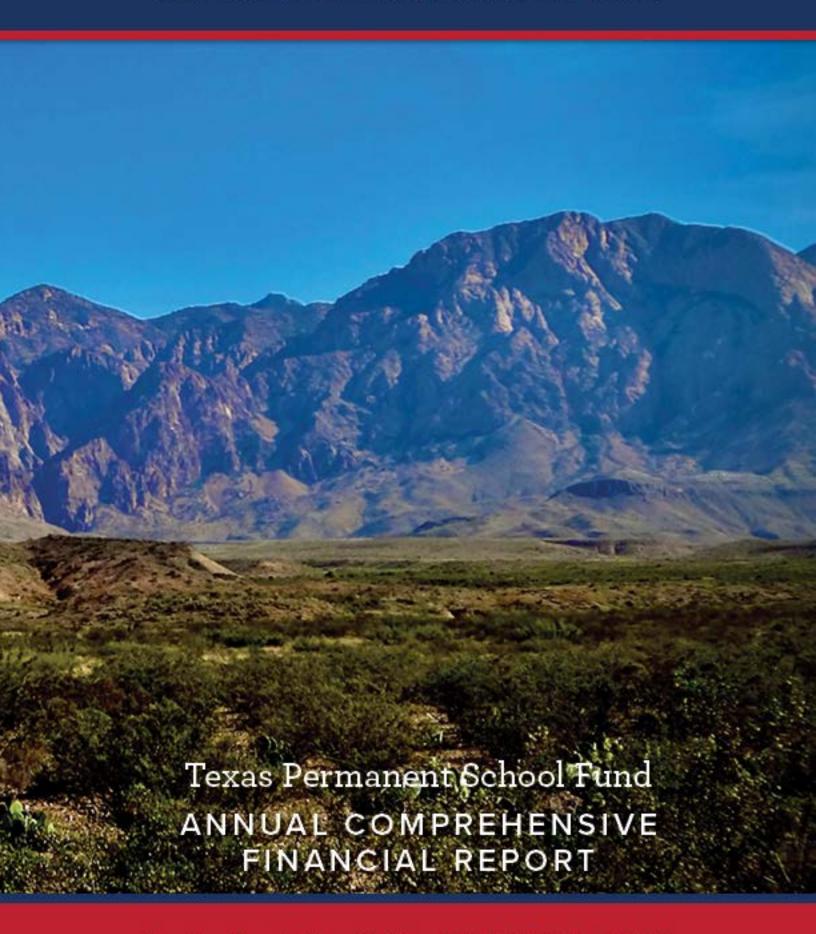
# A Permanent Fund of the State of Texas



## **TEXAS PERMANENT SCHOOL FUND**

# A Permanent Fund of the State of Texas ANNUAL COMPREHENSIVE FINANCIAL REPORT

## FISCAL YEAR ENDING AUGUST 31, 2021

Physical Address: The Texas Permanent School Fund 400 West 15<sup>th</sup> Street 11<sup>th</sup> Floor Austin, Texas 78701-1600

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https://tea.texas.gov/finance-and-grants/texas-permanent-school-fund/texas-permanent-school-fund-annual-report

Prepared by:
Finance Department
Texas Permanent School Fund

Financial Reporting & Accounting Department General Land Office

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# SECTION ONE

INTRODUCTION

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# MESSAGE FROM THE COMMISSIONER OF EDUCATION

December 20, 2021

Dear Governor Abbott, Lieutenant Governor Patrick, Speaker Phelan, Members of the Texas Legislature, and Citizens of Texas,

It is a privilege to present the Annual Comprehensive Financial Report of the Texas Permanent School Fund (PSF or the Fund) for the fiscal year ending August 31, 2021. Since its inception in 1845, the PSF has evolved to support public education in two very important ways: by providing direct funding to help pay for the cost of public education, and by serving as a financial backstop to the bond issues underwritten by individual school and charter districts, which reduces their borrowing costs. During the 2021 fiscal year, as the State of Texas, the nation, and the world recovered from the COVID-19 pandemic, the Fund continued the tradition of maintaining and improving its financial strength while providing valuable financial resources to support public education. Despite challenging times, the PSF continues to hold its ranking as the largest educational endowment in the country.

This report is designed to provide an overview of the Fund's financial statements, independently audited by the State Auditor's Office, to the Fund owners, the citizens of Texas, and other interested parties. The PSF's financial statements are audited as a best practice. As required for compliance with the U.S. Securities and Exchange Commission Rule 15c2-12, in the Fund's administration of the Bond Guarantee Program, the Fund discloses these audited financial statements through the Municipal Securities Rulemaking Board as well as on the Texas Education Agency website.

#### **MANAGEMENT RESPONSIBILITY**

This report consists of PSF management's representations regarding the PSF's financial position, results of operations, and program administration. The responsibility for the accuracy, completeness, and fair presentation of this information, including all disclosures, rests with the management of the Fund. To provide reasonable assurance in making these representations, management maintains a comprehensive internal control framework designed to protect PSF assets from loss, theft, or misuse, and to compile sufficient, reliable, and accurate information for the preparation of PSF financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the costs of internal controls should not outweigh related benefits, the PSF's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

#### **FINANCIAL INFORMATION**

The basic financial statements have been prepared in accordance with GAAP applied on a consistent basis as stipulated by the Governmental Accounting Standards Board (GASB). The Management's Discussion and Analysis (MD&A) includes a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter, as well as the following transmittal letter, is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

I wish to thank the State Board of Education (SBOE or Board) members for their efforts and continued diligence in fulfilling their fiduciary duty to protect the PSF for future generations of Texas students. The Texas Education Agency is honored and pleased to work with the SBOE on administration of the Fund. We will continue to work with the Board and the State's leadership to assure the ongoing prudent management of the Fund, and to see that it is well positioned to continue the mission of financing Texas education.

Mike Morath Commissioner of Education This page intentionally left blank.



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#### MESSAGE FROM THE EXECUTIVE ADMINISTRATOR

December 20, 2021

I am honored to present the Annual Comprehensive Financial Report (ACFR) of the Texas Permanent School Fund (PSF) for the year ended August 31, 2021.

The 176-year-old Texas Permanent School Fund (PSF or the Fund) continued on its path of growth and financial strength in domestic and global markets in the process of recovering from the COVID-19 pandemic, and maintained the tradition and obligation of strong support for public education in Texas during fiscal year 2021.

#### **INVESTMENTS**

For the 12-month period ending August 31, 2021, the portion of the PSF managed by the State Board of Education (PSF[SBOE]) achieved a return of 22.97%, the Liquid Account (Liquid[SBOE]) achieved a return of 4.90%, and the portion of the PSF managed by the School Land Board (PSF[SLB]) achieved a total return for the year of 12.81% (13.98% excluding cash). For the past five years, the time-weighted annual return has been 10.49% for the PSF(SBOE) and 4.18% for the PSF(SLB) externally managed investments (7.54% excluding cash). All returns noted above are net of fees.

At the end of fiscal 2021, the Fund balance was \$55.6 billion, an increase of \$8.9 billion from the prior year. This increase is primarily due to the overall net increase in value of the asset classes in which the Fund is invested. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The Fund is invested in global markets and experiences volatility commensurate with the underlying indices. The Fund is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient.

#### **PROGRAMS**

The Fund serves Texans in two ways. First, a distribution is made every year from the Fund to pay a portion of educational costs in each school district within the state. During the current fiscal year, the Fund distributed approximately \$1.7 billion for education. Since 1960, the Fund has distributed about \$32.9 billion to help fund the education of Texas students.

Second, the Fund provides a guarantee for bonds issued by participating local school districts. The PSF also guarantees bonds of qualified charter districts. Because of the PSF guarantee, qualified school and charter districts are able to pay lower interest rates when they issue debt since the debt carries an overlay of the PSF's AAA rating provided by the three major rating agencies. At the end of the fiscal year, PSF assets guaranteed \$92.0 billion in school district bonds providing cost savings to 855 public school districts in the State, and \$3.3 billion in charter district bonds providing cost savings to 25 Texas charter districts.

During the 87<sup>th</sup> Session of the Texas Legislature, legislation was passed and signed by the Governor (SB 1232) that allows the Fund's investment function to transition from divisions of the Texas Education Agency and the General Land Office to a single, independent governmental corporate structure under which all PSF investments would be governed by an independent Board of Directors. We look forward to working with current administrative and managing organizations to plan and implement this transition.



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#### MESSAGE FROM THE EXECUTIVE ADMINISTRATOR

#### COVID-19

The Coronavirus pandemic has created a serious public health crisis and has brought about widespread economic disruption. The Fund continues to closely monitor the potential effects of the COVID-19 pandemic to better manage and mitigate organizational risks it presents. The focus of the Fund remains on our commitment to prudently manage the investments to ensure that a portion of the cost of educating current and future generations of Texas school children is consistently met.

#### **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Texas Permanent School Fund for its ACFR for the fiscal year ended August 31, 2020. This was the seventh consecutive year that the Fund has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR which meets or exceeds program standards and must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### **ACKNOWLEDGMENTS**

My thanks and gratitude go to the members of the State Board of Education for its continued wise counsel and efforts to strengthen the Permanent School Fund. I also thank Commissioner of Education Mike Morath and Deputy Commissioner of Finance Mike Meyer for their ongoing support and encouragement. Finally, I want to thank the hard working and dedicated team of professionals within the PSF and other divisions at the Texas Education Agency. I am extremely proud that our organization has adapted to meet the needs of our stakeholders as we all recover from this difficult and unprecedented time, during which Fund staff members have exhibited a very high level of dedication and resilience. The Board and Agency staff are deeply committed to provide prudent PSF portfolio management and ethical, transparent delivery of increased Fund value to the school children and citizens of Texas. It is a privilege to work with professionals of this caliber who embody such a high level of integrity and devotion to service of the Fund's mission to improve the outlook for all Texans through education of its children.

B. Holland Timmins, CFA Executive Administrator and Chief Investment Officer Texas Permanent School Fund



#### Government Finance Officers Association

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### **Texas Permanent School Fund**

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

August 31, 2020

Executive Director/CEO

Christopher P. Morrill

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#### **ORGANIZATIONAL STRUCTURE**

# Texas Permanent School Fund Financial Assets (including Liquid Account Financial Assets)

- Managed by the elected State Board of Education
- Administered by the Texas Education Agency, which is under the guidance of the Commissioner of Education, an appointee of the Governor

## Texas Permanent School Fund Land, Mineral Rights, and Certain Real Assets Investments

- Managed by the School Land Board, which includes the elected Commissioner of the General Land Office
- Administered by the General Land Office, under the guidance of the Commissioner of the General Land Office

# SECTION Two

# FINANCIAL STATEMENTS

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Lisa R. Collier, CPA, CFE, CIDA, State Auditor

#### **Independent Auditor's Report**

Members of the State Board of Education Members of the School Land Board

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Permanent School Fund (Fund), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

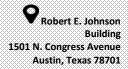
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

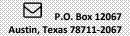
#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.











#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund, a permanent fund of the State of Texas, as of August 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matters**

#### Fund Financial Statements

As discussed in Note 1, the financial statements present only the Fund, a permanent fund of the State of Texas, and do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2021, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter

Investments With Values That Are Not Readily Determined

The financial statements include investments valued at approximately \$26.3 billion as of August 31, 2021 whose fair values have been estimated by management in the absence of readily determinable fair values. That total includes \$19 billion as discussed in Note 2 and \$7.3 billion as discussed in Note 3 (including investments measured at net asset value and estimated mineral values). Our opinion is not modified with respect to this matter.

#### **Other Matters**

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 17-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The Introduction, Statistical Summary, Bond Guarantee Program, and Supplemental Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introduction, Statistical Summary, Bond Guarantee Program, and Supplemental Schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will issue a separate report on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Lisa R. Collier, CPA, CFE, CIDA

Lisa R. Collier

State Auditor

December 20, 2021

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This Management's Discussion and Analysis (MD&A) is required by the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments (GASB 34). The purpose of the MD&A is to provide an objective and easy to read analysis of the Texas Permanent School Fund (Fund) financial activities based on currently known facts, decisions, and conditions. Please read the MD&A in conjunction with the transmittal letters from the Commissioner of Education and the Executive Administrator, and the Fund's financial statements.

On September 1, 2019, the Permanent School Fund established the Liquid Account as authorized by the Natural Resources Code, Chapter 51, section 51.414 as amended by the 86th Legislature. This statute directs the School Land Board to deposit cash not required for its immediate needs (or next 90 days) into the Liquid Account, which is managed by the State Board of Education (SBOE). The SBOE is required to invest these funds in liquid assets only and must send cash back to the School Land Board (SLB) within five business days of a request.

The activity of the Fund directed by the SBOE shall be referred to throughout as the PSF(SBOE) and the Liquid(SBOE). The activity of the Fund managed by the SLB shall be referred to throughout as the PSF(SLB). The SLB manages designated land, mineral interests, and real assets investments of the Fund as detailed in the notes to the financial All other Fund assets are statements. management responsibility of the SBOE. The annual report of the Fund is divided into five sections: the introduction, the financial statements accompanying notes preceded by this MD&A, statistical summaries and analyses, a summary of the Guarantee Program, and supplemental Bond schedules.

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#### **FINANCIAL HIGHLIGHTS**

- The total fund balance of the Fund increased \$8.9 billion or 19.2% during fiscal year 2021.
- The Fund, through the PSF(SBOE), provided \$1.1 billion to the Available School Fund, derived by using the total return based distribution method of the Texas Constitution, Article 7, Section 5(a).
- The Fund, through the PSF(SLB), provided \$600 million to the Available School Fund, per the Texas Constitution, Article 7, Section 5(g).
- As of August 31, 2021, \$95.3 billion in school and charter district bond issues were guaranteed by the Fund in support of public education in Texas. The amount outstanding increased 5.4% from the prior fiscal year-end.

#### **Required Financial Statements**

GASB 34 requires two financial statements for governmental funds: the balance sheet and the statement of revenues, expenditures, and changes in fund balance. These statements report financial information regarding the Fund's activities under U.S. Generally Accepted Accounting Principles (GAAP).

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

#### **Balance Sheet**

The balance sheet reports the assets, liabilities, deferred inflows, and fund balance of the Fund.

#### Assets

The assets of the Fund are categorized as cash, securities lending cash collateral, receivables, investments, and related assets. Cash and cash equivalents include investments that can be converted into cash within one year and are used primarily to settle the day-to-day security clearing activities/capital calls of the PSF(SBOE) and the Liquid(SBOE) assets and the funding of real assets investments by the PSF(SLB). The PSF(SBOE) engages in securities lending activity in order to earn incremental income. See Note 7 for details on securities lending.

#### PSF(SBOE) and Liquid(SBOE) Investments

PSF(SBOE) investments consist primarily of managed holdings, including public market equity, fixed income securities and alternative investments, such as absolute return, real estate, private equity, real return, and emerging market equity and debt investments. Liquid(SBOE) investments consist primarily of fixed income securities, and public market equity.

Following are the methodologies used by the PSF(SBOE) and the Liquid(SBOE) to determine the fair value of investments.

Assets	Valuation
Equity and fixed income securities	Quoted market prices
Short-term securities (maturities less than 1 year)	Amortized cost (approximates fair value)
Absolute return investments	Net asset value (NAV) of fund-of-funds provided by the investment advisor
Real estate	Latest capital account balance or valuation data*
Private equity	Latest capital account balance or valuation data*
Emerging Market Debt	NAV Provided by the fund's investment advisor
Emerging Market Equity	NAV Provided by the fund's investment advisor
* Adjusted for contributions and w	ithdrawals subsequent to latest valuation or

#### **PSF(SLB) Investments**

PSF(SLB) investments in real assets represent real property and ownership interests in externally managed real assets investment funds, separate accounts, and co-investment vehicles held for the benefit of the Fund, and are carried at fair value. Sovereign lands and mineral interests are also reported at fair value.

Unless determined otherwise, the PSF(SLB) deposits all proceeds of mineral leases and royalties generated from existing and future leases of the Fund's mineral interests into a special fund (Real Estate Special Fund Account, or RESFA) at the State Treasury. These proceeds can be used by the SLB to acquire additional tracts of land; to acquire interests in real property for biological, commercial, geological, cultural, or recreational purposes; to acquire mineral and royalty interests; to acquire interests in real estate; to pay for reasonable fees for professional services related to these investments; or to acquire, sell, lease, trade, improve, maintain, protect, or use land, mineral royalty interests, or real assets investments, an investment or interest in public infrastructure, or other interests, all for the use and benefit of the Fund. Note 3 of the notes to the financial statements contains a summary of the historical cost of the land owned by the Fund. As of August 31, 2021, the estimated fair value of the land, real assets investments and mineral rights (excluding cash) was approximately \$8.0 billion and the historical cost was approximately \$4.9 billion. PSF(SLB) real assets investments include commingled closed-end funds, commingled open-end funds, separate accounts, and co-investment vehicles that invest in private-market real assets transactions across the infrastructure, and real estate sectors of the real assets investment universe.

#### Liabilities

Liabilities represent claims against the Fund as of August 31, 2021. The payable for PSF(SBOE) securities lending cash collateral invested is the largest category of liabilities and represents the value of the cash collateral provided by the borrowers in accordance with the securities lending agreement. This collateral is returned to the borrowers when the securities are returned from loan.

#### **Deferred Inflows of Resources**

Deferred inflows of resources consist primarily of dividend and interest receivable amounts for which receipt is due more than 60 days subsequent to year-end.

#### **Fund Balance**

The fund balance of the Fund has been classified in accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). As described more fully in notes 1.D. and 9. of the financial statements, the entire fund balance is classified as nonspendable except for that portion explicitly allowed to be expended by the Texas Constitution; that portion is classified as restricted. The Texas Constitution allows the Fund to expend funds appropriated by the legislature for operating costs, for transfers to the Available School Fund in support of public education, and for payment of quaranteed debt in the event of default.

TABLE 1 Summarized Balance Sheet Accounts (in Millions)

	As of August 31, 2021	As of August 31, 2020	Amount of Increase (Decrease)	Percent Change
ASSETS				
Investments	52,591.1	43,186.0	9,405.1	21.8%
Securities Lending Cash Collateral Invested	2,622.7	1,354.1	1,268.6	93.7%
Cash, Receivables, and Other Assets	3,283.8	3,759.2	(475.4)	-12.6%
TOTAL ASSETS	58,497.6	48,299.3	10,198.3	21.1%
LIABILITIES Payables for Investments Purchased Payables for Security Lending	66.8	63.1	3.7	5.9%
Cash Collateral Invested	2,632.4	1,367.8	1,264.6	92.5%
Other Liabilities	156.5	176.7	(20.2)	-11.4%
TOTAL LIABILITIES	2,855.7	1,607.6	1,248.1	77.6%
DEFERRED INFLOWS OF RESOURCES	17.8	16.1	1.7	10.6%
TOTAL FUND BALANCE	55,624.1	46,675.6	8,948.5	19.2%

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#### **Comparative Balance Sheet Highlights**

- Total fund balance increased by 19.2% during the fiscal year, after transfers out to the Available School Fund (\$1.1 billion from the PSF(SBOE) and \$0.6 billion from the PSF(SLB)).
- The change in the fair value of the PSF(SBOE), Liquid(SBOE), and PSF(SLB) investments is consistent with the change in value of the markets in which those investments were made.
- Securities Lending Cash Collateral Invested Assets and Liabilities increased by 93.7% and 92.5% respectively due to increased securities lending borrowing with increasing interest rates in fiscal year 2021, and the addition of \$435 million of Liquid(SBOE) into the securities lending program.

# <u>Statement of Revenues, Expenditures, and Changes in Fund Balance</u>

The statement of revenues, expenditures, and changes in fund balance represents the activity from the PSF(SBOE) and Liquid(SBOE) investment portfolio, and the PSF(SLB) real assets investment portfolio that occurred during the fiscal year.

TABLE 2 Summarized Revenue and Expenditure Accounts (in Millions)

	Fiscal Year Ended August 31, 2021		led Ended		lr	mount of ncrease	Percent Change
REVENUES							
Land Endowment Income Dividends and Interest Income	\$	1,166.9 1,417.0	\$	794.5 1,015.8	\$	372.4 401.2	46.9% 39.5%
Securities Lending (net of rebates/fees)		4.6		6.9		(2.3)	-33.3%
Gain on Sale of Sovereign Land		6.4		2.8		3.6	128.6%
Net Increase in Fair Value of Investments		8,125.2		104.3		8,020.9	7690.2%
Revenue from Sales of Purchased Gas		73.9		54.3		19.6	36.1%
Settlement of Claims		0.3		0.5		(0.2)	-40.0%
Other Income		5.1		2.0		3.1	155.0%
TOTAL REVENUES	\$	10,799.4	\$	1,981.1	\$	8,818.3	445.1%
EXPENDITURES							
PSF(SBOE) Operational Costs	\$	31.4	\$	32.4	\$	(1.0)	-3.1%
PSF(SLB) Operational Costs		30.3		21.9		8.4	38.4%
SEMP Gas Supplies Purchased for Resale		86.8		49.9		36.9	73.9%
TOTAL EXPENDITURES	\$	148.5	\$	104.2	\$	44.3	42.5%
TOTAL NET TRANSFERS	\$	(1,701.7)	\$	(1,701.7)	\$		0.0%
NET CHANGE IN FUND BALANCE	\$	8,949.2	\$	175.2	\$	8,774.0	5008.0%
BEGINNING FUND BALANCE		46,675.6		46,500.4		175.2	0.4%
Restatements		(0.7)				(0.7)	0.0%
BEGINNING FUND BALANCE, AS RESTATED		46,674.9		46,500.4		174.5	0.4%
ENDING FUND BALANCE	\$	55,624.1	\$	46,675.6	\$	8,948.5	19.2%

#### **Comparative Revenue and Expenditure Highlights**

- For fiscal year 2021, total revenues were \$10.8 billion, an increase of \$8.8 billion from fiscal year 2020. This increase is reflective of the performance of the markets in which the Fund was invested in fiscal year 2021.
- Total operating expenditures, net of security lending rebates and fees, increased 42.5% from \$104.2 million for the fiscal year ending August 31, 2020, to \$148.5 million for the fiscal year

- ending August 31, 2021, primarily due to an increase in PSF(SLB) SEMP purchased gas for resale expenditure.
- Overall, the fund balance increased by \$8.9 billion for the fiscal year ending August 31, 2021.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the PSF(SLB) to manage the land endowment and operational costs of the PSF(SBOE), including certain external appropriated management fees. Total return takes into account the change in the fair value of the Fund during the year as well as all net income generated by PSF(SBOE) investments. Management fees for alternative investments are paid from the investment assets themselves.

#### **INVESTMENT MANAGEMENT**

# PSF(SBOE) and Liquid(SBOE) Asset Allocation and Portfolio

In July 2020, the SBOE updated the long term asset allocation policy, which diversifies the PSF(SBOE) assets into alternative asset classes whose returns are not highly correlated to traditional asset classes. Management expects this allocation plan to provide incremental total return at reduced risk. Management anticipates that asset classes will be strategically added commensurate with the economic environment and the goals and objectives of the SBOE. Investments in absolute return were launched during fiscal year 2008 and real estate and private equity launched during the latter part of fiscal year 2010. Real return investments in Treasury Inflation Protected Securities (TIPS) were implemented in the later months of fiscal year 2011. Increased allocations were made to both real estate and private equity in fiscal year 2013. The emerging market debt in local currency asset class was added in 2014. The emerging international equity asset class funding was initiated in the later months of fiscal year 2015. In 2018, an internally managed commodities portfolio was initiated. The U.S. Treasuries portfolio was added in 2020.

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The table below provides an overview of the management of each asset class.

Asset Class	Asset Management
Equity	
Domestic equity	Passive management by internal staff
International equity	External manager
Emerging market equity	External manager
Fixed income	
Core fixed income	Active management by internal staff
U.S. Treasuries	Active management by internal staff
Short Term Fixed Income	Active management by internal staff
Emerging market debt	External manager
Real Return TIPS	Active management by internal staff
Absolute return	Held within single member limited liability companies, each with an external investment manager
Real estate	Direct with general partners utilizing limited partnership agreements
Private equity	Limited partnerships externally managed, internally managed, or jointly managed
Commodities	Active management by internal staff

TABLE 3
Asset Allocation – PSF(SBOE)
Fiscal Years Ending August 31, 2021 and 2020

			Increase
ASSET CLASS	2021	2020	(Decrease)
EQUITY			
Domestic Small/Mid Cap	6.0%	6.0%	0.0%
Domestic Large Cap	14.0%	14.0%	0.0%
Total Domestic Equity	20.0%	20.0%	0.0%
International Developed			
and Emerging Large Cap	14.0%	14.0%	0.0%
Emerging International Equities	3.0%	3.0%	0.0%
Total International Equity	17.0%	17.0%	0.0%
TOTAL PUBLIC MARKET EQUITY	37.0%	37.0%	0.0%
FIXED INCOME			
Core Fixed Income	12.0%	12.0%	0.0%
U.S. Treasuries	3.0%	3.0%	0.0%
High Yield Bonds	3.0%	3.0%	0.0%
Emerging Market Debt	7.0%	7.0%	0.0%
TOTAL FIXED INCOME	25.0%	25.0%	0.0%
ALTERNATIVE INVESTMENTS			
Absolute Return	7.0%	7.0%	0.0%
Real Estate	11.0%	11.0%	0.0%
Private Equity	15.0%	15.0%	0.0%
Emerging Manager Program	1.0%	1.0%	0.0%
Real Return - Commodities	1.0%	1.0%	0.0%
Real Return - TIPS	3.0%	3.0%	0.0%
TOTAL ALTERNATIVE INVESTMENTS	38.0%	38.0%	0.0%
TOTAL	100.0%	100.0%	0.0%

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TABLE 4
Asset Allocation – Liquid(SBOE)
Fiscal Years Ending August 31, 2021 and 2020

ASSET CLASS	2021	2020	Increase (Decrease)
EQUITY	2021	2020	(Doorodoo)
Domestic Small/Mid Cap	5.0%	5.0%	0.0%
Domestic Large Cap	20.0%	20.0%	0.0%
Total Domestic Equity	25.0%	25.0%	0.0%
International Large Cap	15.0%	15.0%	0.0%
TOTAL PUBLIC MARKET EQUITY	40.0%	40.0%	0.0%
FIXED INCOME			
Core Fixed Income	10.0%	10.0%	0.0%
Treasury Inflation Protected Securities	5.0%	5.0%	0.0%
Short Duration Fixed Income	25.0%	25.0%	0.0%
TOTAL FIXED INCOME	40.0%	40.0%	0.0%
CASH			
TOTAL CASH	20.0%	20.0%	0.0%
TOTAL	100.0%	100.0%	0.0%

Actual allocations within the portfolios fluctuate as the markets shift and portfolio rebalancing takes place as needed to adhere to the strategic allocation guidelines. Table 3 and Table 4 above indicate the strategic allocations of PSF(SBOE) and Liquid(SBOE), respectively, reflected here at full implementation, approved by the SBOE in July 2020 and in effect as of August 31, 2020.

The market value of the PSF(SBOE) and Liquid(SBOE) is directly impacted by the performance of the various financial markets in which the assets are invested. In addition, the PSF(SBOE) and Liquid(SBOE) investments are exposed to various risks, such as interest rate, market, and credit risks. The most important factor affecting investment performance is the asset allocation decision made by the SBOE. Investment return is presented net of fees (NOF).

The PSF(SBOE) investment in domestic small/mid cap equity and domestic large cap equity securities experienced returns of 47.88% and 31.26%, respectively, during the fiscal year. The absolute return investments yielded a return of 13.84% and real estate and private equity investments returned 12.06% and 53.88%, respectively. The return on investment in fixed income return was 1.64% for the fiscal year. The real return portfolio returned 16.06%. The emerging market debt investment returned 5.92% while the emerging market and international equities portfolios returned 19.33% and 25.27%, respectively. U.S. Treasuries returned –7.02%. Combined, all asset classes produced an investment return of 22.97% for

the fiscal year ended August 31, 2021, which is reflective of the market conditions in which the various asset classes operate. Actual performance exceeded the target policy NOF benchmark of 20.73% by approximately 224 basis points.

The Liquid(SBOE) investment in domestic small/mid cap equity and domestic large cap equity securities experienced returns of 61.97% and 43.24%, respectively, during the fiscal year. The international equity portfolio returned 12.20%. Short term fixed income realized a return of 0.91%, while core bonds and TIPs returned -0.07% and 6.09%, respectively. The return on cash reserves was 0.44%. Combined, these asset classes produced an investment return of 4.90%, which is reflective of the market conditions in asset classes operate. which these performance exceeded the target policy NOF benchmark of 4.27% by approximately 63 basis points.

Table 5 summarizes the changes in the composition of the PSF(SBOE) investment portfolio, including cash, receivables and payables during the fiscal year, but does not include real assets or cash under the management of the PSF(SLB). The total fair value of the PSF(SBOE) investments increased by \$6.8 billion (18.9%) from the previous fiscal year. Unallocated Cash is on hand at fiscal year-end to cover both ASF payments and capital calls. At August 31, 2021, PSF(SBOE) unfunded commitments to real estate investments totaled \$2.2 billion and unfunded commitments to the four private equity limited partnerships and direct investments in limited partnerships totaled \$2.5 billion.

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TABLE 5
Comparative Investment Schedule –
PSF(SBOE) (in Millions)
August 31, 2021 and 2020

ASSET CLASS	August 31, 2021		August 31, 2020		Amount of Increase (Decrease)		Percent Change	
Domestic Small Cap	\$	2.597.3	\$	2.005.8	\$	591.5	29.5%	
Domestic Large Cap	Ψ	6.218.7	Ψ	5,106.3	Ψ	1,112.4	21.8%	
Total Domestic Equity		8.816.0		7.112.1		1,703.9	24.0%	
Total Domestic Equity		0,010.0		7,112.1		1,703.9	24.076	
International Equity		8,062.1		6,380.9		1,681.2	26.3%	
TOTAL EQUITY	•	16,878.1		13,493.0	`	3,385.1	25.1%	
FIXED INCOME								
Domestic Fixed Income		4,853.1		4,232.6		620.5	14.7%	
U.S. Treasuries		1,243.3		918.7		324.6	35.3%	
Emerging Market Debt		2,683.7		2,450.7		233.0	9.5%	
TOTAL FIXED INCOME		8,780.1		7,602.0		1,178.1	15.5%	
ALTERNATIVE INVESTMENT	ГS							
Absolute Return		3,546.0		3,517.2		28.8	0.8%	
Real Estate		3,706.0		3,102.1		603.9	19.5%	
Private Equity		7,724.6		4,761.5		2,963.1	62.2%	
Risk Parity		-		1,164.9		(1,164.9)	-100.0%	
Real Return		1,675.5		2,047.4		(371.9)	-18.2%	
TOTAL ALTERNATIVE				<u>-</u>				
INVESTMENTS		16,652.1		14,593.1		2,059.0	14.1%	
UNALLOCATED CASH		262.9	_	122.9		140.0	113.9%	
TOTAL PSF(SBOE)								
INVESTMENTS	\$	42,573.2	\$	35,811.0	\$	6,762.2	18.9%	

Table 6 summarizes the changes in the composition of the Liquid(SBOE) investment portfolio, including cash, receivables and payables during the fiscal year, but does not include real assets or cash under the management of the PSF(SLB).

TABLE 6
Comparative Investment Schedule –
Liquid(SBOE) (in Millions)
August 31, 2021 and 2020

ASSET CLASS	Augu	st 31, 2021	Augu	st 31,	2020	In	nount of crease crease)	Percent Change
EQUITY								
Domestic Small/Mid Cap	\$	228.3	\$		-	\$	228.3	N/A
Domestic Large Cap		578.6			-		578.6	N/A
Total Domestic Equity		806.9			-		806.9	N/A
International Equity		392.6			-		392.6	N/A
TOTAL EQUITY		1,199.5			-		1,199.5	
FIXED INCOME								
Short-Term Fixed Income		1,074.8		1,	597.3		(522.5)	-32.7%
Core Bonds		413.1			-		413.10	N/A
TIPS		213.9			-		213.90	N/A
TOTAL FIXED INCOME		1,701.8		1,	597.3		104.5	6.5%
UNALLOCATED CASH		1,420.5		2,4	453.3	(	1,032.8)	-42.1%
TOTAL Liquid(SBOE)								
INVESTMENTS	\$	4,321.8	\$	4,0	050.6	\$	271.2	6.7%

#### **PSF(SLB)** Portfolio

The table below provides an overview of the real assets investment portfolio managed by the PSF(SLB).

Category	Description
Discretionary real asset investments	Externally managed real estate, infrastructure, and energy/minerals investment funds, separate accounts, and co-investment vehicles; internally managed direct real estate investments, and cash associated with RESFA.
Sovereign and other lands	Lands set aside for the Fund when it was created, and other various lands not considered discretionary real asset investments.
Mineral interests	Minerals associated with Fund lands.

## PSF(SLB) Discretionary Real Estate Investments – External

Approximately \$855.2 million of capital commitments to externally managed real assets investment funds, separate accounts, and co-investment vehicles were funded during fiscal year 2021. At August 31, 2021, the fair value of the externally managed investments was approximately \$4.6 billion, and PSF(SLB) unfunded commitments to real asset investments totaled approximately \$2.2 billion.

# PSF(SLB) Discretionary Real Estate Investments – Internal

At August 31, 2021, there were 15 internally managed discretionary real estate investments with a fair value of approximately \$223.9 million.

#### **PSF(SLB) Sovereign and Other Lands**

At August 31, 2021, the sovereign lands portfolio, approximately 407,421 acres of primarily land-locked tracts in West Texas, had a fair value of approximately \$268.2 million. In addition to the sovereign lands portfolio, the PSF(SLB) also manages approximately 250,705 acres of other lands with a fair value of approximately \$361.1 million.

#### **PSF(SLB) Mineral Interests**

The PSF(SLB) also manages approximately 12.6 million acres of various submerged, free royalty, mineral-reserved lands, and mineral interest with a risk-adjusted fair value of approximately \$2.7 billion.

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TABLE 7
Comparative Investment Schedule – PSF(SLB)
August 31, 2021 and 2020
(in Millions)

Asset Class	As of August 31, 2021	As of August 31, 2020	Amount of Increase (Decrease)	Percent Change
Discretionary Real Assets Investments				
Externally Managed				
Real Assets Investment Funds*	0 4 707 5	0.4.404.0	<b>6</b> 540.5	40.70/
Energy/Minerals	\$ 1,707.5	\$ 1,164.0	\$ 543.5	46.7%
Infrastructure	1,652.3	1,485.4	166.9	11.2%
Real Estate	1,276.8	1,174.8	102.0	8.7%
Internally Managed Direct				
Real Estate Investments	223.9	219.5	4.4	2.0%
Total Discretionary				
Real Assets Investments	4,860.5	4,043.7	816.8	20.2%
Domestic Equity Received as In-Kind Distribution	1.7	0.9	0.8	88.9%
Sovereign and Other Lands	405.4	408.6	(3.2)	-0.8%
Mineral Interests	2,720.4	2,115.4	605.0	28.6%
Cash at State Treasury**	699.2	333.8	365.4	109.5%
Total PSF(SLB)				
Investments	\$ 8,687.2	\$ 6,902.4	\$ 1,784.8	25.9%

\*The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated by management using the most recent valuations available, adjusted for subsequent contributions and withdrawals.

\*\*Cash at State Treasury represents amounts that have been deposited in the State Treasury and temporarily invested in short-term investments until called for investment by the external real assets investment funds, separate accounts, and co-investment vehicles to which PSF(SLB) has made capital commitments. Prior to September 1, 2019, PSF(SLB) was required by statute to deposit cash designated by the SLB for investment in real assets in the State Treasury until it was drawn for investment.

#### **OTHER PROGRAMS**

#### **Support Provided to the Public School System**

The Fund supports the State's public school system in two major ways: Distributions to the Available School Fund (ASF) and the guarantee of school district and charter district issued bonds through the Fund's Bond Guarantee Program.

#### **ASF** Distribution

The Fund annually distributes a predetermined percentage of its asset value to the ASF. For fiscal year 2021, the PSF(SBOE) distribution to the ASF totaled \$1.1 billion. The SBOE adopted administrative rules in September 2009 based on Attorney General Opinion GA-0707 issued on April 13, 2009. These rules state the SBOE will determine each year whether a distribution to the ASF is permitted under the Texas Constitution, Article VII, §5(a)(2), and shall be made for the current fiscal year.

During fiscal year 2021, the PSF(SLB) also distributed \$600 million directly to the ASF.

#### **Bond Guarantee Program**

Through the Bond Guarantee Program (BGP), the Fund is pledged to guarantee bonds issued by Texas school districts thus enhancing their credit rating. During fiscal year 2014, the SBOE authorized the BGP to guarantee qualified charter district bonds. Since the Program's inception in 1983, the Fund has guaranteed 8,111 school district and 92 charter district bond issues for a total of \$216.7 billion and \$3.5 billion, respectively. During the past fiscal year, the number of all outstanding issues increased by 69. The dollar amount of all issues outstanding increased by approximately \$4.9 billion (5.4%). This program is designed for school districts and charter districts with credit ratings lower than AAA. Bonds issued by participants and guaranteed under the BGP are rated AAA, thus allowing participants to borrow at a lower cost.

