

**September 2024**

TRUSTEES

## **TRS Board of Trustees Meeting**



**Teacher Retirement System of  
Texas**

1000 Red River Street  
Austin, Texas  
78701-2698

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING  
BOARD OF TRUSTEES**

**AGENDA**

**September 19, 2024 – 8:00 a.m.**

**September 20, 2024 – 8:00 a.m.**

*All or part of the September 19 - 20, 2024 meeting of the TRS Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have the presiding officer and a quorum physically present at the following location, which will be open to the public during the open portions of the meeting: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5<sup>th</sup> Floor, Boardroom.***

*Members of the public may provide virtual public comment by registering first with the Board Secretary by submitting an email to [publiccomment@trs.texas.gov](mailto:publiccomment@trs.texas.gov) identifying the name of the speaker and topic, no later than 5:00 pm on September 19, 2024.*

*The open portions of the Board meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the Board meeting is provided at [www.trs.texas.gov](http://www.trs.texas.gov). A recording of the meeting will be available at [www.trs.texas.gov](http://www.trs.texas.gov).*

*NOTE: The Board may take up any item posted on the agenda during its meeting on September 19 - 20, 2024 beginning at the time and place specified on this agenda.*

1. Call roll of Board members.
2. Consider the following administrative matters – Robert H. Walls, Jr.:
  - A. Approval of the July 2024 proposed meeting minutes;
  - B. Setting, rescheduling, or canceling future Board meetings including considering dates for the calendar year 2025.
3. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
  - A. Administrative operational matters, including updates on financial, audit, legal, staff services, special projects, strategic planning, legislative personnel matters, TEAM Independent Program Assessment (IPA) Vendor and Moving Forward Together Update.
  - B. Board operational matters, including a review of draft agendas for upcoming meetings.
  - C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.

4. Receive Quarterly Ombudsman's Report – Lori LaBrie.
5. Consider the selection of vendor(s) as Securities Lending Agent, including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in the negotiations with a third person - James Nield and Chris Pan.
6. Review of General Investment Advisor Request for Proposal and consider the extension of the existing Advisor contract, including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in the negotiations with a third person – Steven Wilson and LaTresa Stroud.
7. Receive an overview of the compensation process for Board Direct reports - Shunne Powell; Josh Wilson and Susan Lemke, Mercer Consulting.
8. Receive an overview of the evaluation process for Board Direct reports - Shunne Powell; Liz Severyns, Focus Consulting.
9. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Audit Executive, Chief Investment Officer, and Ombudsman and consider the salary limits of the Executive Director and Chief Investment Officer listed in the schedule of exempt positions in the General Appropriations Act for the 2024 and 2025 Biennium – Robert H. Walls, Jr.

***NOTE:*** The Board meeting likely will recess after the last item above and will resume September 20, 2024, Friday morning, to take up items listed below.

10. Provide an opportunity for public comment – Robert H. Walls, Jr.
11. Receive the report of the Investment Management Committee on its September 19, 2024 meeting – Committee Chair.
12. Receive the report of the Policy Committee on its September 19, 2024 meeting and consider adoption of the following: – Committee Chair
  - A. Proposed amendments to the Investment Policy Statement; and
  - B. Proposed amendments to the Benefits Counseling Policy.
13. Receive the report of the Benefits Committee on its September 19, 2024 meeting and consider the following:
  - A. Acceptance of the Medical Board Meeting minutes for July 2024 meeting;
  - B. Approval of the Benefit Payments for June to August 2024.

14. Receive the report of the Strategic Planning Committee on its September 19, 2024 meeting – Committee Chair.
15. Receive the report of the Compensation Committee on its September 19, 2024 meeting and consider the following: – Committee Chair
  - A. Proposed continuation and adoption of the Executive Director’s Performance Pay Plan for the 2024 – 2025 Performance Period; and
  - B. Proposed continuation and adoption of the Investment Management Division’s and TRICOT’s Performance Pay Plans for the 2024 – 2025 Performance Period adoption.
16. Receive the report of the Audit, Compliance, and Ethics Committee on its September 20, 2024 meeting including considering the adoption of the following – Committee Chair:
  - A. Proposed revisions to the Audit Charter;
  - B. Proposed performance objectives for FY 2025; and
  - C. Proposed Audit Plan for FY 2025.
17. Receive an update on the TEAM Program – Billy Lowe, Jennifer Whitman and Adam Fambrough.
18. Receive an update from the TEAM Program Independent Program Assessment (IPA) Vendor – Laurie Patton, EY.
19. Receive the Deputy Director’s Update including considering the FY 2025 Historically Underutilized Business (HUB) Goals and Procurement and Contracting Report – Caasi Lamb.
20. Receive Quarterly Data Governance and Information Security Update – Heather Traeger, Caasi Lamb, Martin Cano, Chris Cutler, Frank Williams, and Kristy Gaskill.
21. Review the report of the General Counsel on pending and contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, investment matters and open records and on legal or regulatory matters involving certain TRS vendors, investment managers, or other counterparties– Heather Traeger and J.R. Morgan.

The Board may convene in Executive Session under the following, but not limited to:

- a. Texas Government Code, Section 551.071: Consultation with Attorney;
- b. Texas Government Code, Section 551.072: Deliberation Regarding Real Property;

- c.* Texas Government Code, Section 551.074: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees including but not limited to the Executive Director, Chief Audit Executive, Chief Investment Officer and Ombudsman.
- d.* Texas Government Code, Section 551.076: Deliberation Regarding Security Devices or Security Audits;
- e.* Texas Government Code, Section 551.089: Deliberation Regarding Security Devices or Security Audits; or
- f.* Texas Government Code, Section 825.115: Applicability of Certain Laws;
- g.* Texas Government Code, Section 825.3011: Certain Consultations Concerning Investments.

## **Minutes of the Board of Trustees**

**July 18, 2024**

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, July 18, 2024, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

### **The following Board members were present:**

Robert H. Walls, Jr., Chair  
Nanette Sissney  
Brittney Allred  
Michael Ball  
David Corpus  
John Elliott  
James Dick Nance  
Elvis Williams

### **Others present:**

Brian Guthrie, TRS	Brock Gregg, TRTA
Caasi Lamb, TRS	Amy Daily, ESI
Heather Traeger, TRS	Karen Haywood, BCBS TX
Jase Auby, TRS	Steve Alexander, BCBS TX
Don Green, TRS	John Oswald, HMS
Barbie Pearson, TRS	Adam Morris, HMS
Katrina Daniel, TRS	Todd Coulter, HDS
Amanda Jenami, TRS	Rene Paulson, Elite Research
Merita Zoga, TRS	
Lori LaBrie, TRS	
Katherine Farrell, TRS	
Suzanne Dugan, Cohen Milstein	
Dr. Keith Brown, Board Investment Advisor	

Mr. Walls called the meeting to order at 8:01 a.m. He announced a few changes since the last Board meeting. He thanked the former chairman, friend, colleague, Trustee Hollingsworth, who had served out his extended term and welcomed John Rutherford from Houston.

