



OFFICIAL MEETING MINUTES BOARD OF PACE TRUSTEES MEETING

May 24, 2022 9:00am - 10:00am

Virtual meeting by Zoom, link in calendar invite

PACE Trustees: Brett Yancey (Board Chair), Chief Operations Officer, Springfield 19; Brad Henry, Chief Operational Officer, Bend-La Pine 1; David Kruse, Risk Manager, North Clackamas 12; Paul Andrews, Superintendent, High Desert ESD; Sherry Ely, Chief Finance and Operations Officer; Sharla Andresen, Director of Contracts & Risk Management, COCC; Tim Belanger (Vice Chair), Business Services Director, Oregon Trail 46; Dawn Watson, OSBA Board Member, Phoenix-Talent 4; John Rexford, Trustee Emeritus, High Desert ESD

PACE Trustees absent: Dawn Moorefield, Assistant Superintendent, Cascade 5

OSBA Staff: Dave Harvey, PACE Administrator, OSBA; Meghan Peterson, PACE Senior Administrative Assistant, OSBA; Chris Davidson, Chief Financial Officer, OSBA; Jim Green, Executive Director, OSBA

SDAO Staff: Michael Doherty, Chief Financial Officer, SDAO

Outside guests: Greg Coffey, Director, Institutional Investment Solutions, Russell investments

Public guests: Tami Booth, Accounting Supervisor, Parkrose District

I. Welcome

a. Acknowledge any guests - Brett Yancey

II. Presentations

a. Russell Investments - Private investing, Greg Coffee

- *We can't predict that we'll have the stability we've had in the last 10 years.*
- *More return, less risk, hopefully.*
- *Strong covenants to protect shareholders*
- *It is less liquid than publicly traded - multiple year investment*
- *Majority are in senior debt and subordinated debt structure*
- *Many more opportunities with private companies than public companies*
- *Same level of volatility as public market, but higher returns potentially*
- *Slightly higher default rates, recovery rates are considerably better*
- *Make sure we are diversified across many types of portfolios to lessen any impact of defaults.*

Questions and Commentary:

John asks on about subordinated debt default risk. Greg says 60% (more than 40% in publicly and less than 80% of senior debt)

Tim asks how this investment works and what type of investor we are. We would be a "Limited Partner". Get returns on a quarterly basis, especially 3-4 years.

Investors will dissolve after commitment, and then you can start over (Tim asks).

Initial allocation is 5% and then 10% long term, with expected 5.2 and 5.4 return on both allocations.

Sharla asks if this is in line with other entities that are similar to us? Or this a new age aggressive type of investment option?

Greg says it's not out of line, this is big in the last 5 years. What would be very new would private equity, but not private debt (which is us). Willing to give up liquidity for 5-6 years to get more of that investment.

Brett Yancey asks Jim, Dave and Chris - as school districts we have investment policies from the state. He asks knowing that districts do not do this, have we gotten an opinion from the treasury department that says this is fine for us to do, even though school districts can't do this.

Jim says that as a Trust, we are not subject to those investment restrictions. Trust can investment wherever we want for whatever returns. The issue is what is the risk willingness in regards to investment returns. We wouldn't be able to get an Attorney General opinion, Treasury only looks at short term investment. Could get an attorney's opinion if we wanted it, but it is not needed.

Brett says he is satisfied with answer, and knows that this is a low exposure in this particular area.

Dave talks about long term ability to pay claims and this is why we are looking at this.

A lot of work goes into covenants to help investments/investors.

Tim asks if we are comfortable locking up the assets for 6 years.

Jim says personally that he would want to see how 5% performs before going up to 10%. Want to keep some liquidity for claim payment.

Michael has no problem 5% allocation, 4 million is reasonable and we shouldn't need it.

\$77 million in current value, so 4 million is reasonable. OSBA is also looking at this as well.

Chris mentions discount before June 30th. Dave says yes, but wants to make sure we don't know do it because of the discount.

Paul wants to make sure we have enough funds to operate. To this require a whole lot more management? 46 basis up to 52 basis points for 5%. A more expensive asset class, and more management. 52 to 57 basis points for 10%.

Jim clarifies that returns shown are net returns (including management fees).

Brad Henry asks how much control do you have where our money is placed?

Greg says we can determine what type of debt we invest in.,

9:50am - Brett asks if there any other questions, wants to be cognizant of time. Dave mentions we've been evaluating this since before 2022.

III. Action Items

- a. PACE Investment Guideline Update - Chris Davidson
 - i. Sample wording: "I move approval of the updated PACE Investment Guideline as presented by staff"*
 - ii. Motion: Brad Henry moves, Tim Belanger seconds. The motion passes with no objection.**

Brett appreciates the work on this, and the conservative approach. Congratulate Sherry on her retirement.

IV. Committee

- a. PACE Trustee Committee Dave Harvey
 - i. John Rexford, Tim Belanger, Brett Yancey**

V. Upcoming Trust Meetings and Activities

- a. July 29 & 30, 2022 - Hampton Inn, Bend
- b. September 26th Trust Meeting - Salem, OSBA Offices
- c. December 7, 200 Trust Meeting, The Graduate, Eugene

VI. Adjourn

VII. Adjourned at 9:57am