TABLE 8
Comparative Summary of the Bond Guarantee
Program
(in Millions except for Number of Issues)

	iscal Year Ending August 31, 2021	Fiscal Year Ending August 31, 2020	lr	mount of ncrease ecrease)	Percent Change
Number of Issues	3,429	3,360		69	2.1%
Issues Guaranteed During the Fiscal Year	\$ 18,228.2	\$ 15,860.0	\$	2,368.2	14.9%
Issues Refunded or Matured During the Fiscal Year	\$ 13,305.7	\$ 9,921.2	\$	3,384.5	34.1%
Year End Balance	\$ 95,259.2	\$ 90,336.7	\$	4,922.5	5.4%
Total Guarantee Capacity (Net of Reserves)	\$ 111.137.3	\$ 111.225.2	\$	(87.9)	-0.1%

The capacity of the overall Fund to guarantee bonds under the BGP is limited in two ways: by State law (the "State Capacity Limit") and by the Internal Revenue Service (IRS) Notice 2010-5 (Notice) received by the Texas Education Agency (TEA) on December 16, 2009, codified by Internal Revenue Code 1.148-11(d)(1)(F) on July 18, 2016. The State Capacity Limit is currently 3.50 times the latest cost value of the Fund. Texas Education Code Section 45.053(d) provides that the SBOE may, by rule, increase the capacity of the Guarantee Program to an amount not to exceed five times the cost value of the Fund, provided that the increased limit does not violate federal laws or regulations and does not prevent bonds guaranteed by the BGP from receiving the highest available credit rating, subject to other constraints. Internal Revenue Code 1.148-11(d)(1)(F) changed the Internal Revenue Service Limit to a sum certain amount calculated on the date of the Notice. which totals \$117.318.653.038. Additionally, state law allows for and the SBOE has elected to reserve 5% of capacity as determined above from use in guaranteeing bonds. This reserve is held for purposes detailed in the Texas Administrative Code Title 19 Part 2 Chapter 33 Subchapter A Rule 33.65.

Charter district capacity is further defined as the lower of the State Capacity Limit or the Internal Revenue Service Limit, less the 5% reserve, as described above, multiplied by the ratio of students enrolled in charter schools to total students enrolled in all Texas public schools, as authorized by a five year statutory phase-in. This student ratio is to be determined annually by the Commissioner.

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# TEXAS PERMANENT SCHOOL FUND BALANCE SHEET AUGUST 31, 2021

Assets	
Cash and Cash Equivalents	
Cash in Bank	\$ 63,672,927
Cash in State Treasury	2,514,322,821
Cash Equivalents	382,530,702
Securities Lending Cash Collateral Invested	2,622,652,026
Receivables	
Interest and Dividends Receivable	74,956,321
Investments Sold	14,254,437
Land Endowment Revenue	227,688,882
Land Sale Notes	56,023
Due from Broker for Margin Collateral	6,081,579
Due From Other Funds	295,680
Other	1,607
Prepaid Items	3,201
Investments and Related Assets	·
Investments in Equity, Debt, and Alternative Assets	40,896,985,388
Investments in Real Assets, at fair value	11,694,085,146
Total Assets	\$ 58,497,586,740
Liabilities, Deferred Inflow Of Resources And Fund Balances	
Liabilities:	
Accounts Payable	\$ 12,967,971
Payroll Payable	3,134,628
Payable for Investments Purchased	66,842,342
Unearned Revenue	140,131,852
Due To Other Funds	298,582
Payable for Securities Lending Cash Collateral Invested	2,632,362,765
Total Liabilities	2,855,738,140
Deferred Inflow Of Resources	
Interest and Dividends	17,842,557
	17,842,557 17,842,557
Interest and Dividends  Total Deferred Inflow Of Resources	
Interest and Dividends Total Deferred Inflow Of Resources Fund Financial Statement-Fund Balances	 17,842,557
Interest and Dividends Total Deferred Inflow Of Resources  Fund Financial Statement-Fund Balances Nonspendable	 17,842,557 53,783,847,367
Interest and Dividends Total Deferred Inflow Of Resources  Fund Financial Statement-Fund Balances Nonspendable Restricted for Public School Support	17,842,557 53,783,847,367 1,840,158,676
Interest and Dividends Total Deferred Inflow Of Resources  Fund Financial Statement-Fund Balances Nonspendable	 17,842,557 53,783,847,367

The accompanying notes are an integral part of these financial statements.

# TEXAS PERMANENT SCHOOL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED AUGUST 31, 2021

Interest, Dividends and Other Investment Income         \$1,416,951,823           Settlement of Claims         274,162           Securities Lending         5,313,170           Gain on Sale of Sovereign Land         6,381,717           Net Increase/(Decrease) in Fair Value of Investments         8,125,201,073           Land Endowment Income         1,166,921,552           Revenue from Sales of Purchased Gas         73,924,395           Other         5,075,848           Total Revenues         10,800,043,740           Expenditures         30,098,490           Salaries and Wages         30,098,490           Payroll Related Costs         8,220,177           Professional Fees and Services         10,661,153           Travel         36,725           Materials and Supplies         1,499,009           Communication and Utilities         5,137,154           Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129	Revenues		
Settlement of Claims         274,162           Securities Lending         5,31,770           Gain on Sale of Sovereign Land         6,381,717           Net Increase/(Decrease) in Fair Value of Investments         8,125,201,073           Land Endowment Income         1,166,921,552           Revenue from Sales of Purchased Gas         73,924,395           Other         5,075,848           Total Revenues         10,800,043,740           Expenditures         30,098,490           Payroll Related Costs         8,220,177           Professional Fees and Services         10,661,553           Travel         36,725           Materials and Supplies         1,499,009           Communication and Utilities         5,137,154           Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Total Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Oth		\$	1.416.951.823
Securities Lending         5,313,170           Gain on Sale of Sovereign Land         6,331,717           Net Increase/(Decrease) in Fair Value of Investments         1,166,921,552           Revenue from Sales of Purchased Gas         73,924,395           Other         5,075,848           Total Revenues         10,800,043,740           Expenditures         30,098,490           Salaries and Wages         30,098,490           Payroll Related Costs         8,220,177           Professional Fees and Services         10,661,153           Travel         36,725           Materials and Supplies         1,499,009           Communication and Utilities         5,137,154           Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Total Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fu		•	
Gain on Sale of Sovereign Land         6,381,717           Net Increase/ (Decrease) in Fair Value of Investments         8,125,201,073           Land Endowment Income         1,166,921,552           Revenue from Sales of Purchased Gas         73,924,395           Other         5,075,848           Total Revenues         10,800,043,740           Expenditures         30,098,490           Payroll Related Costs         8,220,177           Professional Fees and Services         10,661,153           Travel         36,725           Materials and Supplies         1,499,009           Communication and Utilities         5,137,154           Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Total Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606			•
Net Increase/(Decrease) in Fair Value of Investments         8,125,201,073           Land Endowment Income         1,166,921,552           Revenue from Sales of Purchased Gas         73,924,395           Other         5,075,848           Total Revenues         10,800,043,740           Expenditures         30,098,490           Salaries and Wages         30,098,490           Payroll Related Costs         8,220,177           Professional Fees and Services         10,661,153           Travel         36,725           Materials and Supplies         1,499,009           Communication and Utilities         5,137,154           Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Total Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606	<u> </u>		
Land Endowment Income         1,166,921,552           Revenue from Sales of Purchased Gas         73,924,395           Other         5,075,848           Total Revenues         10,800,043,740           Expenditures         \$30,098,490           Salaries and Wages         30,098,490           Payroll Related Costs         8,220,177           Professional Fees and Services         10,661,153           Travel         36,725           Materials and Supplies         1,499,009           Communication and Utilities         5,137,154           Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Texcess of Revenues Over Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         8,949,076,606	<del>_</del>		
Revenue from Sales of Purchased Gas Other         73,924,395 5,075,848           Total Revenues         10,800,043,740           Expenditures         Salaries and Wages         30,098,490 Payroll Related Costs         8,220,177 Professional Fees and Services         10,661,153 Travel         36,725 Materials and Supplies         1,499,009 Gommunication and Utilities         1,499,009 Gommunication and Utilities         5,137,154 Gas Supplies Purchased for Resale         86,783,322 Repairs and Maintenance         1,166,029 Rentals and Leases         1,142,542 Frinting and Reproduction         33,231 Securities Lending Rebates and Fees         728,159 Gas Capital Outlay         3,578,357 Gapital Outlay         213,129 Gas Capital Outlay           Total Expenditures         10,650,746,263         200,465,263 Gas Capital Outloomers (Uses)         10,650,746,263 Gas Capital Outloomers (Uses)         1,701,669,657 Gas Capital Outloomers (Uses)         1,701,669,657 Gas Capital Outloomers (Uses)         1,701,669,657 Gas Capital Outloomers (Uses)         46,675,581,356 Gas Capital Outloomers (Uses)<			
Other         5,075,848           Total Revenues         10,800,043,740           Expenditures         30,098,490           Payroll Related Costs         8,220,177           Professional Fees and Services         10,661,153           Travel         36,725           Materials and Supplies         1,499,009           Communication and Utilities         5,137,154           Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Total Expenditures         149,297,477           Excess of Revenues Over Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         46,675,581,356           Restatements         (651,919)           Fund Balance-September 1, 2020, as restated         46,675,929,437			
Expenditures         30,098,490           Payroll Related Costs         8,220,177           Professional Fees and Services         10,661,153           Travel         36,725           Materials and Supplies         1,499,009           Communication and Utilities         5,137,154           Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Total Expenditures         149,297,477           Excess of Revenues Over Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         46,675,581,356           Fund Balance-September 1, 2020         46,675,581,356           Restatements         (651,919)           Fund Balance-September 1, 2020, as restated         46,674,929,437			
Salaries and Wages       30,098,490         Payroll Related Costs       8,220,177         Professional Fees and Services       10,661,153         Travel       36,725         Materials and Supplies       1,499,009         Communication and Utilities       5,137,154         Gas Supplies Purchased for Resale       86,783,322         Repairs and Maintenance       1,166,029         Rentals and Leases       1,142,542         Printing and Reproduction       33,231         Securities Lending Rebates and Fees       728,159         Other Expenditures       3,578,357         Capital Outlay       213,129         Total Expenditures       149,297,477         Excess of Revenues Over Expenditures       10,650,746,263         Other Financing Sources/(Uses)       (1,701,669,657)         Total Other Financing Sources/(Uses)       (1,701,669,657)         Net Change in Fund Balance       8,949,076,606         Fund Financial Statement-Fund Balance       8,949,076,606         Fund Balance-September 1, 2020, as restated       46,674,929,437	Total Revenues		10,800,043,740
Payroll Related Costs         8,220,177           Professional Fees and Services         10,661,153           Travel         36,725           Materials and Supplies         1,499,009           Communication and Utilities         5,137,154           Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Total Expenditures         149,297,477           Excess of Revenues Over Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         8,949,076,606           Fund Balance-September 1, 2020         46,675,581,356           Restatements         (651,919)           Fund Balance-September 1, 2020, as restated         46,674,929,437			
Professional Fees and Services         10,661,153           Travel         36,725           Materials and Supplies         1,499,009           Communication and Utilities         5,137,154           Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Total Expenditures         149,297,477           Excess of Revenues Over Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         8,949,076,606           Fund Balance-September 1, 2020         46,675,581,356           Restatements         (651,919)           Fund Balance-September 1, 2020, as restated         46,674,929,437			
Travel         36,725           Materials and Supplies         1,499,009           Communication and Utilities         5,137,154           Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Total Expenditures         149,297,477           Excess of Revenues Over Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         46,675,581,356           Restatements         (651,919)           Fund Balance-September 1, 2020, as restated         46,674,929,437	· · · · · · · · · · · · · · · · · · ·		
Materials and Supplies       1,499,009         Communication and Utilities       5,137,154         Gas Supplies Purchased for Resale       86,783,322         Repairs and Maintenance       1,166,029         Rentals and Leases       1,142,542         Printing and Reproduction       33,231         Securities Lending Rebates and Fees       728,159         Other Expenditures       3,578,357         Capital Outlay       213,129         Total Expenditures       149,297,477         Excess of Revenues Over Expenditures       10,650,746,263         Other Financing Sources/(Uses)       (1,701,669,657)         Total Other Financing Sources/(Uses)       (1,701,669,657)         Net Change in Fund Balance       8,949,076,606         Fund Financial Statement-Fund Balance       8,949,076,606         Fund Balance-September 1, 2020       46,675,581,356         Restatements       (651,919)         Fund Balance-September 1, 2020, as restated       46,674,929,437			
Communication and Utilities         5,137,154           Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Total Expenditures         149,297,477           Excess of Revenues Over Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         46,675,581,356           Fund Balance-September 1, 2020         46,675,581,356           Restatements         (651,919)           Fund Balance-September 1, 2020, as restated         46,674,929,437			•
Gas Supplies Purchased for Resale         86,783,322           Repairs and Maintenance         1,166,029           Rentals and Leases         1,142,542           Printing and Reproduction         33,231           Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Total Expenditures         149,297,477           Excess of Revenues Over Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         8,949,076,606           Fund Balance-September 1, 2020         46,675,581,356           Restatements         (651,919)           Fund Balance-September 1, 2020, as restated         46,674,929,437			
Repairs and Maintenance       1,166,029         Rentals and Leases       1,142,542         Printing and Reproduction       33,231         Securities Lending Rebates and Fees       728,159         Other Expenditures       3,578,357         Capital Outlay       213,129         Total Expenditures       149,297,477         Excess of Revenues Over Expenditures       10,650,746,263         Other Financing Sources/(Uses)       (1,701,669,657)         Total Other Financing Sources/(Uses)       (1,701,669,657)         Net Change in Fund Balance       8,949,076,606         Fund Financial Statement-Fund Balance       8,949,076,606         Fund Balance-September 1, 2020       46,675,581,356         Restatements       (651,919)         Fund Balance-September 1, 2020, as restated       46,674,929,437			
Rentals and Leases       1,142,542         Printing and Reproduction       33,231         Securities Lending Rebates and Fees       728,159         Other Expenditures       3,578,357         Capital Outlay       213,129         Total Expenditures       149,297,477         Excess of Revenues Over Expenditures       10,650,746,263         Other Financing Sources/(Uses)       (1,701,669,657)         Total Other Financing Sources/(Uses)       (1,701,669,657)         Net Change in Fund Balance       8,949,076,606         Fund Financial Statement-Fund Balance       8,949,076,606         Fund Balance-September 1, 2020       46,675,581,356         Restatements       (651,919)         Fund Balance-September 1, 2020, as restated       46,674,929,437	• •		
Printing and Reproduction       33,231         Securities Lending Rebates and Fees       728,159         Other Expenditures       3,578,357         Capital Outlay       213,129         Total Expenditures       149,297,477         Excess of Revenues Over Expenditures       10,650,746,263         Other Financing Sources/(Uses)       (1,701,669,657)         Total Other Financing Sources/(Uses)       (1,701,669,657)         Net Change in Fund Balance       8,949,076,606         Fund Financial Statement-Fund Balance       8,949,076,506         Fund Balance-September 1, 2020       46,675,581,356         Restatements       (651,919)         Fund Balance-September 1, 2020, as restated       46,674,929,437	·		
Securities Lending Rebates and Fees         728,159           Other Expenditures         3,578,357           Capital Outlay         213,129           Total Expenditures         149,297,477           Excess of Revenues Over Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         8,949,076,506           Fund Balance-September 1, 2020         46,675,581,356           Restatements         (651,919)           Fund Balance-September 1, 2020, as restated         46,674,929,437			
Other Expenditures       3,578,357         Capital Outlay       213,129         Total Expenditures       149,297,477         Excess of Revenues Over Expenditures       10,650,746,263         Other Financing Sources/(Uses)       (1,701,669,657)         Total Other Financing Sources/(Uses)       (1,701,669,657)         Net Change in Fund Balance       8,949,076,606         Fund Financial Statement-Fund Balance       8,949,076,606         Fund Balance-September 1, 2020       46,675,581,356         Restatements       (651,919)         Fund Balance-September 1, 2020, as restated       46,674,929,437			•
Capital Outlay         213,129           Total Expenditures         149,297,477           Excess of Revenues Over Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         46,675,581,356           Restatements         (651,919)           Fund Balance-September 1, 2020, as restated         46,674,929,437			
Total Expenditures         149,297,477           Excess of Revenues Over Expenditures         10,650,746,263           Other Financing Sources/(Uses)         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         46,675,581,356           Fund Balance-September 1, 2020         46,675,581,356           Restatements         (651,919)           Fund Balance-September 1, 2020, as restated         46,674,929,437	·		
Excess of Revenues Over Expenditures  Other Financing Sources/(Uses) Transfers Out to Other Funds  Total Other Financing Sources/(Uses)  Net Change in Fund Balance Fund Financial Statement-Fund Balance Fund Balance-September 1, 2020 Restatements  Fund Balance-September 1, 2020, as restated  10,650,746,263  (1,701,669,657)  (1,701,669,657)  8,949,076,606  46,675,581,356 (651,919)	Capital Outlay		213,129
Other Financing Sources/(Uses) Transfers Out to Other Funds  Total Other Financing Sources/(Uses)  Net Change in Fund Balance  Fund Financial Statement-Fund Balance Fund Balance-September 1, 2020 Restatements  Fund Balance-September 1, 2020, as restated  (1,701,669,657)  8,949,076,606  46,675,581,356 (651,919)  Fund Balance-September 1, 2020, as restated	Total Expenditures		149,297,477
Transfers Out to Other Funds         (1,701,669,657)           Total Other Financing Sources/(Uses)         (1,701,669,657)           Net Change in Fund Balance         8,949,076,606           Fund Financial Statement-Fund Balance         46,675,581,356           Fund Balance-September 1, 2020         46,675,581,356           Restatements         (651,919)           Fund Balance-September 1, 2020, as restated         46,674,929,437	Excess of Revenues Over Expenditures		10,650,746,263
Total Other Financing Sources/(Uses)  Net Change in Fund Balance  Fund Financial Statement-Fund Balance  Fund Balance-September 1, 2020  Restatements  Fund Balance-September 1, 2020, as restated  46,674,929,437			
Net Change in Fund Balance 8,949,076,606  Fund Financial Statement-Fund Balance Fund Balance-September 1, 2020 46,675,581,356 Restatements (651,919)  Fund Balance-September 1, 2020, as restated 46,674,929,437	Transfers Out to Other Funds		(1,701,669,657)
Fund Financial Statement-Fund Balance Fund Balance-September 1, 2020 46,675,581,356 Restatements (651,919)  Fund Balance-September 1, 2020, as restated 46,674,929,437	Total Other Financing Sources/(Uses)		(1,701,669,657)
Fund Balance-September 1, 2020       46,675,581,356         Restatements       (651,919)         Fund Balance-September 1, 2020, as restated       46,674,929,437	Net Change in Fund Balance		8,949,076,606
Restatements (651,919) Fund Balance-September 1, 2020, as restated 46,674,929,437	Fund Financial Statement-Fund Balance		
Fund Balance-September 1, 2020, as restated 46,674,929,437	Fund Balance-September 1, 2020		46,675,581,356
	·		(651,919)
Fund Balance-August 31, 2021 \$ 55,624,006,043	Fund Balance-September 1, 2020, as restated		46,674,929,437
	Fund Balance-August 31, 2021		55,624,006,043

The accompanying notes are an integral part of these financial statements.

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

The Texas Permanent School Fund (the Fund) was first conceived and implemented in 1845 when Texas joined the United States. Its first significant funding came from a \$2,000,000 appropriation by the Legislature of 1854 expressly for the benefit of funding public education for present and future generations. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the Fund. Additional Acts later gave more public domain land and rights to the Fund. In 1953, the U.S. Congress passed the Submerged Lands Acts that relinquished to coastal States all rights of the U.S. navigable waters within State boundaries. If the State, by law, had set a boundary larger than three miles prior to or at the time of admission to the U.S., or if the boundary had been approved by Congress, then the larger boundary applied. Concluding three years of litigation, the U.S. Supreme Court on May 31, 1960, affirmed Texas' historic three league (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the Fund. The Fund currently owns approximately 13 million total acres.

The State of Texas (State) Constitution describes the Fund as "permanent" with proceeds produced by the Fund to be used to complement taxes in financing public education. Under an obligation to maintain trust principal, the Fund's assets are held in a trustee capacity for the benefit of public free schools. The annual distribution provided by the Fund is calculated using a total return methodology as well as other provisions in accordance with the Texas Constitution.

The Fund's financial assets are managed by the State Board of Education (SBOE). The SBOE is comprised of fifteen elected members. Administrative duties related to these assets reside with the Fund's Investment Office, a division of the Texas Education Agency (TEA), which is under the guidance of the Commissioner of Education, an appointee of the Governor. Investment Office operations are included in the TEA's financial report for inclusion in the State's Annual Comprehensive Financial Report. The Fund's financial statements are reported as a governmental permanent fund in the State's ACFR. The portion of the Fund directed by the SBOE shall be referred

within these notes as the PSF(SBOE) and the Liquid(SBOE) assets.

Texas law assigns control of the Fund's land, mineral rights, and certain real assets investments to the five-member School Land Board (SLB), which includes the elected Commissioner of the General Land Office (GLO), and four appointees of the Governor. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the Commissioner of the GLO. SLB land and real assets investment operations are included in the GLO's annual financial report for inclusion in the State's ACFR. The portion of the Fund managed by the SLB shall be referred to within these notes as the PSF(SLB) assets.

The 79th Legislature authorized the SLB to manage and operate the SEMP Power Program to provide a low-cost solution for government entities to soften the shock of deregulation. Since the original legislation was passed in the 79th legislature, the electric marketplace in Texas has stabilized. During the 86th Legislature, HB2263 was passed and signed into law on May 17, 2019, to gradually phase out the State Power Program over a five-year period and removes PSF(SLB)'s authorization to sell electric power directly to a public retail customer.

The State Gas Program is not affected by HB2263 and continues to provide low-cost natural gas to public retail customers. These customers include public school districts, institutions of higher education, state agencies, military bases, and political subdivisions.

The Natural Resources Code, Chapter 51, section 51.414 was amended by the 86th Legislature to authorize establishment of the Permanent School Fund Liquid Account (the Liquid(SBOE)) on September 1, 2019. This statute directs the School Land Board to deposit cash not required for its immediate needs (or next 90 days) into the Liquid(SBOE) which is managed by the SBOE. The SBOE is required to invest these funds in liquid assets only and must send cash back to the School Land Board within five business days of a request.

#### B. Basis of Presentation and Basis of Accounting

The accompanying financial statements of the Fund were prepared to conform to U.S. Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB).

The Fund is classified as a governmental permanent fund. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The Management's Discussion and Analysis is required as supplementary information preceding the financial statements.

Measurement focus refers to the definition of the resource flows measured and has to do with the types of transactions or events reported in the statement of revenues, expenditures, and changes in fund balance. Basis of accounting refers to the timing of the recognition of transactions or events. Under the modified accrual basis of accounting, amounts are recognized as revenues in the period in which they are available to finance expenditures of the current period and are measurable. The Fund considers revenues available if they are collected within 60 days of the end of the current period. Accruals whose receipt is due after the 60 day period are classified as deferred inflows of resources. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are recognized in the period in which the related fund liability is incurred, if measurable.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of income and expenditures during the reporting period. Externally managed emerging market debt and emerging market equity, as well as alternative investments, including absolute return fund of funds, commodities (real return investments), private equity and real estate, are valued by the PSF(SBOE) at fair values as determined by management. The real assets investments are valued by the PSF(SLB) at net asset value (NAV) per share.

The GLO and TEA organizations each adopt an agency-wide budget for legislative approval. Each of these agencies' budgets encompasses operations of the Fund overseen by their respective Boards. However, there is no legally adopted budget specifically for the Fund as a whole. These agency budgets are prepared biennially and represent appropriations authorized by the Legislature and approved by the Governor of Texas (the General Appropriations Act).

# C. Assets, Income, Expenditures, and Transfers Cash and Cash Equivalents

Cash and cash equivalents consist of money market instruments, cash held at the State Treasury, cash held in a FDIC insured bank account, foreign currencies and other overnight funds. PSF(SBOE) and the Liquid(SBOE) cash in bank balance represents the U.S. dollar equivalent of amounts held in foreign currencies for which trade settlement is pending and dividend payment is awaiting repatriation. The Fund's deposits with the State Treasury are available upon demand and are therefore presented as cash. Cash equivalents on the balance sheet represent cash balances that are invested in the money market fund managed by the PSF(SBOE) custodian, the Bank of New York Mellon Corporation (Custodian). Cash held in the money market fund is primarily utilized to settle investment obligations. Cash and cash equivalents are an integral part of investment management of the Fund. PSF(SLB) cash and cash equivalents include cash on hand, cash in local banks, and cash and cash equivalents in the State Treasury.

#### Receivables

The PSF(SBOE) and the Liquid(SBOE) report receivables based on revenues earned but not collected during the fiscal year.

The PSF(SLB) reports receivables based on revenues earned but not collected during the fiscal year. The voluntary oil and gas royalty receivables are calculated from production reports or remittance advices; the payments and reporting of these royalties are not legally due until the second month after production occurs. The receivables for voluntary oil and gas royalties are established based on the information received in the remittance advices from fiscal year-end through October 2021 for the production months August 2021 and earlier.

#### PSF(SBOE) and the Liquid(SBOE) Investments

Investment transactions are recorded on a trade date basis. Investments are reported at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB Statement No. 72, Fair Value Measurement and Application (GASB 72), as applicable. Investments, such as equities and fixed income securities with readily determinable fair values, are valued on the basis of market valuations provided by the Custodian. Short-term securities, which have maturities less than one year at the time of purchase,

are valued at amortized cost, which approximates fair value.

Fair values of absolute return fund of funds are based on the net asset value (NAV) provided to management by the investment advisors of the funds.

Fair values of real estate investments are estimated by management using the latest valuation provided by the general partners, adjusted for contributions and withdrawals subsequent to the latest available valuation reporting date.

Fair values of private equity investment funds are estimated by management using the investment's capital account balance at the latest available reporting date, as communicated by the investment manager or general partner, adjusted for contributions and withdrawals subsequent to the latest available reporting date.

Fair values of emerging market debt investments are based on the NAV provided to management by the investment advisor for each investment structure.

Fair values of emerging market equity investments are based on the NAV provided to management by the investment advisor for the investment structure.

PSF(SBOE) investments are registered in the name of the Fund or are registered in the nominee name of the Custodian of the Fund, and are held in the name of the Fund by the Custodian. Certain physical securities are held in the name of the Fund. The absolute return investments are held within single member limited liability companies, each with an external manager. Private equity investments are managed in limited partnerships, each with an external investment manager. Real investments are executed directly with general partners utilizing limited partnership agreements. Emerging market debt investments are executed by investment advisors under investment management agreements. Emerging market equity investments are held in fund-of-one structures with executed investment management agreements with managers.

# PSF(SLB) Land Endowment and Other Real Property Investments

The land endowment is maintained on the Fund's behalf by the SLB, administered by the GLO and is held to produce income. Public domain appropriated to the Fund, including surface acres, submerged and offshore lands, and mineral rights, is reported at fair

value. In accordance with GASB 72, real estate and minerals held as investments are reported at fair value.

Fair values of the externally managed PSF(SLB) real assets investments portfolio are estimated by management using the latest valuations provided by the investment managers, adjusted for contributions and withdrawals subsequent to the latest available valuation reporting date.

The fair valuation process of PSF(SLB)'s land surface value is based on using a combination of level 2 and level 3 inputs. These inputs consist of market data from a variety of sources and surveys tempered with known transactions in the subject's competing marketplace. Values are based on estimated appraised values or are independently determined by the staff in Appraisal Services using a combination of actual sales and data from studies conducted by the Texas Chapter of the American Society of Farm Managers and Rural Appraisers, Multiple Listing Services throughout the state and CoStar commercial sales data in certain metropolitan areas. Since the majority of PSF(SLB) lands are vacant, the market approach to value is utilized and applied to the aggregate of properties located in a specific land class and region throughout the state. Except for cases where the asset has income production over and above the amount to offset holding costs, both the market and income approaches to value are utilized.

Because of the inherent uncertainty of valuations, the value of alternative investments estimated by management may differ significantly from the value that would have been used had a liquid market for these investments existed and such differences can be material to the financial statements. Actual results can differ from the estimates.

The 77th Legislature amended the Natural Resources Code (NRC) effective September 1, 2001, to allow the GLO to deposit some or all the proceeds of future mineral leases and royalties generated from existing and future active leases of the Fund's mineral interest into a special account, now called the Real Estate Special Fund Account (RESFA), to be used to acquire additional real assets investments. The 79th Legislature further amended the NRC in 2005 to clarify the purposes on which the funds can be used, including adding three additional purposes. For the use and benefit of the Fund, the proceeds in the RESFA are to be used by the SLB to add to a tract of public school land, add contiguous land to public

school land, acquire, as public school land, interests in real property for biological, commercial, geological, cultural, or recreational purposes; to acquire mineral and royalty interests; to protect, maintain, or enhance the value of public school lands; to acquire interests in real estate; and to pay reasonable fees for professional services related to Fund investments.

The 80th Legislature passed HB 3699 which further expanded the SLB's authority to use revenues generated by lands dedicated to the Fund for deposit into the RESFA to acquire, sell, lease, trade, improve, maintain, protect, or use land, mineral and royalty interests or interest in public infrastructure, or other interests. The RESFA is to be used to make prudent investments in real assets on behalf of the Fund.

#### **Income, Expenditures, and Transfers**

Investment income/loss derived from the PSF(SBOE) and the Liquid(SBOE) investment assets consists of the net increase/(decrease) in the fair value of the investments and securities lending cash collateral, securities lending revenue, and interest and dividends. All major revenue sources mentioned in the paragraphs below are susceptible to accrual.

Land endowment income, derived from the real assets administered by the GLO, consists principally of mineral royalties, bonus and delay rental payments, commercial lease payments, operating lease payments, and investment gain/loss. Investment income/loss derived from the PSF(SLB) investment assets consists of the net increase/(decrease) in the fair value of real assets investments, income, and dividends.

Royalty income is recognized upon oil and gas production and the various types of lease income are recognized during the applicable lease period. SEMP revenues are generated from the sale of natural gas supplies and enhancements from the sale of generated electricity to school districts and other governmental entities.

Operating and investment management expenditures, less securities lending rebates and fees incurred by PSF(SBOE) and PSF(SLB) are as follows:

PSF(SBOE) appropriated expenditures to administer fund assets totaled \$31,393,439, which includes \$135,000 paid directly to an external international equity investment manager. PSF(SBOE) appropriated expenditures do not include investment fees incurred and charged by general partners or investment managers in externally managed investment

portfolios. Fees for these portfolios are netted against returns for the investments and are reported as part of the net asset value on the balance sheet.

Under the direction of the GLO, \$30,392,557 was spent to manage the PSF(SLB) assets. Additionally, SEMP expenditures of \$86,783,322, also under the direction of the GLO, include the purchase of gas supplies in the open market and are reflected in the total expenditures for 2021. See Note 5 for details on SEMP.

A referendum was held in the State on November 8, 2011 and voters of the State approved non-substantive changes to the Texas Constitution to clarify references to the Fund, and approved an amendment which included an increase to the base used to calculate the Fund's distribution rate by adding to the calculation base certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (i.e., the SLB).

Article VII, Section 5 of the Texas Constitution stipulates two constraints that affect the amount to be distributed to the Available School Fund (ASF). First, the SBOE is prevented from approving a distribution rate or making transfers to the ASF that exceed 6% of the average of the market value of the Fund, excluding real property, on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium. Second, the total distributions to the ASF over the 10-year period as defined in subsection 5(a)(2) may not exceed the total return on all investment assets of the PSF(SBOE) over the same 10-year period.

On November 5, 2019, the voters of the State of Texas approved a constitutional amendment allowing increased distributions to the ASF. Section 5(g), Article VII, Texas Constitution was amended to allow the SLB to distribute to the ASF an amount not to exceed \$600 million per year from PSF(SLB) assets resulting from current year revenue, representing an increase from the prior limit of \$300 million.

The SBOE set the rate for the 2020-2021 biennium at 2.9% based on a commitment of the SLB to transfer \$55 million to the PSF(SBOE) during the biennium. The SLB transferred \$45 million to the PSF(SBOE) during the year ended August 31, 2021. Transfers from the PSF(SBOE) to the ASF totaled \$1.1 billion during the fiscal year and transfers from the PSF(SLB) to the ASF totaled \$600 million.

#### D. Fund Balance Classification

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) requires that governmental fund balances be classified in the financial statements as nonspendable, restricted, committed, assigned and unassigned. In accordance with GASB 54, fund balance is classified as nonspendable and restricted based on provisions in the Texas Constitution which limit the use of the Fund to the support of public free schools.

The Texas Constitution, Article 7 describes the fund as "permanent," specifically describes how the Fund may be spent, and also explicitly restricts the legislature from appropriating any part of the Fund to any other purpose. The Texas Constitution allows the Fund to be spent on 1) transfers to the Available School Fund in accordance with Constitutional requirements, 2) expenses of managing the PSF land and investments as appropriated by the Legislature, and 3) guaranteed bond payments in the event of default. Accordingly, that portion of the fund balance is classified as restricted based on Constitutional provisions that limit the use of the Fund to these purposes. The remainder of the fund balance is classified as nonspendable, in alignment with the Fund's permanent nature as described in the Constitution.

#### 2. DEPOSITS AND INVESTMENTS

Deposits and investments of the Fund are exposed to risks that have the potential to result in losses. GASB Statement No. 40, Deposit and Investment Risk Disclosures-An Amendment to GASB Statement No. 3 establishes and modifies disclosure requirements related to deposit and investment risks. Deposit risks include custodial credit and foreign currency risk. Investment risks include credit risk (custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. This statement applies to all state and local governments.

#### A. Investment Policies

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the Fund's assets excluding investment of the land endowment, which is the responsibility of the SLB. In making these investments, the SBOE is charged with exercising the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion, and intelligence exercise in the

management of their own affairs not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income there from as well as the probable safety of their capital. The Fund is authorized to purchase, sell, and invest its funds and funds under its control in accordance with the Texas Administrative Code. The deposit policy of the Fund states that all residual cash must be invested on a daily basis. Permissible investments subject to Constitutional and SBOE imposed restrictions include the following:

- Equities listed on well recognized principal U.S. or foreign exchanges, including common or preferred stocks; equity futures; corporate bonds, debentures, and convertible preferred corporate stocks that may be converted into equities; and investment trusts.
- Fixed income securities, including U.S. or foreign treasury or government agency obligations, U.S. or foreign corporate bonds, asset or mortgage backed securities, taxable municipal bonds, Canadian bonds, Yankee bonds, supranational bonds denominated in U.S. dollars, 144A securities, and interest rate futures. Fixed income securities, upon purchase, must be rated at least BBB by Standard and Poor's (S&P), Baa3 by Moody's Investors Service (Moody's) and BBB by Fitch. Fixed income securities may not be purchased unless there is a stated par value amount due at maturity.
- Real estate, including investments in real properties, such as apartments, office buildings, retail centers, infrastructure, timberlands and industrial parks. It also includes investments in real estate related securities and real estate related debt.
- Private equity, including venture capital, buy-out investing, mezzanine financing, distressed debt and special situation strategies.
- Absolute return investments which are a diversified bundle of primarily marketable investment strategies that seek positive returns, regardless of market direction.
- Real return investments which target a return that exceeds the rate of inflation, measured by the Consumer Price Index (CPI).
- Commodities, including investments in exchange traded futures, and U.S. Government and U.S. Government agency securities as collateral. Short-term securities held as collateral must be rated at least A-1 by S&P or P-1 by Moody's.

- Long-term securities held as collateral must be rated at least A- by S&P or A3 by Moody's.
- Short-term U.S. Government or U.S. Government agency securities, money market funds, corporate discounted instruments, corporate-issued commercial paper, U.S. or foreign bank time deposits, bankers acceptances, and fully collateralized repurchase agreements. Short term money market instruments must be rated at least A-1 by S&P or P-1 by Moody's.
- Any new form of investment or non-publicly traded investment approved by the SBOE based on risk and return characteristics consistent with Fund's goals and objectives.
- Currency hedging strategies, as approved by the SBOE, for the international portfolio.

### B. Investment Value Measurement (PSF(SBOE) and Liquid(SBOE))

Security transactions are recorded on a trade date basis. Public market investments, except those held within the alternative investments, are registered in the nominee name of the Bank of New York Mellon, the Custodian of the Permanent School Fund, at the Depository Trust Company. At the Custodian, the securities are held in the name of the Permanent School Fund. Certain physical securities are held in the name of the Fund. Alternative investments are held within LLCs (limited liability companies) or LPs (limited partnerships) in the name of the Texas Education Agency.

The Fund's PSF(SBOE) and Liquid(SBOE) managed assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GASB 72.

GASB 72 defines "fair value" as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction.

GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest

priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy under GASB 72 are described below:

- Level 1 inputs Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 inputs Inputs, other than quoted prices in active markets that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Level 3 Inputs Prices or valuations that require inputs that are both significant to the fair measurement and unobservable. Valuation under Level 3 generally involves a significant degree of judgment from management. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for the investments existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the investment.

In accordance with GASB 72, valuation techniques used for assets and liabilities accounted for at fair value are generally categorized into three types:

 Market approach valuation techniques use prices and other relevant information from market transactions involving identical or comparable assets or liabilities. Valuation techniques consistent with the market approach include comparables and matrix pricing. Comparables use market multiples, which might lie in ranges with a different multiple for each comparable. The selection of where within the range the

appropriate multiple falls requires judgment, considering both quantitative and qualitative factors specific to the measurement. Matrix pricing is a mathematical technique used principally to value certain securities without relying exclusively on quoted prices for the specific securities, but comparing the securities to benchmark or comparable securities.