#### **1. Call roll of Board members.**

Ms. Farrell called the roll. A quorum was present.

#### **2. Consider administrative matters including the following – Robert H. Walls, Jr.: A. Approval of the May 2024 proposed meeting minutes**

On a motion by Mr. Williams, seconded by Mr. Nance, the Board unanimously voted to approve the May 2024 proposed meeting minutes as presented.

**B. Excusing Board Member Absences from May 2024 meeting; and**

On a motion by Mr. Ball, seconded by Mr. Nance, the Board unanimously voted to excuse the absences of Trustee Corpus absence from the May 3<sup>rd</sup> meeting and Trustee Elliott from the May 2<sup>nd</sup> and 3<sup>rd</sup> meeting.

**C. Consider consenting to the Chair's appointment of committee members, and receive the Chair's announcement of committee chairs.**

Mr. Walls presented the following proposed committee assignments. He noted there were two other trustees scheduled to roll off so the committees will remain the same until the two new trustees are appointed.

Committees	Committee Chair and Members
ACE	Brittney Allred, Michael Ball, Nanette Sissney, Elvis Williams, Rob Walls, Jr.,
Benefits	Elvis Williams, Brittney Allred, Michael Ball, John Rutherford, Nanette Sissney
Budget	Michael Ball, David Corpus, Rob Walls, Jr., Nanette Sissney, Elvis Williams
Compensation	Dick Nance, Michael Ball, John Elliott, Rob Walls, Jr., Elvis Williams
Investment Management	David Corpus, Brittney Allred, John Elliott, Nanette Sissney, Rob Walls, Jr.
Policy	John Elliott, Brittney Allred, Dick Nance, John Rutherford, Rob Walls, Jr.
Strategic Planning	John Rutherford, Michael Ball, David Corpus, John Elliott, Dick Nance

On a motion by Mr. Corpus, seconded by Ms. Sissney, the Board unanimously voted to approve the committee assignments as presented.

**3. Receive an overview of roles and responsibilities of the Board of Trustees – Heather Traeger and Suzanne Dugan.**

Ms. Heather Traeger and Ms. Suzanne Dugan provided an overview of the fiduciary duties imposed upon the Trustees by the Texas Constitution and Government Code specifically focusing on the duty of loyalty, conflicts of interest and governance.

**4. Review and Discuss the Executive Director's report on the following matters – Brian Guthrie:**

- A. Review administrative operational matters, including updates on financial, audit, legal, staff services, special projects, investment matters, strategic planning, legislative, trustee elections, personnel matters and Moving Forward Together Update.**
- B. Board operational matters, including a review of draft agendas for upcoming meetings.**

**C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.**

Mr. Brian Guthrie started by welcoming Caasi Lamb back to TRS in the role of the new deputy director. He then reviewed upcoming and past conferences and meetings. He provided an update to the construction activities in Bravo noting construction should be completed by end of calendar year and start moving in late spring of next year with the first Board meeting being held there in July. He concluded the report by reviewing items for September and December Board meetings.

**5. Receive TRS Quarterly Ombudsman's Report – Lori LaBrie.**

Ms. Lori LaBrie reviewed the Ombuds communications received from January to May 2024. She reported the Office received 393 communications during the period. She reviewed the top three large-scale agency issues for April and May. For January to May 2024 she reported there were 55 point-in-time complaints which was down from a total of 102 last year.

At 8:57 a.m., Mr. Walls announced the Board would recess for the day to take up the scheduled committee meetings.



## **July 19, 2024**

The Board of Trustees of the Teacher Retirement System of Texas met on July 19, 2024 in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

### **The following Board members were present:**

Robert H. Walls, Jr., Chair  
Nanette Sissney  
Brittney Allred  
Michael Ball  
David Corpus  
John Elliott  
James Nance  
John Rutherford  
Elvis Williams

### **Others present:**

Brian Guthrie, TRS	Brock Gregg, TRTA
Caasi Lamb, TRS	Rita Runnels, TX AFT
Don Green, TRS	Phyllis Ruffin, TX AFT
Heather Traeger, TRS	Eli Melendrez TX AFT
Jase Auby, TRS	Lydia Carrillo Valdez, TX AFT
Barbie Pearson, TRS	Alejandro Pena, TX AFT
Katrina Daniel, TRS	Kirsten Schatten, Segal
Amanda Jenami, TRS	Laurie Patton, EY
Katy Hoffman, TRS	Chris Gibson, EY
Frank Williams, TRS	
Shunne Powell, TRS	
Katherine Farrell, TRS	
Kristi Glasgall, TRS	
Michelle Gray, TRS	
Christine Bailey, TRS	
J.R. Morgan, TRS	
Suzanne Dugan, Cohen Milstein	
Dr. Keith Brown, Board Investment Advisor	

At 8:00 am the Chair reconvened the board meeting. Mr. Guthrie provided a quick update regarding the impact of CrowdStrike on TRS. He noted CrowdStrike impacted most professional entities including TRS but core member services that are member-facing have been repaired and on the investment side TRS is able to perform.

**6. Provide an opportunity for public comment – Chair.**

Mr. Gregg Webb, with International Union of Painters and Allied Trades, announced he has been on strike at Gemtron in Vincennes, Indiana, for three months.

Ms. Phyllis Ruffin representing Texas AFT Retiree Plus, expressed concern as to the recent COLA while appreciated was not enough for support staff.

Ms. Rita Runnels representing Texas AFT Retiree Plus, expressed concerns as to the COLA as not enough and the need to address lack of social security and WEP.

Ms. Lydia Carrillo Valdez representing Texas AFT Retiree, expressed concerns as to paraprofessionals needing a permanent COLA and how WEP needs to be fixed.

Mr. Brock Gregg, representing Texas Retired Teachers Association, expressed thanks to the Board and TRS staff for the 45 percent reduction in premiums for their Medicare Advantage members.

