).

In addition, the Permanent School Fund internal portfolio managers utilize the following Electronic Communication Networks (ECN) which are exempted from having comprehensive, proprietary, in-house research capabilities as set forth in paragraph (2)(B):

Instinet
Investment Technology Group, Inc.

§33.45, Proxy Voting Policy.

To the best of my knowledge, all proxy votes were voted in compliance with 19 TAC §33.45.