- Income approach valuation techniques convert future amounts, such as cash flows or earnings, to a single present amount, or a discounted amount. These techniques rely on current market expectations of future amounts. Examples of income approach valuation techniques include present value techniques; option-pricing models, binomial or lattice models that incorporate present value techniques; and the multi-period excess earnings method.
- Cost approach valuation techniques are based upon the amount that, at present, would be required to replace the service capacity of an asset, or the current replacement cost. That is,

from the perspective of a market participant (seller), the price that would be received for the asset is determined based on the cost to market participant (buyer) to acquire or construct a substitute asset of comparable utility.

The three approaches described above are consistent with generally accepted valuation methodologies. While all three approaches are not applicable to all assets or liabilities accounted for at fair value, where appropriate and possible, one or more valuation techniques may be used. The selection of the valuation method to apply considers the definition of an exit price and the nature of the asset being valued, and significant expertise and judgment is required. For assets accounted for at fair value, the valuation selected is generally the market or income approach.

For the year ended August 31, 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following table presents information about the PSF(SBOE) and Liquid(SBOE) assets measured at fair value as of August 31, 2021.

PSF(SBOE)	Level 1	Level 2	Level 3		Total
Domestic Equity Portfolios	\$ 8,748,895,583	\$ -	\$ -	\$	8,748,895,583
International Equity Portfolio	6,714,503,153	-	-		6,714,503,153
Fixed Income Portfolio					
Asset Backed Securities	-	126,107,979	-		126,107,979
Collateralized Loan Obligations	-	130,288,160	-		130,288,160
Commercial Mortgage Backed Securities	-	41,336,366	-		41,336,366
U.S. Government Agency Commercial					
Mortgage Backed Securities	-	13,062,643	-		13,062,643
Corporate Obligations	-	1,599,540,741	-		1,599,540,741
Non-Agency Mortgage Backed Securities	-	245,394,641	-		245,394,641
Non-U.S. Government Agency Obligations	-	65,243,802	-		65,243,802
Non-U.S. Government Sovereign Debt	-	80,831,400	-		80,831,400
U.S. Government Agency Obligations	-	60,095,360	-		60,095,360
U.S. Government Agency Mortgage					
Backed Securities	_	733,301,863	_		733,301,863
U.S. Taxable Municipal Bonds	_	85,578,443	_		85,578,443
U.S. Treasury Securities	1,628,435,314	-	_		1,628,435,314
Subtotal - Fixed Income	1,628,435,314	3,180,781,398	-		4,809,216,712
Real Return - U.S. Treasury TIPS Portfolio					
U.S. Treasury TIPS	1,132,919,655	-	_		1,132,919,655
U.S. Treasury Securities	97,985,938	-	_		97,985,938
,	1,230,905,593	-	-	-	1,230,905,593
Real Return - Commodities Collateral Portfolio					
U.S. Treasury Securities	33,223,555	_	_		33,223,555
U.S. Treasuries	4 000 405 040				4 000 405 040
U.S. Treasury Securities	1,230,495,313	-	-		1,230,495,313
Cash Equivalents					
Short-term Investment Facility	 272,250,431	-	-		272,250,431
Total PSF(SBOE) investments by fair value level	\$ 19,858,708,942	\$ 3,180,781,398	\$ -	\$	23,039,490,340

Liquid(SBOE)	Level 1	Level 2	Level 3		Total
Domestic Equity Portfolios	\$ 802,614,878	\$ -	\$ -	\$	802,614,878
International Equity Portfolio	390,812,994	-	-		390,812,994
Fixed Income Portfolio					
Asset Backed Securities	-	40,131,731	-		40,131,731
Collateralized Loan Obligations	-	17,482,950			17,482,950
Commercial Mortgage Backed Securities	-	8,825,213	-		8,825,213
Corporate Obligations	-	243,487,550	-		243,487,550
Non-Agency Mortgage Backed Securities	-	58,635,156	-		58,635,156
Non-U.S. Government Agency Obligations	-	21,976,478	-		21,976,478
Non-U.S. Government Sovereign Debt	-	3,062,550	-		3,062,550
U.S. Government Agency Mortgage Backed					
Securities	-	137,508,072	-		137,508,072
U.S. Taxable Municipal Bonds	-	13,732,993	-		13,732,993
U.S. Treasury Securities	517,606,445	-	-		517,606,445
Subtotal - Fixed Income	517,606,445	544,842,693	=		1,062,449,138
Core Bond Portfolio					
Commercial Mortgage Backed Securities	9,506,938	_	-		9,506,938
Corporate Obligations	112,480,409	_	-		112,480,409
U.S. Government Agency Obligations	16,211,107	_	-		16,211,107
U.S. Government Agency Mortgage Backed					, ,
Securities	108,865,384	_	-		108,865,384
U.S. Taxable Municipal Bonds	12,281,888	_	-		12,281,888
U.S. Treasury Securities	152,287,030	_	-		152,287,030
Subtotal - Core Bond	411,632,756	 -	 -		411,632,756
U.S. Treasury TIPS Portfolio					
U.S. Treasury TIPS	210,157,550	-	-		210,157,550
Cash Equivalents					
Short-term Investment Facility	110,280,271	-	-		110,280,271
Total Liquid(SBOE) investments by fair value level	\$ 2,443,104,894	\$ 544,842,693	\$ <del>-</del>	\$	2,987,947,587
Total Investments Other Than					
PSF(SLB) Managed Land					
Endowment and Real Property	\$ 22,301,813,836	\$ 3,725,624,091	\$ -	\$	26,027,437,927
•			 	_	

The Fund utilizes the net asset value (NAV) per share as a method for determining fair value for its investments in absolute return, real estate, private equity, emerging market debt, and emerging market equity. These investments calculate the NAV consistent with Financial Accounting Standards Board's measurement principles for investment companies and the Fund does not intend to sell all or a portion of the investment for an amount that is different from the NAV. These investments are exempt from classification within the fair value hierarchy.

The following table presents information about the Fund's PSF(SBOE) managed assets measured at NAV at August 31, 2021.

### PSF(SBOE) investments measured at NAV

Absolute Return Investments	\$ 3,546,052,340
Real Estate Investments	3,706,056,721
Private Equity Investments	7,724,558,888
Emerging Market Debt	2,683,646,980
Emerging Market Equity	1,297,819,955
Total PSF(SBOE) investments measured at NAV	\$ 18,958,134,884

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

PSF(SBOE) investments measured at NAV	Fair Value	Unfund	ded Commitments	Redemption Frequency	Redemption Notice	Liquidity Expectation	
Absolute Return Investments							_
				Monthly, Quarterly, Semi-Annual, Annual,			
Credit	\$ 970,974,794	\$	-	2-year, Distribution Provision	30-180 days		(1)
Relative Value	252,133,687		-	Monthly, Quarterly	17-93 days		(2)
				Quarterly, Semi-Annual, Distribution			
Multi-Strategy	801,921,284		-	Provision	60-90 days		(3)
Equity	1,056,573,799		-	Monthly, Quarterly, Annual, Other	33-366 days		(4)
Macro	370,981,943		-	Daily, Monthly, Quarterly	1-98 days		(5)
Commodities	16,180,183		-	Daily, Quarterly	30 days		(6)
Other	77,286,650		-	Distribution Provision	None		(7)
Real Estate Investments	3,706,056,721		2,159,522,980	None	None	0-16 years	(8)
Private Equity Investments						0-15 years	(9)
Large Capital Buy-out	1,846,241,050		399,765,743	None	None		
Mid Capital Buy-out	3,161,638,086		1,081,505,059	None	None		
Special Situation	865,246,206		551,396,146	None	None		
Venture/Growth Capital	2,048,407,815		442,023,017	None	None		
Accumulated Incentive Allocation	(196,974,269)		-	None	None		
Emerging Market Debt	2,683,646,980		-	Daily	5 days		
Emerging Market Equity	 1,297,819,955		-	Daily	3 days		
Total PSF(SBOE) investments							
measured at NAV	\$ 18,958,134,884	\$	4,634,212,945	•			

- (1) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 34.6% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 29.6% of the fair value have certain gate restrictions ranging from 3.75% to 50.0%. The restriction period at August 31, 2021 ranges from September 1, 2021 to August 1, 2023 for these investments. At August 31, 2021, 12.4% of the fair value for absolute return credit was illiquid.
- (2) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 48.1% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 77.3% of the fair value have certain gate restrictions ranging from 25.0% to 50.0%. The restriction period at August 31, 2021 ranges from September 1, 2021 to January 1, 2022 for these investments.
- (3) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 41.2% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 52.0% of the fair value have certain gate restrictions ranging from 3.0% to 25.0%. The restriction period at August 31, 2021 ranges from October 1, 2021 to November 1, 2024 for these investments. At August 31, 2021, 1.1% of the fair value for absolute return multi-strategy was illiquid.
- (4) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 84.3% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 67.4% of the fair value have certain gate restrictions ranging from 12.5% to 50.0%. The restriction period at August 31, 2021 ranges from September 1, 2021 to December 2, 2022 for these investments. At August 31, 2021, 8.4% of the fair value for absolute return equity was illiquid.
- (5) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 62.5% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 77.8% of the fair value have certain gate restrictions ranging from 25.0% to 33.3%. The restriction period at August 31, 2021 ranges from September 1, 2021 to November 29, 2021 for these investments.
- (6) Investment includes fund of funds which have been valued using the NAV per share for the fund, and have no redemption or gate restrictions. The redemption period at August 31, 2021 is September 1, 2021 to October 1, 2021.
- (7) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 3.1% of the fair value do not have redemption provisions and distributions will be made as the underlying investments are liquidated. At August 31, 2021, 7.2% of the fair value for absolute return other was illiquid.
- (8) Investment includes real estate funds that primarily invest in real estate, including commercial, residential and industrial, and real estate financing. Investments are located in the Americas, Asia, Australia, New Zealand, and Europe. The investments have been valued using the NAV per share for the fund. The majority of these investments are in close end funds and cannot be redeemed. Investments representing 36.0% of the fair value are open ended, and require redemption notice ranging from 0 to 90 days. Investments representing 4.5% of the fair value have lock periods of 24 months. Distributions from each fund will be received as the underlying investments are liquidated. It is expected that the funds will be liquidated over the next 0-16 years.
- (9) Investment includes 4 separate private equity fund-of-funds and direct investments in limited partnerships, each utilizing various strategies as listed. There are no redemption provisions with the investment funds, distributions will be made as the underlying investments are liquidated. The underlying assets are expected to be liquidated over the next 0 15 years. The underlying investments are within various industries including communications, consumer services, distressed debt, diversified, energy, financial services, government services, healthcare, industrial, manufacturing, software and technology. Also included is the cumulative incentive allocation due to the fund-of-funds managers. This allocation is not allocable to the various investment strategies.

### C. Custodial Credit Risk for Deposits

The custodial credit risk for deposits is the risk that in the event of bank failure, the Fund's deposits may not be recovered. Except for the requirement to invest cash daily, the State Constitution, applicable statutes, and the Fund's investment policies do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. As of August 31, 2021, there was \$63,137,502 of PSF(SBOE) and Liquid(SBOE) uninsured and uncollateralized cash in bank subject to custodial credit risk. This cash in bank balance represents the U.S. dollar equivalent of amounts held in foreign currencies and cash received but not yet invested. It is for trades for which settlement is pending, dividend payments that are awaiting repatriation, and cash invested overnight at the Fund's custodial bank. The remaining PSF(SLB) balance of \$535,425 is uninsured and uncollateralized cash in bank subject to custodial credit risk. This represents the PSF(SLB) cash portion of a tenancy in common development project and other limited partnership development projects.

Most of the cash managed by the PSF(SBOE) and the Liquid(SBOE) is deposited in the State Treasury in an external investment pool managed by the Texas Comptroller of Public Accounts (CPA). The CPA invests in authorized investments consistent with applicable law and the CPA investment policy. The CPA pools funds for investment purposes and allocates investment earnings on pooled funds proportionately among the various state agencies whose funds are so pooled. Currently, most pooled funds are invested in repurchase agreements, reverse repurchase agreements, obligations of the United States and its agencies and instrumentalities, and fully collateralized deposits in authorized state depositories. All investments are marked to market daily, using an external pricing service. The State Treasury deposits are not subject to custodial risk because the State Treasury has an arrangement with financial institutions to collateralize state deposits in excess of depository insurance.

The cash attributable to the PSF(SLB) real assets investment portfolio is deposited in the State Treasury and invested as described in the preceding paragraph; therefore, those deposits are not exposed to custodial credit risk.

### D. Custodial Credit Risk for Investments (PSF(SBOE) and Liquid(SBOE))

The custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Fund will not be able to recover the value of the investment or securities held as collateral that are in the possession of an outside party. PSF(SBOE) and Liquid(SBOE) investments are registered in the name of the Fund or are registered in the nominee name of the Bank of New York Mellon Corporation and held in the name of the Fund at the Bank of New York Mellon Corporation. PSF(SBOE) and Liquid(SBOE) investments are not subject to custodial credit risk. However, the invested securities lending collateral detailed below as of August 31, 2021, is subject to custodial credit risk because the collateral is purchased and held by the counterparty, the Bank of New York Mellon Corporation is contracted to serve as both the custodian and the securities lending agent.

The Fund measures the fair value of its securities lending program cash collateral by the same methodology described above, as follows:

<b>PSF</b>	(SBOE)	Invested

Securities Lending Collateral	Cost Basis	Fair Value	Level 1	Level 2	Level 3
Asset Backed Floating Rate Notes	\$ 123,236,940	\$ 123,299,571	\$ -	\$ 123,299,571	\$ -
Certificate of Deposit	351,975,028	351,993,597	-	351,993,597	-
Commercial Paper	212,640,086	212,657,279	-	212,657,279	-
Corporate Floating Rate Notes	1,357,984,426	1,348,145,436	-	1,348,145,436	-
Repurchase Agreements	56,638,699	56,638,699	-	56,638,699	-
Time Deposits	94,930,000	94,930,000		94,930,000	
Total PSF(SBOE) Securities Lending Collateral	\$ 2,197,405,179	\$ 2,187,664,582	\$ -	\$ 2,187,664,582	\$ -

### Liquid(SBOE) Invested

Securities Lending Collateral	 Cost Basis	 Fair Value	Lev	vel 1	 Level 2	Lev	el 3
Asset Backed Floating Rate Notes	\$ 1,812,655	\$ 1,812,948	\$	-	\$ 1,812,948	\$	-
Certificate of Deposit	98,430,386	98,435,747		-	98,435,747		-
Commercial Paper	75,881,070	75,885,219		-	75,885,219		-
Corporate Floating Rate Notes	244,299,388	244,319,443		-	244,319,443		-
Repurchase Agreements	 14,534,087	 14,534,087		-	 14,534,087		
Total Liquid(SBOE) Securities Lending Collateral	\$ 434,957,586	\$ 434,987,444	\$	-	\$ 434,987,444	\$	

The State Constitution, applicable statutes, and the PSF(SBOE) investment policies do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments, including securities lending collateral investments.

### E. Credit Risk for Debt Investments (PSF(SBOE) and Liquid(SBOE))

Credit risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligation to pay interest and repay principal. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO).

The rated debt investments of the PSF(SBOE) and Liquid(SBOE) as of August 31, 2021, are as follows:

- If ratings are comparable between all NRSROs, the S&P rating scale is used to rate the securities.
- On securities with split or different ratings between the NRSROs, the rating indicative of the greatest level of risk is disclosed.

 For purposes of this disclosure, ratings have been aggregated to the base alpha rating.

PSF(SBOE) Investment Type	Rating	Rating Service	Fair Value
Asset Backed Securities	AAA	S&P	\$ 7,957,425
Asset Backed Securities	AAA	Fitch	4,264,145
Asset Backed Securities	AA	S&P	38,114,653
Asset Backed Securities	Aa	Moody's	12,522,635
Asset Backed Securities	Α	S&P	12,112,774
Asset Backed Securities	Α	Fitch	11,826,644
Asset Backed Securities	A	Moody's	20,040,484
Asset Backed Securities	BBB	S&P	17,618,152
Asset Backed Securities Total Asset Backed Securities	BBB	Fitch	1,651,067
			126,107,979
Collateralized Loan Obligations	AA	S&P	9,000,000
Collateralized Loan Obligations	Aa A	Moody's S&P	9,750,000
Collateralized Loan Obligations Collateralized Loan Obligations	Ä	Moody's	12,857,736 12,509,649
Collateralized Loan Obligations	BBB	S&P	5,059,673
Collateralized Loan Obligations	Baa	Moody's	81,111,102
Total Collateralized Loan Obligations		,	130,288,160
Commercial Mortgage Backed Obligations	Α	Moody's	12,334,156
Commercial Mortgage Backed Obligations	BBB	Fitch	29,002,210
Total Commercial Mortgage Backed Ol			41,336,366
Corporate Obligations	AA	S&P	84,746,367
Corporate Obligations	AA	Fitch	9,861,353
Corporate Obligations	Aa	Moody's	7,504,399
Corporate Obligations	Α	S&P	252,891,816
Corporate Obligations	Α	Fitch	28,362,906
Corporate Obligations	A	Moody's	67,318,863
Corporate Obligations	BBB	S&P	795,985,118
Corporate Obligations Corporate Obligations	BBB	Fitch	140,515,124 186,670,999
Corporate Obligations	Baa BB	Moody's S&P	9,927,220
Corporate Obligations	Ba	Moody's	15,756,276
Total Corporate Obligations	Du	Wioddy 5	1,599,540,441
Non Agency Mortgage Backed Securities	AAA	S&P	29,040,738
Non Agency Mortgage Backed Securities	AAA	Fitch	28,212,263
Non Agency Mortgage Backed Securities	Aaa	Moody's	30,798,014
Non Agency Mortgage Backed Securities	AA	S&P	2,299,546
Non Agency Mortgage Backed Securities	AA	Fitch	12,175,304
Non Agency Mortgage Backed Securities	Aa	Moody's	45,982,581
Non Agency Mortgage Backed Securities	Α	Fitch	21,673,100
Non Agency Mortgage Backed Securities	A	Moody's	36,748,407
Non Agency Mortgage Backed Securities Non Agency Mortgage Backed Securities	BBB Baa	Fitch Moody's	24,191,568 14,273,120
Total Non Agency Mortgage Backed Se		Moody's	245,394,641
	AAA	000	
Non U.S. Government Agency Obligations Non U.S. Government Agency Obligations	AAA	S&P Fitch	15,127,394 10,203,051
Non U.S. Government Agency Obligations	AAA	S&P	5,600,000
Non U.S. Government Agency Obligations	AA	Fitch	4,284,869
Non U.S. Government Agency Obligations	A	S&P	5,154,612
Non U.S. Government Agency Obligations	Α	Fitch	3,401,805
Non U.S. Government Agency Obligations	BBB	S&P	14,316,010
Non U.S. Government Agency Obligations	BB	Fitch	7,156,061
Total Non U.S. Government Agency Ol	oligations		65,243,802
Non-U.S. Government Sovereign Debt	Α	Fitch	15,261,328
Non-U.S. Government Sovereign Debt	BBB	S&P	12,601,499
Non-U.S. Government Sovereign Debt	BBB	Fitch	32,473,473
Non-U.S. Government Sovereign Debt Total Non-U.S. Government Sovereign	BB	S&P	20,495,100 80,831,400
	Debt		60,631,400
U.S. Government Agency Commercial		Fitab	0.407.070
Mortgage Backed Securities	AA	Fitch	9,407,070
U.S. Government Agency Commercial Mortgage Backed Securities	BBB	Fitch	3,655,573
Total U.S. Government Agency Comm			
	AA	S&P	
U.S. Government Agency Obligations  Total U.S. Government Agency Obligations		Jai	60,095,360 60,095,360
			00,030,000
U.S. Government Agency Mortgage Backed		COD	700 004 000
Securities Total U.S. Government Agency Mortga	AA Iga Backad Sai	S&P	733,301,863
			733,301,863
U.S. Taxable Municipal Bonds	AAA	S&P	15,668,817
U.S. Taxable Municipal Bonds	AA	S&P	15,020,742
U.S. Taxable Municipal Bonds U.S. Taxable Municipal Bonds	AA Aa	Fitch Moody's	14,526,404 24,656,905
U.S. Taxable Municipal Bonds	Aa A	Moody's S&P	5,185,162
U.S. Taxable Municipal Bonds	A	Fitch	10,520,413
Total U.S. Taxable Municipal Bonds	••		85,578,443
U.S. Treasury Inflation Protected Securities	AA	S&P	1,132,919,655
Total U.S. Treasury Inflation Protected		Jar	1,132,919,655
		COD	
U.S. Treasury Securities Total U.S. Treasury Securities	AA	S&P	2,990,140,120 2,990,140,120
Total U.S. Treasury Securities			
Total Credit Risk Rated Debt Securities	S		\$7,303,840,873
	/ithdrawn Rating	g Moody's	300
Total PSF(SBOE) Credit Risk Rated Debt S		-	\$7,303,841,173

Liquid(SBOE) Investment Type	Rating	Rating Service	Fair Value
Asset Backed Securities	AAA	S&P	\$ 10,603,010
Asset Backed Securities	AA	S&P	11,918,674
Asset Backed Securities	AA	Fitch	10,085,208
Asset Backed Securities	Aa	Moody's	7,524,677
Asset Backed Securities	BBB	Fitch	162
Total Asset Backed Securities			40,131,731
Collateralized Loan Obligations	Aaa	Moody's	9,494,063
Collateralized Loan Obligations	AA	S&P	2,988,681
Collateralized Loan Obligations	Α	S&P	5,000,206
Total Collateralized Loan Obligations			17,482,950
Commercial Mortgage Backed Obligations	AAA	S&P	9,506,938
Commercial Mortgage Backed Obligations	AAA	Fitch	2,303,560
Commercial Mortgage Backed Obligations	Aa	Moody's	2,750,000
Commercial Mortgage Backed Obligations	Α	Fitch	2,828,739
Commercial Mortgage Backed Obligations	BBB	Fitch	942,914
Total Commercial Mortgage Backed Oblig	gations		18,332,151
Corporate Obligations	Α	S&P	138,395,690
Corporate Obligations	Α	Fitch	3,060,005
Corporate Obligations	Α	Moody's	7,418,422
Corporate Obligations	BBB	S&P	160,127,896
Corporate Obligations	BBB	Fitch	5,302,150
Corporate Obligations	Baa	Moody's	24,467,059
Corporate Obligations	BB	S&P	11,984,237
Corporate Obligations	Ba	Moody's	5,212,500
Total Corporate Obligations		, -	355,967,959
Non Agency Mortgage Backed Securities	AAA	Fitch	11,566,351
Non Agency Mortgage Backed Securities	Aaa	Moody's	18,229,509
Non Agency Mortgage Backed Securities	AA	Fitch	6,432,167
Non Agency Mortgage Backed Securities	Aa	Moody's	17,190,286
Non Agency Mortgage Backed Securities	A	Moody's	5,216,843
Total Non Agency Mortgage Backed Seci		Woody 3	58,635,156
, ,			
Non U.S. Government Agency Obligations	AA	Fitch	5,012,308
Non U.S. Government Agency Obligations	BBB	S&P	16,964,170
Total Non U.S. Government Agency Obli	gations		21,976,478
Non-U.S. Government Sovereign Debt	BBB	S&P	3,062,550
Total Non-U.S. Government Sovereign D	ebt		3,062,550
U.S. Government Agency Obligations	AA	S&P	16,211,107
Total U.S. Government Agency Obligatio	ns		16,211,107
U.S. Government Agency Mortgage		225	
Securities	AA	S&P	246,373,456
Total U.S. Government Agency Mortgage	Backed Secu	ırities	246,373,456
U.S. Taxable Municipal Bonds	AA	S&P	12,281,888
U.S. Taxable Municipal Bonds	Aa	Moody's	9,864,764
U.S. Taxable Municipal Bonds	Α	Fitch	3,868,229
Total U.S. Taxable Municipal Bonds			26,014,881
U.S. Treasury Inflation Protected Securities	AA	S&P	210,157,550
Total U.S. Treasury Inflation Protected S	Securities		210,157,550
U.S. Treasury Securities	AAA	S&P	152,287,030
U.S. Treasury Securities	AA	S&P	517,606,445
Total U.S. Treasury Securities			669,893,475
Total Liquid(SBOE) Credit Risk Rated De	bt Securities		\$ 1,684,239,444

### F. Credit Risk for Invested Securities Lending Collateral (PSF(SBOE) and Liquid(SBOE))

The following presents the rated investments of the cash collateral as of August 31, 2021. The investment policy of the PSF(SBOE) defines the various permissible collateral investments including required ratings, at the time of purchase. Negotiable certificates of deposit drawn on certain prescribed banks, commercial paper, asset backed commercial paper, and short term corporate debt other than commercial paper must carry a "Tier 1" rating, defined as the highest short-term rating category by S&P, Moody's or Fitch. Asset backed securities shall be rated Aaa or AAA by Moody's and S&P, respectively. Reverse repurchase agreements must have a counterparty rated Tier 1 and the underlying collateral

shall be Tier 1 if the security is a short term security and at least Aa2 Moody's/AA S&P or better if the collateral is corporate debt (other than commercial paper). Foreign sovereign debt issued by a foreign government rated Aa2 Moody's/AA S&P or better is permissible collateral. For purposes of this disclosure, ratings have been aggregated to the base alpha rating.

PSF(SBOE) Investment Type	Rating	Rating Service	Fair Value
Asset Backed Floating Rate Notes	AAA	S&P	\$ 104,733,709
Asset Backed Floating Rate Notes	AAA	Fitch	18,565,862
Total Asset Backed Floating F	Rate Notes	5	123,299,571
Certificate of Deposit	A-1	S&P	227.014.625
Certificate of Deposit	F-1	Fitch	102,579,074
Certificate of Deposit	P-1	Moody's	22,399,898
Total Certificate of Deposit			351,993,597
Commercial Paper	A-1	S&P	205,262,844
Commercial Paper	F-1	Fitch	7,394,435
Total Commercial Paper			212,657,279
Floating Rate Notes	AA	S&P	317,277,437
Floating Rate Notes	Α	S&P	780,439,973
Floating Rate Notes	Α	Fitch	236,145,069
Floating Rate Notes	Α	Moody's	14,282,957
Total Floating Rate Notes		•	1,348,145,436
	Not		
Repurchase Agreements	Rated		56,638,699
Total Repurchase Agreements	s		56,638,699
Time Deposits	A-1	S&P	68,490,000
Time Deposits	P-1	Moody's	26,440,000
Total Time Deposits		-	94,930,000
Total PSF(SBOE) Investments	S		\$ 2,187,664,582

Liquid(SBOE) Investment Type	Rating	Rating Service	Fair Value
Asset Backed Floating Rate Notes	AAA	S&P	\$ 1,502,683
Asset Backed Floating Rate Notes	AAA	Fitch	310,265
Total Asset Backed Floating F	Rate Notes	;	1,812,948
Certificate of Deposit	A-1	S&P	67,335,053
Certificate of Deposit	F-1	Fitch	21,175,631
Certificate of Deposit	P-1	Moody's	9,925,063
Total Certificate of Deposit		moody c	98,435,747
Commercial Paper	A-1	S&P	70,839,016
Commercial Paper	F-1	Fitch	5,046,203
Total Commercial Paper			75,885,219
Floating Rate Notes	AA	S&P	61,320,903
Floating Rate Notes	Α	S&P	137,598,082
Floating Rate Notes	Α	Fitch	45,400,458
Total Floating Rate Notes			244,319,443
-	Not		,,
Repurchase Agreements	Rated		14,534,087
Total Repurchase Agreements	s		14,534,087
Total Liquid(SBOE) Investmer	nts		\$ 434,987,444

The remainder of this column intentionally left blank.

### G. Interest Rate Risk for Debt Investments (PSF(SBOE) and Liquid(SBOE))

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of the investment. Duration is a measure of the price sensitivity of a debt investment to changes arising from movements in interest rates.

Duration is the weighted average maturity of an instrument's cash flows, where the present value of the cash flows serves as the weights. The duration of an instrument can be calculated by first multiplying the time until receipt of cash flow by the ratio of the present value of that cash flow to the instrument's total present value. The sum of these weighted time periods is the duration of the instrument. Effective duration extends this analysis to incorporate an option adjusted measure of an instrument's sensitivity to changes in interest rates. The SBOE approved Investment Procedures Manual mandates the average duration of the following portfolios be consistent with the following indices:

- Core Fixed Income Bloomberg U.S. Aggregate Bond Index
- U.S. Treasuries Bloomberg U.S. Long Treasury Total Return
- Real Return (TIPS) Bloomberg U.S Treasury: U.S. TIPS Index
- Emerging Market Debt JPM GBI-EM Global Diversified Index
- Liquid Core Fixed Income Bloomberg U.S. Aggregate Bond Index
- Liquid TIPS Bloomberg U.S. Treasury: U.S. TIPS Index
- Liquid Short Duration Fixed Income Bloomberg U.S. 1-3 Year Aggregate Total Return

As of August 31, 2021, the Bloomberg U.S. Aggregate Bond index duration is 6.65 years, the Bloomberg U.S. Long Treasury Total Return index duration is 18.89, the Bloomberg U.S. TIPS Index duration is 7.91 years, the JPM GBI-EM Global Diversified Index duration is 5.23 years, and the Bloomberg U.S. 1-3 Year Aggregate Total Return index duration is 1.93 years.

Investments by investment type, fair value, and the effective weighted duration rate as of August 31, 2021, are as follows for the Core Fixed Income, U.S. Treasuries, Real Return, Emerging Market Debt, Liquid Core Fixed Income, Liquid TIPS, and Liquid Short Duration Fixed Income portfolios:

		Effective Weighted
		Duration
PSF(SBOE) Investment Type	Fair Value	Years
Asset Backed Securities	\$ 126,107,979	2.471
Collateralized Loan Obligations	130,288,160	0.165
Commercial Mortgage Backed Securities	41,336,366	6.063
U.S. Government Agency Commercial		
Mortgage Backed Securities	13,062,643	2.046
Corporate Obligations	1,599,540,741	8.783
Non-Agency Mortgage Backed Securities	245,394,641	3.194
Non-U.S. Government Agency Obligations	65,243,802	2.766
Non-U.S. Government Sovereign Debt	80,831,400	7.008
U.S. Government Agency Obligations	60,095,360	4.788
U.S. Government Agency Mortgage		
Backed Securities	733,301,863	5.095
U.S. Taxable Municipal Bonds	85,578,443	8.279
U.S. Treasury Securities	1,628,435,314	6.833
Total PSF(SBOE) Fixed Income Portfolio	\$ 4,809,216,712	6.664
Real Return - U.S. Treasury TIPS Portfolio		
U.S. Treasury Securities	\$ 97,985,938	6.894
U.S. Treasury TIPS	1,132,919,655	7.590
Total Real Return - U.S. Treasury TIPS Portfolio	\$ 1,230,905,593	7.535
Real Return Commodities		
U.S. Treasury Securities	\$ 33,223,555	0.451
U.S. Treasuries Portfolio		
U.S. Treasury Securities	\$ 1,230,495,313	17.979
Emerging Market Debt Portfolio	\$ 2,683,646,980	5.310

			Effective Weighted
			Duration
Liquid(SBOE) Investment Type		Fair Value	Years
Asset Backed Securities	\$	40,131,731	3.160
Collateralized Loan Obligations		17,482,950	0.164
Commercial Mortgage Backed Securities		8,825,213	0.582
Corporate Obligations		243,487,550	2.933
Non-Agency Mortgage Backed Securities		58,635,156	5.410
Non-U.S. Government Agency Obligations		21,976,478	1.209
Non-U.S. Government Sovereign Debt		3,062,550	0.640
U.S. Government Agency Mortgage Backed			
Securities		137,508,072	5.620
U.S. Taxable Municipal Bonds		13,732,993	0.762
U.S. Treasury Securities	_	517,606,445	1.154
Total Liquid(SBOE) Fixed Income Portfolio	\$	1,062,449,138	2.424
	_		
Core Bond Portfolio			
Commercial Mortgage Backed Securities	\$	9.506.938	5.100
Corporate Obligations		112,480,409	8.497
U.S. Government Agency Obligations		16,211,107	3.830
U.S. Government Agency Mortgage Backed		-, , -	
Securities		108,865,384	4.480
U.S. Taxable Municipal Bonds		12,281,888	9.200
U.S. Treasury Securities		152,287,030	6.657
Total Core Bond Portfolio	\$	411,632,756	6.512
	_		
U.S. Treasury TIPS Portfolio			
U.S. Treasury TIPS	\$	210,157,550	7.577

### H. Interest Rate Risk for Invested Securities Lending Collateral (PSF(SBOE) and Liquid(SBOE))

The following provides information about the interest rate risks and maturities associated with invested securities lending collateral by investment type. The PSF(SBOE) investment policy defines the maturities of all permissible securities lending collateral investments. The maximum maturity of invested securities lending collateral is 397 days on fixed rate and 3 years on floating rate securities, except for bank time deposits which is 60 days, bankers acceptances which is 45 days, and reverse repurchase agreements which is 180 days. The maximum weighted average maturity of the entire collateral portfolio must be 180 days or less. The maximum weighted average interest rate exposure of the entire collateral portfolio must be 60 days or less.

PSF(SBOE) Investment Type		PSF(SBOE) Investment Type Fair Value		Fair Value	Investment Maturities Less Than One Year			Investment Maturities Greater Than One Year	
Asset Backed Floating									
Rate Notes	\$	123,299,571	\$	123,299,571	\$	-			
Certificates of Deposit		351,993,597		351,993,597		-			
Commercial Paper		212,657,279		212,657,279		-			
Corporate Floating Rate Notes		1,348,145,436		1,326,393,702		21,751,734			
Repurchase Agreements		56,638,699		56,638,699		-			
Time Deposits		94,930,000		94,930,000		-			
Total PSF(SBOE)	\$	2,187,664,582	\$	2,165,912,848	\$	21,751,734			

Liquid(SBOE) Investment Type		Fair Value	Investment Maturities Less Than One Year		Investment Maturities Greater Than One Year		
Asset Backed Floating							
Rate Notes	\$	1,812,948	\$	1,812,948	\$	-	
Certificates of Deposit		98,435,747		98,435,747		-	
Commercial Paper		75,885,219		75,885,219		-	
Corporate Floating Rate Notes		244,319,443		238,019,076		6,300,367	
Repurchase Agreements		14,534,087		14,534,087		-	
Total Liquid(SBOE)	\$	434,987,444	\$	428,687,077	\$	6,300,367	

#### I. Concentration of Credit Risk

Concentration of credit risk is the risk of loss due to the magnitude of the Fund's investment in a single issuer. The investment policies of the PSF(SBOE) and the Liquid(SBOE) preclude engaging in any purchase transaction after which the cumulative market value of equity securities, fixed income securities, or cash equivalent securities of a single corporation (excluding the U. S. government or its agencies) exceeds 2.5% of the PSF(SBOE) and the Liquid(SBOE) total market value or 5.0% of the manager's total portfolio market value.

As of August 31, 2021, the PSF(SBOE) and Liquid(SBOE) were not exposed to any credit risk exceeding parameters described in the preceding paragraph.

# J. Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes (PSF(SBOE) and Liquid(SBOE))

In accordance with PSF(SBOE) and Liquid(SBOE) investment policies, the PSF(SBOE) and Liquid(SBOE) may invest in asset-backed and mortgage-backed obligations. The PSF(SBOE) and Liquid(SBOE) may also invest in investments that have floating rates with periodic changes in market rates, zero coupon bonds, and stripped U.S. Treasury and Agency securities created from coupon securities. As of August 31, 2021, the PSF(SBOE) and Liquid(SBOE) held investments that are highly sensitive to interest rate changes.

Mortgage-backed obligations are subject to early principal payment in a period of declining interest rates. These securities also tend to increase in duration as interest rates rise. The resultant reduction or extension in expected cash flows will affect the fair value of these securities. As of August 31, 2021, these securities in PSF(SBOE) and Liquid(SBOE) totaled \$1,356,436,276.

Collateralized loan obligations are asset-backed securities backed by the receivables on leveraged business loans and are similar to collateralized mortgage obligations. The investor receives scheduled debt payments from the underlying loans but assumes most of the risk in the event that borrowers default. The securities held are in low duration tranches to mitigate default risk but are still subject to this risk. As of August 31, 2021, these securities in PSF(SBOE) totaled \$147,771,110.

Asset-backed obligations are backed by home equity loans, auto loans, equipment loans, and credit card receivables. Pre-payments by the obligees of the underlying assets in periods of declining interest rates could reduce or eliminate the stream of income that would have been received. Conversely, rising interest rates could extend the stream of income that would have been received. As of August 31, 2021, these securities in PSF(SBOE) and Liquid(SBOE) totaled \$166,239,710.