**7. Receive the report of the Benefits Committee on its July 18, 2024 meeting and consider adoption, approval or acceptance of the following – Committee Chair:**

- A. Consider the Medical Board Meeting minutes for March 2024 and May 2024;**
- B. Consider the approval of the Benefit Payments for March – May 2024;**
- C. Consider the appointment of members of the Medical Board, including the Medical Board Chair;**
- D. Consider the premiums for the TRS-Care Medicare Advantage including COBRA rates for plan year (PY) 2025;**
- E. Consider the benefits for the TRS-Care Standard plan including COBRA rates for PY 2025;**
- F. Consider the premiums and benefits for the TRS-Care Optional Dental Plan for PY 2025; and**
- G. Consider the premiums and benefits for the TRS-Care Optional Vision Plan for PY 2025.**

Mr. Williams, Committee Chair, provided the following report of the Benefits Committee:

The Benefits Committee met on July 18, 2024. The committee approved the proposed minutes of the Benefits Committee for the May 2, 2024, meeting.

Ms. Barbie Pearson, Chief Benefit Officer provided an update on the Medical Board. The committee recommends to the board the acceptance of the Medical Board Meeting Minutes for the March and May 2024.

Ms. Barbie Pearson provided an update on Benefit Payments for the third quarter of Fiscal Year 2024. The committee recommends to the Board the approval of Benefit Payments for March through May 2024.

The Committee received an update from Ms. Pearson on Benefit Services Operations for September 2023 through May 2024. The report included updates on the staffing, workload, and objectives for the first nine months of fiscal year 2024. This report also included the initiatives implemented by the employer reporting team as a result of feedback from the 2023 Reporting Employer Satisfaction Survey. These changes to training and response times significantly improved the employer satisfaction with TRS services.

Next, the committee received information from Adam Fambrough, Deputy Chief Benefit Officer for Member Services, on Medical Board Appointments. Staff recommended to the committee to recommend to the board the reappointment of Dr. David Rothschild for a one-year term and Dr. Brian Buck for a one-year term. In addition, staff recommended to the committee to recommend to the board the reappointment of Dr. David Rothschild as the Medical Board Chair.

Next, the committee received an update from Ms. Katrina Daniel, Chief Health Care Officer, regarding the strong position TRS-Care fund balance resulting from changes in Medicare as well as TRS' plan management. Ms. Meaghan Bludau, Chief of Staff for the Health Division, Ms. Melanie Ingleby, Chief Health Care Actuary, and Ms. Kirsten Schatten, Consulting Actuary with Segal, presented a proposal to lower premiums for the TRS-Care Medicare Advantage plan effective Jan. 1, 2025, while maintaining the long-term stability of the TRS-Care fund.

Ms. Bludau shared that TRS is proposing to offer a Limited-Time Enrollment Opportunity to allow Medicare-eligible retirees and their eligible dependents to enroll in or rejoin TRS-Care Medicare Advantage with new premiums. In future years, TRS will review claims and premiums and consider incremental adjustments in response to Medicare market dynamics in keeping with fund management.

Ms. Ingleby explained that TRS-Care Standard plan premiums would remain the same for the upcoming year. Premiums for that plan are competitive and significantly below premiums for comparable coverage in the individual market.

Ms. Bludau then explained deductible changes needed for the TRS-Care Standard plan to ensure it remains compatible with a health savings account. Finally, Ms. Ingleby shared proposed COBRA premiums for Medicare and non-Medicare dependents to align more closely with plan costs.

Next, Ms. Yimei Zhao, Sr. Director of Health Finance, presented the proposed rates and benefits for the new TRS-Care Dental and Vision plans that take effect Jan. 1,

2025. During the enrollment window that runs from Oct. 1 through Dec. 7, 2024, retirees eligible for TRS-Care can choose to enroll in one or both new plans for the upcoming year.

Ms. Daniel, provided an update on the Health Finance Team's work delivering high-value health care to TRS members through market-leading procurement and plan management strategies.

Finally, Mr. Bain, Mr. Adam Morris of Gainwell Technologies, and Mr. Todd Coulter of HealthPlan Data Solutions presented the results of the 2020, 2021, and 2022 medical and pharmacy claims audits and shared that across all plans less than 0.03% of claims were identified for any payment issues.

Mr. Williams concluded the report with the following motions:

On a motion by Mr. Williams, the Board unanimously voted accept the Medical Board's meeting minutes for March 2024 and May 2024 meetings, as recommended by the Benefits Committee.

On a motion by Mr. Williams, the Board unanimously voted to approve the benefit payments for March through May 2024, as recommended by the committee.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution for appointment of members to the Medical Board, including the Medical Board chair, as recommended by the Benefits Committee.

### **RESOLUTION TO APPOINT TRS MEDICAL BOARD MEMBER**

**Whereas**, Texas Government Code section 825.204 requires the Board of Trustees of the Teacher Retirement System of Texas to appoint a Medical Board composed of three physicians to perform services under contracts with TRS;

**Whereas**, The terms of two of the current three members will expire August 31, 2024;

**Whereas**, TRS staff recommends that the Board of Trustees reappoint Dr. David Rothschild as a member of the TRS Medical Board effective September 1, 2024 for a one-year term that ends on August 31, 2025 and allow for one additional, optional one-year renewal;

**Whereas**, TRS staff recommends that the Board of Trustees reappoint Dr. Brian Buck as a member of the TRS Medical Board effective September 1, 2024 for a one year term that ends on August 31, 2025 and allow for one additional, optional one year renewal;

**Whereas**, TRS staff recommends re-appointing Dr. David Rothschild as chair of the TRS Medical Board; now therefore, be it

**Resolved,** That the Board of Trustees reappoints Dr. David Rothschild for a one year term beginning on September 1, 2024 and expiring on August 31, 2025 with one additional, optional one-year renewal;

**Resolved,** That the Board of Trustees reappoints Dr. Brian Buck for a one-year term beginning on September 1, 2024 and expiring on August 31, 2025 with one additional, optional one-year renewal;

**Resolved,** That the Executive Director, or his designee, is hereby authorized to negotiate, with the assistance and advice of legal counsel, contract renewals for Medical Board services with Dr. Rothschild and Dr. Buck and, if negotiations are deemed by the Executive Director in his discretion to be successful, then the Executive Director or his designee is hereby authorized to execute contract renewals with Dr. Rothschild and Dr. Buck for one year coinciding with the term of their appointment and according to such terms, conditions, and fees as the Executive Director may deem in his discretion to be appropriate and to provide the best overall value for TRS, and to execute and deliver all such other documents that the Executive Director may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to incur, approve, and pay any budgeted expenses or costs associated with such contract and deemed in the discretion of the Executive Director to be reasonably necessary or advisable with respect to such contract; and

**Resolved,** That the Board of Trustees re-appoints Dr. David Rothschild as chair of the TRS Medical Board for a one-year term beginning on September 1, 2024 and expiring on August 31, 2025.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution adopting the premiums for the TRS-Care Medicare Advantage, including COBRA rates, for the plan year 2025, as recommended by the Benefits Committee.

