

REPORT OF THE
BOARD OF TRUSTEES OF THE PERMANENT FUND
TO THE 2023 TSTA HOUSE OF DELEGATES

Article X of the TSTA Bylaws stipulates that investments of the Permanent Fund be directed by the Board of Trustees of the Permanent Fund consisting of the President, Executive Director and three members elected by the Board of Directors to serve three-year staggered terms and that each year one of these three members be elected chairperson. The elected members include: Angela Davis, Winifred Jackson and Ysreal Valencia.

The TSTA Permanent Fund Investment Policy provides for investments in one or more of the following: (a) Certificates of Deposit, (b) Repurchase agreements of Treasury Bonds or Notes, (c) Government Agency Bonds or Notes, (d) U.S. Treasury Bills, (e) Commercial Paper in the two highest quality classes by Moody's Investor's Service or Standard & Poors, or (f) Index Funds not to exceed thirty percent (30%) of the total fund with re-balancing as necessary to maintain the limitation. The balance invested in equities at February 28, 2023 equals \$544,611 or 26%. TSTA regularly works with the investment advisors to maintain the balance of the fund as the Certificates of Deposit mature.

The Board of Trustees has reviewed the status and use of the Fund, noting the following items:

1. On September 1, 2022 the Fund balance was \$2,095,116, including \$3,562 or ten percent (10%) of the interest earned by the Fund during 2021-22 and returned to the Fund at the end of the year.
2. The Fund Balance on August 31, 2023 will be increased by ten percent (10%) of the net income earned by the Fund during 2022-23, as directed by the 1998 House of Delegates, and will also be adjusted to reflect market losses, if any, on Permanent Fund investments at that time. Recent market fluctuations have resulted in a lower overall balance in the Fund than prior year, primarily due to the decline in the interest rates last year on equities. However, interest rates have been increasing, and are expected to maintain those current levels. Those rates are expected to have a continued impact on higher yields for equity investments. While unrealized gains on fixed investments in the Permanent Fund have declined in the past few months, that trend is not expected to continue. The Fund currently has \$27,397 in unrealized losses on the market value of index fund investments. TSTA investment advisors continue to have a positive outlook on investments in the Permanent Fund and do not make any recommendations for change in investment strategy at this time.
3. All Permanent Fund investments earn interest which is deposited in the Available Fund for operating expenses except for earnings on equity investments that are retained in that account. The accounts will be balanced with ten percent (10%) of the Permanent Fund earnings for the year added to the Permanent Fund balance as of August 31st.

Following is an analysis of Permanent Fund investments as of February 28, 2023

<u>Securities/Investments</u>	<u>Current Value</u>	<u>Maturity Date(s)</u>
<u>FROST BROKERAGE SERVICES</u>		
Certificates of Deposit (\$1,582,000 at maturity, 0.4% to 4.6%)	\$1,564,279	3/23 to 1/24
Equity Investments (original investments \$489,893).....	\$ 544,612	
U.S. Govt. Obligation Money Market Funds.....	\$ 11,836	
Accrued Interest on Certificates of Deposit.....	\$ 8,356	
 TOTAL Permanent Fund Balance	 <u>\$2,129,083</u>	