### K. Foreign Currency Risk for Deposits and Investments (PSF(SBOE) and Liquid(SBOE))

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or an investment. Exposure to foreign currency risk as of August 31, 2021, is as follows:

PSF(SBOE) Deposits	Amount		
Currency			
Australian Dollar	\$	235,719	
Brazil Real		453,338	
Canadian Dollar		4,066,759	
Chilean Peso		1,446	
Chinese Yuan Renminbi		69,982	
Colombian Peso		377,011	
Danish Krone		14,829	
Euro Currency Unit		1,567,932	
Hong Kong Dollar		239,951	
Hungarian Forint		93,818	
Indonesian Rupiah		149,337	
Israeli Shekel		166,227	
Japanese Yen		17,643	
Mexican Peso		387,602	
Moroccan Dirham		1	
New Taiwan Dollar		1,897,674	
New Zealand Dollar		1	
Norwegian Krone		1,571,353	
Philippines Peso		141,138	
Polish Zloty		47,496	
Pound Sterling		1	
Qatari Riyal		183,498	
Russian Ruble (New)		1	
Singapore Dollar		306,005	
South African Rand		177,593	
South Korean Won		823,774	
Swiss Franc		312,725	
Thailand Baht		563,428	
Turkish Lira		117,027	
UAE Dirham		146,746	
Total PSF(SBOE) Deposits Subject to			
Foreign Currency Risk	\$	14,130,055	

Liquid(SBOE) Deposits	Amount		
Currency			
Australian Dollar	\$	115,532	
Brazil Real		16,827	
Canadian Dollar		112,344	
Chinese Yuan Renminbi		3,089	
Colombian Peso		330	
Danish Krone		18,549	
Euro Currency Unit		68,755	
Hong Kong Dollar		30,027	
Israeli Shekel		1,404	
Japanese Yen		28,410	
Malaysian Ringgit		1	
Mexican Peso		4,950	
New Taiwan Dollar		169,441	
New Zealand Dollar		2	
Norwegian Krone		13,082	
Philippines Peso		485	
Polish Zloty		1	
Pound Sterling		99,859	
Qatari Riyal		1	
Russian Ruble (New)		3,642	
Saudi Arabia Riyal		351	
Singapore Dollar		1,497	
South African Rand		41	
South Korean Won		20,189	
Swedish Krona		5,666	
Swiss Franc		2,014	
Thailand Baht		38,468	
Turkish Lira		401	
UAE Dirham		11,863	
Total Liquid(SBOE) Deposits Subject to			
Foreign Currency Risk	\$	767,221	

PSF(SBOE) Investments in Equity Securities	Inte	ernational Equity	Alternative nvestments	Fair Value
Currency				
Australian Dollar	\$	301,263,174	\$ 40,336,143	\$ 341,599,317
Brazil Real		99,934,023	-	99,934,023
Canadian Dollar		475,221,804	-	475,221,804
Chilean Peso		8,588,195	_	8,588,195
Chinese Yuan Renminbi		90,958,541	_	90,958,541
Colombian Peso		4,068,085	_	4,068,085
Czech Koruna		2,620,342	_	2,620,342
Danish Krone		119,491,632	_	119,491,632
Egyptian Pound		1.466.032		1,466,032
Euro Currency Unit		1,461,398,516	449,779,939	1,911,178,455
Hong Kong Dollar		602,400,690	443,773,333	602,400,690
Hungarian Forint		5,047,396	_	5,047,396
Indonesian Rupiah		24,556,867	_	24,556,867
Israeli Shekel		17,930,443		17,930,443
Japanese Yen		978,907,109	-	978,907,109
Malaysian Ringgit		30,677,448	-	30,677,448
Mexican Peso		38,998,522	-	38,998,522
New Taiwan Dollar		299,193,451	-	299,193,451
New Zealand Dollar		13,051,437	-	13,051,437
Norwegian Krone		27,790,508	-	27,790,508
Philippines Peso		13,881,181	-	13,881,181
Polish Zloty		17,263,721	-	17,263,721
Pound Sterling		591,793,218	220,018,697	811,811,915
Qatari Riyal		16,649,005	-	16,649,005
Russian Ruble (New)		41,507,708	-	41,507,708
Singapore Dollar		45,453,349	-	45,453,349
South African Rand		72,844,235	-	72,844,235
South Korean Won		258,237,797	-	258,237,797
Swedish Krona		159,047,999	-	159,047,999
Swiss Franc		427,734,289	-	427,734,289
Thailand Baht		37,124,771	-	37,124,771
Turkish Lira		5,963,989	-	5,963,989
UAE Dirham		18,663,002	-	18,663,002
Total PSF(SBOE) Securities Subject to				
Foreign Currency Risk	\$	6,309,728,479	\$ 710,134,779	\$ 7,019,863,258

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Investments in Equity Securities		Fair Value
Currency		i all value
Australian Dollar	\$	17,305,908
Brazil Real	Ψ	5,869,785
Canadian Dollar		27,377,883
Chilean Peso		459,038
Chinese Yuan Renminbi		5,372,512
Colombian Peso		155,860
Czech Koruna		174,814
Danish Krone		,
		6,861,933
Egyptian Pound		55,874
Euro Currency Unit		84,060,918
Hong Kong Dollar		35,132,013
Hungarian Forint		329,449
Indonesian Rupiah		1,500,740
Israeli Shekel		872,601
Japanese Yen		56,864,817
Malaysian Ringgit		1,619,925
Mexican Peso		2,320,255
New Taiwan Dollar		17,268,972
New Zealand Dollar		639,586
Norwegian Krone		1,344,181
Philippines Peso		673,036
Polish Zloty		821,232
Pound Sterling		35,306,047
Qatari Riyal		858,123
Russian Ruble (New)		96,287
Saudi Arabia Riyal		3,560,813
Singapore Dollar		2,523,446
South African Rand		3,762,461
South Korean Won		14,907,301
Swedish Krona		9,290,523
Swiss Franc		24,842,611
Thailand Baht		1,997,607
Turkish Lira		234,868
UAE Dirham		1,007,748
Total Liquid(SBOE) Securities Subject to	•	005 400 : 55
Foreign Currency Risk	\$	365,469,167

The investment policy of the PSF(SBOE) and Liquid(SBOE) allow for international diversification to improve the risk and return characteristics of the PSF(SBOE) and Liquid(SBOE). As such, the PSF(SBOE) and Liquid(SBOE) investments are exposed to foreign currency risk. The investment policy of the PSF(SBOE) and Liquid(SBOE) does not contain legal or policy requirements that limit the exposure to foreign currency risk. With SBOE approval, the Fund is permitted to hedge currency. Hedging currency is a way to limit exposure to foreign currency risk. Currently, foreign currency exchange forward contracts are only executed as part of normal trading of foreign denominated equity securities and real estate and private equity investments; therefore, no hedging occurred.

### 3. PSF(SLB) INVESTMENT IN LAND, MINERAL INTERESTS AND REAL ASSETS INVESTMENTS

The Texas Constitution also establishes the authority of the GLO, which is responsible for managing most state-owned lands and minerals and is responsible for protecting the economic future of the Texas Gulf Coast by preserving all vital assets and natural resources from erosion. The GLO administers the land endowment and real assets investments under the direction of the SLB. Before using funds for prescribed purposes, the SLB must determine, using the prudent investor standard, which is the best use of the funds for the intended purpose of the Fund. The PSF(SLB) real assets investments are diversified across the real estate, infrastructure. energy/minerals sectors.

The historical cost and fair value of PSF(SLB) land, mineral interests, and real assets investments for the year ending August 31, 2021, are included in the following table. Permanent improvements may be included in the costs or fair values of the surface acres, although such improvements are not specifically identified. All acreage totals provided are approximations.

Investment Type	<b>Historical Cost</b>	Fair Value
Investments in Real Assets		_
Sovereign Lands (1)	\$ 839,157	\$ 268,211,845
Discretionary Internal		
Investments (3)	144,617,236	223,943,291
Domestic Equity	4,713,600	1,763,420
Other Lands	38,227,093	137,194,771
Minerals (2)	13,436,800	2,720,356,986
Investments with External		
Managers (4)	4,655,897,263	4,636,558,112
Total Investments (5)	\$ 4,857,731,149	\$ 7,988,028,425
Cash in State Treasury (6)	699,201,369	 699,201,369
Total Investments and Cash		
in State Treasury	\$ 5,556,932,518	\$ 8,687,229,794
Consisting of the following:		
Noncurrent Investments	\$ 4,857,731,149	\$ 7,988,028,425
Total Investments, as above	\$ 4,857,731,149	\$ 7,988,028,425

The remainder of this column intentionally left blank.

The Fund's PSF(SLB) managed assets recorded at fair value have been characterized based upon the fair value hierarchy in accordance with GASB 72 as described in Note 2. The following table presents information about the PSF(SLB) managed assets at fair value as of August 31, 2021.

Investments in Real Assets	Level 1	Level 2	Level 3	Total
Domestic Equity	\$ 1,763,420	\$ -	\$ -	\$ 1,763,420
Sovereign Lands	-	-	268,211,845	268,211,845
Discretionary Internal				
Investments	-	-	223,943,291	223,943,291
Other Lands	-	-	137,194,771	137,194,771
Minerals	 -	 -	 2,720,356,986	 2,720,356,986
Total investments				
by fair value level	\$ 1,763,420	\$ -	\$ 3,349,706,893	\$ 3,351,470,313

The Fund utilizes the NAV per share as a method for determining the fair value of its PSF(SLB) managed investments with external investment managers. The following table presents information about the Fund's PSF(SLB) managed assets measured at net asset value.

### Investments measured at NAV

Total investments	\$_	4,636,558,112
Infrastructure	_	1,652,262,846
Real Estate		1,276,777,441
Energy	\$	1,707,517,825
Investments with external managers		

<sup>(1)</sup> Historical cost of investments at August 31, 2021

<sup>(2)</sup> Includes an estimated 1,000,000 acres in freshwater rivers.

<sup>(3)</sup> Includes commercial real estate investments only.

<sup>(4)</sup> Includes investments in commercial real estate, infrastructure, and energy/minerals.

 <sup>(5)</sup> Includes an estimated 1,747,600 in excess acreage.
 (6) Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the state of Texas.

Fair	Unfunded	Redemption	Redemption	Liquidity
Value	Commitments	Frequency	Notice	Expectation
\$1,707,517,825	\$ 776,559,968	none	none	2-12 years
585,400,487	493,538,272	none	none	2-12 years
691,376,954	100,000,000	Quarterly	45-90 days	2-12 years
1,652,262,846	873,728,017	none	none	2-12 years
\$4,636,558,112	\$ 2,243,826,257			
	\$1,707,517,825 585,400,487 691,376,954 1,652,262,846	Value         Commitments           \$1,707,517,825         \$ 776,559,968           585,400,487         493,538,272           691,376,954         100,000,000           1,652,262,846         873,728,017	Value         Commitments         Frequency           \$1,707,517,825         \$ 776,559,968         none           585,400,487         493,538,272         none           691,376,954         100,000,000         Quarterly           1,652,262,846         873,728,017         none	Value         Commitments         Frequency         Notice           \$1,707,517,825         \$ 776,559,968         none         none           585,400,487         493,538,272         none         none           691,376,954         100,000,000         Quarterly         45-90 days           1,652,262,846         873,728,017         none         none

The current surface real property portfolio of the Fund is managed by the PSF(SLB) and consists of 658,126 surface acres valued at \$629,349,906. Of this, 407,421 acres are sovereign lands located primarily in West Texas with a fair value of \$268,211,845 and representing 61.9 percent of the total acreage, but only 42.6 percent of the total value. Some of this property, though marginally suitable, has been leased for grazing and hunting purposes. The remainder, most of which is landlocked, has little value other than for adjacent landowners who wish to increase their holdings. Over time, these properties will likely be sold.

The September 1, 2020, beginning basis for the Fund's consolidated (including joint ventures) land surface portfolio value was \$200,420,635. Contributions of approximately \$717 thousand were made to ongoing development projects. The basis of the Fund's land surface portfolio at August 31, 2021, was \$183,683,486. In addition to the land surface portfolio, the Fund also owns approximately 12.6 million acres of Relinquishment Act, submerged, free royalty, mineral reserved lands and mineral estates on surface lands representing a basis of \$13,436,800.

Dispositions for the fiscal year ended August 31, 2021, equaled 4,780 acres sold for net proceeds of \$62.4 million, resulting in a gain of approximately \$21.6 million (based on historical cost).

The fair value of the Fund's interests in oil and gas is determined by using the present value technique of the income approach and is based upon an industry-standard 3P reserve report (i.e. proved, possible, and probable reserves) prepared by a third-party expert, W.D. Von Gonten & Co., a Houston-based petroleum engineering firm. Employing a methodology for estimating reserves that conforms to all standards established by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers,

Von Gonten estimated future revenues from those estimated reserves and then discounted those estimated future revenues at 10 percent to arrive at a non-risk-adjusted total reserve valuation of \$3,217,879,157.

The properties evaluated for the purposes of this reserve estimate are located throughout Texas and from various conventional unconventional reservoirs. The property set includes approximately 14,765 active Proved Developed Producing (PDP) wells with an estimated discounted future net revenue value of \$2,174,882,563; 311 Proved Undeveloped locations with an estimated discounted future net revenue value of \$346.597.896: 1,416 Probable Undeveloped locations with an estimated discounted future net revenue value of \$440,181,420; 347 gross Possible Undeveloped locations with an estimated discounted future net revenue value of \$153,351,209; and 214 Contingent Resources locations with an estimated discounted future net revenue value of \$102,866,069. With regard to Proved Reserves, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimate; for Probable Reserves, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimate; for Possible Reserves, there should be at least a 10 percent probability that the quantities actually recovered will equal or exceed the estimate. Contingent Resources are potentially recoverable but are not currently considered to be commercially recoverable due to one or more contingencies. Hard minerals are not included in the estimate and are not included in the fair value due to their immateriality.

In accordance with CPA Reporting Requirements, the non-risk-adjusted reserve valuation for each component of the total non-risk-adjusted future net revenue value provided by W.D. Von Gonten & Co. is further adjusted by certain mean factors from the 2021 Annual Survey of Parameters Used in Property

Evaluation report prepared by the Society of Petroleum Evaluation Engineers. Proved Developed and Proved Undeveloped reserves are adjusted using a factor of 1.00; Probable reserves are adjusted using a factor of 0.41; and Possible reserves are adjusted using a factor of 0.12. Contingent resources are excluded. The risk-adjusted mineral valuation is \$2,720,356,986.

PSF(SLB) is a party to multiple direct single-asset real estate transactions held in its discretionary internally-managed real estate portfolio. A discussion of these transactions can be found in Note 13. The method for determining the fair value of each uses either the income or market approach and Level 3 inputs as described in the previous table. The fair values are included in Discretionary Internal Investments.

The PSF(SLB) real assets investments include 70 commingled closed-end funds, commingled open-end funds, separate accounts, and co-investment vehicles that invest in private-market real assets transactions across the energy, infrastructure and real assets investment universe. The fair values of these investments have been determined using the NAV per share (or its equivalent) of the Fund's ownership interest in partners' capital. These types of investments generate some income over the lives of the associated partnerships, but are generally illiquid until the underlying assets are liquidated. Except for open-ended funds, most of the partnerships have specific termination dates, and it is expected that a majority of the underlying assets of these partnerships will be liquidated over the next 12 years.

#### 4. LEASES

The PSF(SLB), through the GLO, manages several types of operating leases. The need for each specific lease category is based upon the type of action proposed (e.g., pier, dock, agriculture, recreational hunting, pipeline, etc.) and the statute under which it will be authorized. Lease categories managed by the GLO are summarized as follows:

Commercial Leases and Easements (LC) are issued for projects that produce revenue from the private use of state-owned property. LCs are issued pursuant to Chapters 33 and 51, Texas Natural Resources Code (TNRC), and fees are based on the published SLB rate schedule in effect at the time of contract issuance. The rate schedule allows calculation of fees based upon the amount of state land encumbered and the appraised value of the adjacent littoral property.

LCs cover activities and structures such as marinas, bait stands, fishing piers, mooring dolphins, fuel docks, dredging activity, restaurants, and navigation signs. Contracts for LCs grant the applicant exclusive use of the site for the purposes specified in the contract.

Coastal Easements (CE) are issued by the GLO pursuant to TNRC §33.103(a)(2) and 33.111(a) authorizing owners of private property abutting submerged state-owned lands to place and maintain structures on coastal public land adjacent to their private property. CEs typically cover structures such as piers, decks, docks, rip-rap, pilings, bulkheads, and boat lifts. CEs are also issued for activities such as dredging, filling, and material disposal. Contracts for CEs grant the applicant exclusive use of the structure, but not use of the public land around the structure.

Coastal Leases (CL) are issued by the GLO pursuant to TNRC §33.103(a)(1) and 33.105. CLs are issued to state agencies, eligible cities or counties, nonprofit, tax-exempt organizations, or scientific or educational entities to authorize the use of state-owned land for public recreation, estuarine preserves, wildlife preserves, or scientific research activities. CLs grant the applicant limited exclusive use of the property for the purposes stated within the contract. The GLO may issue other grants of interest for use of the same property, so long as it does not interfere with the current leaseholder's activities.

Surface Leases (SL) are issued by the GLO pursuant to TNRC §51.011, 51.121, and 51.292. Coastal SLs are issued for activities on submerged coastal public lands and are typically used to authorize activities not associated with littoral property ownership adjacent to state-owned submerged land, and for energy platforms in the Gulf of Mexico. Examples of activities covered by coastal SLs include, but are not limited to: drilling platforms not on a leased mineral tract, electrical substations, pumping stations, loading racks, tank farms, artificial reefs, and wildlife preserves. Upland SLs typically authorize activities such as hunting, grazing, crop production, timber production, and other commercial activity.

Miscellaneous Easements (ME) are issued on both coastal submerged lands and state-owned uplands for projects which require a right-of-way (ROW) on, across, under, or over state-owned lands, pursuant to TNRC §51.291. Fees are based upon a published rate schedule and are calculated based on the width and length of right-of-way, the region of the state, and the

diameter of the pipeline, and the power wattage (if applicable). ME contracts cover activities such as oil and gas pipelines, power transmission lines, communication lines, roads, and certain other structures and uses. Contracts for MEs grant the applicant exclusive use of the ROW for the purposes specified in the contract.

Holders of the above leases and easements are required to maintain all structures in a safe condition and to comply with all terms of the contract. Violation of the contract terms or failure to submit payment for the required land-use fees may result in delinquent penalties and/or termination of the contract. Removal of the structures may also be required at the expense of the lease/easement holder. Obtaining said leases and easements from the GLO does not exempt the applicant from complying with all other applicable local, state, and federal permitting requirements.

Special Documents (SD) are issued for projects on state-owned submerged land and state-owned uplands. The SLB has authorized the land

commissioner to approve, by Special Document, erosion response projects administered by the GLO pursuant to the Coastal Erosion Planning and Response Act (CEPRA), codified as TNRC, Chapter 33, Subchapter H, and the regulations set forth in Texas Administrative Code, Title 31, Part 1, Chapter 15, Subchapter B. SDs are also issued for Highway Use Agreements under Chapter 203, Subchapter D, Texas Transportation Code for Texas Department of Transportation projects on land dedicated to the Fund. SDs may also be used for projects that do not fall into one of the other established categories.

All PSF lands are evaluated for lease potential. As of August 31, 2021, the historical cost of all internally managed properties available for leasing activity was \$183,683,486. The fair value of the properties was \$629,349,906. Non-sovereign real estate in the Fund is held as an investment and is not depreciated.

Contingent rental revenues in the amount of \$214,680 are reported for eleven leases for the year ended August 31, 2021.

A schedule of estimated future lease payments by lease type is presented below in the aggregate and for each of the five succeeding years. The amounts include known lease escalation provisions.

Lease Categories	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FYs 2027 &
Lease Categories	F I ZUZZ	F 1 ZUZ3	F 1 2024	F1 2025	F1 2020	Beyond
Coastal Easements	\$ 281,827	\$ 249,236	\$ 206,144	\$ 167,893	\$ 149,309	\$ 353,340
Coastal Leases	1,245	1,245	1,245	1,245	1,245	69,700
Commercial Leases						
and Easements	1,554,996	1,520,886	1,275,520	1,125,033	962,797	5,957,597
Miscellaneous Easements	242,961	277,279	271,719	221,201	201,142	65,612
Special Documents	-	1,116	1,116	1,116	-	-
Surface Leases	2,458,030	2,557,080	2,681,753	2,535,012	2,200,360	21,536,859
Total Lease Payments	\$ 4,539,059	\$ 4,606,842	\$ 4,437,497	\$ 4,051,500	\$ 3,514,853	\$ 27,983,108

#### 5. STATE ENERGY MARKETING PROGRAM

The State Energy Marketing Program (SEMP) of the SLB is designed to provide additional revenues, or enhancements, to the PSF(SLB) and to provide savings to public customers by offering utility services at a below-market rate. SEMP includes the State Power Program and the State Gas Program. The 79th Legislature authorized the SLB to manage and operate the SEMP Power Program to provide a low-cost solution for government entities to soften the shock of deregulation. Since the original legislation was passed in the 79th legislature, the electric

marketplace in Texas has stabilized. During the 86th Legislature, HB2263 was passed and signed into law on May 17, 2019, to gradually phase out the State Power Program over a five-year period and removes PSF(SLB)'s authorization to sell electric power directly to a public retail customer.

The State Gas Program is not affected by HB2263 and continues to provide low-cost natural gas to public retail customers. These customers include public school districts, institutions of higher education, state agencies, military bases, and political subdivisions.

#### 6. DERIVATIVE INSTRUMENTS

The PSF(SBOE) and Liquid(SBOE) enter into futures contracts in their internally managed portfolios to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes, and therefore classifies their futures contracts as investments. The SBOE approved Investment Procedure Manual defines the parameters for investing in futures contracts. The total amount of a portfolio's financial futures contract obligation should not exceed ten percent (10.0%) of the market value of the portfolio's total assets. The PSF(SBOE) and Liquid(SBOE) may exceed the ten percent (10.0%) rule during a transition approved by the SBOE. In no instance will the total amount of the contracts be an amount greater than the market value of a portfolio's cash, receivables and short-term securities.

Upon entering into a futures contract, initial margin deposit requirements are satisfied by segregating specific securities or cash as collateral for the account of the FCM broker. During the period the futures positions are open, the contracts are marked to market daily; that is, they are valued at the close of business each day, and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss is referred to as the daily variation margin which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The PSF(SBOE) and Liquid(SBOE) execute such contracts on major exchanges through major financial institutions and minimize market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

As of August 31, 2021, the PSF(SBOE) invested in S&P 500 Index Futures contracts, S&P 400 Index Futures contracts, Interest Rate Futures contracts and various Commodity Futures contracts as detailed below with the FCM:

PSF(SBOE) Portfolio	Futures Contracts	Change in Fair Value	Notional Value
Equity	Domestic stock index		
	futures	\$ 7,988,213	\$ 67,230,475
Commodity	Commodity futures	95,306,792	427,658,752
International equity	Foreign stock index		
	futures	5,434,279	30,383,235
Total PSF(SBOE) Futures		\$ 108,729,284	\$ 525,272,462

The remainder of this column intentionally left blank.

As of August 31, 2021, the Liquid(SBOE) invested in S&P 500 Index Futures contracts, and S&P 400 Index Futures contracts as detailed below with the FCM:

			Change in	
Liquid(SBOE) Portfolio	Futures Contracts		Fair Value	Notional Value
Equity	Domestic stock index			
	futures	\$	959,860	\$ 4,334,175
International equity	Foreign stock index			
	futures	_	186,569	1,646,544
Total Liquid(SBOE) Futures		\$	1,146,429	\$ 5,980,719

The change in fair value is included in the net increase/(decrease) in fair value of investments on the statement of revenues, expenditures, and changes in fund balance. The futures contracts themselves had no fair value at August 31, 2021. If the FCM failed, the loss that would be recognized at August 31, 2021 in PSF(SBOE) and Liquid(SBOE), would be \$38,995,380 and \$305,229, respectively.

Foreign currency balances are not maintained by the Fund except for transactions that occur as part of normal security transactions (i.e., buys, sales and income payment). Foreign currency exchange (FX) contracts are executed by the external investment manager on the same day as security transactions. The investment manager buys or sells the FX contract in the currency native to the security transaction. These foreign exchange contracts hedge against the risk of currency changes between trade and settlement dates. Risks associated with such contracts include movement in the value of the foreign currency related to the U.S. dollar and the ability of the counterparty to perform. For income payments received in other currencies, the custodian bank executes foreign exchange spot contracts to repatriate payments to U.S. dollars on actual income payment date.

As a function of its normal business operations, the GLO manages the SEMP and enters into commodity transactions for the delivery of natural gas (Gas) and electric power (Power) to Public Retail Customers (PRCs). In addition, SEMP takes a portion of oil royalty entitlements as "Take-in-Kind" royalty instead of cash. These transactions meet the definition of derivative instruments per GASB Statement No. 53 (GASB 53), Accounting and Reporting for Derivative Instruments. However, since all such contracts result in physical delivery of the derivative instrument's underlying commodity via normal purchase and sales contracts, SEMP contracts identified as derivative instruments under GASB 53 are not subject to the requirements of GASB 53.

As of August 31, 2021, GLO had outstanding natural gas commitments/open positions with third parties for 11,501,048 MMBtus (million British Thermal Units) valued at \$(9,025,340). Power contracts are priced off the Electricity Reliability Council of Texas (ERCOT) grid. The fair value of future cash flows from electric contracts is not reported because the electric service provider (ESP) is responsible for hedging these transactions and GLO simply has a credit risk related to these future cash flows.

The risks associated with these derivative instrument transactions include the following: The SEMP program is exposed to credit risk in the event a gas supplier fails to honor its obligation or if the ESP fails to deliver electricity per the terms of the contract. The ESP provides collateral in form of an irrevocable letter of credit to protect for Power sales.

SEMP has minimal exposure to risk related to sales because GLO deals exclusively with PRCs and can place a warrant hold on appropriation distributions from the State Comptroller to the PRC to satisfy delinquent obligations. Exposure to termination risk is also minimal, but nonetheless possible because all contracts with PRCs are Interagency or Interlocal Agreements subject to funding by Legislature that can be terminated with 30 days' notice subject to termination provisions

#### 7. SECURITIES LENDING

The PSF(SBOE) and Liquid(SBOE) are each authorized to conduct separate securities lending programs in accordance with Article 7, Section 5 of the Texas Constitution. The implementation policy for the program is further defined in Texas Administrative Code Title 19, Part 2, Chapter 33. The PSF(SBOE) and Liquid(SBOE), through their securities lending agent the Bank of New York Mellon Corporation (Agent), lend securities to certain brokers in exchange for authorized collateral.

Authorized collateral includes cash, government securities, irrevocable letters of credit, and other assets specifically agreed to by the Agent and the SBOE. The PSF(SBOE) and Liquid(SBOE) receive collateral against the loaned securities in an amount of 102.0% of the fair value plus accrued income for domestic corporate securities and 105.0% of the fair value plus accrued income for foreign securities; except in the case of foreign securities denominated and payable in U.S. Dollars, the required percentage is 102.0%. Collateral provided for Reverse

Repurchase Agreements is maintained at various percentages depending on the type of security provided as collateral.

The Agent indemnifies the SBOE against losses as a result of the broker's failure to return loaned securities. Securities collateral cannot be pledged or sold unless the borrower defaults. All securities within the PSF(SBOE) and Liquid(SBOE) portfolios are available to be loaned to brokers based on market demand. The contract does not restrict the total aggregate value of loaned securities outstanding at any one time and loans are made to a specific list of brokers. The PSF(SBOE) and Liquid(SBOE) have the option to set a maximum aggregate loan limit for each broker.

As defined by the lending agreement, the length of maturities permitted for loans are clearly selected, defined, and approved by the lender. Loans made in this program can be terminated on demand by either party and are considered to have a one-day maturity, although cash collateral is invested in securities having longer maturities. As of August 31, 2021, the PSF(SBOE) and Liquid(SBOE) invested cash collateral have a weighted average maturity of 39 days and 56 days, respectively, to reset date.

During the fiscal year ending August 31, 2021, the Agent did not experience any losses on securities lending activity as a result of borrower defaults. Additionally, since there were no losses related to borrower defaults in the fiscal year ending August 31, 2020, no losses were recovered in the fiscal year ending August 31, 2021.

Certain assets held in the invested cash collateral pool of the PSF(SBOE) securities lending program experienced a permanent impairment as of September 30, 2008. The original cost basis of these permanently impaired assets totaled \$104,953,800. Partial cash recoveries since impairment have reduced the amortized cost to \$71,717,706. Beginning in April 2013, all Fund earnings from the securities lending program have been directed to further reduce the amortized cost. At fiscal year-end, these assets remain in the cash collateral pool at an amortized cost of \$9,984,020; however, the estimated market value is \$0 as of August 31, 2021.

As of August 31, 2021, the fair value of securities on loan to brokers equaled \$2,443,373,631 for the PSF(SBOE) and \$482,385,500 for the Liquid(SBOE) against non-cash collateral with a fair value of

\$312,073,174 for the PSF(SBOE) and \$58,895,555 for the Liquid(SBOE). Invested cash collateral with a cost basis of \$2,197,405,179 for the PSF(SBOE) and \$434,957,586 for the Liquid(SBOE) and a fair value of \$2,187,664,582 for the PSF(SBOE) and \$434,987,444 for the Liquid(SBOE). Non-cash collateral received for securities lending activities is not recorded as an asset because the underlying investments remain under the control of the borrower, except in the event of default.

At fiscal year-end, the Fund does not have a credit risk associated with the securities lending program, because the Fund owes the borrowers a total of \$2,509,523,742 for the PSF(SBOE) and \$493,880,438 for the Liquid(SBOE) in non-cash and cash collateral while the borrowers owe securities back to the Fund with a fair value of \$2,443,373,631 and \$482,385,500, respectively.

Income is earned in two ways from loaning securities. If the broker provides cash collateral, income is earned by investing the cash collateral, and the broker is compensated with a "rebate," an interest rate paid on the cash collateral given. If the investment of cash collateral fails to provide enough income to pay the rebate, the Program and its Agent share the difference based on the agreed upon earnings split. During the year ended August 31, 2021, income generated from the investment of cash collateral was sufficient to compensate the lender. If the broker provides securities or letters of credit as collateral for the securities lent, it pays a negotiated lender fee. Additionally, in certain market conditions, the broker may actually pay a fee or receive a negative rebate on cash collateral. Net income generated from securities lending transactions is then split between the Program and the securities lending agent.

For fiscal year ended August 31, 2021, securities lending revenue totaled \$4,855,705 for PSF(SBOE) and \$538,118 for Liquid(SBOE), expenditures for bank fees and other adjustments totaled \$728,159 for PSF(SBOE) and \$80,653 for Liquid(SBOE), while net securities lending income totaled \$4,127,546 for PSF(SBOE) and \$457,465 for Liquid(SBOE).

#### 8. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources relate primarily to interest and dividends measurable at year-end and due to the PSF(SBOE) and Liquid(SBOE), but which are not available within sixty days subsequent of year-end for satisfaction of current liabilities.

#### 9. FUND BALANCE

The PSF fund balance has been classified on the face of the balance sheet in accordance with GASB 54, which establishes criteria for classifying fund balances into specifically defined classifications detailed above in Note 1.D., and clarifies definitions for governmental fund types.

Article VII of the Texas Constitution describes the Fund as a permanent school fund set apart for the support of public schools, and specifically describes how the Fund may be spent. In accordance with the permanent nature of the Fund, the entirety of the fund balance is classified as nonspendable, except for those items the Texas Constitution explicitly allows to be spent from the Fund, which are classified as restricted since all Fund spending must be in support of public free schools. The items for which the Fund may be spent are transfers to the Available School Fund, expenses of managing the Fund land and investments, and guaranteed bond payments in the event of default. Since the legislature makes appropriations on a biennial basis, the unexpended appropriation for the biennial period is reflected as restricted. Transfers to the Available School Fund are approved annually by the State Board of Education, so the annual transfer amount for the next period is reflected as restricted.

Based on these Constitutional provisions, fund balance as of August 31, 2021 is classified as follows:

	PSF(SBOE)	Liq	uid(SBOE)	PSF(SLB)	Total	
Nonspendable						
Fund Balance	\$ 40,737,041,733	\$ 4,	320,358,730	\$ 8,726,446,904	\$ 53,783,847,367	(1)
Restricted Fund Balance						
Appropriated Expenditures	\$ 70,870,739	\$	-	\$ 38,580,139	\$ 109,450,878	(2)
Transfer to the ASF	1,730,707,798		-	-	1,730,707,798	(3)
Bond Defaults	-		-	-	-	(4)
Total Restricted						
Fund Balance	\$ 1,801,578,537	\$	-	\$ 38,580,139	\$ 1,840,158,676	
Total Fund Balance						
at August 31, 2021	\$ 42,538,620,270	\$ 4,	320,358,730	\$ 8,765,027,043	\$ 55,624,006,043	
						_

The Constitutional authority citation is:

- (1) Texas Constitution, Article 7, Sec. 2
- Texas Constitution, Article 7, Sec. 5.(a)
   Texas Constitution, Article 7, Sec. 5.(b)
- (4) Texas Constitution, Article 7, Sec. 5.(b)

The Texas Constitution, Article 7, Sec. 5.(g), allows the General Land Office to transfer at its sole discretion up to \$600 million each year from revenue derived during that year from the land or properties to the Available School Fund. Accordingly, since any such transfers must be made by the measurement date, they are not included as a component of the restricted fund balance classification detailed above.

#### 10. NON-EXCHANGE FINANCIAL GUARANTEES

#### **Bond Guarantee Program**

In 1983, the voters of the State approved a constitutional amendment which provides for the guarantee of school district bonds by the Permanent School Fund. This amendment was statutorily codified in the Texas Education Code Title 2, Subtitle I, Chapter 45, Subchapter C. The Guarantee Program is administered by the Commissioner. For eligible bonds, including refunding bonds, school districts apply for guarantee and pay a processing fee of \$1,500. The Commissioner may endorse bonds for guarantee only after investigating the accreditation and financial viability of the applying school district. If the school district is considered viable and the bonds are approved by the State of Texas Attorney General, then the guarantee is endorsed at a zero premium charge to the district. In the event of a default by a school district, and upon proper notice to the Commissioner, the PSF will transfer to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and/or interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled Bond or evidence of payment of the interest to the CPA. The Commissioner will instruct the CPA to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld will be deposited to the credit of the PSF. To date, no school districts have ever defaulted on their guaranteed bonded indebtedness.

In 2011, the 82<sup>nd</sup> Texas Legislature enacted Senate Bill 1. Chapter 4. section 59.01 which established the Charter District Bond Guarantee Program as a new component of the Bond Guarantee Program, and authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as "charter districts" by the Commissioner. Charter district applicants are subject to the same application fee structure as described above for school districts. Upon meeting certain statutory eligibility requirements and approval by the Commissioner, bonds properly issued by a charter district participating in the Program are fully guaranteed by the corpus of the PSF. Implementation of the Charter District Bond Guarantee Program was deferred pending receipt of guidance from the Internal Revenue Service, which was received in September 2013, and the establishment of regulations to govern the program, which were published for public comment in December 2013, approved in January 2014, and became effective in March 2014.

Statute requires charter district participants in the Program to contribute a portion of their savings that result from their participation in the Program to a Charter District Bond Guarantee Reserve Fund. This fund is separately managed by TEA. In the event of a default by a charter district, the Commissioner shall instruct the CPA to transfer from the Charter District Bond Guarantee Reserve Fund to the district's paying agent the amount necessary to pay the maturing or matured principal and/or interest. If funds in the Charter District Bond Guarantee Reserve Fund are insufficient to pay the amount due on a bond in default, the payment process followed is the same as for school districts. As with school districts, no charter districts have defaulted on their guaranteed bonded indebtedness.

The Internal Revenue Service issued Notice 2010-5 on December 16, 2009 stating that it intended to propose regulations to replace the previous federal law limit on the Guarantee program capacity to be no more than five times the cost value of the PSF on that date. Section 4 of the Notice states that it may be relied on for bonds issued after December 16, 2009. The Notice was codified by Internal Revenue Code 1.148-11(d)(1)(F) on July 18, 2016.

The 80<sup>th</sup> Texas Legislature adopted a change in the state law limit, amending Section 45.053 of the Texas Education Code to allow the SBOE to increase the guarantee capacity up to five times the cost value of the PSF, provided that the Board determines that any increase will still allow school district bonds to receive the highest rating. Effective March 29, 2018, the SBOE authorized capacity multiplier for the State Capacity Limit was adjusted to 3.50 times the cost value of the Fund, including the portion managed by the SLB.

As of August 31, 2021, the capacity of the Guarantee Program was \$117,318,653,038 under Federal law and \$135,449,634,408 under State law. Total outstanding bonds guaranteed by the PSF under this program totaled \$95,259,161,922 at August 31, 2021; of that, \$91,951,175,922 was for school district guarantees (855 school districts) and \$3,307,986,000 was for charter district guarantees (25 charter districts). These dollar amounts represent the outstanding principal amount of the bonds issued. They do not reflect any subsequent accretions in value for the compound interest bonds (zero coupon

bonds), nor do they include interest on current interest bonds or variable rate notes. The balances also exclude bonds that have been refunded and released from the Bond Guarantee Program. The balance of bonds guaranteed under the program does not exceed the calculated capacity of the program as of August 31, 2021.

Guarantees extend through the maturity dates of the bonds. As of August 31, 2021, the total principal debt guaranteed on bond issues was \$95,259,161,922, the expected interest to be paid out over the remaining life of those bond issues was \$48,937,061,511, and the final maturity is scheduled to occur in the year 2061.

As of August 31, 2021, no financial liability to the PSF has been recorded in relation to the Fund's obligation to stand ready to perform over the term of the guarantee. The guarantee functions as a liquidity facility and an intercept program that carries very little risk to the PSF. The guarantee is offered at a nominal cost to a school district or charter district that properly applies, receives endorsement by the Commissioner, and has its bonds approved by the State of Texas Attorney General.

### 11. CONTINGENCIES

### A. Bond Guarantee Program

As described by Note 10 in greater detail, the TEA administers a Bond Guarantee Program for qualified school districts and charter districts who choose to participate. The purpose of the Program is to ultimately reduce borrowing costs for participating districts by increasing their credit rating through association with the Program. The TEA, through the PSF, commits to payment of the next scheduled principal or interest payment on behalf of a participating district in the event of that district's default.