#### **RESOLUTION APPROVING PREMIUM RATE CHANGES FOR THE TRS-CARE MEDICARE ADVANTAGE PLAN**

**Whereas,** Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as described in the statute;

**Whereas,** under Section 1575.158(c), Insurance Code, TRS-Care offers a Medicare Advantage plan which provides coverage to Medicare-eligible participants, which has a fully insured Medicare Advantage component and a self-funded Medicare Prescription Drug component;

**Whereas,** Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

**Whereas**, Section 1575.212, Insurance Code, authorizes the trustee to determine premiums to be paid by participants of the TRS-Care Program;

**Whereas**, the trust fund of TRS-Care has experienced growth in recent years stemming from federal changes to Medicare along with TRS' diligent health plan management and other factors, which provides TRS with a unique opportunity to reduce premiums for the participants of the TRS-Care Medicare Advantage plan;

**Whereas**, TRS received correspondence from legislative leadership directing TRS to use the growth in the TRS-Care fund to reduce premiums and allow for a limited time enrollment opportunity for eligible TRS-Care Medicare Advantage participants;

**Whereas**, TRS staff and consultants assisting staff (the "Consultants") have evaluated how to use the fund balance to accomplish these goals while maintaining the fund's long-term stability, and have recommended rate changes be made to the TRS-Care Medicare Advantage plan beginning on the plan year that starts on January 1, 2025, as listed in Exhibit A, attached to this resolution and incorporated herein by reference;

**Whereas**, the Board considered the information provided by TRS staff and the Consultants and desires to approve the recommendations by TRS staff and the Consultants; now, therefore, be it

**Resolved**, that the Board hereby adopts and authorizes the premium rate changes to the TRS-Care Medicare Advantage plan beginning on the plan year that starts on January 1, 2025, as listed in Exhibit A attached to this resolution and incorporated herein by reference, until further action by the Board; and

**Further resolved**, that the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution adopting the premiums for the TRS-Care Standard plan, including COBRA rates, for the plan year 2025, as recommended by the Benefits Committee.

#### **RESOLUTION APPROVING BENEFIT CHANGES FOR THE TRS-CARE STANDARD PLAN**

**Whereas**, Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as described in the statute;

**Whereas**, under Section 1575.158(a), Insurance Code, the TRS-Care Program offers a high deductible health plan which provides coverage to non-Medicare eligible participants ("TRS-Care Standard Plan");

**Whereas**, Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

**Whereas**, on May 2024 the Internal Revenue Service (IRS) released inflation adjustments to the minimum deductibles that high deductible health plans must have to be qualified to work together with health savings accounts (HSAs), so that the funds that participants deposit in those HSAs enjoy a tax-favored status;

**Whereas**, TRS desires to make adjustments to the current deductibles of the TRSCare Standard Plan according to the IRS guidelines, so that the plan continues to be a qualified high deductible health plan under such IRS guidelines;

**Whereas**, plan costs require adjustments to the COBRA rates for spouses and children without Medicare, rates which had not changed since the year 2018;

**Whereas**, accordingly, TRS staff and consultants assisting TRS staff (the "Consultants") have recommended the benefit changes to be made to the TRSCare Standard Plan and changes to non-Medicare COBRA rates for spouses and children beginning on the plan year that starts on January 1, 2025, as listed in Exhibit A, attached to this resolution and incorporated herein by reference;

**Whereas**, the Board considered the information provided by TRS staff and the Consultants and desires to approve the recommendations by TRS staff and the Consultants; now, therefore, be it

**Resolved**, that the Board hereby adopts and authorizes the benefit changes to the TRS-Care Standard Plan beginning on the plan year that starts on January 1, 2025, as listed in Exhibit A attached to this resolution and incorporated herein by reference, until further action by the Board; and

**Further resolved**, that the Board authorizes the Executive Director or his designees to take any actions that he or his designees in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution adopting the premiums and benefits for the TRS-Care optional dental plan, for the plan year 2025, as recommended by the Benefits Committee.

#### **RESOLUTION APPROVING BENEFITS AND PREMIUM RATES FOR THE TRS-CARE OPTIONAL DENTAL PLAN PY2025**

**Whereas**, Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as described in the statute;

**Whereas**, Section 1575.1601, Insurance Code, requires TRS to establish or contract for and make available under the TRS-Care Program an optional plan that provides coverage for dental care for retirees, dependents, surviving spouses, and surviving dependent children ("TRS-Care Optional Dental Plan");

**Whereas**, Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

**Whereas**, Section 1575.212, Insurance Code, authorizes the trustee to determine premiums to be paid by participants of the TRS-Care Program;

**Whereas**, on the May 2024 Board Meeting, TRS selected MetLife Insurance Company ("MetLife") to be the insurance carrier to provide and administer the TRS-Care Optional Dental Plan;

**Whereas**, TRS staff have negotiated with MetLife the premium rates and benefits for the TRS-Care Optional Dental Plan to be offered on the initial plan year that starts on January 1, 2025;

**Whereas**, TRS staff and consultants assisting TRS staff (the "Consultants") have evaluated the premium rates and benefits and have recommended the Board approves them as listed in Exhibit A, attached to this resolution and incorporated herein by reference;

**Whereas**, the Board considered the information provided by TRS staff and the Consultants and desires to approve the recommendations by TRS staff and the Consultants; now, therefore, be it

**Resolved**, that the Board hereby adopts and authorizes the premium rates and benefits to the TRS-Care Optional Dental Plan beginning on the plan year that starts on January 1, 2025, as listed in Exhibit A attached to this resolution and incorporated herein by reference, until further action by the Board; and

**Further resolved**, that the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution adopting the premiums and benefits for the TRS-Care optional vision plan, for the plan year 2025, as recommended by the Benefits Committee.

#### **RESOLUTION APPROVING BENEFITS AND PREMIUM RATES FOR THE TRS-CARE OPTIONAL VISION PLAN PY2025**

**Whereas**, Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as described in the statute;



**Whereas**, Section 1575.1601, Insurance Code, requires TRS to establish or contract for and make available under the TRS-Care Program an optional plan that provides coverage for vision care for retirees, dependents, surviving spouses, and surviving dependent children (“TRS-Care Optional Vision Plan”);

**Whereas**, Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

**Whereas**, Section 1575.212, Insurance Code, authorizes the trustee to determine premiums to be paid by participants of the TRS-Care Program;

**Whereas**, on the May 2024 Board Meeting, TRS selected MetLife Insurance Company (“MetLife”) to be the insurance carrier to provide and administer the TRS-Care Optional Vision Plan;

**Whereas**, TRS staff have negotiated with MetLife the premium rates and benefits for the TRS-Care Optional Vision Plan to be offered on the initial plan year that starts on January 1, 2025;

**Whereas**, TRS staff and consultants assisting TRS staff (the “Consultants”) have evaluated the premium rates and benefits and have recommended the Board approves them as listed in Exhibit A, attached to this resolution and incorporated herein by reference;

**Whereas**, the Board considered the information provided by TRS staff and the Consultants and desires to approve the recommendations by TRS staff and the Consultants; now, therefore, be it

**Resolved**, that the Board hereby adopts and authorizes the premium rates and benefits to the TRS-Care Optional Vision Plan beginning on the plan year that starts on January 1, 2025, as listed in Exhibit A attached to this resolution and incorporated herein by reference, until further action by the Board; and

**Further resolved**, that the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

8. **Receive the report of the Investment Management Committee on its July 18, 2024 meeting including adoption of the Strategic Asset Allocation proposal – Committee Chair.**

Mr. Corpus, Committee Chair, provided the following report of the Investment Management Committee:

The Investment Management Committee met on July 18, 2024. The committee approved the proposed minutes for the May 2024, meeting.

Jase Auby began with his CIO Update. The First Quarter 2024 Performance Review was then presented by Mike McCormick of Aon.

Following, Eric Lang presented the Private Markets Annual Update. Grant Walker provided the review for Real Estate, Carolyn Hansard presented the review for Energy, Natural Resources, & Infrastructure, and Neil Randall presented the review for Private Equity.

Mike Simmons then provided the Strategic Asset Allocation (SAA) Update, and the Asset-Liability Study Results were presented by Mike McCormick of Aon.

Concluding the Investment Management Committee, Katy reviewed proposed modifications to Investment Policy Statement.

Mr. Corpus concluded his report with the following motion:

On a motion by Mr. Corpus the Board voted to adopt the following resolution adopting the strategic asset allocation, as recommended by the Investment Management Committee with Mr. Rutherford abstaining.

**TEACHER RETIREMENT SYSTEM OF TEXAS BOARD OF TRUSTEES  
RESOLUTION OF BOARD OF TRUSTEES RELATING TO THE  
STRATEGIC ASSET ALLOCATION**

**WHEREAS**, pursuant to Section 825.103 of the Texas Government Code, the Board of Trustees (Board) of the Teacher Retirement System of Texas (TRS), is the trustee of all assets of the retirement system;

**WHEREAS**, Pursuant to Section 825.301 of the Texas Government Code, the Board shall develop written investment objectives for the investment of the assets of the Trust to address desired rates of return, risks involved, investment time frames, and any other relevant considerations;

**WHEREAS**, Pursuant to section 1.6 of the TRS Investment Policy Statement (IPS): The Investment Management Division (IMD) assists the Board in engaging in a strategic asset allocation (SAA) Study at least once every five (5) years to review asset classes, return-risk assumptions, and the correlation of returns with applicable benchmarks and across asset classes;

**WHEREAS**, The Fund objectives, as set forth in Section 1.4 of the IPS, require that the Board control risk through diversification and long-term risk and return expectation and achieve long-term returns that exceed the actuarial assumed rate of return adopted by the Board, the rate of inflation by an annualized 5%, and exceeds the Fund Policy Benchmark;

**WHEREAS**, TRS conducted SAA Studies in 2009, 2014, and 2019. The most recent SAA Study conducted by IMD was approved by the Board in 2019 and incorporated into the current IPS;

**WHEREAS**, IMD conducted the SAA Study in consultation with TRS' investment consultant, Aon, and utilized Aon's strategic asset allocation best practices, as set forth in the Aon and IMD presentation to the Board at the December 2023 Board meeting;

**WHEREAS**, The results of the current SAA Study were presented to the Board by IMD over the last four Board meetings in coordination with TRS' investment and actuarial advisors and other strategic partners;

**WHEREAS**, The SAA Study conducted by TRS followed a prudent process designed to address applicable fiduciary obligations of the Board; and  
Now therefore, be it

**RESOLVED**, That the Board hereby approves the new strategic asset allocation set forth in Exhibit A, and hereby authorizes and directs the IMD to revise the IPS to reflect the new strategic asset allocation, and to present the revised IPS for Board consideration at the Board's next regular meeting, with a targeted effective date of September 23, 2024; and

**RESOLVED**, That the Board hereby authorizes IMD to take all actions necessary to begin the transition to implement the new strategic asset allocation plan in Exhibit A as of September 23, 2024 in accordance with the duties and responsibilities set forth in the IPS as well as in accordance with all other IMD policies and procedures.

9. **Receive the report of the Policy Committee on its July 18, 2024 meeting and consider adoption of the following – Committee Chair:**
  - A. **Adoption of amendments to the Procurement Policy; and**
  - B. **Adoption of the proposed repeal and new rule in Chapter 51 of Title 34, Part 3 of the Texas Administrative Code:**
    - i. **[REPEAL] §51.2 Vendor Protests, Dispute Resolution, and Hearing**
    - ii. **[NEW] Rule 51.2 Vendor Protests and Appeals**
  - C. **Adoption of the proposed new TRS rule in Subchapter A of Chapter 41 of Title 34, Part 3 of the Texas Administrative Code:**
    - i. **[NEW] §41.17 Limited**

Mr. Elliott, Committee Chair, provided the following report of the Policy Committee:

The Policy Committee met on July 18, 2024.

The Committee approved the proposed minutes of its May 2024 meeting.

The Committee recommended to the Board adoption of the proposed amendments to the Board Procurement Policy.

The Committee recommended to the Board adoption of repeal the current §51.2 and a new rule §51.2 in Chapter 51 of Title 34, Part 3 of the Texas Administrative Code, relating to Vendor Protests.

The Committee recommended to the Board adoption of proposed new rule §41.17 in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, relating to Limited-Time Enrollment Opportunity for the Medicare-eligible Retirees.

The Committee authorized for publication in the Texas Register notice of proposed repeal and new rules, as presented by Staff and amended by discussion, in Chapter 43 of Title 34, Part 3 of the Texas Administrative Code, relating to Contested Cases.

Mr. Elliott concluded his report with the following motions:

On a motion by Mr. Elliott, the Board unanimously voted to adopt the proposed amendments to the Procurement Policy, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board unanimously voted to adopt proposed repeal and new rule section 51.2 in Chapter 31 of Title 34, Part 3 of the Texas Administrative Code, relating to vendor protests, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to unanimously to adopt the proposed new rule Section 41.17, in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, relating to limited time enrollment opportunity for the Medicare eligible retirees, as recommended by the Policy Committee.