### **B.** Pending Litigation

The PSF(SBOE) has potential liability in a class action defense which asserts fraudulent conveyance claims and which seeks to recover moneys paid the PSF(SBOE) for the sale of publicly-traded securities in response to tender offers made in the context of leveraged buy-outs. While ultimately uncertain whether the PSF(SBOE) will have any liability for this matter, management believes that it is unlikely that this suit will result in any liability to the Fund during the twelve months subsequent to August 31, 2021, therefore, in accordance with GAAP, no accrual for this matter is currently reflected in the accompanying financial statements. The Attorney General's Office is

representing the PSF(SBOE) and asserting sovereign immunity and other defenses.

Tribune Company, No. 08-13141; The Official Committee of Unsecured Creditors of Tribune Company v. Fitzsimmons, Adv. Pro. No. 10-54010 (Bankr. D. Del); and Deutsche Bank v. Employees Retirement Fund of the City of Dallas, No. 3:11-CV-1167-F; (N. D. Tex. Dallas Div.) CONSOLIDATED in: Tribune Company Fraudulent Conveyance Litigation; Nos. 11-MD-2296 and 12-MC-2296 (S. D. N. Y.)

The PSF(SBOE) received approximately \$3.9 million for Tribune stock.

As of August 31, 2021, certain lawsuits were pending against the state and/or the Commissioner of the GLO, which challenge the Fund's title to certain real property or past mineral income from that property. The following lawsuits are pending and may represent contingent liabilities:

### Ballard Exploration Co. Inc., v. George P. Bush, et al.

Protest suit appealing a Final Audit Billing Notice involving five State Leases. Petition filed May 13, 2021; answered June 14, 2021. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

### BHP Billiton Petroleum Properties, (N.A.), LP v. Rio Oil & Gas (Permian) II, LLC

State issued deep rights lease to Defendant; Plaintiff filed suit to quiet title on its belief that it retained some of same through a pooling agreement. Petition filed April 4, 2019; GLO petition in intervention filed June 14, 2019; summary judgment hearing held August 6, 2020. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

### Dark Ruby, LLC. v. Engelhart, et al. (In re: Galveston Bay Properties, LLC)

The agency has been named in an adversary proceeding in the Galveston Bay Properties, LLC bankruptcy. In its Complaint and Emergency Application for Temporary Restraining Order, Request for Preliminary and Permanent Injunction, Plaintiff Dark Ruby seeks to prevent the GLO from terminating or effecting any changes in subject leases of an Amended Order Approving Sale – or the Bill of Sale – pending further court order. Complaint filed August 24, 2021. The probability of liability is possible. The possible final amount of loss is indeterminable at this time.

### Fleming v. Bush, in his Capacity as Texas Land Commissioner

Plaintiff seeks judgment for title to and possession of identified real property in Nueces County, as well as declarations 1) that the title claimed by Land Commissioner Bush, if any, is invalid and 2) establishing property boundaries. Petition filed July 18, 2018; Answer and jurisdictional plea filed August 17, 2018. Jurisdictional plea/summary judgment motion filed January 15, 2019. On February 4, 2019, Fleming filed an amended petition and a jurisdictional plea/summary judgment response; Commissioner's reply filed February 8, 2019; hearing held February 11, 2019 and motion taken under advisement. The probability of liability is remote. The possible final amount of loss is indeterminable at this time.

### Hudspeth County v. GLO & Bush, as Land Commissioner

Suit for taking (GLO) and trespass to try title (Commissioner) in context of minerals (sand, gravel, limestone, igneous rock) produced pursuant to mining lease with Desert Rock Co. to which Plaintiff lays claim and alleges it has not been compensated for. Petition filed July 3, 2018; Answer and jurisdictional plea filed August 1, 2018. Summary judgement motion filed in support of Commissioner's plea hearing held May 9, 2019. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

### Lone Oak Club, LLC v. Jerry Patterson, et al.

Plaintiff filed a trespass to try title suit, asserting ownership to certain property involving the tidally influenced boundary in Chambers County, and alleging that the Commissioner, through ultra vires acts, has wrongfully asserted jurisdiction, title and right to possession and control over watercourses or navigable streams on said properties; has been encouraging the general public to commit trespass and hunt without consent on the properties and streambeds and has unreasonably interfered with Plaintiff's rights to possession, use, control and quiet enjoyment. Plaintiff seeks title and possession of the disputed property, pre-and post- judgment interest and reasonable attorney's fees. Lone Oak's Motion to Retain was granted November 19, 2015. On April 14. 2016, Plaintiff filed a motion to substitute counsel and subsequently substituted Commissioner Bush for Patterson and non-suited all other remaining Defendants. Rule 166 Conference held June 30, 2016: claims related to all, but one tract severed and abated. On October 26, 2016, the court granted Lone Oak's summary judgment motion, denying the

Commissioner's motion. Judgment entered January 26, 2017, following hearing on same, GLO noticed appeal on February 24, 2017; assigned to 1st Court of Appeals. Briefed in full as of November 22, 2017; submitted on briefs January 30, 2018; affirmed via Opinion issued February 22, 2018. Supreme Court petition filed June 8, 2018; court-requested response filed August 20, 2018; Reply filed November 5, 2018. Merits briefing requested: fully briefed on merits as of May 20, 2019; submitted September 17, 2019 post-oral argument, Opinion issued April 24, 2020 reversing summary judgment in favor of Lone Oak and remanding for further district court proceedings: mandate issued July 8, 2020. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

### Porretto v. Galveston Park Board of Trustees, et al. (In re: Sonya Porretto)

The agency and Commissioner Bush have been named in an adversary proceeding in the longstanding Porretto bankruptcy; however, the Original Complaint and Application for Writ of Mandamus pertains to property long-since abandoned by the Chapter 7 Trustee. Original Complaint filed June 25, 2021; GLO Motion to Dismiss filed August 13, 2021; Debtor/Plaintiff Objection filed September 3, 2021. The probability of liability is remote. The possible final amount of loss is indeterminable at this time.

### Signal Drilling, LLC, et al. v. New-Tex Operating, LLC, et al.

Plaintiff sued for injunctive relief and compensation for alleged interest in oil, gas, and mineral leases. Answer filed October 26, 2015. On December 4, 2015. New-Tex Defendants filed a First Amended Answer and a Second Amended Counterclaim. On December 24, 2015, Signal propounded discovery on the agency and filed a Second Amended Petition and Applications for Receivership and Injunctive Relief, in which Jaten Oil Company is also named as a Plaintiff and multiple causes of action are alleged as against the GLO and Commissioner Bush. On January 15, the 2016. GLO filed its First Amended Answer/Jurisdictional Plea. On March 21, 2016, the court granted without hearing an opposed motion for continuance on the GLO's plea hearing, previously reset for March 23, 2016. On April 19, 2016, the agency filed a First Amended Motion for Protective Order in response to Signal's attempt to serve a second set of discovery requests; GLO's plea hearing reset for June 8, 2016. On June 7, 2016, the court signed an order as to Signal's nonsuit without prejudice of all claims against the GLO and

Commissioner Bush. On September 8, 2016, the GLO filed its jurisdictional plea as to Jaten/Riparia claims, noticing a hearing for October 19, 2016. On September 29, 2016, Signal filed a motion for partial summary judgment as against the New-Tex Defendants, also to be heard October 19, 2016. On October 13, 2016, the court signed an order on Jaten/Riparia's nonsuit without prejudice of all claims against the State, the GLO and Commissioner Bush, removing all State Defendants from the litigation and mooting the need for the October 19th jurisdictional plea hearing. On November 22, 2016, the New-Tex Defendants filed a motion to dismiss (absence of the State as an indispensable party) and a partial summary judgment motion for a declaration that the subject Jaten Top Lease is void as violative of the rule against perpetuities. On December 8, 2016, Signal filed a Third Amended Petition, naming Ponderosa Operating, LLC and Ponderosa Energy, LLC as defendants, to which New-Tex allegedly assigned its (subject) leasehold interest effective as of May 1, 2016. Ponderosa Energy filed its answer on December 26, 2016, denying property ownership and arguing indispensability of the State as necessary party. On January 26, 2017, Ponderosa Operating, LLC filed a plea in abatement. On February 21, 2017, Signal filed its First Supplemental Petition and Application for Declaratory Relief, seeking in part to bring the State and Commissioner Bush back into the litigation (not seeking "to (re)assert affirmative claims for relief against the [GLO], but rather merely add them ... as a necessary and indispensable party"); and Ponderosa Operating, LLC filed an amended plea in abatement. Signal served its supplemental petition on the Commissioner and the agency on March 16, 2017: answer due April 10, 2017. On March 30, 2017. Signal filed a Motion for Modification of Temporary Injunction Order, noticing a hearing for April 5, 2017. The GLO filed its answer early, including a jurisdictional plea for which a motion to shorten time was also filed to have it heard contemporaneously; however, the court continued the plea, allowing for limited jurisdictional discovery in the interim and dissolved the prior injunction between Signal and New-Tex, the former of which entered into a new agreement as to timelines by when assignee Ponderosa is to timely deposit royalties into the court registry. GLO plea heard September 12, 2017; continuance granted as to Plaintiffs' partial summary judgment motions previously set for late September. GLO plea denied October 12, 2017; interlocutory appeal briefed in full as of March 26, 2018; argued September 12, 2018. On March 27, 2019, Riemer

plaintiff Hap Johnson Royalty Co., LLC filed a plea in intervention, notwithstanding that the Signal Drilling lawsuit is currently stayed given the pending interlocutory appeal. By opinion issued October 30, 2019, the 7th Court of Appeals affirmed the denial of the GLO's jurisdictional plea. By extensions, briefed in full at the Supreme Court as of November 13, 2020; petition denied December 11, 2020; mandate issued January 26, 2021. Status conference held July 21, 2021: advisories and objections to HAP Johnson's plea in intervention filed August 20, 2021. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

### State of Texas v. BPX Properties (NA) LP

Suit for breach of lease and declaratory relief stemming from a dispute as to whether the lease at issue has been terminated at depths below 11,613 feet. Petition filed November 15, 2019; Defendant filed a 91a motion to dismiss January 20, 2020; summary judgment hearing held August 6, 2020. The probability of liability is possible. The possible final amount of loss is indeterminable at this time.

### State v. Riemer

State alleged unlawful fencing of the Canadian Riverbed below Sanford Dam; Riemer filed multiple counterclaims. Trial court denied the State's plea to the jurisdiction. Appellate court reversed, ordering the trial court to dismiss all claims against the State except Riemer's claim to the surface of the two tracts as well as select takings claims of other parties who sought class certification. On December 30, 2009, the trial court denied class certification, a decision affirmed on appeal in May 2011. Counter-Plaintiffs filed a petition for review with the Texas Supreme Court, which held that the trial court abused its discretion and reversed and remanded the matter to the Seventh Court of Appeals to address the remaining contested class certification requirements. Appellate oral arguments were held on November 4, 2013. In an opinion issued November 26, 2014, the 7th Court affirmed the denial of class certification. On January 9, 2015. Riemer filed a petition for review with the Texas Supreme Court; the State filed its response on February 9, 2015; and Riemer filed a reply on February 24, 2015. In response to the Court's request for merits briefing (and via extensions granted), Riemer filed on July 1, 2015; the State filed its Response on August 20, 2015 and Riemer filed a Reply on September 25, 2015. On October 23, 2015, the Court denied Riemer's petition. Riemer's motion

for rehearing was filed December 7, 2015 and denied January 8, 2016. On February 27, 2017, Riemer filed in district court its 14th Amended Counterclaim and 12th Amended Third Party Petition, as well as motions for partial summary judgment on limitations and navigability. Hearing held May 22, 2017, wherein both Riemer partial summary judgments were granted. On September 20, 2017, Plaintiffs filed a motion to sever (properties - albeit not specifically identified - west of the Borger-Stinnett Highway from those east); case reassigned to Judge Brancheau, who requested case status briefs. State's plea and Riemer's motion to sever heard November 1, 2017; by letter ruling dated December 2, 2017, the court granted the motion to sever, denied the State's plea outright as to the severed cause (Plaintiffs west of the highway) and granted the plea as to each Defendant of non-constitutional takings claims in the original cause (Plaintiffs east of the highway). Interlocutory appeal briefed in full as of March 27, 2018; argued December 5, 2018. Upon receipt of Railroad Commission letters communicating a contract award to commence plugging operations on Riemer tracts, Riemer filed in the appellate court an emergency motion to lift the automatic stay; briefed in full as of February 12, 2019; denied by order issued February 15, 2019. On March 7, 2019, the 7th Court of Appeals affirmed the trial court's denial of the GLO's jurisdictional plea; mandate issued May 24, 2019. Discovery is in progress; trial to be reset to 2022. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

### Tap Pilam Coahuiltecan Nation, et al. v. George P. Bush, et al.

Plaintiffs filed a civil rights action challenging Defendants' alleged restriction on Plaintiffs' right to participate in Defendants' adopted Human Remains Protocol, alleging violations of the (US Constitution) First and 14th Amendments, Texas Religious Freedom Protection Act and the American Indian Religious Freedom Act, seeking declaratory and injunctive relief, nominal damages and attorney's fees. Petition filed September 10, 2019; served September 16, 2019; awaiting court ruling on Defendants' 12(b) motion(s) to dismiss filed October 21, 2019; GLO Commissioner Bush dismissed without prejudice by order issued December 23, 2019. Amended Complaint filed January 22, 2020 as against Bush and ATI CEO; motion(s) to dismiss filed February 19, 2020; held in abeyance in tandem with the grant of Plaintiffs' motion for continuance; Defendants' 12(b) dismissal motions briefed in full as of May 11, 2020; case dismissed in full by order signed September 23. 2020. On September 18, 2020, Plaintiffs refiled a companion suit in Travis County district court, having previously nonsuited without prejudice a prior state court suit by order signed July 24, 2020; answer and iurisdictional plea filed November 30, 2020; hearing on all jurisdictional pleas held April 26, 2021: granted as to all claims other than Texas Freedom of Religion Act, as to which additional briefing was ordered; all claims ultimately dismissed in full with prejudice by order signed May 26, 2021; motion for new trial filed June 25, 2021. Federal court appeal (5th Circuit) briefed in full as of May 17, 2021; oral argument to be reset. The probability of liability is possible. The possible final amount of loss is indeterminable at this time.

### West Gulf Marine, Ltd. v. Texas General Land Office & George P. Bush

Plaintiff seeks title determination as to certain submerged properties under Galveston Bay, or alternatively to recover compensation for properties allegedly taken. Petition filed December 7, 2018; answered January 11, 2019; jurisdictional plea filed June 19, 2019; argued August 8, 2019; granted August 14, 2019. West Gulf filed its Notice of Appeal on September 13, 2019; by extensions, briefed in full as of March 4, 2020. Argued and submitted October 22, 2020. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

### Wharton, et al. v. HUD, et al.

Plaintiffs "are Hispanic and Black ... renters who have been denied the opportunity to obtain Hurricane Harvey disaster relief benefits by discriminatory policies set out in the State of Texas Plan for Disaster Recovery: Hurricane Harvey - Round 1 and approved by HUD (hereinafter 'Action Plan')." Plaintiffs seek declarations of violations of their constitutional rights under the Civil Rights Act (1964) and Fair Housing Act (1968); and permanent injunctions 1) requiring an Action Plan that includes programs providing direct assistance to renters and 2) setting aside HUD's approval of the Action Plan, requiring HUD to timely consider a revised Action Plan - or - requiring the Action Plan for the CDBG-Mitigation allocation to provide substantial direct assistance to impacted renter households. Complaint filed October 11, 2019; State's 12(b) motion to dismiss filed January 10, 2020; consolidated with Bob, et al. v. HUD, et al. via order entered March 3, 2020. Amended Complaint(s) filed March 17, 2020; order entered March 19, 2020

granting motion to stay case for 90 days; by extensions, 12(b) motion(s) to dismiss Amended Complaint(s) briefed in full as of July 29, 2020. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

### Wylie v. GLO

Former employee sued post-termination alleging discrimination and violations of Texas Labor Code chapter 21. Petition filed July 26, 2021; answered August 30, 2021. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

There may be substantial legal obstacles to satisfaction of a judgment with permanent school fund monies. The above lawsuits are referenced in this note as contingent liabilities in the interest of full disclosure. Nonetheless, the possibility that payment will be required from the permanent school fund is remote.

While ultimately uncertain whether the Fund will have any liability for these matters, management believes that it is unlikely that these suits will result in any liability to the Fund during the twelve months subsequent to August 31, 2021; therefore, in accordance with GAAP, no accrual for these matters is currently reflected in the accompanying financial statements. The possibility that payment will be required from the Fund is remote.

The GLO had a claim amount of \$4,702,727 for oil and gas sales transactions related to Enron Corporation, of which none was accrued as revenue in the year of Enron's bankruptcy due to the unlikelihood of its collection. Revenues will be recognized in the years collections are received. The GLO received and recognized total cumulative revenues of \$2,771,016 through August 31, 2021.

### 12. SIGNIFICANT COMMITMENTS

In November 2020, the SBOE set the distribution rate to the ASF for the 2022-2023 biennium at 4.18%. The PSF(SBOE) will distribute approximately \$1.7 billion annually for each year of the 2022-2023 biennium.

As of August 31, 2021, the SBOE has approved and the Fund made cumulative capital commitments to externally managed real estate investment funds in a total amount of \$6.4 billion and capital commitments to private equity limited partnerships for a total of \$8.8 billion, to be implemented over the next several years. Unfunded commitments at August 31, 2021 totaled \$2.2 billion in real estate investments and \$2.5 billion in private equity investments.

During the fiscal year, new commitments were approved for real estate investment funds in the amount of \$861.6 million, and for private equity limited partnerships in the amount of \$846.1 million. All such commitments are subject to successful negotiation of contracts.

The PSF(SLB) makes investments in certain limited partnerships that legally commit it to future capital contributions of which approximately \$2.24 billion remains unfunded as of August 31,2021.

On August 18, 2020, the SLB adopted a resolution that releases \$875 million from the RESFA during fiscal year 2022 and fiscal year 2023 to the Available School Fund. The funds are released in four quarterly installments of \$103.75 million each on the 25th day (or next succeeding business day if the 25th is not a business day) of November 2021, February 2022, May 2022, August 2022, and four quarterly installments of \$115 million each on the 25th day (or next succeeding business day if the 25th is not a business day) of November 2022, February 2023, May 2023, and August 2023, respectively.

As of August 31, 2021 the Paseo Del Este development project has concluded. The current land inventory includes remaining acreage of approximately 51.625 acres of PSF property. The remaining acreage is reported in inventory at a fair value of \$9,284,685 as of August 31, 2021.

### 13. RELATED PARTIES

The PSF(SBOE) is the sole member for certain limited liability companies it has elected to establish as vehicles for investments in the absolute return and emerging market equity asset classes. The fair value of the investments held by these vehicles is carried in the balance sheet and more fully discussed in Note 2 above. During the fiscal year, the PSF(SBOE) transferred \$455 million between these investment vehicles and invested \$39.6 million in two of the vehicles. At fiscal year-end, there were no outstanding receivables or payables between the PSF(SBOE) and these investment vehicles, nor were there any outstanding commitments to or from the vehicles.

In accordance with the Investment Vehicle Guidelines adopted by the School Land Board in July 2018, the GLO can form and utilize special purpose vehicles (SPVs), such as limited liability companies (LLCs), corporations. purpose and limited partnerships, to isolate liabilities, limit future funding obligations, avoid submitting to foreign jurisdictions, and to enhance the transferability of an investment. Since the State of Texas for the use and benefit of PSF(SLB) owns 100% of the SPVs, the GLO and the SPVs are related parties; however, there are no related party transactions between the Fund and the SPVs.

Following is a brief description of each of the currently active SPVs formed by the GLO:

### Capitol Co-Investments 6, LLC

On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 6, LLC (the Company). Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2021, Capitol Co-Investments 6, LLC has a net asset value of \$14,380,459.

#### Capitol Co-Investments 7, LLC

On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 7, LLC (the Company). Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of the PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2021, Capitol Co-Investments 7, LLC has a net asset value of \$43,042,000.

### Capitol Co-Investments 8, LLC

On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 8, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations, PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). The SLB approved an increase of \$180 million in its existing investment in Capitol Co-Investments 8, LLC at its September 4, 2018 meeting. As of August 31, 2021, Capitol Co-Investments 8, LLC has a net asset value of \$352,621,668.

### Capitol Co-Investments 9, LLC

On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 9, LLC (the Company). Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2021, Capitol Co-Investments 9, LLC has a net asset value of \$112,941,964.

### Capitol Co-Investments 11, LLC

On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 11, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB).

As of August 31, 2021, Capitol Co-Investments 11, LLC has a net asset value of \$66,076,014.

#### Capitol Co-Investments 12, LLC

On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 12, LLC (the Company). Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2021, Capitol Co-Investments 12, LLC has a net asset value of \$90,648,853.

### Capitol Co-Investments 13, LLC

On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 13, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2021, Capitol Co-Investments 13, LLC has a net asset value of \$53,531,171.

### Capitol Co-Investments 14, LLC

On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 14, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB).

As of August 31, 2021, Capitol Co-Investments 14, LLC has a net asset value of \$92,544,099.

### Capitol Co-Investments 15, LLC

On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 15, LLC (the Company). Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2021, Capitol Co-Investments 15, LLC has a net asset value of \$65,732,096.

### Capitol Co-Investments 16, LLC

On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 16, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). The SLB approved a \$75 million increase to its original \$125 million capital commitment to Capitol Co-Investments 16, LLC on July 23, 2019. As of August 31, 2021, Capitol Co-Investments 16, LLC has a net asset value of \$147,059,226.

### **Tenancy In Common and Joint Ventures**

In July 2007, a one-half tenancy in common interest was formed between the SLB and Cherokee Sugar Land, LP, for the use and benefit of the PSF. This joint tenancy in common was formed to develop the combined tracts of land over several years. The PSF will pay one-half of the development cost and will participate in one-half of all income. Imperial Johnson, LLC, the development manager, submits an annual budget to the PSF for approval. During fiscal 2021, a total of approximately \$597 thousand was contributed to fund development costs. Additionally, a payable of

approximately \$26 thousand for development costs has been accrued as of August 31, 2021.

In 2005, the PSF acquired 1,984 acres located in New Braunfels, Texas, fee simple, associated with a Development/Disposition Agreement with RS New Braunfels, LTD and RS New Braunfels, Two, LTD. The property was sold in fiscal year 2021.

In August 2012, Galveston Preserve at West Beach, Ltd., a Texas limited partnership, was formed between MP Marquette Galveston LLC and Marquette Preserve, LP, LLC – both Texas limited liability companies – and the SLB for the use and benefit of the PSF. The PSF contributed 1,031.52 acres to the partnership. The acreage will be used for a mixed use residential/commercial development.

In April 2014, Grand Parkway 1358, LP, a Texas limited partnership, was formed between Johnson GP 1358, LLC and Johnson 1258 Investors LLC – both Texas limited liability companies – and the SLB for the use and benefit of the Permanent School Fund (PSF). The development, known as Harvest Green, is a mixed use residential/commercial development located near Sugarland, Texas. The PSF contributed 1,343.679 acres of land to the partnership. The infrastructure for the master-planned development began in late 2014.

In May 2017, 290 WR Holdings LP, a Texas limited partnership was formed between Johnson WR Investors LLC, Johnson WR GP LLC, and the SLB for

the use and benefit of the Permanent School Fund (PSF). The partnership acquired 1,617 acres located in northwest Houston. The property is planned for a future master-planned community. The general partner obtained a long-term development loan to begin construction in 2021.

#### 14. SUBSEQUENT EVENTS

On June 16, 2021, the Governor signed Senate Bill 1232 (87th Legislature, Regular Session), effective September 1, 2021, allowing management of the Fund's financial investments function to transition from divisions of the TEA and the GLO to the Texas Permanent School Fund Corporation (Corporation), a special-purpose governmental corporation governed by a nine-member Board of Directors, and changes the authority of the SLB after December 31, 2022.

In November 2021, the SBOE approved the Corporation's certificate of formation. The Corporation was legally formed on December 1, 2021.

#### **15. RESTATEMENTS**

For PSF(SLB), a restatement of \$(10,750) was made for the correction of capital expenditures incurred in a prior period. Additionally, a restatement of \$(641,168) was made to correct the External Funds Market Value from the prior year for a liquidated investment that was included in the August 31, 2020 net asset value in error.

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# SECTION THREE

STATISTICAL SUMMARY

(UNAUDITED)

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This part of the Fund's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the Fund's overall financial position.

#### Contents

A History and Description of the Texas Permanent School Fund

An Overview of the Strength of the Texas Permanent School Fund Assets Managed By the State Board of Education (SBOE), Fiscal Years Ended August 31, 2021 and 2020 (Figure 1)

This figure and schedule present information regarding the diversification of the portfolio of assets in the Texas Permanent School Fund managed by the SBOE.

Asset Allocation Mix-PSF(SBOE), Fiscal Year Ended August 31, 2021 (Figure 2)

This schedule and figure present information regarding the portfolio mix by asset class as a percentage of total assets.

Asset Allocation Mix-Liquid(SBOE), Fiscal Year Ended August 31, 2021 (Figure 3)

This schedule and figure present information regarding the portfolio mix by asset class as a percentage of total assets.

Asset Allocation Mix Including Assets Managed by the School Land Board (SLB), Fiscal Year Ended August 31, 2021 (Figure 4)

This schedule and figure present information regarding the portfolio mix by asset class as a percentage of total assets, including assets managed by the SLB.

- PSF(SBOE) and Liquid(SBOE) Rate of Return for Fiscal Year Ended August 31, 2021 Summarizes return highlights for the PSF(SBOE) and Liquid(SBOE)
- PSF(SBOE) Rate of Return, Fiscal Year Ended August 31, 2021 (Net of Fees) (Figure 5)

  These figures contain information comparing the actual performance of assets of the Fund to benchmarks, using a time weighted rate of return.
- PSF(SBOE) Rate of Return, Last Five Fiscal Years (Net of Fees) (Figure 6)

This schedule presents annual composite performance and benchmark data for assets managed over the last five years by the SBOE, net of fees.

PSF(SBOE) Total Time Weighted Returns, Last Five Fiscal Years (Gross of Fees) and Selected Cumulative Periods

This schedule presents information containing the time weighted rate of returns, gross of fees, for assets managed by the SBOE for the last five fiscal years by asset class and also cumulative for three, five and ten years.

PSF(SBOE) Total Time Weighted Returns, Last Five Fiscal Years (Net of Fees) and Selected Cumulative Periods

This schedule presents information containing the time weighted rate of returns, net of fees, for assets managed by the SBOE for the last five fiscal years by asset class and also cumulative for three, five and ten years.

- Liquid(SBOE) Rate of Return, Fiscal Year Ended August 31, 2021 (Net of Fees) (Figure 7)

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- Liquid(SBOE) Total Time Weighted Returns, Fiscal Year Ended August 31, 2021 (Gross of Fees)

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- Liquid(SBOE) Total Time Weighted Returns, Fiscal Year Ended August 31, 2021 (Net of Fees)

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- PSF(SBOE) Investment Management Fees for the 12 Months Ended June 30, 2021

  This schedule presents information containing PSF(SBOE) investment management fees and profit sharing paid for the twelve months ended June 30, 2021.
- PSF(SLB) Investment Management Fees for the 12 Months Ended August 31, 2021

  This schedule presents information containing PSF(SLB) investment management fees and profit sharing paid for the twelve months ended August 31, 2021.
- Contributions to the Texas Permanent School Fund Assets Managed by the SBOE, Last Ten Fiscal Years (Figure 9)

This figure presents information regarding the contributions made by the SLB to PSF(SBOE) for the past ten fiscal years.

- Distributions to the Available School Fund (ASF), Last Ten Fiscal Years (Figure 10)

  This figure contains information regarding the distributions to the ASF by the SBOE and the SLB for the last ten fiscal years.
- Fund Balances, Last Ten Fiscal Years (Figure 11)

  This figure provides information regarding the breakdown of fund balances for the last ten fiscal years for comparison.
- Changes in Fund Balances, Last Ten Fiscal Years (Figure 12)

  This figure provides trend information including a summarized comparison of the net change in fund balances for the last ten fiscal years.
- Average Daily Attendance and Contributions to ASF, Last Ten Fiscal Years (Figure 13)

  This schedule provides trend information regarding the average daily attendance and distributions to the ASF for the last ten fiscal years in total and per student.

### A HISTORY AND DESCRIPTION OF THE TEXAS PERMANENT SCHOOL FUND

The Texas Permanent School Fund (Fund) was conceived in 1845 when Texas became the 28th state as a perpetual fund to which ten percent of all tax revenue would be devoted. However, the new state had virtually no tax base, so the Fund failed to accumulate any significant deposits. The Fund's initial significant funding was the result of a \$2,000,000 appropriation by the Legislature of 1854 expressly for the benefit of the public schools of Texas. These funds were available as a result of a \$10 million payment from the United States government in exchange for giving up claims to western lands claimed by the former Republic of Texas. In 1854-55, the Fund's first annual per student distribution for public education was 62 cents. By 1861, the Fund was depleted by railroad loan defaults, collapse of the Confederate monetary system, and eventual loan of the Fund to the Civil War effort. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the Texas Permanent School Fund. Additional Acts later gave more public domain land and rights to the Fund.

In 1953, the U.S. Congress passed the Submerged Lands Acts that relinquished to coastal States all rights of the U.S. navigable waters within State boundaries. Submerged lands were defined to be those lands beneath and beyond three miles of the shoreline. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or it had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the Fund. The proceeds from the sale and the mineral related rental of these lands, including bonuses, delay rentals, and royalty payments, become the corpus of the Fund.

On November 8, 1983, the voters of the State approved a Constitutional Amendment, which provides for the guarantee of school district bonds by the Fund. On approval by the Commissioner of Education, bonds properly issued by a school district are fully guaranteed by the corpus of the Fund. During 2014, charter district bonds were also included in the Fund's bond guarantee program. The Texas Permanent School Fund has guaranteed over \$220 billion in school bonds since the inception of the

program, resulting in substantial savings to the taxpayers of the State through reduced issuance costs and lower borrowing costs.

Over a large portion of the Fund's history, only the income produced by the Fund was used to complement taxes in financing public education. From 1854 through the 2003 fiscal year, all interest and dividends produced by Fund investments and certain land related income flowed into the Available School Fund (ASF). From the ASF, monies are distributed to the public schools based on average daily student attendance.

On September 13, 2003, the voters of the State of Texas (State) approved a Constitutional Amendment that changed the Fund distribution methodology from an income-based formula to a total return-based formula (2003 Constitutional Amendment). With the approval of the 2003 Constitutional Amendment, interest and dividends produced by fund investments and certain land related revenues are additional revenue to the Fund. Beginning in September 2003 to present, the Fund transfers on a monthly basis a total return amount to the ASF. Revenues earned by the Fund include gains realized on the sale of land and real estate owned by the Fund; lease payments, bonuses and royalty income received from oil, gas and mineral leases; commercial real estate lease revenues; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues: the net increase or decrease in the fair market value of the investment portfolio and externally managed real assets investment funds; and other miscellaneous fees and income.

The 86th Legislature amended Chapter 51 of the Natural Resources Code (NRC) through the addition of Section 51.414 authorizing establishment of the Permanent Fund Liquid Account (Liquid(SBOE)), into which the PSF(SLB) deposits quarterly from the real estate special fund account (RESFA) funds not required for its anticipated needs for the upcoming 90 days. The Liquid(SBOE) became operational on September 1, 2019. The General Land Office (GLO) made an initial transfer of \$3.9 billion from the RESFA to the Liquid(SBOE) on September 3, 2019. The SBOE invests these funds in liquid assets in the same manner as the investments in the PSF(SBOE).

### A HISTORY AND DESCRIPTION OF THE TEXAS PERMANENT SCHOOL FUND

Expenditures are appropriated by the Legislature and are paid from the Fund. They include operational costs, investment management fees, and costs incurred to manage the land endowment and real assets investments.

In making investments, the SBOE is charged with exercising the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the expected income as well as the probable safety of their capital. The SBOE employs independent firms for advice on investment asset allocation. and performance programs, measurement to assist in the management of the PSF(SBOE) assets. The SBOE may appoint a Committee of Investment Advisors (CIA) to provide independent review of the Fund's investment policies, procedures, and nature of investments.

The CIA advises the SBOE members on investment plans, strategies, and programs. Each member of the SBOE may appoint a single member to the CIA. The CIA members serve at the pleasure of the SBOE member that appointed them.

While many factors impact the decision-making process, the most important factor is the asset allocation strategy. In order to protect the purchasing power of the PSF(SBOE) and the Liquid(SBOE) assets from inflation while maintaining sufficient distribution to support the funding of education in Texas, the SBOE must determine the appropriate balance between expected risk and return as the portfolio is diversified.

The financial marketplace is very dynamic and continuously provides new potential investment opportunities. Working closely with investment staff and investment advisors, the SBOE approved a revised target asset allocation strategy at the July 2020 Board Meeting, which is expected to provide an increased total return at reduced risk. This asset allocation strategy affords the SBOE the opportunity to select from a broad range of investment opportunities, thus creating a more diversified portfolio while continuing to meet the Fund's financial objectives for risk, return, and income. The PSF(SBOE) target asset allocation includes Real Estate investments which are funded and managed separately from the PSF(SLB) Real Assets investments.

Texas law assigns control of the Fund's land, mineral rights, and certain real assets investments to the five-member SLB, which includes the elected Commissioner of the GLO, and four appointees of the Governor. The assets managed by GLO on behalf of the SLB generally fall into three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests.

In 1985, the SLB, through the GLO, was authorized to use the proceeds of land sales to acquire other interests in real property. In the ensuing years, the SLB's investment authority has been modified and expanded several times. The current investment authority of the SLB is detailed in Section 51 of the NRC. Additionally, Section 51.402 states that the market value of the investments in real estate on January 1 of each even-numbered year may not exceed an amount that is equal to 15 percent of the market value of the assets held by the SLB and the State Board of Education.

The 77<sup>th</sup> Legislature amended the NRC effective September 2001 to allow the SLB to deposit some or all of the proceeds of future mineral leases and royalties generated from existing and future active leases of the Fund's mineral interest into a real estate special fund account (RESFA) at the State Treasury. The 79<sup>th</sup> Legislature further amended the NRC in 2005 to clarify the purposes for which the RESFA can be used, including adding three additional purposes. For the use and benefit of the Fund, proceeds in the RESFA are to be used by the SLB to acquire, as public school land:

- Land
- Interests in real property for biological, commercial, geological, cultural or recreational purposes
- To acquire mineral and royalty interests
- To protect, maintain, or enhance the value of public school lands
- To acquire interests in real estate
- To pay reasonable fees for professional services related to Fund investments

### A HISTORY AND DESCRIPTION OF THE TEXAS PERMANENT SCHOOL FUND

In 2007, the 80th Legislature again amended Chapter 51 of the NRC with HB 3699, authorizing the SLB and the Land Commissioner to designate funds previously transferred to PSF(SBOE) for deposit into RESFA and to determine whether to release any funds from the RESFA to the PSF(SBOE) or to directly transfer funds to the ASF. HB 3699 also expanded the investment authority of PSF(SLB) to include the following:

- Land
- Interests in real property for biological, commercial, geological, cultural or recreational purposes
- To acquire mineral and royalty interests
- To protect, maintain, or enhance the value of public school lands
- To acquire interests in real estate
- To pay reasonable fees for professional services related to Fund investments
- To acquire, sell, lease, trade, improve, maintain, protect, or use land, mineral royalty interests, or real estate investments, an investment or interest in public infrastructure, or other interests

The legislation became effective June 15, 2007, and was duly implemented by SLB resolution on September 1, 2007. On November 8, 2011, voters approved amendments to the State Constitution that included a change that increases the base amount used in calculating the distribution rate from the PSF(SBOE) to the Available School Fund (ASF), as more fully described in Note 1 to the financial statements.

In 2019, the 86<sup>th</sup> Legislature amended Section 51.402(c), NRC through HB 4388 and SB 608, clarifying the calculation of the maximum amount of the investments authorized under Section 51.402 (a)(6) and (8). The market value of the investments in real assets on January 1 of each even numbered year may not exceed an amount that is equal to 15 percent of the market value of the assets held by the SLB and the State Board of Education.

The SLB's written investment policy statement (Investment Policy) authorizes the investment of money in the RESFA, in externally managed commingled funds and separate accounts, as well as in direct investments that are sourced, executed, and managed internally by the GLO.

The Investment Policy also authorizes an investment advisory committee (IAC) to review potential externally-managed investments and make recommendations to the SLB for the investment of money in the RESFA.

The current IAC is comprised of five members, chaired by the Chief Investment Officer of the GLO. The IAC meets periodically to review potential investments and works in conjunction with the SLB's real assets investment advisor, currently The Townsend Group, to evaluate potential investments and make recommendations to the SLB for the investment of money in the RESFA. Following the formulation of recommendations by the IAC, the chairman of the IAC makes formal presentations and recommendations to the SLB for its consideration and approval.

The SLB's general investment objective is to invest money in the RESFA in land, interests in real estate, mineral or royalty interests, real assets investments, investments or interest in public infrastructure, or other interests, in a manner that seeks to maximize returns within the framework of the prudent investor standard. Given the typical nature of private-markets real assets investments, it is expected that the investment portfolio managed by the SLB will be characterized by a long term investment horizon and will be relatively illiquid.

Money in the RESFA that is awaiting investment by the SLB is currently held in an external investment pool managed by the Texas Comptroller of Public Accounts consistent with applicable law and the CPA investment policy. The CPA pools funds for investment purposes and allocates investment earnings on pooled funds. The CPA invests in authorized investments proportionately among the various state agencies whose funds are so pooled. The approximate size of the pool ranges from \$17 to \$35 billion depending upon seasonal variations in revenues and expenditures. Currently, most pooled funds are invested in the following instruments: repurchase agreements, obligations of the United States and its agencies and instrumentalities, corporate debt, and fully collateralized deposits in authorized state depositories. All investments are marked to market daily using an external financial service.

#### A HISTORY AND DESCRIPTION OF THE TEXAS PERMANENT SCHOOL FUND

State Street Bank and Trust Company (State Street) provides accounting, performance measurement, and reporting services for the SLB related to its real assets investment portfolio. The cash flow data and net asset values used by State Street to provide its accounting and performance measurement and reporting services, are provided to State Street directly by the SLB's external fund managers with regard to the SLB's externally managed real assets investments.

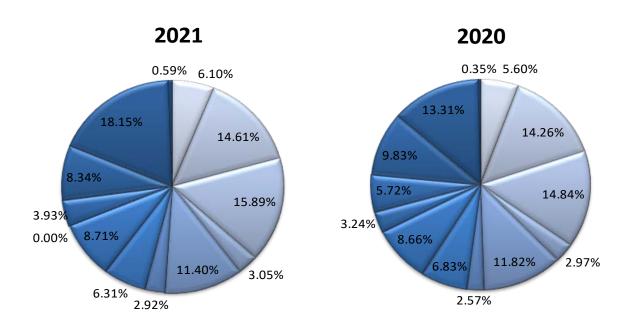
On June 16, 2021, the 87<sup>th</sup> Legislature passed and the Governor subsequently signed Senate Bill 1232. The bill allows the Fund's investment function to transition from divisions of the TEA and the GLO to a single, independent governmental corporate structure under which all Fund investments would be governed by an independent Board of Directors. It also limits the authority of the SLB to manage any financial investments.

## AN OVERVIEW OF THE STRENGTH OF THE TEXAS PERMANENT SCHOOL FUND ASSETS Managed by the State Board of Education (SBOE)

Founded in 1845, the SBOE Texas Permanent School Fund (PSF(SBOE)) has grown from its initial significant capitalization of \$2,000,000 to approximately \$42.6 billion as of August 31, 2021. See Figure 1 graph and table below for the portfolio diversification at fair value at August 31, 2021 and 2020.

For comparative purposes the Liquid(SBOE) is excluded from this exhibit.

FIGURE 1: TEXAS PERMANENT SCHOOL FUND Portfolio Diversification Fair Value



Asset Class	August 31, 2021	Percent		August 31, 2020	Percent
Domestic Small-Mid Cap	\$ 2,597,324,274	6.10%	\$	2,005,841,142	5.60%
Domestic Large Cap	6,218,652,601	14.61%		5,106,246,625	14.26%
International Equity	6,764,294,589	15.89%		5,318,340,484	14.84%
International Equity - Emerging Markets	1,297,819,955	3.05%		1,062,553,623	2.97%
Domestic Fixed Income	4,853,093,079	11.40%		4,232,645,885	11.82%
U.S. Treasuries	1,243,316,073	2.92%		918,666,315	2.57%
Emerging Market Debt	2,683,646,980	6.31%		2,450,697,619	6.83%
Real Estate	3,706,056,721	8.71%		3,102,087,880	8.66%
Risk Parity	-	0.00%		1,164,883,199	3.24%
Real Return	1,675,447,128	3.93%		2,047,388,865	5.72%
Absolute Return	3,546,052,340	8.34%		3,517,240,318	9.83%
Private Equity	7,724,558,888	18.15%		4,761,465,378	13.31%
Unallocated Cash	 262,939,912	0.59%	_	122,908,659	0.35%
Net Investment Balance	\$ 42,573,202,540	100.00%	\$	35,810,965,992	100.00%

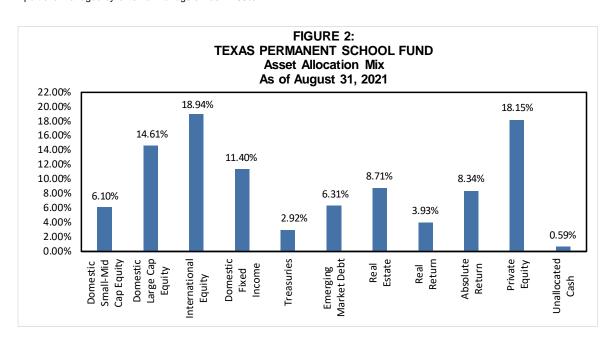
The asset classes include cash that has been allocated to the investment portfolios.

### TEXAS PERMANENT SCHOOL FUND ASSET ALLOCATION MIX-PSF(SBOE) FISCAL YEAR ENDED AUGUST 31, 2021

ASSET CLASS	Book Value	Mix	Fair Value	Mix	
Equity		_		_	
Public Market Equity					
Domestic Small-Mid Cap	\$1,527,206,389	5.27%	\$2,597,324,274	6.10%	
Domestic Large Cap	2,130,185,952	7.36%	6,218,652,601	14.61%	
Total Domestic Equity	3,657,392,341	12.63%	8,815,976,875	20.71%	
Developed and Emerging Market					
International Equity	5,146,673,396	17.77%	8,062,114,544	18.94%	
Total Public Market Equity	8,804,065,737	30.40%	16,878,091,419	39.65%	
Fixed Income					
Domestic Fixed Income	4,743,233,851	16.38%	4,853,093,079	11.40%	
U.S. Treasuries	1,353,438,600	4.67%	1,243,316,073	2.92%	
Emerging Market Debt	2,479,681,614	8.57%	2,683,646,980	6.31%	
Total Fixed Income	8,576,354,065	29.62%	8,780,056,132	20.63%	
Alternative Investments					
Real Estate	2,982,039,358	10.30%	3,706,056,721	8.71%	
Real Return	1,582,989,325	5.46%	1,675,447,128	3.93%	
Absolute Return	2,154,392,172	7.45%	3,546,052,340	8.34%	
Private Equity	4,594,973,971	15.87%	7,724,558,888	18.15%	
Total Alternative Investments	11,314,394,826	39.08%	16,652,115,077	39.13%	
Unallocated Cash	262,939,912	0.90%	262,939,912	0.59%	
Fund Total	\$ 28,957,754,540	100.00%	\$ 42,573,202,540	100.00%	

#### Notes:

The PSF(SBOE) asset classes include cash that has been allocated to the investment portfolios, as well as receivables and payables related to the particular portfolios. Average current and prior fiscal year-end equity holdings as a percentage of average current and prior fiscal year-end Fund total market value was 38.75%, and the percentage of the Fund's current fiscal year-end portfolio managed by external managers was 44.59%.



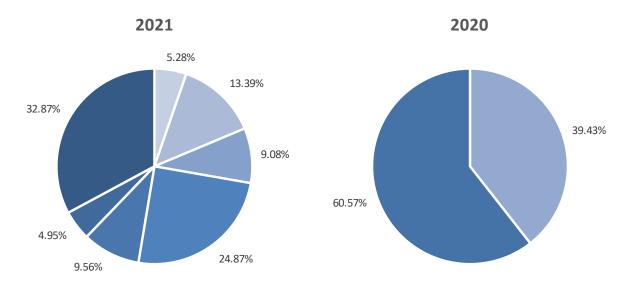
### TEXAS PERMANENT SCHOOL FUND ASSET ALLOCATION MIX-LIQUID(SBOE) FISCAL YEAR ENDED AUGUST 31, 2021

On September 1, 2019, the Permanent School Fund established the Liquid Account (Liquid(SBOE)) as authorized by the Natural Resources Code, Chapter 51, section 51.414 as amended by the 86th Legislature. This statute directs the SLB to deposit cash not required for its immediate needs (or next 90 days) into the Liquid(SBOE). The SBOE is required to invest these funds in liquid assets only and must send cash back to the School Land Board within five business days of a request. Additionally, investment income and realized capital gains from the Liquid(SBOE) may be deposited for investment in the PSF(SBOE) when market value exceeds net SLB contributions.

			Income	Realized
			Gains,	
			Year Ended	Year Ended
Investment Type	Book Value	Fair Value	August 31, 2021	August 31, 2021
Equity				
Domestic Small-Mid Cap	\$ 197,079,872	\$ 228,308,484	\$ 1,531,586	\$ 11,423,288
Domestic Large Cap	488,727,841	578,628,093	4,290,965	1,636,877
Total Domestic Equity	685,807,713	806,936,577	5,822,551	13,060,165
International Equity	376,717,141	392,584,155	4,581,040	136,099
Total Equity	1,062,524,854	1,199,520,732	10,403,591	13,196,264
Fixed Income				
Short Term Fixed Income	1,074,153,111	1,074,821,162	9,972,672	5,901,308
Core Bonds	419,333,993	413,092,826	5,408,713	1,125,280
TIPS	208,700,477	213,888,991	6,513,806	186,671
Total Fixed Income	1,702,187,581	1,701,802,979	21,895,191	7,213,259
Cash on Deposit	1,420,496,052	1,420,496,052	8,230,870	
Total	\$ 4,185,208,487	\$ 4,321,819,763	\$ 40,529,652	\$ 20,409,523

## TEXAS PERMANENT SCHOOL FUND ASSET ALLOCATION MIX-LIQUID(SBOE) FISCAL YEAR ENDED AUGUST 31, 2021

FIGURE 3:
TEXAS PERMANENT SCHOOL FUND
Portfolio Diversification
Fair Value



Asset Class	August 31, 2021	Percent	August 31, 2020	Percent
Domestic Small-Mid Cap	\$ 228,308,484	5.28%	\$ -	0.00%
Domestic Large Cap	578,628,093	13.39%	-	0.00%
International Equity	392,584,155	9.08%	-	0.00%
Short-Term Fixed Income	1,074,821,162	24.87%	1,597,344,979	39.43%
Core Bonds	413,092,826	9.56%	-	0.00%
TIPS	213,888,991	4.95%	-	0.00%
Cash on Deposit	1,420,496,052	32.87%	2,453,286,472	60.57%
Net Investment Balance	\$ 4,321,819,763	100.00%	\$ 4,050,631,451	100.00%

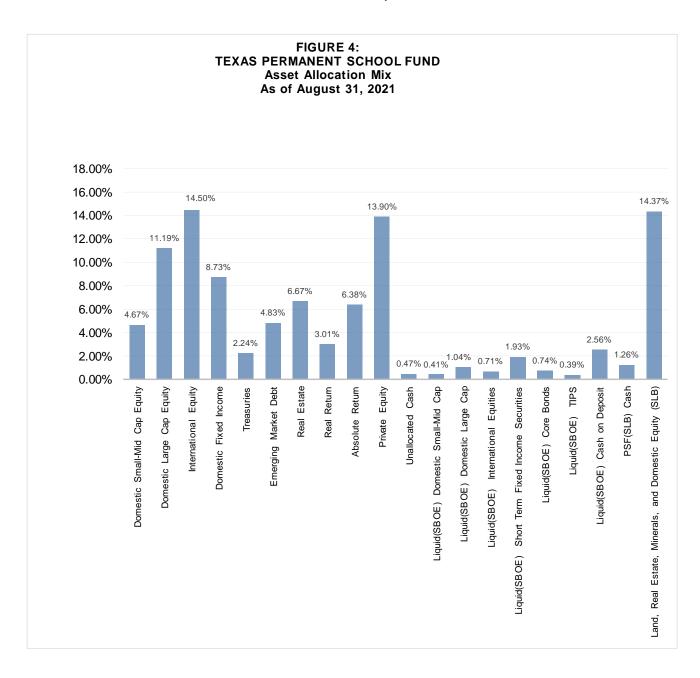
Note: The Liquid(SBOE) asset classes include cash that has been allocated to the investment portfolios, as well as receivables and payables related to particular portfolios. In accordance with governing statute and administrative rules, \$69,296,291 in income and realized gains was transferred to the PSF(SBOE) during the fiscal year.

# TEXAS PERMANENT SCHOOL FUND ASSET ALLOCATION MIX INCLUDING ASSETS MANAGED BY THE SLB AS OF AUGUST 31, 2021

ASSET CLASS	Book Value	Fair Value	Mix	
PSF(SBOE)				
Equity				
Public Market Equity				
Domestic Small-Mid Cap Equity	\$ 1,527,206,389	\$ 2,597,324,274	4.67%	
Domestic Large Cap Equity	2,130,185,952	6,218,652,601	11.19%	
Total Domestic Equity	3,657,392,341	8,815,976,875	15.86%	
International Equity	5,146,673,396	8,062,114,544	14.50%	
Total Public Market Equity	8,804,065,737	16,878,091,419	30.36%	
Fixed Income				
Domestic Fixed Income	4,743,233,851	4,853,093,079	8.73%	
U.S. Treasuries	1,353,438,600	1,243,316,073	2.24%	
Emerging Market Debt	2,479,681,614	2,683,646,980	4.83%	
Total Fixed Income	8,576,354,065	8,780,056,132	15.80%	
Alternative Investments		0 -00 0-0 -01		
Real Estate	2,982,039,358	3,706,056,721	6.67%	
Real Return	1,582,989,325	1,675,447,128	3.01%	
Absolute Return	2,154,392,172	3,546,052,340	6.38%	
Private Equity	4,594,973,971	7,724,558,888	13.90%	
Total Alternative Investments	11,314,394,826	16,652,115,077	29.96%	
Unallocated Cash	262,939,912	262,939,912	0.47%	
Liquid(SBOE)				
Equity Domestic Small-Mid Cap	107.070.972	220 200 404	0.41%	
Domestic Carp	197,079,872 488,727,841	228,308,484 578,628,093	1.04%	
Total Domestic Equity	685,807,713	806,936,577	1.45%	
• •	200,001,110	333,333,51		
International Equity	376,717,141	392,584,155	0.71%	
Total Equity	1,062,524,854	1,199,520,732	2.16%	
Fixed Income	1 071 150 111	4 074 004 400	1.000/	
Short Term Fixed Income Core Bonds	1,074,153,111	1,074,821,162	1.93% 0.74%	
TIPS	419,333,993 208,700,477	413,092,826 213,888,991	0.74%	
Total Fixed Income	1,702,187,581	1,701,802,979	3.06%	
Cash on Deposit	1,420,496,052	1,420,496,052	2.56%	
PSF(SLB)				
Cash	699,201,369	699,201,369	1.26%	
Domestic Equity	4,713,600	1,763,420	0.00%	
Land, Real Asset Investments and Minerals				
Sovereign/Other Lands and Discretionary Internal Investments	183,683,486	629,349,907	1.13%	
Investments with External Managers	4,655,897,263	4,636,558,112	8.34%	
Mineral Investments	13,436,800	2,720,356,986	4.90%	
Total Land, Real Assets, Minerals and Equities	4,857,731,149	7,988,028,425	14.37%	
FUND TOTAL	\$ 38,699,895,545	\$ 55,582,252,097	100.00%	

Note: The PSF(SBOE) and Liquid(SBOE) asset classes include cash that has been allocated to the investment portfolios as well as receivables and payables related to the particular portfolios.

# TEXAS PERMANENT SCHOOL FUND ASSET ALLOCATION MIX INCLUDING ASSETS MANAGED BY THE SLB AS OF AUGUST 31, 2021



## PSF(SBOE) AND LIQUID(SBOE) RATE OF RETURN FOR FISCAL YEAR ENDED AUGUST 31, 2021

The total market value of the PSF(SBOE) at August 31, 2021, was \$42.6 billion. The PSF(SBOE) annual rates of return for the one-year, five-year and ten-year periods ending August 31, 2021, were 22.97%, 10.49%, and 9.05%, respectively. The Fund's 22.97% net of fees return for the fiscal year outperformed its benchmark return of 20.73% by approximately 2.24%.

The capital markets experienced a reflationary period of asset class returns because of the COVID-19 pandemic. All PSF(SBOE) asset classes experienced positive returns, except treasuries. All asset classes outperformed their respective benchmarks, except emerging market equity and TIPS.

The strategic asset allocation of the PSF(SBOE) includes a 37% allocation to public equities, 25% allocation to fixed income and a 38% allocation to alternative assets. Alternative assets include absolute return, private equity, real estate, and real return strategies (TIPS and commodities).

The total market value of the Liquid(SBOE) at August 31, 2021, was \$4.3 billion. The Liquid(SBOE) annual rate of return for one-year ending August 31, 2021, was 4.90%. The Liquid(SBOE) 4.90% net of fees return for the fiscal year outperformed its benchmark return of 4.27% by approximately 63 basis points.

All Liquid(SBOE) asset classes experienced positive returns, except liquid core bonds. All Liquid(SBOE) asset cases outperformed their respective benchmarks, except liquid TIPS.

The strategic asset allocation of the PSF (Liquid) includes a 40% allocation to public equities, 40% allocation to fixed income and a 20% allocation to cash.

Additional information about performance is included in the charts on the following pages. The information shown is for fiscal year periods ending August 31 includes comparisons to established benchmarks for the same time periods, where applicable. Benchmark compositions are defined in the footnotes. Investment performance is calculated using a time weighted rate of return. Returns are calculated using standard industry practices. Total return includes the change in the fair value of the Fund during the year as well as all net income generated by investments. The returns were updated for the time periods presented with the information that was available as of the publication of this report.

The PSF(SBOE) Strategic Asset Allocation was updated in the July 2020 SBOE Meeting where the PSF(SBOE) was given approval to liquidate risk parity and fund the treasuries asset class. Therefore, the risk parity asset class was liquidated and removed from the performance charts on the following pages.

### PSF(SBOE) RATE OF RETURN FOR FISCAL YEAR ENDED AUGUST 31, 2021

FIGURE 5: PSF(SBOE) Total Time Weighted Returns by Portfolio (Net of Fees) For Fiscal Year Ended August 31, 2021

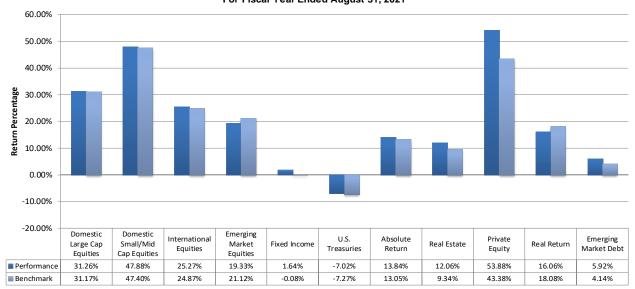
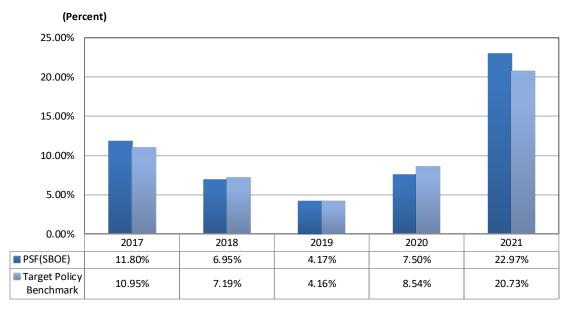


FIGURE 6:
 PSF(SBOE)
Total Time Weighted Returns (Net of Fees)
 Last Five Fiscal Years



#### PSF(SBOE) TOTAL TIME WEIGHTED RETURNS (GROSS OF FEES) LAST FIVE FISCAL YEARS AND SELECTED CUMULATIVE PERIODS

<b>Total PSF(SBOE) Portfolio</b> <sup>1</sup> PSF(SBOE) Target Policy Benchmark <sup>2</sup>	<b>2017</b> 11.96 10.95	<b>2018</b> 7.23 7.19	<b>2019</b> 4.54 4.16	<b>2020</b> 8.23 8.54	<b>2021</b> 23.90 20.73	<b>3 Years</b> 11.92 10.93	<b>5 Years</b> 10.98 10.17	<b>10 Years</b> 9.36 8.77
<b>Domestic Large Cap Equities</b> PSF(SBOE) Domestic Equity Benchmark <sup>3</sup>	16.30	19.83	3.14	22.37	31.26	18.32	18.21	16.52
	16.23	19.66	2.92	21.94	31.17	18.07	18.02	16.34
<b>Domestic Small/Mid Cap Equities</b> PSF(SBOE) Domestic Equity Benchmark <sup>4</sup>	12.80	23.95	(8.99)	3.44	47.88	11.66	14.25	14.44
	12.60	23.74	(9.20)	2.83	47.40	11.23	13.91	14.16
International Equities PSF(SBOE) International Equity Benchmark <sup>5</sup>	19.04	3.51	(2.92)	8.81	25.28	9.79	10.28	6.90
	18.88	3.18	(3.27)	8.31	24.87	9.37	9.92	6.57
Emerging Market Equity PSF(SBOE) (inception to date) Emerging Market Equity Benchmark <sup>6</sup>	26.28 24.53	(1.07) (0.68)	(3.88) (4.36)	16.07 14.49	19.54 21.12	10.07 9.87	10.75 10.40	-
<b>Fixed Income</b> PSF(SBOE) Fixed Income Benchmark <sup>7</sup>	1.61	(0.78)	10.54	5.50	1.64	5.83	3.63	3.58
	0.49	(1.05)	10.17	6.47	(0.08)	5.43	3.11	3.18
<b>U.S. Treasuries</b> PSF(SBOE) Treasury Benchmark <sup>8</sup>	- -	-	-	-	(7.02) (7.27)	-	-	-
<b>Absolute Return</b> PSF(SBOE) Absolute Return Benchmark <sup>9</sup>	7.32	6.66	2.74	4.89	14.31	7.20	7.11	6.07
	6.89	4.34	0.54	7.19	13.05	6.81	6.32	4.40
Real Estate PSF(SBOE) Real Estate Benchmark <sup>10</sup>	10.52 7.57	12.01 9.02	9.26 5.88	4.26 1.26	15.44 9.34	9.56 5.45	10.24 6.58	10.78 8.53
Private Equity PSF(SBOE) Private Equity Benchmark <sup>11</sup>	16.35	15.94	12.92	8.75	57.65	24.63	21.17	18.49
	12.09	15.64	11.16	4.85	43.38	18.67	16.72	12.73
Real Return PSF(SBOE) Real Return Benchmark <sup>12</sup>	2.38 1.77	0.70 0.73	0.85 0.74	3.47 2.85	16.16 18.08	6.62 6.95	4.56 4.63	0.82 0.65
Emerging Market Debt PSF(SBOE) (inception to date) Emerging Market Debt Benchmark <sup>13</sup>	11.84 9.86	(11.40) (10.05)	10.72 11.91	1.86 1.55	6.08 4.14	6.16 5.78	3.46 3.18	-

Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are

As of 8/31/2021, Benchmark consisted of market value weighted benchmark using Large Cap Equities, Small/Mid Cap Equities, International Equities, Emerging Market Equities, Fixed Income, U.S. Treasuries, TIPS, Commodities, Emerging Market Debt, Absolute Return, Real Estate, and Private Equity, composite time weighted returns, benchmark components: S&P 500 Index, S&P 1000 Index, MSCI All Country World Ex-U.S. Net Index, MSCI Emerging Market Net Index, Bloomberg U.S. Aggregate Bond Index, Bloomberg US Treasury Long Term Index, Bloomberg U.S. TIPS Index, Bloomberg Commodity Index, JPM GBI-EM Global Diversified Index, HFRI Fund of Funds Composite Index, Total Real Estate Benchmark, and Total Private Equity Benchmark.

As of 8/31/2021, Benchmark consisted of 100% S&P 500 Index.
As of 8/31/2021, Benchmark consisted of 100% S&P 1000 Index.
As of 8/31/2021, Benchmark consisted of 100% MSCI All Country World Ex-U.S. Net Index.

As of 8/31/2021, Benchmark consisted of 100% MSCI Emerging Market Net Index. As of 8/31/2021, Benchmark consisted of 100% Bloomberg U.S. Aggregate Bond Index.

As of 8/31/2021, Benchmark consisted of 100% Bloomberg US Treasury Long Term Index. As of 8/31/2021, Benchmark consisted of 100% HFRI Fund of Funds Composite Index.

<sup>(10)</sup> As of 8/31/2021, Benchmark was calculated by using market value weighting of the Core and Non-Core time weighted return benchmark components. Core real estate benchmark is NCREIF Fund Index Open End Diversified Core Equity, Equally Weighted, Net of Fee time weighted return lagged one quarter. Non-core real estate benchmark is the custom Private iQ® time weighted return benchmark, lagged one quarter.

As of 8/31/2021, Benchmark represents the Burgiss custom Private iQ® benchmark time weighted return, one quarter lagged.

As of 8/31/2021, Benchmark consisted of market value weighted benchmark using TIPS and Commodities composite time weighted returns, benchmark components: Bloomberg US TIPS and the Bloomberg Commodity Index

<sup>(13)</sup> As of 8/31/2021, Benchmark consisted of 100% JPM GBI-EM Global Diversified Index.

#### **PSF(SBOE)** Total Time Weighted Returns (Net of Fees) LAST FIVE FISCAL YEARS AND SELECTED CUMULATIVE PERIODS

Total PSF(SBOE) Portfolio 1	2017	2018	2019	2020	2021	3 Years	5 Years	10 Years
PSF(SBOE)	11.80	6.95	4.17	7.50	22.97	11.26	10.49	9.05
Target Policy Benchmark <sup>2</sup>	10.95	7.19	4.16	8.54	20.73	10.93	10.17	8.77
Domestic Large Cap Equities								
PSF(SBOE)	16.30	19.83	3.14	22.37	31.26	18.32	18.21	16.52
Domestic Equity Benchmark <sup>3</sup>	16.23	19.66	2.92	21.94	31.17	18.07	18.02	16.34
Domestic Small/Mid Cap Equities								
PSF(SBOE)	12.80	23.95	(8.99)	3.44	47.88	11.66	14.25	14.44
Domestic Equity Benchmark 4	12.60	23.74	(9.20)	2.83	47.40	11.23	13.91	14.16
International Equities								
PSF(SBOE)	19.03	3.50	(2.93)	8.80	25.27	9.78	10.26	6.89
International Equity Benchmark <sup>5</sup>	18.88	3.18	(3.27)	8.31	24.87	9.37	9.92	6.57
Emerging Market Equity								
PSF(SBOE) (inception to date)	25.88	(1.38)	(4.15)	15.84	19.33	9.83	10.47	-
Emerging Market Equity Benchmark <sup>6</sup>	24.53	(0.68)	(4.36)	14.49	21.12	9.87	10.40	-
Fixed Income								
PSF(SBOE)	1.61	(0.78)	10.54	5.50	1.64	5.83	3.63	3.58
Fixed Income Benchmark 7	0.49	(1.05)	10.17	6.47	(80.0)	5.43	3.11	3.18
U.S. Treasuries								
PSF(SBOE)	-	-	-	-	(7.02)	-	-	-
Treasury Benchmark <sup>8</sup>	-	-	-	-	(7.27)	-	-	-
Absolute Return								
PSF(SBOE)	6.81	6.17	2.28	4.43	13.84	6.73	6.64	5.49
Absolute Return Benchmark 9	6.89	4.34	0.54	7.19	13.05	6.81	6.32	4.40
Real Estate								
PSF(SBOE)	10.29	10.41	7.22	2.93	12.06	7.34	8.53	9.93
Real Estate Benchmark 10	7.57	9.02	5.88	1.26	9.34	5.45	6.58	8.53
Private Equity								
PSF(SBOE)	15.98	15.18	11.93	4.63	53.88	21.69	19.21	17.16
Private Equity Benchmark 11	12.09	15.64	11.16	4.85	43.38	18.67	16.72	12.73
Real Return								
PSF(SBOE)	2.21	0.53	0.71	3.33	16.06	6.49	4.41	0.70
Real Return Benchmark 12	1.77	0.73	0.74	2.85	18.08	6.95	4.63	0.65
Emerging Market Debt								
PSF(SBOE) (inception to date)	11.45	(11.71)	10.40	1.67	5.92	5.93	3.18	-
Emerging Market Debt Benchmark 13	9.86	(10.05)	11.91	1.55	4.14	5.78	3.18	-

Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees.

As of 8/31/2021, Benchmark consisted of market value weighted benchmark using Large Cap Equities, Small/Mid Cap Equities, International Equities, Emerging Market Equities, Fixed Income, U.S. Treasuries, TIPS, Commodities, Emerging Market Debt, Absolute Return, Real Estate, and Private Equity, composite time weighted returns, benchmark components: S&P 500 Index, S&P 1000 Index, MSCI All Country World Ex-U.S. Net Index, MSCI Emerging Market Net Index, Bloomberg U.S. Aggregate Bond Index, Bloomberg US Treasury Long Term Index, Bloomberg U.S. TIPS Index, Bloomberg Commodity Index, JPM GBI-EM Global Diversified Index, HFRI Fund of Funds Composite Index, Total Real Estate Benchmark, and Total Private Equity Benchmark.

As of 8/31/2021, Benchmark consisted of 100% S&P 500 Index.

As of 8/31/2021, Benchmark consisted of 100% S&P 1000 Index.

As of 8/31/2021, Benchmark consisted of 100% MSCI All Country World Ex-U.S. Net Index.

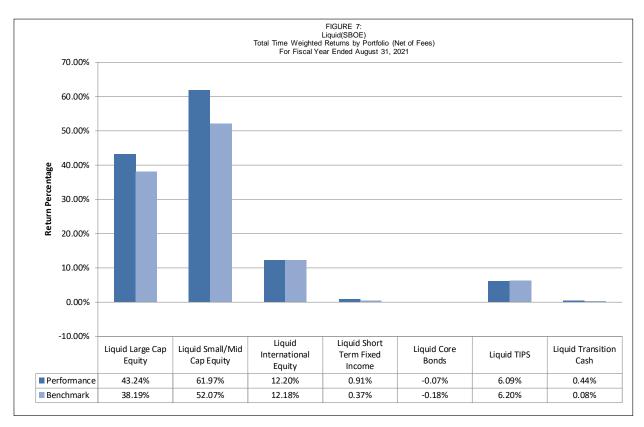
As of 8/31/2021, Benchmark consisted of 100% MSCI Emerging Market Net Index. As of 8/31/2021, Benchmark consisted of 100% Bloomberg U.S. Aggregate Bond Index. As of 8/31/2021, Benchmark consisted of 100% Bloomberg US Treasury Long Term Index. As of 8/31/2021, Benchmark consisted of 100% HFRI Fund of Funds Composite Index.

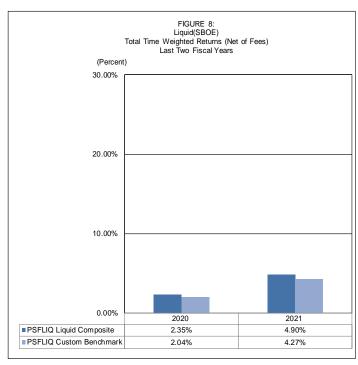
As of 8/31/2021, Benchmark was calculated by using market value weighting of the Core and Non-Core time weighted return benchmark components. Core real estate benchmark is NCREIF Fund Index Open End Diversified Core Equity, Equally Weighted, Net of Fee time weighted return lagged one quarter. Non-core real estate benchmark is the custom Private iQ® time weighted return benchmark, lagged one quarter.

 <sup>(11)</sup> As of 8/31/2021, Benchmark represents the Burgiss custom Private iQ® benchmark time weighted return, one quarter lagged.
 (12) As of 8/31/2021, Benchmark consisted of market value weighted benchmark using TIPS and Commodities composite time weighted returns, benchmark components: Bloomberg US TIPS and the Bloomberg Commodity Index.

<sup>(13)</sup> As of 8/31/2021, Benchmark consisted of 100% JPM GBI-EM Global Diversified Index.

# LIQUID(SBOE) RATE OF RETURN (NET OF FEES) FISCAL YEAR ENDED AUGUST 31, 2021





## LIQUID(SBOE) TIME WEIGHTED RETURNS (GROSS OF FEES) FISCAL YEAR ENDED AUGUST 31, 2021

Total PSF Liquid Account Composite	2020	2021
PSFLIQ Liquid Composite <sup>1</sup>	2.35	4.90
PSFLIQ Custom Benchmark <sup>2</sup>	2.04	4.27
PSF Liquid Large Cap Equity		
Liquid Large Cap Equity	-	43.24
S&P 500 Index <sup>3</sup>	-	38.19
PSF Liquid Small/Mid Cap Equity		
Liquid Small/Mid Cap Equity	-	61.97
S&P 1000 Index <sup>4</sup>	-	52.07
PSF Liquid International Equity		
Liquid International Equity <sup>5</sup>	-	12.20
MSCI All Country World Ex-U.S. Net Index <sup>6</sup>	-	12.18
PSF Liquid Short Term Fixed Income		
Liquid Short Term Fixed Income	2.78	0.91
Bloomberg US Aggregate 1-3 Year Index <sup>7</sup>	3.40	0.37
PSF Liquid Core Bonds		
Liquid Core Bonds	_	(0.07)
Bloomberg US Aggregate Bond Index <sup>8</sup>	_	(0.18)
		(0.10)
PSF Liquid TIPS		
Liquid TIPS	-	6.09
Bloomberg US Treasury Inflation-Linked Bond Index <sup>9</sup>	-	6.20
PSF Liquid Transition Cash		
Liquid Transition Cash	1.62	0.44
ICE BofAML US 3 Month Treasury Bill 10	1.26	0.08

<sup>(1)</sup> Time weighted rates of return adjusted for cash flows for the Liquid (SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are gross of fees. Manager Fees represent the difference between Gross of Fees and Net of Fees Performance.

- (3) As of 8/31/2021, Benchmark consisted of 100% S&P 500 Index.
- (4) As of 8/31/2021, Benchmark consisted of 100% S&P 1000 Index.
- (5) Liquid International Equity inception date was December 2020, and therefore the return is the cumulative holding period return.
- (6) As of 8/31/2021, Benchmark consisted of 100% MSCI All Country World Ex-U.S. Net Index. As of Inception month of 12/2020, the benchmark was a partial period daily linked return of the MSCI All Country World Ex-U.S. Net Index to match the inception date of the account.
- (7) As of 8/31/2021, Benchmark consisted of 100% Bloomberg US Aggregate 1-3 Year Index.
- (8) As of 8/31/2021, Benchmark consisted of 100% Bloomberg US Aggregate Bond Index.
- (9) As of 8/31/2021, Benchmark consisted of 100% Bloomberg US Treasury Inflation-Linked Bond Index.
- (10) As of 8/31/2021, Benchmark consisted of 100% ICE BofAML US 3 Month Treasury Bill Index.

<sup>(2)</sup> As of 8/31/2021, beginning adjusted market value weighted benchmark using Liquid Large Cap Equity, Liquid Small/Mid Cap Equity, Liquid International Equity, Liquid Short Term Fixed Income, Liquid Core Bonds, Liquid TIPS, and Liquid Transition Cash return, benchmark components: S&P 500, S&P 1000, MSCI All Country World Ex-U.S. Net Index, Bloomberg US Aggregate 1-3 Year Index, Bloomberg US Aggregate Bond Index, Bloomberg US Treasury Inflation-Linked Bond Index, and ICE BofAML US 3 Month Treasury Bill Index.

### LIQUID(SBOE) TIME WEIGHTED RETURNS (NET OF FEES) FISCAL YEAR ENDED AUGUST 31, 2021

Total PSF Liquid Account Composite	2020	2021
PSFLIQ Liquid Composite <sup>1</sup>	2.35	4.90
PSFLIQ Custom Benchmark <sup>2</sup>	2.04	4.27
PSF Liquid Large Cap Equity		
Liquid Large Cap Equity	-	43.24
S&P 500 Index <sup>3</sup>	-	38.19
PSF Liquid Small/Mid Cap Equity		
Liquid Small/Mid Cap Equity	-	61.97
S&P 1000 Index <sup>4</sup>	-	52.07
PSF Liquid International Equity		
Liquid International Equity <sup>5</sup>	-	12.20
MSCI All Country World Ex-U.S. Net Index <sup>6</sup>	-	12.18
PSF Liquid Short Term Fixed Income		
Liquid Short Term Fixed Income	2.78	0.91
Bloomberg US Aggregate 1-3 Year Index <sup>7</sup>	3.40	0.37
PSF Liquid Core Bonds		
Liquid Core Bonds	_	-0.07
Bloomberg US Aggregate Bond Index <sup>8</sup>	-	-0.07
bloomberg oo Aggregate bond index	-	-0.10
PSF Liquid TIPS		
Liquid TIPS	-	6.09
Bloomberg US Treasury Inflation-Linked Bond Index <sup>9</sup>	-	6.20
- ,		
PSF Liquid Transition Cash		
Liquid Transition Cash	1.62	0.44
ICE BofAML US 3 Month Treasury Bill 10	1.26	0.08

Time weighted rates of return adjusted for cash flows for the Liquid (SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees. Manager Fees represent the difference between Gross of Fees and Net of Fees Performance.

As of 8/31/2021, beginning adjusted market value weighted benchmark using Liquid Large Cap Equity, Liquid Small/Mid Cap Equity, Liquid International Equity, Liquid Short Term Fixed Income, Liquid Core Bonds, Liquid TIPS, and Liquid Transition Cash return, benchmark components: S&P 500, S&P 1000, MSCI All Country World Ex-U.S. Net Index, Bloomberg US Aggregate 1-3 Year Index, Bloomberg US Aggregate Bond Index, Bloomberg US Treasury Inflation-Linked Bond Index, and ICE BofAML US 3 Month Treasury Bill Index.