**10. Receive the report of the Budget Committee on its July 18, 2024 meeting and consider adoption of the following – Committee Chair:**

- A. Consider the adoption of the proposed fiscal year 2025 pension trust fund administrative operations budget, general provisions, and resolution authorizing transfer of pension trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2025 budget;**
- B. Consider the adoption of the proposed fiscal year 2025 administrative operations budgets and general provisions for the TRS health benefits funds (retired and active plans).**
- C. Consider the statutory certification of estimated state contributions:**
  - i. To the State Comptroller of Public Accounts, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for the fiscal year ending August 31, 2025.**
  - ii. To the Legislative Budget Board and the Office of the Governor, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for the fiscal years 2026 and 2027.**
  - iii. To the State Comptroller of Public Accounts, the estimated amount of state contributions to the Pension Trust Fund for fiscal years 2026 and 2027**

Mr. Ball, Committee Chair, provided the following report of the Budget Committee:

The Budget Committee met Thursday, July 18th. The first item of business was approval of the minutes of the May 2024 Budget Committee meeting.

Mr. Don Green presented a detailed overview of the proposed administrative operating budget of \$363.9 million for FY25. The FY25 budget is approximately

4.6% more than FY24 and is within the appropriated levels provided by the general appropriations act. In addition, the adopted FY25 budget includes 48 new FTEs with 42 being pension trust positions and 6 being healthcare trust positions. Mr. Green also introduced an amendment to the general provisions to establish authority to pay up to \$54.5 million for performance pay for Investment Management.

Mr. Green then presented the state contribution certifications for TRS-Care and Pension Trust Fund.

Mr. Green concluded by presenting the preliminary Legislative Appropriations Request (LAR) for the 2026-27 biennium.

Mr. Ball concluded his report with the following motions:

On a motion by Mr. Ball, the Board unanimously voted to adopt the fiscal year 2025 budget Trust Fund administrative operations budget, general provisions and resolution authorizing the transfer of Pension Trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2025 budget, as recommended by the Budget Committee.

#### **Resolution Authorizing Expenditure and Transfer of Trust Funds For Pension Trust Fund Administrative Operations**

**Whereas**, Section 825.312 of the Government Code provides that the retirement system shall pay from the expense account of the retirement system account for the pension trust fund all administrative expenses of the retirement system that are required to perform the fiduciary duties of the board;

**Whereas**, Section 825.313(d) of the Government Code provides that the TRS Board of Trustees (board) may authorize transferring from the interest account to the expense account of the retirement system an amount necessary to cover TRS' operating expenses for the fiscal year that are required to perform the fiduciary duties of the board;

**Whereas**, Rider 15, "Contingent Appropriation of Pension Trust Funds for GASB Statement Implementation," of the TRS bill pattern in the State General Appropriations Act, 88th Legislature provides that upon a finding of fact by the TRS board that additional resources are necessary to implement accounting guidelines related to Governmental Accounting Standards Board statements and pronouncements;

**Whereas**, Rider 19, "Exception to FTE Limitation for Board Fiduciary Finding," of the TRS bill pattern in the State General Appropriations Act, 88th Legislature provides that in addition to the funding and "Number of Full-Time Equivalents (FTE)" appropriated above, TRS is authorized to employ additional FTEs and contract workers under a Fiduciary Finding of the TRS board; now, therefore be it;

**Resolved,** That the board approves the amendments to the General Provisions for the Pension Trust Fund Administrative Operations, including a change to the performance pay plans maximum award of \$54.5 million.

**Resolved,** That the board finds the expenditure of pension trust funds for operating expenses in Fiscal Year 2025 including the changes listed below are required to perform the fiduciary duties of the board in administering the retirement system in the amount of \$287,285,200, as approved today in the Fiscal Year 2025 Budget and General Provisions for the Pension Trust Fund Administrative Operations, as amended, plus such additional amounts as may be necessary for the following expenditures and changes to the General Provisions:

- To pay the actual amount of performance incentive compensation payable up to \$54.5 million in Fiscal Year 2025, if any; and
- To reimburse reasonable and necessary employee transportation and other expenditures necessary for employees to attend orientation, training and staff development activities conducted at TRS headquarters; and
- To achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by such General Provisions adopted by the board; and to implement GASB statements; and

**Resolved,** That the staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the retirement system under the approved budget for Fiscal Year 2025, but not to exceed the amount of \$287,285,200 plus, any additional amounts necessary to pay performance incentive compensation payable in Fiscal Year 2025 and, as applicable, to achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by the General Provisions adopted by the board.

On a motion by Mr. Ball, the Board unanimously voted to adopt the proposed fiscal year 2025 administrative operations budget and general provisions for the TRS Health Benefits Fund, both retired and active plans, as recommended by the Budget Committee.

On a motion by Mr. Ball, the Board unanimously voted to adopt the state contribution certifications for fiscal years 2025, 2026, and 2027, and the state contribution certifications for the Pension Trust Fund for the fiscal years 2026 and 2027, as recommended by the Budget Committee.

**11. Receive the report of the Strategic Planning Committee on its July 18, 2024 meeting – Committee Chair.**

Mr. Rutherford, Committee Chair, provided the following report of the Strategic Planning Committee:

The Strategic Planning Committee met on July 18, 2024. The committee approved the proposed minutes of the Committee for the May 2024, meeting.

The Executive Director provided a status update on his Areas of Focus for Fiscal Year 2024. Mr. Don Green provided background information and an overview of the

proposed Fiscal Year 2025 Areas of Focus and alignment with the key accountabilities and strategic plan.

Mr. Green and Ms. Michelle Pagán, provided an update on the status of the 2023-2027 TRS Strategic Plan objectives. The objectives included: advancing and enhancing IT systems and services; enhancing the information security program; evaluating automation and technology solutions to enhance existing processes; and developing a centralized data management framework for digital and physical data. They also provided an overview of the Enterprise Stoplight Report and highlighted changes to the risk levels and trending.

Ms. Sunitha Downing and a representative from Elite Research provided survey results from the Reporting Employer Satisfaction Survey.

**12. Receive the report of the Compensation Committee on its July 18, 2024 meeting – Committee Chair.**

Mr. Nance, Committee Chair, provided the following report of the Compensation Committee:

The Compensation Committee met on July 18, 2024. The Committee approved the proposed minutes of its May 2024 meeting.

The Committee received an update on timeline for the annual evaluation of Board Direct Reports and TRS workforce, including staffing and turnover, from Shunne Powell, Chief Organizational Excellence Officer and Michelle Gray, Deputy Chief Organizational Excellence Officer.