As of 8/31/2021, Benchmark consisted of 100% S&P 500 Index.

As of 8/31/2021, Benchmark consisted of 100% S&P 1000 Index.

Liquid International Equity inception date was December 2020, and therefore the return is the cumulative holding period return.

As of 8/31/2021, Benchmark consisted of 100% MSCI All Country World Ex-U.S. Net Index. As of Inception month of 12/2020, the benchmark was a partial period daily linked return of the MSCI All Country World Ex-U.S. Net Index to match the inception date of the account. As of 8/31/2021, Benchmark consisted of 100% Bloomberg US Aggregate 1-3 Year Index.

As of 8/31/2021, Benchmark consisted of 100% Bloomberg US Aggregate Bond Index.

As of 8/31/2021, Benchmark consisted of 100% Bloomberg US Treasury Inflation-Linked Bond Index.

<sup>(10)</sup> As of 8/31/2021, Benchmark consisted of 100% ICE BofAML US 3 Month Treasury Bill Index.

## TOTAL PSF (SLB) TIME WEIGHTED RETURNS SELECTED CUMULATIVE PERIODS

At August 31, 2021, PSF(SLB) discretionary real assets investments, including invested Cash at the State Treasury were approximately \$5.56 billion, which was approximately 9.5% of the total Fund assets of approximately \$58.5 billion. PSF(SLB) discretionary real assets investments, excluding Cash at the State Treasury, were approximately \$4.86 billion, which was approximately 8.3% of the total fund assets. Discretionary real assets investments within

the RESFA managed by PSF(SLB) are currently limited by the Natural Resources Code (NRC) to no more than 15 percent of the market value of the assets held by the PSF(SLB) and the PSF(SBOE).

At June 30, 2021, the time-weighted returns on the PSF(SLB) discretionary real assets investment portfolio were as follows:

## <u>GROSS OF FEES</u> Time-Weighted Returns on the PSF(SLB) Investment Portfolio (Excluding Cash)

	1-Year	3-Year	5-Year	10-Year
Total PSF(SLB) Portfolio**	16.26%	4.27%	9.59%	12.46%
Returns on Individual Portfolio Sectors				
Energy	30.59%	-3.68%	5.19%	7.02%
Infrastructure	8.40%	9.38%	16.63%	21.08%
Real Estate	10.97%	9.03%	9.27%	11.55%
Benchmark* Returns	9.02%	6.01%	6.21%	7.99%
Time-Weighted Returns on the PSF(SLB) In	nvestment Portfol	io (Including Cash)		
Total PSF(SLB) Portfolio**	14.93%	2.60%	5.37%	6.71%
NET OF FEES Time-Weighted Returns on the PSF(SLB) In	nvestment Portfol	io (Excluding Cash)	1	
_	1-Year	3-Year	5-Year	10-Year
Total PSF(SLB) Portfolio**	13.98%	2.73%	7.54%	10.09%
Returns on Individual Portfolio Sectors				
Energy	28.64%	-4.54%	3.79%	4.17%
Infrastructure	5.67%	7.12%	12.80%	16.66%
Real Estate	9.03%	7.31%	7.63%	9.94%
Benchmark* Returns	6.55%	3.62%	3.81%	6.12%
Time-Weighted Returns on the PSF(SLB) In	nvestment Portfol	io (Including Cash)		
Total PSF(SLB) Portfolio**	12.81%	1.56%	4.18%	5.46%

<sup>\*</sup>Benchmark is composite of 67% CPI Index, All Urban Consumers plus 74.10707 basis points quarterly and 33% NFI-All Open End Funds Index.

\*\*Total PSF(SLB) portfolio performance is reflective of externally managed investments only.

Note: Until September 1, 2019, PSF(SLB) was legally required to deposit cash designated by the SLB for investment in real assets into the State Treasury for investment in short-term investments until it was ultimately drawn for investment in real assets. It is typical for capital commitments to externally-managed real assets investment funds to be drawn down over a two to five year investment period. This structural delay between commitment and funding can create a negative effect on returns (typically referred to as a "cash drag") until the committed cash is finally drawn. In an effort to ameliorate this cash drag effect, on September 3, 2019, the SLB released \$3.90 billion from the Real Estate Special Fund Account (RESFA) to the Liquid(SBOE) in accordance with Texas Natural Resources Code, Chapter 51, section 51.414 and the terms of a resolution adopted by the SLB on August 29, 2019.

## PSF(SBOE) INVESTMENT MANAGEMENT FEES FOR THE TWELVE MONTHS ENDED JUNE 30, 2021

Asset Class	M	Market Value of Assets Under Management at June 30, 2021		Investment nagement Fees Paid	Profit Sharing Paid		
Emerging Market Equity	\$	1,376,119,669	\$	1,704,214	\$	-	
International Equity		6,651,594,287		270,000		-	
Emerging Market Debt		2,670,698,274		10,983,016		-	
Real Estate		3,552,647,570		49,421,163		6,818,273	
Commodities		37,872,896		2,228,666		-	
Risk Parity		-		804,134		-	
Absolute Return		3,645,303,569		14,951,567		-	
Private Equity		6,883,586,700		46,968,608		33,488,624	
Totals			\$	127,331,368	\$	40,306,897	

#### Notes:

Due to the timing of information received from investment managers/general partners, fees and profit sharing paid in conjunction with investment activities, along with the related market value of assets under management, are presented for the calendar year ended June 30, 2021.

Management fees disclosed here reflect fees paid to investment managers for their services. Other ancillary fees incurred by the asset manager, such as accounting and legal, which may be incurred by the investment manager and billed back to the Fund, are not included in this schedule. Profit sharing disclosed here reflects additional compensation paid to investment managers/general partners based on achievement of particular profit and performance benchmarks attained as defined by the agreement between the investment manager and the Fund.

Management fees and profit sharing paid as reflected in this schedule are only for direct, contractual relationships between the external manager/general partner and the PSF(SBOE). Some investment structures carry investments in underlying funds that also incur management fee and profit sharing costs; these are not reflected here due to the lack of a direct legal relationship between the PSF(SBOE) and the underlying fund manager.

The amount of fees appropriated and paid from the PSF(SBOE) and recorded as an appropriated expenditure for the calendar year ended June 30, 2021 totaled \$270,000, for the International Equity portfolio. All other fees and costs reflected in this schedule were paid directly from portfolio assets and are reflected in the recorded net asset value, as reported by the investment manager/general partner.

## PSF(SLB) INVESTMENT MANAGEMENT FEES FOR THE TWELVE MONTHS ENDED AUGUST 31, 2021

	iviai	lagement rees	-	Profit Share	inves	ament Expenses
PSF(SLB) Investments with External Investment Manager by Sector	(Note A)			(Note B)		(Note C)
Energy	\$	20,932,619	\$	345,679	\$	6,594,454
Real Estate		10,732,123		4,880,971		1,719,349
Infrastructure		13,971,786		21,821,913		10,300,646
Totals	\$	45,636,528	\$	27,048,563	\$	18,614,449

<sup>(</sup>A) These amounts represent management fees paid to external investment managers in the current fiscal year. Any unpaid accruals of management fees at the end of the fiscal year are reported as part of the fair value of investments.

<sup>(</sup>B) These amounts represent profits that were shared with, and paid to, external investment managers in the current fiscal year when the target investment returns on the underlying investments were exceeded by the managers.

<sup>(</sup>C) These amounts include partnership expenses, organizational expenses, and other investment-related expenses.

## CONTRIBUTIONS TO THE TEXAS PERMANENT SCHOOL FUND ASSETS MANAGED BY THE SBOE, LAST TEN FISCAL YEARS

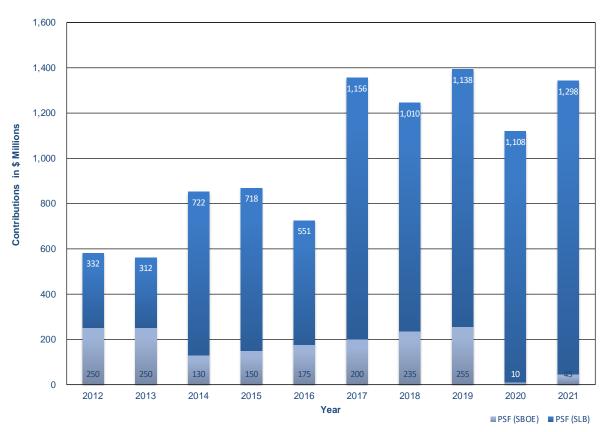
The School Land Board (SLB) makes contributions to the PSF(SBOE) from the revenue generated by royalties, lease payments, and other income derived from lands dedicated to the Fund. Legislative actions in the past several years have amended the Natural Resources Code (NRC) several times and have impacted the flow of contributions from the PSF(SLB) to the PSF(SBOE).

H.B. 3558 passed by the 77<sup>th</sup> Legislature and subsequent actions by the 79<sup>th</sup> and 80<sup>th</sup> Legislatures amended the NRC to grant the SLB authority to deposit some or all of the Fund's land and mineral interest proceeds previously transferred to the

PSF(SBOE) into a special fund account at the State Treasury and to grant investment authority to the SLB for this Real Estate Special Fund Account (RESFA).

The 80<sup>th</sup> Legislature also authorized the SLB and the Land Commissioner to determine whether to release any funds from the RESFA to the PSF(SBOE). During the fiscal year, the PSF(SBOE) received \$45 million in contributions from the SLB, which sourced from the SLB resolution adopted in November 2018, to release to the PSF(SBOE) a total of \$55 million from the RESFA - \$10 million in fiscal year 2020 and \$45 million in fiscal year 2021.

FIGURE 9: TEXAS PERMANENT SCHOOL FUND Contributions to PSF(SBOE) and PSF(SLB) (in millions)



#### DISTRIBUTIONS TO THE AVAILABLE SCHOOL FUND (ASF), LAST TEN FISCAL YEARS

Since September 2003, the Fund has calculated its annual distribution to the Available School Fund using a total return methodology. Prior to that year, all interest and dividends earned from investments was paid immediately to the ASF. In fiscal year 2021, \$1.1 billion was distributed to the ASF by the PSF(SBOE). The amount transferred was determined by the SBOE under administrative rules adopted in September 2009.

These rules state the SBOE will determine each year whether a distribution to the ASF is permitted under the Texas Constitution Article VII, §5(a)(2), and if a transfer shall be made for the current state fiscal year. The rule adoption was the result of Attorney General Opinion No. GA-0707, dated April 13, 2009, which clarified the proper application by the SBOE of Article VII, §5(a)(1) and §5(a)(2).

The ASF is distributed during the year to the school districts throughout the state based on their average daily attendance (ADA). For fiscal year 2021, the per student income earned by the Fund and distributed to school districts was \$341, the seventh year in which charter schools were included in the ADA. In fiscal years 2019 and 2020, this amount was \$306 and \$347 respectively (Figure 13).

On November 8, 2011, Texas voters approved Proposition 6, a constitutional amendment which increases the base amount used in calculating the distribution rate from the PSF(SBOE) to the ASF by

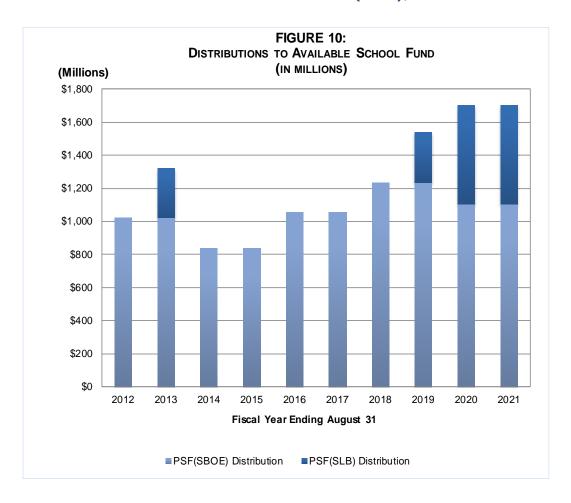
adding certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (at present, by the SLB). While the amendment provided for an increase in the base for the calculation, no new resources were provided for deposit to the PSF(SBOE). The new calculation base is required to be used to determine all payments to the ASF from the PSF(SBOE) beginning with the 2012-13 biennium. The SBOE approved a distribution rate of 2.9% for the 2020-2021 biennium based on a commitment of the SLB to transfer \$55 million to the PSF(SBOE) during the biennium.

Changes approved by the voters on November 19, 2019 provide authority to the SLB to determine at its sole discretion whether to release each year from PSF(SLB) assets to the ASF an amount not to exceed \$600 million, beginning on September 1, 2020. The PSF(SLB) adopted a resolution on August 21, 2018, approving the release of \$300 million to the ASF in fiscal year 2021.

Additionally, the PSF(SLB) adopted a resolution on October 20, 2020, approving the release of an additional \$300 million to the ASF in fiscal year 2021. The total distribution from the PSF(SLB) to the ASF in fiscal year 2021 will be \$600 million.

On August 18, 2020, the PSF(SLB) adopted a resolution, approving the release of \$415 million and \$460 million to the ASF in fiscal years 2022 and 2023, respectively.

## DISTRIBUTIONS TO THE AVAILABLE SCHOOL FUND (ASF), LAST TEN FISCAL YEARS



Fiscal Year Ending	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PSF(SBOE) Distribution	\$ 1,021	\$ 1,021	\$ 839	\$ 839	\$ 1,056	\$ 1,056	\$ 1,236	\$ 1,236	\$ 1,102	\$ 1,102
PSF(SLB) Distribution	\$ -	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300	\$ 600	\$ 600
Per Student Distribution (dollars)	\$ 221	\$ 281	\$ 175	\$ 173	\$ 215	\$ 212	\$ 247	\$ 306	\$ 347	\$ 341

#### FUND BALANCES, LAST TEN FISCAL YEARS

This schedule provides information on the modified accrual basis of accounting for the last ten fiscal years for the Fund. The information source of this schedule is the Balance Sheet for each respective fiscal year's audited financial statements. Please see Note 1.B. for the Fund's description of the modified accrual basis of accounting.

#### FIGURE 11: Comparative Fund Balances (in thousands)

	 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nonspendable Restricted	\$ 27,739,396 1,063,529	\$ 29,676,949 \$ 924,543	34,069,613 \$ 881,607	32,682,611 \$ 1,150,932	36,155,567 \$ 1,108,362	40,083,721 \$ 1,334,246	42,783,122 \$ 1,284,357	45,295,579 \$ 1,204,805	45,524,347 \$ 1,151,234	53,783,847 1,840,159
Total Fund Balance	\$ 28.802.925	\$ 30.601.492 \$	34.951.220 \$	33.833.543 \$	37.263.929 \$	41.417.967 \$	44.067.479 \$	46.500.384 \$	46.675.581 \$	55.624.006

Note: During fiscal year 2011 the Fund implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54), which required several prescribed classifications of fund balance. For the years 2011 through 2016, the Fund's corpus was originally the basis used to determine nonspendable fund balance classification. Beginning in 2017, this basis was modified to reflect nonspendable fund balance as that portion that was constitutionally not spendable. Generally, the portion classified as nonspendable represents the Fund's constitutionally permanent nature, and the remainder is classified as restricted since it may only be disposed in accordance with the scope of constitutional and statutory requirements. To aid in comparability between years, for purposes of this schedule fund balance classifications have been restated to reflect this modified approach for years 2011 to 2016.

#### CHANGES IN FUND BALANCES, LAST TEN FISCAL YEARS

This schedule provides trend information on the modified accrual basis of accounting for Revenues, Expenditures, and net change in Fund Balances. This information included in this schedule is obtained from the Statement of Revenues, Expenditures, and Changes in Fund Balance from each respective fiscal year's audited financial statements. Please see Note 1.B. for the Fund's description of the modified accrual basis of accounting.

FIGURE 12: Comparative Changes in Fund Balance (in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues:										
Gain on Sale of Land	9,779	\$ 2,687 \$	6,949 \$	2,720 \$	2,267 \$	1,466 \$	2,423 \$	1,386 \$	2,766 \$	6,382
Dividends and Interest	598,778	635,529	661,752	560,683	567,493	610,035	1,064,715	1,057,218	1,015,763	1,416,952
Securities Lending	7,418	10,330	9,408	7,725	8,419	25,238	49,416	49,220	26,346	5,313
Land Endowment Income	390,498	410,447	675,799	580,299	522,433	939,053	994,513	1,068,633	794,534	1,166,922
Sales of Purchased Gas	46,763	51,121	67,248	83,890	76,978	103,883	67,197	57,253	54,347	73,924
Net Increase/(Decrease) in Fair Value										
of Investments	1,897,573	2,064,158	3,858,498	(1,387,556)	1,507,682	3,691,679	1,868,259	1,525,823	104,286	8,125,201
Other	1,860	30,491	4,056	9,261	6,039	4,059	2,072	2,152	2,445	5,350
Total Revenues	2,952,669	3,204,763	5,283,710	(142,978)	2,691,311	5,375,413	4,048,595	3,761,685	2,000,487	10,800,044
Expenditures:										
Administrative	32,542	39,573	38,902	53,202	38,339	48,815	56,509	53,290	54,215	61,573
Gas Supplies Purchased for Resale	42,430	44,137	54,819	78,157	74,450	98,792	66,008	56,484	49,862	86,783
Securities Lending Rebates/Fees	1,107	1,549	1,411	1,159	1,684	16,366	40,511	43,972	19,469	728
Capital Outlay	37	50	177	155	610	374	220	608	54	213
Total Expenditures	76,116	85,309	95,309	132,673	115,083	164,347	163,248	154,354	123,600	149,297
Other Sources/(Uses)										
Transfers In	-	-	-	-	9	-	-	-	-	-
Transfers Out	(1,020,887)	(1,320,887)	(838,672)	(838,672)	(1,056,422)	(1,056,412)	(1,235,835)	(1,535,835)	(1,701,690)	(1,701,670)
Sale of Capital Assets	-	-	-	-	4	3	-	-	-	-
Insurance Recoveries	-	-	-	-	-	-	-	6	-	-
Other Financing Sources/(Uses)	(1,020,887)	(1,320,887)	(838,672)	(838,672)	(1,056,409)	(1,056,409)	(1,235,835)	(1,535,829)	(1,701,690)	(1,701,670)
Net Change in Fund Balance	1,855,666	\$ 1,798,567 \$	4,349,729 \$	(1,114,323) \$	1,519,819 \$	4,154,657 \$	2,649,512 \$	2,071,502 \$	175,197 \$	8,949,077

## AVERAGE DAILY ATTENDANCE AND CONTRIBUTIONS TO THE AVAILABLE SCHOOL FUND, LAST TEN FISCAL YEARS

This schedule provides trend information on the average daily attendance of students attending Texas public schools and contributions made by the PSF to the Available School Fund to support the cost of educating those students. This information included in this schedule is obtained from final Statewide Summary of Finances for each respective school year, and the Statement of Revenues, Expenditures, and Changes in Fund Balance from each respective fiscal year's audited financial statements. Please see Note 1.B. for the Fund's description of the modified accrual basis of accounting.

FIGURE 13:
Average Daily Attendance and
Distribution to the Available School Fund
(Dollars in thousands, except for per student amounts)

	2012	2013	2014	2015	2016	2017	2018	2019	 2020		2021
Average Daily Attendance	4,618,495	4,699,372	4,780,830	4,854,882	4,924,589	4,971,656	5,004,998	5,019,837	4,905,360	4	,991,071
Distribution to the Available School Fund	\$ 1,020,887	\$ 1,320,887	\$ 838,672	\$ 838,672	\$ 1,056,412	\$ 1,056,412	\$ 1,235,835	\$ 1,535,835	\$ 1,701,670	\$1	,701,670
Per Student Distribution	\$ 221	\$ 281	\$ 175	\$ 173	\$ 215	\$ 212	\$ 247	\$ 306	\$ 347	\$	341

# SECTION FOUR

# BOND GUARANTEE PROGRAM

(UNAUDITED)

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#### AN OVERVIEW OF THE BOND GUARANTEE PROGRAM

Since its inception in 1983, the Bond Guarantee Program (BGP) has guaranteed 8,111 school district bond issues for a total of \$216.7 billion. At the end of fiscal year 2021, there were 3,346 issues of guaranteed school district bonds outstanding with a balance of just under \$92.0 billion. This balance represents the principal amount of the bonds issued and does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The balance also excludes bonds that have been refunded and released from the Bond Guarantee Program. During this fiscal year the total amount of school district bonds outstanding increased by \$4.2 billion while the number of outstanding issues guaranteed by the Fund increased by 50.

The BGP has also guaranteed 92 charter district bond issues for a total of \$3.5 billion, since 2014 when charter districts were added to the program. During fiscal year 2021, the amount of charter district bonds outstanding increased by \$771.8 million while the number of outstanding issues guaranteed by the Fund increased by 19. At the end of the fiscal year 2021, there were 83 issues of guaranteed charter district bonds outstanding with a balance of \$3.3 billion. As with school district debt, this amount represents the principal amount of the bonds issued and does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities).

The Commissioner of Education is charged with administering the Program. For eligible bonds, including refunding bonds, school districts and charter districts submit an application for guarantee and a processing fee of \$1,500. The Commissioner may endorse bonds for guarantee only after investigating the accreditation and financial viability of the applying school or charter district. If the district is considered viable and the bonds are approved by the State of Texas Attorney General, then the guarantee is endorsed at a zero premium charge to the district.

In the event of a default by a school district, and upon proper notice to the Commissioner, the Fund will transfer to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and/or interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled Bond or evidence of payment

of the interest to the State Comptroller of Public Accounts (Comptroller). The Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld will be deposited to the credit of the Fund. To date, no school district has ever defaulted on their guaranteed bonded indebtedness.

Statute requires charter district participants in the Program to contribute a portion of their savings that result from participation in the Program to a Charter District Bond Guarantee Reserve Fund. This Fund is separately managed by TEA. In the event of a default by a charter district, the Commissioner shall instruct the Comptroller to transfer from the Charter District Bond Guarantee Reserve Fund to the district's paying agent the amount necessary to pay the maturing or matured principal and/or interest. If funds in the Reserve Fund are insufficient to pay the amount due on a bond in default, the payment process described above for school districts would apply.

The guarantee maximum capacity of the overall Program is limited in two ways. The first limit is the lower of that imposed by the "State Capacity Limit" limiting the amount guaranteed to 350% of the current historical cost of the assets in the Fund, or the limit imposed by the Internal Revenue Service, Internal Revenue Code Section 1.148-11(d)(1)(F) or the "IRS Limit" (calculated to be \$117,318,653,038). The second limit is a 5% reserve of the maximum capacity set aside by the SBOE for specific purposes as described by Texas Administrative Code Title 19 Part 2 Chapter 33 Subchapter A Rule 33.65.

Charter district capacity is further defined as the remaining capacity as described above (the lower of 3.50 times asset cost or the IRS limit, less the 5% reserve), the difference of which is applied against the ratio of charter district students compared to all public school students.

As of August 31, 2021, the ratio of guaranteed debt outstanding to the book value of the Fund was 2.46:1 and the ratio of guaranteed debt to the fair value of the Fund was 1.71:1.

#### AN OVERVIEW OF THE BOND GUARANTEE PROGRAM

To be eligible for the bond guarantee program, school districts and charter districts must be accredited by the State, have bond ratings below AAA, and have their applications approved by the Commissioner of Education. If a school district or charter district fails to make scheduled payments for any bond issues guaranteed by the Fund, the Fund will make the scheduled debt service payment for the defaulting school district as described above. The Fund will not accelerate total bond issue payments. Any State funds subsequently due to the district will instead be paid to the Fund until all monies due the Fund are repaid.

Figure 14 lists the districts with the ten largest aggregate amounts of bonds outstanding, which are guaranteed under the program as of August 31, 2021.

# FIGURE 14: Bond Guarantee Program Ten Largest Total Debt Outstanding Guaranteed Under the Program At August 31, 2021

Balance

3,104,330,000

2,985,880,000

2,237,280,000

2,135,120,696

2,045,435,000

1,774,185,230

1,402,803,767

1,337,905,000

**District Name** 

Cypress-Fairbanks ISD

Northside ISD [Bexar]

Dallas ISD

Frisco ISD

Katy ISD

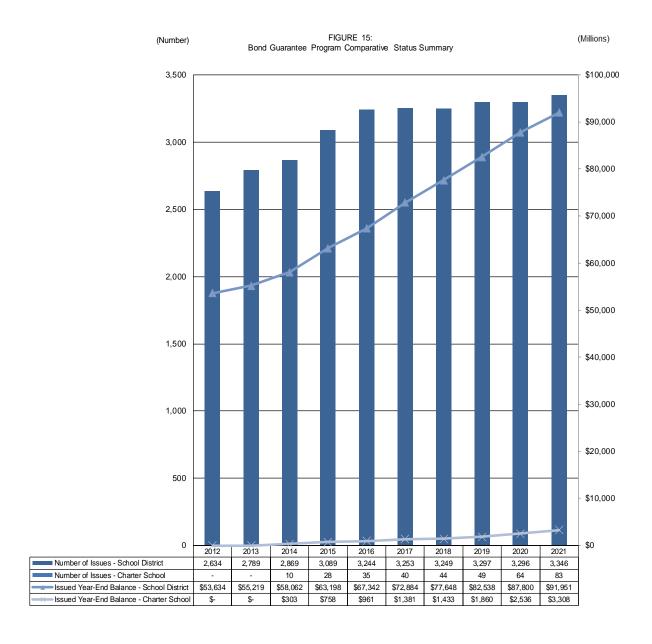
Houston ISD

Fort Bend ISD

Lamar CISD

guaranteed under the program as of August 31, 2021.	Conroe ISD North East ISD		1,334,295,000 1,290,875,000
NUMBER OF ISSUES	<u>Total</u>	School Districts	Charter Districts
Number of Issues as of September 1, 2020	3,360	3,296	64
Fiscal Year Activity: District Issues Guaranteed During Fiscal Year District Issues Matured District Issues Refunded	414 (208) (137)	392 (206) (136)	22 (2) (1)
Number of Issues as of August 31, 2021	3,429	3,346	83
BALANCE			
Balance as of September 1, 2020	\$ 90,336,680,245	\$ 87,800,478,245	\$ 2,536,202,000
Fiscal Year Activity: District Issues Guaranteed During Fiscal Year District Issues Matured District Issues Refunded	18,228,185,971 (3,790,497,975) (9,515,206,319)	17,334,335,971 (3,747,026,975) (9,436,611,319)	893,850,000 (43,471,000) (78,595,000)
Balance as of August 31, 2021	\$ 95,259,161,922	\$ 91,951,175,922	\$ 3,307,986,000

## BOND GUARANTEE PROGRAM COMPARATIVE STATUS SUMMARY LAST TEN FISCAL YEARS



SCHOOL DISTRICT NAME	BAL	ANCE SCHOOL DISTRICT NAME	BALANCE
Abbott ISD	\$ 3,41	0,000 Austwell-Tivoli ISD	\$ 13,335,000
Abernathy ISD	16,67	70,000 Avalon ISD	690,000
Abilene ISD	213,22	25,246 Azle ISD	117,215,000
Academy ISD	59,70	04,994 Baird ISD	3,935,000
Adrian ISD	3,95	50,000 Balmorhea ISD	43,220,000
Agua Dulce ISD	4,41	5,000 Bandera ISD	14,210,000
Alamo Heights ISD	181,64	10,000 Bangs ISD	5,770,000
Alba-Golden ISD	1,44	15,000 Banquete ISD	7,085,000
Aldine ISD	995,12	25,000 Barbers Hill ISD	334,305,000
Aledo ISD	278,38	39,289 Bartlett ISD	760,000
Alice ISD	35,52	25,000 Bastrop ISD	302,814,817
Alief ISD	335,05	55,000 Bay City ISD	126,245,000
Allen ISD	625,13	30,730 Beaumont ISD	273,690,000
Alpine ISD	19,06	65,000 Beeville ISD	11,640,000
Alto ISD	11,13	35,000 Bellevue ISD	4,135,000
Alvarado ISD	69,57	74,000 Bells ISD	15,070,000
Alvin ISD	879,22	20,000 Bellville ISD	16,360,000
Alvord ISD	5,02	25,000 Belton ISD	228,020,000
Amarillo ISD	229,69	00,000 Ben Bolt-Palito Blanco ISD	2,830,000
Anahuac ISD	20,66	60,000 Benavides ISD	4,740,000
Anderson-Shiro CISD	24,82	25,000 Benjamin ISD	3,900,000
Andrews ISD	27,64	10,000 Big Sandy ISD [Polk]	1,110,000
Angleton ISD	152,13	30,000 Big Sandy ISD [Upshur]	6,896,707
Anna ISD	184,98	37,991 Big Spring ISD	40,895,000
Anson ISD	4,37	70,000 Birdville ISD	440,840,000
Anthony ISD	3,69	00,000 Bishop CISD	26,790,000
Aquilla ISD	74	11,000 Blanco ISD	6,190,000
Aransas Co ISD	22,15	55,000 Bland ISD	12,653,022
Aransas Pass ISD	14,47	70,000 Blanket ISD	700,000
Archer City ISD	14,69	95,000 Bloomburg ISD	344,000
Argyle ISD	219,46	S2,265 Blooming Grove ISD	795,000
Arlington ISD	1,060,85	54,956 Bloomington ISD	7,630,000
Arp ISD	17,30	5,000 Blue Ridge ISD	34,735,000
Aspermont ISD	6,15	50,000 Bluff Dale ISD	4,830,000
Athens ISD	61,52	25,000 Blum ISD	6,215,000
Atlanta ISD	10,57	70,500 Boerne ISD	302,078,908
Aubrey ISD	92,32	28,898 Boles ISD	3,140,000
Austin ISD	1,270,42	20,900 Bonham ISD	31,950,000

SCHOOL DISTRICT NAME	BALANC	E SCHOOL DISTRICT NAME	BALANCE
Borden Co ISD	\$ 9,240,00	0 Cameron ISD	\$ 13,985,000
Borger ISD	63,766,81	1 Canadian ISD	3,130,000
Bosqueville ISD	6,650,00	0 Canton ISD	19,726,000
Bowie ISD	19,455,00	0 Canutillo ISD	79,224,627
Boyd ISD	18,095,00	0 Canyon ISD	241,815,000
Brady ISD	15,025,00	O Carlisle ISD	8,980,000
Brazos ISD	11,624,98	6 Carrizo Springs CISD	37,180,000
Brazosport ISD	397,085,00	0 Carroll ISD	261,375,000
Breckenridge ISD	2,775,00	O Carrollton-Farmers Branch ISD	362,450,000
Bremond ISD	7,595,00	0 Carthage ISD	17,297,000
Brenham ISD	26,352,26	1 Castleberry ISD	34,200,000
Bridge City ISD	12,267,77	0 Cedar Hill ISD	88,015,513
Bridgeport ISD	10,990,00	O Celeste ISD	5,885,000
Brock ISD	61,602,63	9 Celina ISD	241,045,000
Brookesmith ISD	345,00	0 Center ISD	28,900,000
Brooks Co ISD	25,765,00	O Centerville ISD [Leon]	13,038,270
Brownfield ISD	39,955,00	O Central Heights ISD	11,055,000
Brownsboro ISD	18,825,00	0 Central ISD	9,510,000
Brownsville ISD	76,455,00	O Channelview ISD	292,750,000
Bruceville-Eddy ISD	4,905,00	O Channing ISD	550,000
Bryan ISD	285,220,00	Chapel Hill ISD [Smith]	12,195,000
Bryson ISD	11,723,60	7 Chapel Hill ISD [Titus]	2,070,000
Buckholts ISD	325,00	O Charlotte ISD	7,635,000
Buffalo ISD	10,813,25	5 Chico ISD	15,260,000
Bullard ISD	60,350,53	3 Chillicothe ISD	9,075,000
Buna ISD	18,945,00	O China Spring ISD	80,054,986
Burkburnett ISD	34,845,00	O Chireno ISD	690,000
Burkeville ISD	630,00	O Chisum ISD	26,130,000
Burleson ISD	310,561,59	9 City View ISD	11,047,377
Burnet CISD	70,215,00	O Claude ISD	1,085,000
Burton ISD	4,835,00	O Clear Creek ISD	955,435,000
Bushland ISD	14,520,00	O Cleburne ISD	182,812,083
Bynum ISD	555,00	Cleveland ISD	307,549,989
Caddo Mills ISD	74,128,46	3 Clifton ISD	22,120,000
Calallen ISD	64,640,00	O Clint ISD	152,360,401
Caldwell ISD	37,630,80	O Clyde CISD	18,655,000
Calhoun Co ISD	22,265,00	O Coahoma ISD	13,015,000
Callisburg ISD	15,775,00	O Coldspring-Oakhurst CISD	17,215,000

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
College Station ISD	\$ 287,860,000	Cypress-Fairbanks ISD	\$ 3,104,330,000
Collinsville ISD	7,691,000	Daingerfield-Lone Star ISD	5,469,000
Colorado ISD	26,475,061	Dalhart ISD	11,140,000
Columbia-Brazoria ISD	36,980,000	Dallas ISD	2,985,880,000
Columbus ISD	7,532,373	Danbury ISD	18,115,000
Comal ISD	671,245,179	Darrouzett ISD	1,720,000
Comanche ISD	7,115,000	Dawson ISD [Navarro]	7,784,608
Comfort ISD	28,994,994	Dayton ISD	78,525,000
Commerce ISD	18,760,000	De Leon ISD	885,000
Community ISD	118,470,000	Decatur ISD	26,224,640
Comstock ISD	975,000	Deer Park ISD	251,760,000
Connally ISD	10,365,000	Del Valle ISD	253,624,999
Conroe ISD	1,334,295,000	Denison ISD	88,763,160
Coolidge ISD	1,880,000	Denton ISD	1,281,433,717
Cooper ISD	8,175,000	Denver City ISD	60,510,000
Coppell ISD	318,744,091	DeSoto ISD	76,893,714
Copperas Cove ISD	6,895,000	Detroit ISD	4,570,000
Corpus Christi ISD	700,125,046	Devers ISD	140,000
Corrigan-Camden ISD	1,655,000	Devine ISD	9,455,000
Corsicana ISD	79,741,017	Deweyville ISD	4,050,000
Cotulla ISD	23,975,000	D'Hanis ISD	3,811,000
Coupland ISD	4,550,000	Diboll ISD	13,975,342
Covington ISD	220,000	Dickinson ISD	373,055,000
Crandall ISD	113,764,482	Dilley ISD	30,370,000
Crane ISD	2,335,000	Dime Box ISD	2,870,000
Crawford ISD	5,490,000	Dimmitt ISD	30,714,998
Crockett Co Cons CSD	28,765,000	Dodd City ISD	3,810,000
Crockett ISD	9,715,000	Donna ISD	56,055,000
Crosby ISD	124,550,000	Dripping Springs ISD	276,454,934
Crosbyton CISD	6,630,000	Driscoll ISD	6,498,298
Cross Roads ISD	3,860,000	Dublin ISD	3,370,000
Crowell ISD	3,545,000	Dumas ISD	77,065,000
Crowley ISD	516,990,461	Duncanville ISD	195,310,000
Crystal City ISD	41,295,000	Eagle Mountain-Saginaw ISD	911,226,608
Cuero ISD	55,515,000	Eagle Pass ISD	36,900,000
Culberson Co-Allamoore ISD	16,925,000	Eanes ISD	117,690,000
Cumby ISD	8,437,000	Early ISD	16,251,849
Cushing ISD	9,860,000	East Bernard ISD	19,220,000

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
East Central ISD	\$ 111,218,479	Follett ISD	\$ 1,170,000
East Chambers ISD	12,530,000	Forney ISD	419,832,208
Eastland ISD	7,625,000	Forsan ISD	14,620,000
Ector Co ISD	140,275,000	Fort Bend ISD	1,402,803,767
Ector ISD	1,240,000	Fort Hancock ISD	835,000
Edcouch-Elsa ISD	26,025,000	Fort Stockton ISD	27,335,000
Eden CISD	11,875,000	Fort Worth ISD	1,189,155,000
Edgewood ISD [Bexar]	44,840,000	Franklin ISD	7,400,000
Edgewood ISD [Van Zandt]	2,315,000	Frankston ISD	12,805,000
Edinburg CISD	98,000,000	Fredericksburg ISD	16,965,000
Edna ISD	17,115,000	Freer ISD	21,304,908
El Campo ISD	23,285,000	Frenship ISD	314,701,337
El Paso ISD	867,720,009	Friendswood ISD	201,285,000
Electra ISD	10,240,000	Friona ISD	17,715,000
Elgin ISD	29,965,000	Frisco ISD	2,135,120,696
Elkhart ISD	12,290,000	Frost ISD	5,715,000
Elysian Fields ISD	5,005,000	Fruitvale ISD	1,805,000
Ennis ISD	97,739,620	Gainesville ISD	23,280,000
Era ISD	3,790,000	Galena Park ISD	349,386,390
Etoile ISD	1,970,000	Galveston ISD	55,100,000
Eula ISD	3,354,500	Ganado ISD	22,525,000
Eustace ISD	36,820,000	Garland ISD	451,080,000
Evadale ISD	1,172,893	Garner ISD	885,000
Everman ISD	113,760,000	Garrison ISD	14,195,000
Ezzell ISD	3,355,000	Gary ISD	6,810,000
Fabens ISD	23,594,000	Gatesville ISD	22,185,000
Fairfield ISD	2,255,000	George West ISD	26,365,000
Falls City ISD	23,380,000	Georgetown ISD	386,195,000
Fannindel ISD	830,000	Giddings ISD	27,145,000
Farmersville ISD	62,280,000	Gilmer ISD	41,870,000
Farwell ISD	8,135,000	Gladewater ISD	28,769,525
Fayetteville ISD	6,815,000	Glasscock Co ISD	5,460,000
Ferris ISD	28,998,059	Glen Rose ISD	9,230,000
Flatonia ISD	15,970,000	Godley ISD	163,285,000
Florence ISD	9,930,000	Goldthwaite CISD	20,275,000
Floresville ISD	51,629,990	Goliad ISD	5,390,000
Flour Bluff ISD	43,759,986	Gonzales ISD	19,545,000
Floydada ISD	32,590,000	Goodrich ISD	2,400,000