The Board's Compensation Consultant presented their findings from their review of the Performance Pay Plan for investments and TRICOT, and the Executive Director's Performance Incentive Plan. Mercer did not recommend changes for the upcoming plan year but provided the Board and TRS staff with items to consider for future plan enhancements. This concluded Mercer's review of the incentive plans. Next steps will be providing a salary review and compensation recommendations for the Board's direct reports and ED incentive compensation in September. Josh Wilson with Mercer Consulting presented.

The Committee received an overview of potential changes to Investment Management Division and TRICOT's Performance Incentive Pay Plans and the Executive Director's Performance Incentive Pay Plans for the 2024 – 2025 performance period from Shunne Powell, Chief Organizational Excellence Officer.

**13. Receive the report of the Audit, Compliance, and Ethics Committee on its July 18, 2024 meeting – Committee Chair.**

Ms. Allred, Committee Chair, provided the following report of the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met on July 18, 2024. The committee approved the minutes of its May 2024 meeting.

The general counsel and chief compliance officer, the senior compliance officer, and TRS privacy officer presented routine compliance reports. The chief Audit executive and Internal Audit staff presented an update on prior audit recommendations as well as some administrative reports.

**14. Receive an update from the Deputy Director including considering the acceptance of the Procurement and Contracting Report – Caasi Lamb.**

Ms. Caasi Lamb provided her first deputy director report noting she had been back at TRS for just a month. She reviewed her priorities listing members first thinking of them first and foremost. Next she listed stakeholder engagement and improving efficiencies and productivity. She concluded her report presenting the quarterly solicitation and contract report.

On a motion by Ms. Sissney, seconded by Mr. Elliott, the Board voted unanimously to accept the procurement and contracting report, as presented.

**15. Receive an update on the TEAM Program –Chris Cutler, Billy Lowe, Jennifer Whitman, Adam Fambrough.**

Ms. Jennifer Whitman reviewed the TEAM Program dashboard focusing in on the data migration workstream continuing to be yellow. She noted the development and testing workstream turned yellow. She said issues with code delivered by former vendor was identified and potential impacts were being assessed. Mr. Adam Fambrough discussed how the coding impact annuity payment reductions such as from an actuarial reduction or when monthly benefits are split between the member and alternative payee due to a court order a Qualified Domestic Relations Order (QDRO). He said reductions are implemented prior to taxes and deductions, such as association dues or TRS-Care premiums, are taken out after taxes. The coding issue he reported is that the reductions are being treated as deductions, meaning taxes were being applied to the total gross, which could result in serious issues with annual tax reporting requirements. He said the population affected was estimated to be 3,000 accounts. Mr. Billy Lowe said the good news is that they discovered the error early the bad news this error touches a lot of areas of code and is fairly complex and will likely affect the go-live date.

**16. Receive an update from the TEAM Program Independent Program Assessment (IPA) Vendor – Laurie Patton, EY**

Ms. Laurie Patton attributed the accelerated testing to finding the defects and more are being escalated. She said the coding issue reported was an evolving issue and will work to ensure accuracy of the estimated timeline based on what is known. She reported the team is focused on making sure the minimum viable product and scope does not change in order to hit go-live dates. As such she noted items are being deferred being pushed into future maintenance and enhancements to be handled after go-live and completion of program. She reported year over year the program has come in under budget and is keeping an eye on how the delay will impact it. In response to Mr. Walls inquiry, she said the program's strength is the obvious transparency, communication, and ability to identify these risks faster and working together



as an organization to put a plan forward. She noted there was a lot of positive in the fact there is control on the ability to react.

At 9:32 a.m., Mr. Walls announced, without objection, that the Board would go into executive session for Item 17 under Sections 551.076, 551.089 and 551.071, to discuss data governance and information security, an update and consult with legal counsel, as needed; and for Item 18 under Section 551.071 to consult with legal counsel, as needed.

**17. Receive quarterly update on TRS Data Protection and Security update – Frank Williams and Kristi Glasgall.**

This agenda item had no public presentation.

**18. Review the report of the General Counsel on pending and contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, investment matters and open records and on legal or regulatory matters involving certain TRS vendors, investment managers, or other counterparties – Heather Traeger and J.R. Morgan.**

This agenda item had no public presentation.

At 10:15 a.m., Mr. Walls reconvened the open meeting.

At 10:15 a.m., Mr. Walls adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE \_\_ DAY OF SEPTEMBER 2024.

ATTESTED BY:

\_\_\_\_\_  
Katherine H. Farrell  
Secretary to the TRS Board of Trustees

\_\_\_\_\_  
Date



## Proposed CY 2025 Dates



### Proposed CY 2025

February 27 - 28, 2025

April 10 - 11, 2025

July 17 – 18, 2025

September 18 – 19, 2025

December 4 – 5, 2025

**TAB 3**



# Executive Director Report

Presentation Date: September 19, 2024

Presented By:  
**Brian Guthrie**



# Topics for Discussion

General Updates

One TRS: Moving Forward Together

Honors and Special Acknowledgments

Upcoming Board Meeting Agendas





# General Updates



## **Upcoming Conferences and Meetings:**

- October 5 - 9, 2024: NCTR Annual Conference, Atlanta, GA
- October 17, 2024: TRS SPN, New York, NY
- October 17, 2024: Senate State Affairs Hearing
- November 15: TRS EC Retreat

## **Past Meetings and Updates:**

- July 21 – 24, 2024: NCTR 24<sup>th</sup> Annual Trustee Workshop, Berkeley, CA
- August 5 - 9, 2024: NASRA Annual Conference, Pittsburgh, PA
- September 9 - 11, 2024: CII Fall Conference, Brooklyn, NY
- September 18, 2024: LBB/GOBPP Hearing
- September 19, 2024: House Pensions, Investments & Financial Services



# NCTR 2024 Agenda Summary



Saturday, Oct. 5	Sunday, Oct. 6	Monday, Oct. 7	Tuesday, Oct. 8
Committee Meetings	General Session	General Session	General Session
	<ul style="list-style-type: none"><li>Larry Sabato's Crystal Ball</li></ul>	<ul style="list-style-type: none"><li>Keynote: Dana M. Peterson, Chief Economist, The Conference Board</li></ul>	<ul style="list-style-type: none"><li>Keynote: Jack A. Goldstone, Professor of Public Policy</li></ul>
	<ul style="list-style-type: none"><li>Trustee Education &amp; Advocacy Workshop</li></ul>	<ul style="list-style-type: none"><li>CIO Panel</li></ul>	<ul style="list-style-type: none"><li>Federal Relations Report</li></ul>
		Break Outs: <ul style="list-style-type: none"><li>Asset Allocations</li><li>Credit: How are Plans Implementing this Asset Class</li><li>Changing Expectations for Real Estate</li><li>Inflation: Recent Experiences &amp; Future Expectations</li></ul>	Break Outs <ul style="list-style-type: none"><li>Actuarial Insights 2024</li><li>Securities Litigation's Role</li><li>Cybersecurity Annual Survey</li></ul>
		Teacher of the Year Dinner and Keynote Address	NCTR Annual Business Meeting



# General Updates

## Retiree Engagement

- Presenting an agency update at 22 in-person TRS Health Fairs with over 6,500 registered.
- Presenting at 20 in-person TRTA events with approximately 1,500 expected attendees.
- Nearly all of the TRS executive team along with other TRS employees are presenting to retirees statewide.