SCHOOL DISTRICT NAME	BALANC	E SCHOOL DISTRICT NAME	BALANCE
Goose Creek CISD	\$ 677,727,57	2 Hawley ISD	\$ 4,905,000
Gorman ISD	3,585,00	0 Hays CISD	427,215,000
Grady ISD	21,245,00	0 Hearne ISD	6,660,000
Graford ISD	7,340,00	0 Hempstead ISD	9,304,480
Graham ISD	18,580,00	0 Henderson ISD	35,879,919
Granbury ISD	93,015,00	0 Henrietta ISD	6,965,000
Grand Prairie ISD	382,150,00	0 Hereford ISD	18,970,000
Grand Saline ISD	4,091,00	0 Hermleigh ISD	4,295,000
Grandfalls-Royalty ISD	9,650,00	0 Hico ISD	2,280,000
Grandview ISD	16,265,00	0 Hidalgo ISD	24,505,000
Grape Creek ISD	10,010,00	0 High Island ISD	170,000
Grapeland ISD	9,800,00	0 Highland ISD	6,970,000
Grapevine-Colleyville ISD	308,658,77	5 Highland Park ISD [Dallas]	307,555,000
Greenville ISD	69,925,00	0 Highland Park ISD [Potter]	17,345,000
Greenwood ISD	51,598,45	2 Hillsboro ISD	30,639,164
Gregory-Portland ISD	204,815,00	0 Hitchcock ISD	25,355,000
Groesbeck ISD	8,710,00	0 Holland ISD	7,820,000
Groom ISD	11,725,00	0 Holliday ISD	15,425,000
Gruver ISD	4,875,00	0 Hondo ISD	33,600,000
Gunter ISD	14,840,00	0 Honey Grove ISD	7,515,000
Gustine ISD	710,00	0 Hooks ISD	5,015,000
Guthrie CSD	785,00	0 Houston ISD	2,045,435,000
Hale Center ISD	4,312,99	6 Howe ISD	20,766,389
Hallettsville ISD	18,920,00	0 Hubbard ISD [Hill]	7,556,834
Hallsburg ISD	1,963,18	3 Huckabay ISD	7,275,000
Hallsville ISD	87,215,00	0 Hudson ISD	10,840,000
Hamlin ISD	2,920,00	0 Huffman ISD	70,270,000
Hamshire-Fannett ISD	51,105,00	0 Hull-Daisetta ISD	682,000
Hardin ISD	16,550,00	0 Humble ISD	797,835,000
Hardin-Jefferson ISD	54,660,00	0 Hunt ISD	3,150,000
Harlandale ISD	147,398,92	0 Huntington ISD	12,405,000
Harleton ISD	716,00	0 Huntsville ISD	97,250,000
Harlingen CISD	90,485,00	0 Hurst-Euless-Bedford ISD	257,645,000
Harmony ISD	238,00	0 Hutto ISD	340,211,939
Hart ISD	1,750,00	0 Idalou ISD	10,710,000
Hartley ISD	4,425,00	0 Industrial ISD	18,490,000
Haskell CISD	18,180,00	0 Ingleside ISD	37,150,000
Hawkins ISD	26,905,00	0 Ingram ISD	11,550,000

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Iola ISD	\$ 8,430,000	) Klein ISD	\$ 1,015,525,000
Iowa Park CISD	31,185,000	) Klondike ISD	8,780,000
Ira ISD	9,665,000	) Knippa ISD	2,720,000
Iraan-Sheffield ISD	11,425,000	) Kountze ISD	8,230,000
Iredell ISD	4,350,000	) Kress ISD	2,185,000
Irion Co ISD	13,675,000	) Krum ISD	25,405,368
Irving ISD	346,060,000	) La Feria ISD	18,995,000
Italy ISD	11,860,000	) La Grange ISD	29,990,000
Itasca ISD	9,365,000	) La Joya ISD	181,352,680
Jacksboro ISD	16,175,000	La Porte ISD	226,055,000
Jacksonville ISD	73,585,000	La Poynor ISD	6,020,000
Jarrell ISD	150,249,988	B La Pryor ISD	1,585,000
Jasper ISD	24,480,000	) La Vega ISD	33,358,281
Jayton-Girard ISD	865,000	La Vernia ISD	27,440,000
Jefferson ISD	5,180,000	) La Villa ISD	7,750,000
Jim Hogg Co ISD	14,662,000	) Lago Vista ISD	69,645,601
Jim Ned CISD	35,230,000	) Lake Dallas ISD	146,066,868
Joaquin ISD	10,605,000	Lake Travis ISD	350,735,000
Johnson City ISD	12,535,000	Lake Worth ISD	57,020,460
Joshua ISD	93,485,000	) Lamar CISD	1,337,905,000
Jourdanton ISD	37,450,467	Z Lamesa ISD	23,445,000
Judson ISD	507,339,085	5 Lampasas ISD	27,579,982
Karnes City ISD	8,512,000	Lancaster ISD	134,955,000
Katy ISD	1,774,185,230	) Laredo ISD	209,100,000
Kaufman ISD	66,025,000	) Lasara ISD	4,815,000
Keene ISD	10,340,000	) Latexo ISD	5,000,000
Keller ISD	877,564,989	Lazbuddie ISD	4,450,000
Kelton ISD	1,050,000	Leander ISD	1,015,727,261
Kemp ISD	17,229,993	B Lefors ISD	2,120,000
Kenedy ISD	24,579,984	Leggett ISD	1,890,000
Kennedale ISD	23,305,025	5 Leon ISD	2,395,000
Kerens ISD	16,120,000	Levelland ISD	43,919,971
Kermit ISD	21,079,989	Lewisville ISD	1,053,861,626
Kerrville ISD	88,745,000	Lexington ISD	6,885,000
Kilgore ISD	34,355,000	Liberty Hill ISD	378,237,702
Killeen ISD	403,295,000	Liberty ISD	32,415,000
Kingsville ISD	56,985,000	Liberty-Eylau ISD	21,935,000
Kirbyville CISD	19,999,766	S Lindale ISD	66,804,093

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Lingleville ISD	\$ 7,048,000	Marshall ISD	\$ 81,485,000
Lipan ISD	15,750,009	Mart ISD	9,545,000
Little Cypress-Mauriceville CISD	53,600,000	Martins Mill ISD	2,145,000
Little Elm ISD	330,226,408	Martinsville ISD	3,475,000
Livingston ISD	53,820,000	Mason ISD	2,735,000
Llano ISD	35,880,000	Matagorda ISD	3,860,000
Lockhart ISD	59,829,961	Mathis ISD	21,145,000
Lockney ISD	4,440,000	Maud ISD	522,000
Lohn ISD	785,000	May ISD	1,210,000
Lometa ISD	3,095,000	Maypearl ISD	9,517,677
London ISD	30,062,298	McAllen ISD	50,155,000
Lone Oak ISD	6,320,000	McCamey ISD	10,970,000
Longview ISD	165,855,000	McDade ISD	575,000
Loop ISD	360,000	McGregor ISD	21,591,379
Loraine ISD	6,770,000	McKinney ISD	438,610,000
Lorena ISD	25,452,600	McLean ISD	1,000,000
Los Fresnos CISD	73,890,000	McMullen Co ISD	4,301,000
Lovejoy ISD	148,362,326	Meadow ISD	730,000
Lovelady ISD	6,680,000	Medina ISD	5,105,000
Lubbock ISD	306,365,475	Medina Valley ISD	190,617,932
Lubbock-Cooper ISD	330,340,120	Melissa ISD	273,345,000
Lueders-Avoca ISD	800,000	Mercedes ISD	40,065,000
Lufkin ISD	92,405,000	Meridian ISD	5,375,000
Luling ISD	30,165,000	Merkel ISD	9,935,000
Lumberton ISD	75,185,000	Mesquite ISD	682,828,275
Lyford CISD	2,970,000	Mexia ISD	11,390,000
Lytle ISD	22,810,000	Miami ISD	13,080,000
Mabank ISD	35,320,414	Midland ISD	170,180,982
Madisonville CISD	19,440,000	Midlothian ISD	429,760,000
Magnolia ISD	92,005,000	Midway ISD [Clay]	3,725,000
Malakoff ISD	71,465,000	Midway ISD [McLennan]	194,775,000
Malone ISD	748,000	Milano ISD	3,500,000
Malta ISD	625,000	Mildred ISD	17,995,000
Manor ISD	427,484,999	Miles ISD	6,845,000
Mansfield ISD	853,614,839	Miller Grove ISD	2,940,000
Marble Falls ISD	94,135,000	Millsap ISD	14,491,834
Marfa ISD	4,910,000	Mineral Wells ISD	45,374,771
Marion ISD	35,465,000	Mission CISD	95,979,960

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Monahans-Wickett-Pyote ISD	\$ 129,600,000	Northwest ISD	\$ 1,223,981,739
Monte Alto ISD	10,450,000	Nursery ISD	1,990,000
Montgomery ISD	319,790,000	Oakwood ISD	4,721,745
Moody ISD	9,155,000	Odem-Edroy ISD	24,705,000
Moulton ISD	11,950,000	O'Donnell ISD	10,996,000
Mount Calm ISD	1,500,000	Olfen ISD	645,000
Mount Enterprise ISD	2,310,000	Olney ISD	4,115,000
Mount Pleasant ISD	69,615,000	Onalaska ISD	10,159,406
Mount Vernon ISD	18,560,000	Orange Grove ISD	7,685,000
Muenster ISD	14,040,000	Orangefield ISD	6,205,000
Muleshoe ISD	13,385,000	Ore City ISD	7,510,000
Munday CISD	6,315,000	Overton ISD	7,000,000
Nacogdoches ISD	94,060,000	Paint Creek ISD	1,780,000
Natalia ISD	9,885,000	Paint Rock ISD	1,800,000
Navarro ISD	32,435,494	Palacios ISD	12,510,000
Navasota ISD	53,590,000	Palestine ISD	48,465,000
Nazareth ISD	270,000	Palmer ISD	15,270,000
Neches ISD	3,150,000	Palo Pinto ISD	2,275,000
Nederland ISD	81,670,000	Pampa ISD	33,464,959
Needville ISD	44,380,000	Panther Creek CISD	590,000
New Boston ISD	12,470,000	Paradise ISD	7,965,000
New Braunfels ISD	229,225,233	Paris ISD	42,350,000
New Caney ISD	532,125,000	Pasadena ISD	621,205,000
New Diana ISD	7,410,000	Pawnee ISD	2,019,000
New Home ISD	21,495,000	Pearland ISD	401,235,000
New Summerfield ISD	7,040,000	Pearsall ISD	18,480,000
New Waverly ISD	3,650,000	Peaster ISD	18,697,306
Newcastle ISD	4,500,000	Perrin-Whitt CISD	3,330,000
Newton ISD	1,760,000	Perryton ISD	16,283,712
Nixon-Smiley CISD	11,227,000	Petersburg ISD	23,005,000
Nordheim ISD	7,975,000	Petrolia CISD	2,315,000
Normangee ISD	15,801,984	Pettus ISD	26,550,000
North East ISD	1,290,875,000	Pewitt CISD	670,000
North Hopkins ISD	3,915,000	Pflugerville ISD	570,555,000
North Lamar ISD	44,005,000	Pharr-San Juan-Alamo ISD	245,885,000
North Zulch ISD	2,945,000	Pilot Point ISD	12,405,000
Northside ISD [Bexar]	2,237,280,000	Pine Tree ISD	42,375,000
Northside ISD [Wilbarger]	1,075,000	Pittsburg ISD	16,415,000

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Plains ISD	\$ 21,545,000	Richardson ISD	\$ 644,340,000
Plainview ISD	66,490,000	Richland Springs ISD	2,365,000
Plano ISD	539,265,000	Riesel ISD	23,400,000
Pleasant Grove ISD	41,180,000	Rio Grande City Grulla ISD	126,705,000
Pleasanton ISD	49,615,000	Rio Hondo ISD	28,690,000
Plemons-Stinnett-Phillips CISD	6,570,000	Rio Vista ISD	1,250,000
Point Isabel ISD	7,340,000	River Road ISD	8,203,736
Ponder ISD	12,525,000	Rivercrest ISD	3,850,000
Poolville ISD	2,140,000	Robert Lee ISD	10,675,000
Port Aransas ISD	7,328,000	Robinson ISD	17,819,992
Port Arthur ISD	224,980,000	Robstown ISD	45,267,874
Port Neches-Groves ISD	201,490,000	Roby CISD	9,795,000
Post ISD	32,000,000	Rockdale ISD	20,580,000
Poteet ISD	23,015,000	Rocksprings ISD	560,000
Poth ISD	12,387,000	Rockwall ISD	514,758,572
Pottsboro ISD	6,295,000	Rogers ISD	12,931,377
Prairie Lea ISD	7,295,000	Roma ISD	62,415,000
Prairiland ISD	6,320,000	Roosevelt ISD	7,360,000
Premont ISD	14,685,000	Ropes ISD	8,165,000
Presidio ISD	2,361,715	Roscoe Collegiate ISD	2,865,000
Priddy ISD	920,000	Rosebud-Lott ISD	11,659,464
Princeton ISD	289,772,209	Rotan ISD	13,130,000
Pringle-Morse CISD	390,000	Round Rock ISD	685,385,000
Progreso ISD	18,075,000	Round Top-Carmine ISD	1,245,000
Prosper ISD	955,880,164	Royal ISD	56,014,994
Queen City ISD	1,580,000	Royse City ISD	206,415,585
Quinlan ISD	10,435,000	Runge ISD	2,020,000
Quitman ISD	11,769,000	Rusk ISD	6,385,000
Rains ISD	10,020,000	S & S CISD	25,060,000
Rankin ISD	35,310,000	Sabinal ISD	7,315,000
Raymondville ISD	11,970,000	Sabine ISD	17,279,994
Reagan Co ISD	22,415,000	Sabine Pass ISD	20,719,485
Red Lick ISD	3,970,000	Saint Jo ISD	6,275,000
Red Oak ISD	90,175,000	Salado ISD	59,445,000
Redwater ISD	5,955,000	Sam Rayburn ISD	3,354,631
Refugio ISD	19,035,000	San Angelo ISD	86,884,994
Rice CISD	25,899,996	San Antonio ISD	1,245,359,988
Rice ISD	22,304,592	San Augustine ISD	9,000,000

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
San Benito CISD	\$ 90,365,000	Slidell ISD	\$ 710,000
San Diego ISD	23,560,000	Slocum ISD	2,645,000
San Elizario ISD	25,755,000	Smithville ISD	36,970,000
San Felipe Del Rio CISD	40,279,993	Snook ISD	13,840,000
San Marcos CISD	200,465,000	Snyder ISD	6,985,000
San Perlita ISD	5,275,000	Socorro ISD	797,765,521
San Saba ISD	3,235,000	Somerset ISD	48,110,000
Sanford-Fritch ISD	7,012,287	Somerville ISD	11,445,000
Sanger ISD	18,049,055	Sonora ISD	971,561
Santa Anna ISD	815,000	South San Antonio ISD	134,373,329
Santa Fe ISD	78,015,000	Southside ISD	83,480,000
Santa Gertrudis ISD	1,390,000	Southwest ISD	269,108,272
Santa Maria ISD	13,505,000	Spearman ISD	4,835,000
Santa Rosa ISD	7,130,000	Splendora ISD	52,550,000
Savoy ISD	690,000	Spring Branch ISD	805,065,000
Schertz-Cibolo-Universal City ISD	389,050,330	Spring Hill ISD	36,312,000
Schulenburg ISD	6,450,000	Spring ISD	518,220,000
Scurry-Rosser ISD	5,630,000	Springtown ISD	47,875,000
Seagraves ISD	7,345,000	Spur ISD	2,590,000
Sealy ISD	48,850,000	Spurger ISD	1,615,000
Seguin ISD	167,614,809	Stafford MSD	100,630,000
Seminole ISD	8,500,000	Stamford ISD	7,260,000
Seymour ISD	1,780,000	Stanton ISD	11,530,000
Shallowater ISD	24,548,819	Stephenville ISD	74,895,000
Sharyland ISD	85,015,000	Sterling City ISD	13,185,000
Shelbyville ISD	575,000	Stockdale ISD	12,015,000
Sheldon ISD	378,569,996	Stratford ISD	6,085,000
Shepherd ISD	18,045,000	Sudan ISD	8,670,000
Sherman ISD	198,045,000	Sulphur Bluff ISD	385,000
Shiner ISD	2,095,000	Sulphur Springs ISD	40,740,000
Sidney ISD	1,030,000	Sunnyvale ISD	89,832,574
Sierra Blanca ISD	8,505,000	Sunray ISD	14,339,000
Silsbee ISD	26,414,997	Sweeny ISD	48,515,000
Silverton ISD	6,320,000	Sweetwater ISD	4,955,000
Simms ISD	1,010,000	Taft ISD	24,425,000
Sinton ISD	68,045,000	Tahoka ISD	13,040,000
Skidmore-Tynan ISD	8,509,000	Tarkington ISD	7,825,000
Slaton ISD	13,390,000	Tatum ISD	13,435,000

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Taylor ISD	\$ 56,584,973	Venus ISD	\$ 31,272,152
Teague ISD	4,445,000	Veribest ISD	860,000
Temple ISD	164,745,000	Victoria ISD	106,005,000
Tenaha ISD	2,720,000	Vidor ISD	10,293,415
Terrell Co ISD	2,330,000	Waco ISD	133,030,000
Terrell ISD	51,309,200	Waelder ISD	2,700,000
Texarkana ISD	34,725,000	Walcott ISD	875,000
Texas City ISD	187,250,000	Wall ISD	16,150,000
Texline ISD	1,695,000	Waller ISD	377,370,000
Thrall ISD	13,645,000	Warren ISD	18,084,881
Three Rivers ISD	17,900,000	Waskom ISD	11,355,000
Tidehaven ISD	39,735,000	Water Valley ISD	16,530,000
Timpson ISD	8,060,000	Waxahachie ISD	232,338,709
Tioga ISD	5,317,734	Weatherford ISD	103,860,335
Tolar ISD	8,172,161	Webb CISD	8,965,000
Tom Bean ISD	8,134,684	Weimar ISD	14,220,000
Tomball ISD	564,985,000	Wellman-Union CISD	17,582,362
Tornillo ISD	15,905,000	Wells ISD	2,600,000
Trent ISD	2,125,000	Weslaco ISD	38,610,000
Trenton ISD	5,790,000	West Hardin Co CISD	1,550,000
Trinidad ISD	625,000	West ISD	18,938,345
Trinity ISD	13,130,000	West Orange-Cove CISD	64,080,000
Troup ISD	5,420,000	West Oso ISD	30,440,000
Troy ISD	28,799,997	West Rusk Co CISD	11,915,000
Tulia ISD	11,965,000	West Sabine ISD	7,035,000
Tuloso-Midway ISD	47,159,996	Wharton ISD	72,685,000
Turkey-Quitaque ISD	2,170,000	Wheeler ISD	4,585,000
Tyler ISD	374,195,000	White Deer ISD	10,300,000
Union Grove ISD	11,375,000	White Oak ISD	17,851,000
United ISD	438,259,884	White Settlement ISD	142,459,339
Uvalde CISD	5,510,000	Whiteface CISD	7,225,000
Valley Mills ISD	13,295,000	Whitehouse ISD	104,315,000
Valley View ISD [Cooke]	9,894,901	Whitesboro ISD	5,300,000
Valley View ISD [Hidalgo]	35,935,000	Whitewright ISD	6,035,000
Van Alstyne ISD	98,305,000	Whitharral ISD	1,465,000
Van ISD	36,790,000	Whitney ISD	30,385,000
Van Vleck ISD	77,075,000	Wichita Falls ISD	334,720,000
Vega ISD	14,890,000	Wildorado ISD	10,380,000

SCHOOL DISTRICT NAME	BALANCE	CHARTER DISTRICT NAME		BALANCE
Willis ISD	\$ 234,242,295	A+ Charter Schools, Inc.		12,450,000
Wilson ISD	6,430,000	A.W. Brown Leadership Academy		23,465,000
Wimberley ISD	99,963,645	BRAINATION, INC (dba Inspire Academies)		10,515,000
Windthorst ISD	1,449,999	Compass Academy Charter School, Inc.		29,935,000
Wink-Loving ISD	19,465,000	Eagle Advantage Schools, Inc.		18,245,000
Winnsboro ISD	29,920,000	El Paso Education Initiative, Inc.		19,695,000
Winona ISD	25,020,000	Faith Family Kids, Inc.		19,380,000
Woden ISD	8,695,000	Golden Rule Schools Inc.		26,230,000
Wolfe City ISD	3,125,000	Great Hearts America Texas		207,190,000
Woodsboro ISD	9,555,000	Harmony Public Schools		437,160,000
Wortham ISD	5,645,000	IDEA Academy, Inc.		973,090,000
Wylie ISD [Collin]	439,735,598	International Leadership of Texas		49,630,000
Wylie ISD [Taylor]	44,290,000	KIPP Texas, Inc.		427,813,000
Yoakum ISD	36,355,000	Lifeschool Of Dallas		98,405,000
Yorktown ISD	3,790,000	Nova Academy		4,620,000
Ysleta ISD	727,601,202	Odyssey 2020 Academy, Inc.		11,485,000
Zapata Co ISD	8,780,000	Orenda Education		36,530,000
Zavalla ISD	5,030,000.00	Pineywoods Community Academy		15,800,000
Zephyr ISD	3,394,210	Responsive Education Solutions		265,715,000
TOTAL SCHOOL DISTRICT		Riverwalk Education Foundation, Inc.		180,703,000
AMOUNT OUTSTANDING	\$ 91,951,175,922	SER-Ninos, Inc.		36,740,000
		The Hughen Center, Inc.		16,585,000
		Trinity Basin Preparatory Inc.		61,625,000
		Uplift Education		253,395,000
		Yes Prep Public Schools Inc.		71,585,000
		TOTAL CHARTER DISTRICT		
		AMOUNT OUTSTANDING	\$	3,307,986,000
		GRAND TOTAL		
		AMOUNT OUTSTANDING	\$	95,259,161,922

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## SECTION FIVE

### SUPPLEMENTAL SCHEDULES (UNAUDITED)

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## TEXAS PERMANENT SCHOOL FUND SCHEDULE OF HISTORICAL EARNED INCOME – PSF(SBOE) ASSIGNED TO THE AVAILABLE SCHOOL FUND

		Increase				
	Total Investment	(Decrease) Over	Net Income	Other	Total Income	
Year	Fund <sup>1</sup>	Previous Year <sup>2</sup>	From Investments <sup>3</sup>	Income 4	From Operations	Distributions 5
1854	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
1900	9,102,873	682,284	337,437	445,705	783,142	-
1910	16,752,407	712,842	628,669	1,341,858	1,970,527	-
1920	25,698,282	2,832,785	899,946	1,988,609	2,888,555	-
1930	38,718,106	2,349,227	1,668,949	1,100,598	2,769,547	-
1940	68,299,082	5,119,511	2,353,046	978,828	3,331,874	-
1950	161,179,979	10,891,509	3,586,117	399,857	3,985,974	-
1961	454,391,643	28,570,043	13,474,481	291,955	13,766,436	4,593,565
1970	842,217,721	43,557,978	34,114,113	648,842	34,762,955	-
1980	2,464,579,397	401,868,617	158,079,171	8,396,255	166,475,426	-
1990	8,930,703,666	(160,746,667)	671,049,192	3,585,802	674,634,994	-
2000	22,275,586,452	2,659,856,111	694,916,560	3,570,745	698,487,305	-
2008	23,142,393,002	(2,169,442,344)	-	-	-	716,534,543
2009	20,545,271,679	(2,597,121,323)	-	-	-	716,533,764
2010	22,107,795,468	1,562,523,789	-	-	-	60,700,000
2011	24,091,592,601	1,983,797,133	-	-	-	1,092,809,024
2012	25,502,953,268	1,411,360,667	-	-	-	1,020,886,917
2013	27,165,474,239	1,662,520,971	-	-	-	1,020,886,919
2014	30,709,230,670	3,543,756,431	-	-	-	838,672,346
2015	28,949,453,126	(1,759,777,544)	-	-	-	838,672,334
2016	30,155,990,622	1,206,537,496	-	-	-	1,056,412,420
2017	32,727,880,581	2,571,889,959	-	-	-	1,056,412,420
2018	34,012,158,724	1,284,278,143	-	-	-	1,235,835,058
2019	34,260,473,139	248,314,415	-	-	-	1,235,835,058
2020	35,810,965,992	1,550,492,853	-	-	-	1,101,669,657
2021	42,573,202,540	6,762,236,548	-	-	-	1,101,669,657

<sup>&</sup>lt;sup>1</sup> Includes cash, stocks at cost, and bonds at par (1854-1986). Beginning in 1987 and thereafter, the total investment fund is reported using fair values.

For 2003, income from investments includes interest and dividends on debt and equity securities respectively, interest on funds in accrual basis of accounting.

For the years 1994-2002, income from investments includes interest and dividends on debt and equity securities respectively, interest on funds in the State Treasury, and securities lending proceeds.

For the years 1987-1993, income from investments includes interest and dividends on debt and equity securities, respectively and interest on funds in the State Treasury.

For the years 1854-1986, income from investments includes interest and dividends on debt and equity securities, respectively.

For the years 1854-1986, other income includes interest on funds in the State Treasury, interest on land notes, and interest payments and surface rental income from land owned by the Fund. (Surface rental income included beginning with fiscal year 1979).

<sup>&</sup>lt;sup>2</sup> Includes revenue from GLO, gains and losses on security transactions, and increases/decreases in the fair value of the portfolios.

<sup>&</sup>lt;sup>3</sup> For 2004, income from investments includes interest and dividends on debt and equity securities respectively, interest on funds in the State Treasury, and securities lending proceeds. Due to the change to the total return methodology, the net income from investments is through September 29, 2003 only.

<sup>&</sup>lt;sup>4</sup> For the years 1987-2004, other income includes interest on land notes and interest payments and surface rental income from land owned by the Fund. (Surface rental income included beginning with fiscal year 1979).

<sup>&</sup>lt;sup>5</sup> One percent, or \$4,593,565 and \$4,625,982 was transferred to the ASF in 1961 and 1962 respectively (Sec. 5, S.B, 1, 57th Legislature, 2nd Called Session). Beginning in fiscal year 2004, the ASF received a total return transfer amount in lieu of actual revenue.

## TEXAS PERMANENT SCHOOL FUND SCHEDULE OF TEXAS PERMANENT SCHOOL FUND ELEMENTS

	PSF(SBOE)	Liquid(SBOE)	PSF(SLB)	Total
Assets				
Cash and Cash Equivalents				
Cash in Bank	\$ 62,357,196	\$ 780,306	\$ 535,425	\$ 63,672,927
Cash in State Treasury	493,203,313	1,321,918,139	699,201,369	2,514,322,821
Cash Equivalents	272,250,431	110,280,271	-	382,530,702
Securities Lending Cash Collateral Invested	2,187,664,582	434,987,444	-	2,622,652,026
Receivables	-	-	-	
Interest and Dividends Receivable	69,911,640	4,898,844	145,837	74,956,321
Investments Sold	7,192,453	7,061,984	-	14,254,437
Land Endowment Revenue	-	-	227,688,882	227,688,882
Land Sale Notes	-	-	56,023	56,023
Due from Broker for Margin Collateral	5,776,350	305,229	-	6,081,579
Due From Other Funds	-	-	295,680	295,680
Other	1,521	86	-	1,607
Prepaid Items	-	-	3,201	3,201
Investments and Related Assets				
Investments in Equity, Debt, and Alternative Securities	38,019,318,072	2,877,667,316	-	40,896,985,388
Investments in Real Assets, at fair value	3,706,056,721	-	7,988,028,425	11,694,085,146
Total Assets	\$44,823,732,279	\$ 4,757,899,619	\$ 8,915,954,842	\$58,497,586,740
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Liabilities, Deferred Inflow Of Resources And Fund Balances				
Liabilities:	Ф 4.040.00 <b>г</b>	•	ф 0.004.000	Ф 40.007.074
Accounts Payable	\$ 4,343,365	\$ -	\$ 8,624,606	\$ 12,967,971
Payroll Payable	1,261,869	-	1,872,759	3,134,628
Interest Payable	05.044.057	4 004 005	-	-
Payable for Investments Purchased	65,811,057	1,031,285	440 404 050	66,842,342
Unearned Revenue	-	-	140,131,852	140,131,852
Due To Other Funds	- 0 407 405 470	404.057.500	298,582	298,582
Payable for Securities Lending Cash Collateral Invested  Total Liabilities	2,197,405,179	434,957,586	450 007 700	2,632,362,765
Total Liabilities	2,268,821,470	435,988,871	150,927,799	2,855,738,140
Deferred Inflow Of Resources				
Interest and Dividends	16,290,539	1,552,018		17,842,557
Total Deferred Inflow Of Resources	16,290,539	1,552,018		17,842,557
Total Deletted lillow Of Resources	10,290,559	1,332,016	-	17,042,007
Fund Financial Statement-Fund Balances				
Nonspendable	40,737,041,733	4,320,358,730	8,726,446,904	53,783,847,367
Restricted for Public School Support	1,801,578,537	-,020,000,700	38,580,139	1,840,158,676
Total Fund Balance	42,538,620,270	4,320,358,730	8,765,027,043	55,624,006,043
. C	,000,020,270	1,020,000,700	3,700,027,040	33,02 1,000,040
Total Liabilities, Deferred Inflow of Resources				
And Fund Balance	\$44,823,732,279	\$ 4,757,899,619	\$ 8,915,954,842	\$58,497,586,740
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## TEXAS PERMANENT SCHOOL FUND SCHEDULE OF TEXAS PERMANENT SCHOOL FUND ELEMENTS

	PSF(SBOE)	Liquid(SBOE)	PSF(SLB)	Total
Revenues	<b>*</b> 4 050 050 000	<b>*</b> ***********************************	<b>A</b> 440 000 540	<b>*</b>
Interest, Dividends and Other Investment Income	\$ 1,258,950,236	\$ 41,602,069	\$ 116,399,518	\$ 1,416,951,823
Settlement of Claims	274,162	- 457.465	-	274,162 5 313 170
Securities Lending Gain on Sale of Sovereign Land	4,855,705	457,465	6,381,717	5,313,170 6,381,717
Net Increase/(Decrease) in Fair Value of Investments	6,817,684,759	149,538,067	1,157,978,247	8,125,201,073
Land Endowment Income	0,617,004,739	149,556,007	1,166,921,552	1,166,921,552
Revenue from Sales of Purchased Gas		_	73,924,395	73,924,395
Other	125	<u> </u>	5,075,723	5,075,848
Total Revenues	8,081,764,987	191,597,601	2,526,681,152	10,800,043,740
		, ,		, , ,
Expenditures Salaries and Wages	14 914 226		15 204 264	20 009 400
Payroll Related Costs	14,814,226 3,322,234	-	15,284,264 4,897,943	30,098,490 8,220,177
Professional Fees and Services	5,322,234 6,210,501	-	4,697,943 4,450,652	10,661,153
Travel	15,668	-	4,450,052 21,057	36,725
Materials and Supplies	381,482	_	1,117,527	1,499,009
Communication and Utilities	4,617,984		519,170	5,137,154
Gas Supplies Purchased for Resale	4,017,304		86,783,322	86,783,322
Repairs and Maintenance	62,872		1,103,157	1,166,029
Rentals and Leases	909,130		233,412	1,142,542
Printing and Reproduction	6,787		26,444	33,231
Securities Lending Rebates and Fees	728,159	_	20,777	728,159
Other Expenditures	1,047,890	_	2,530,467	3,578,357
Capital Outlay	4,665		208,464	213,129
Total Expenditures	32,121,598	-	117,175,879	149,297,477
Excess of Revenues Over Expenditures	8,049,643,389	191,597,601	2,409,505,273	10,650,746,263
Other Financing Sources/(Uses)	(4, 404, 000, 057)		(000 000 000)	(4 704 000 057)
Transfers Out to Other Funds	(1,101,669,657)	400,000,000	(600,000,000)	(1,701,669,657)
Transfers In from Other PSF Elements	114,296,291	400,000,000	563,918,162	1,078,214,453
Transfers Out to Other PSF Elements	(300,000,000)	(319,296,291)	(458,918,162)	(1,078,214,453)
Total Other Financing Sources/(Uses)	(1,287,373,366)	80,703,709	(495,000,000)	(1,701,669,657)
Net Change in Fund Balance	6,762,270,023	272,301,310	1,914,505,273	8,949,076,606
Fund Financial Statement-Fund Balance				
Fund Balance - September 1, 2020	35,776,350,247	4,048,057,420	6,851,173,689	46,675,581,356
Restatements	-	-	(651,919)	(651,919)
Fund Balance-September 1, 2020, as restated	35,776,350,247	4,048,057,420	6,850,521,770	46,674,929,437
r and Salarioo Copiombor 1, 2020, as restated	30,110,000,241	7,070,007,720	0,000,021,110	10,01 4,020,401
Fund Balance - August 31, 2021	\$42,538,620,270	\$ 4,320,358,730	\$ 8,765,027,043	\$55,624,006,043

#### TEXAS PERMANENT SCHOOL FUND SCHEDULE OF ADMINISTRATIVE EXPENSES – PSF(SBOE) (IN MILLIONS)

The Texas Permanent School Fund is required by the General Appropriations Act to publish the costs of administrating the Fund for the current year and projections for the following three years. The schedule below reflects the current year's appropriated costs. Projected amounts are based on the current operating structure and full implementation of the long-term allocation plan adopted by the State Board of Education.

The total appropriated PSF(SBOE) administrative expenses include salaries, wages and related

costs, professional fees and services, communication and utilities, rentals and leases, investment management fees paid directly to external portfolio managers, and other expenses for operation of the Fund.

Actual-Fiscal Year 2021	\$31.4
Projected-Fiscal Year 2022	\$35.4
Projected-Fiscal Year 2023	\$35.4
Projected-Fiscal Year 2024	\$35.4

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#### **COMPLIANCE STATEMENT**

# TITLE VI, CIVIL RIGHTS ACT OF 1964; THE MODIFIED COURT ORDER, CIVIL ACTION 5281, FEDERAL DISTRICT COURT, EASTERN DISTRICT OF TEXAS, TYLER DIVISION

Reviews of local education agencies pertaining to compliance with Title VI Civil Rights Act of 1964 and with specific requirements of the Modified Court Order, Civil Action No. 5281, Federal District Court, Eastern District of Texas, Tyler Division are conducted periodically by staff representatives of the Texas Education Agency. These reviews cover at least the following policies and practices:

- (1) Acceptance policies on student transfers from other school districts;
- (2) Operation of school bus routes or runs on a non-segregated basis;
- (3) Nondiscrimination in extracurricular activities and the use of school facilities;
- (4) Nondiscriminatory practices in the hiring, assigning, promoting, paying, demoting, reassigning, or dismissing of faculty and staff members who work with children;
- (5) Enrollment and assignment of students without discrimination on the basis of race, color, or national origin;
- (6) Nondiscriminatory practices relating to the use of a student's first language; and
- (7) Evidence of published procedures for hearing complaints and grievances.

In addition to conducting reviews, the Texas Education Agency staff representatives check complaints of discrimination made by a citizen or citizens residing in a school district where it is alleged discriminatory practices have occurred or are occurring.

Where a violation of Title VI of the Civil Rights Act is found, the findings are reported to the Office for Civil Rights, U.S. Department of Education.

If there is a direct violation of the Court Order in Civil Action No. 5281 that cannot be cleared through negotiation, the sanctions required by the Court Order are applied.

TITLE VII, CIVIL RIGHTS ACT OF 1964 AS AMENDED BY THE EQUAL EMPLOYMENT OPPORTUNITY ACT OF 1972; EXECUTIVE ORDERS 11246 AND 11375; EQUAL PAY ACT OF 1964; TITLE IX, EDUCATION AMENDMENTS; REHABILITATION ACT OF 1973 AS AMENDED; 1974 AMENDMENTS TO THE WAGE-HOUR LAW EXPANDING THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967; VIETNAM ERA VETERANS READJUSTMENT ASSISTANCE ACT OF 1972 AS AMENDED; IMMIGRATION REFORM AND CONTROL ACT OF 1986; AMERICANS WITH DISABILITIES ACT OF 1990; AND THE CIVIL RIGHTS ACT OF 1991.

The Texas Education Agency shall comply fully with the nondiscrimination provisions of all federal and state laws, rules, and regulations by assuring that no person shall be excluded from consideration recruitment, selection. for appointment, training, promotion, retention, or any other personnel action, or be denied any benefits or participation in any educational programs or activities which it operates on the grounds of race, religion, color, national origin, sex, disability, age, or veteran status (except where age, sex, or disability constitutes a bona fide occupational qualification necessary to proper and efficient administration). The Texas Education Agency is an Equal Employment Opportunity/Affirmative Action employer.

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