# General Updates / Special Honors and Acknowledgment

## General Updates Con't:

Renewal of EY Contract

## Special Honors and Acknowledgments:



Brian Guthrie, National Association State  
Retirement Administrators: President-Elect



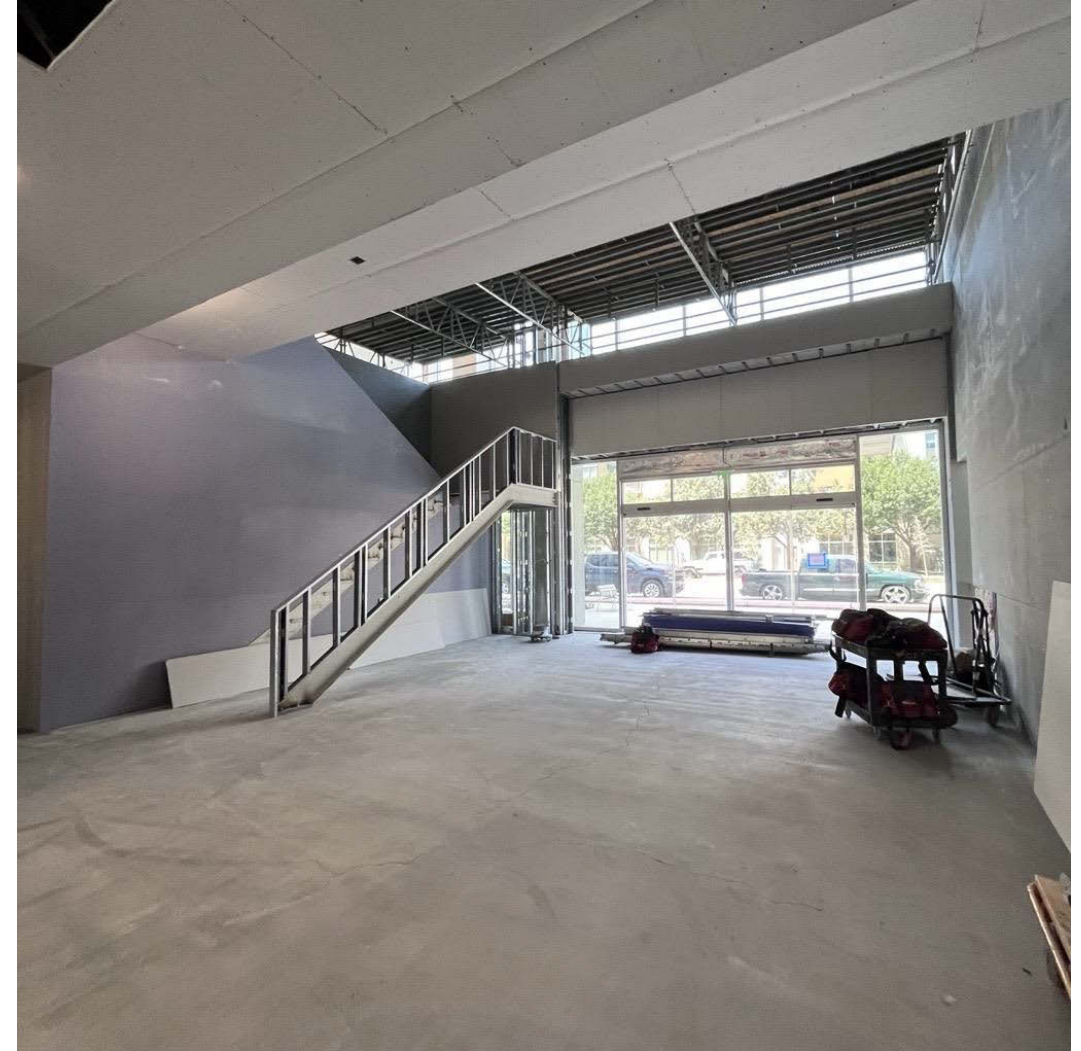
Heather Traeger, NAPPA - Fiduciary & Plan Governance  
Committee; and  
International Forum for General Counsel – Asset Managers, Steering  
Committee



# One TRS: Moving Forward Together



## BRAVO T.I CONSTRUCTION STATUS





# One TRS: Moving Forward Together



## KEY UPCOMING MILESTONES

Milestone	Target Date
Security/Facilities Office in Bravo Garage Complete	October 2024
Bravo Tenant Improvement Construction Complete	December 2024
Bravo Move-In	Mid 2025

### Bravo Office Shell

- The office shell construction is substantially complete. There is still some minor exterior work remaining on the roof, courtyard and garage top deck.

### Bravo Tenant Improvement Construction

- Construction is underway across all floors of the building and is progressing on schedule.
- Open office workstation furniture and office finish installations are ongoing.



# Upcoming Board Agendas



## December 5-6, 2024

### December 5, 2024

#### Committees

##### **Strategic Planning Committee**

- FY 24 End of the Year KPI Data
- Proposed Update to Mission Statement & Core Values

##### **Benefits Committee**

- Operational Updates
- TRS-ActiveCare annual enrollment update
- TRS-Care RAC Update

##### **Compensation Committee**

- Staffing and turnover update

##### **Budget Committee**

- TRS Annual Comprehensive Financial Statement
- Report on Final expenditures re FY 2024

##### **Policy Committee**

- Member engagement policy

##### **Investment Management Committee**

- CIO Update
- 3<sup>rd</sup> Quarter Performance Review
- Annual Trading Group Update
- Review of IMD Legal & Compliance

##### **Audit, Compliance and Ethics Committee**

- TRS Annual Comprehensive Financial Statement Audit
- TRS Investment Company of Texas (TRICOT) Financial Audit
- Completed Internal and External Audits

### December 6, 2024

#### Board

##### ED Report

##### Committee Reports

##### Deputy Director Report

##### Ombuds Report

##### Information Security Update

##### TEAM Update



# Upcoming Board Agendas

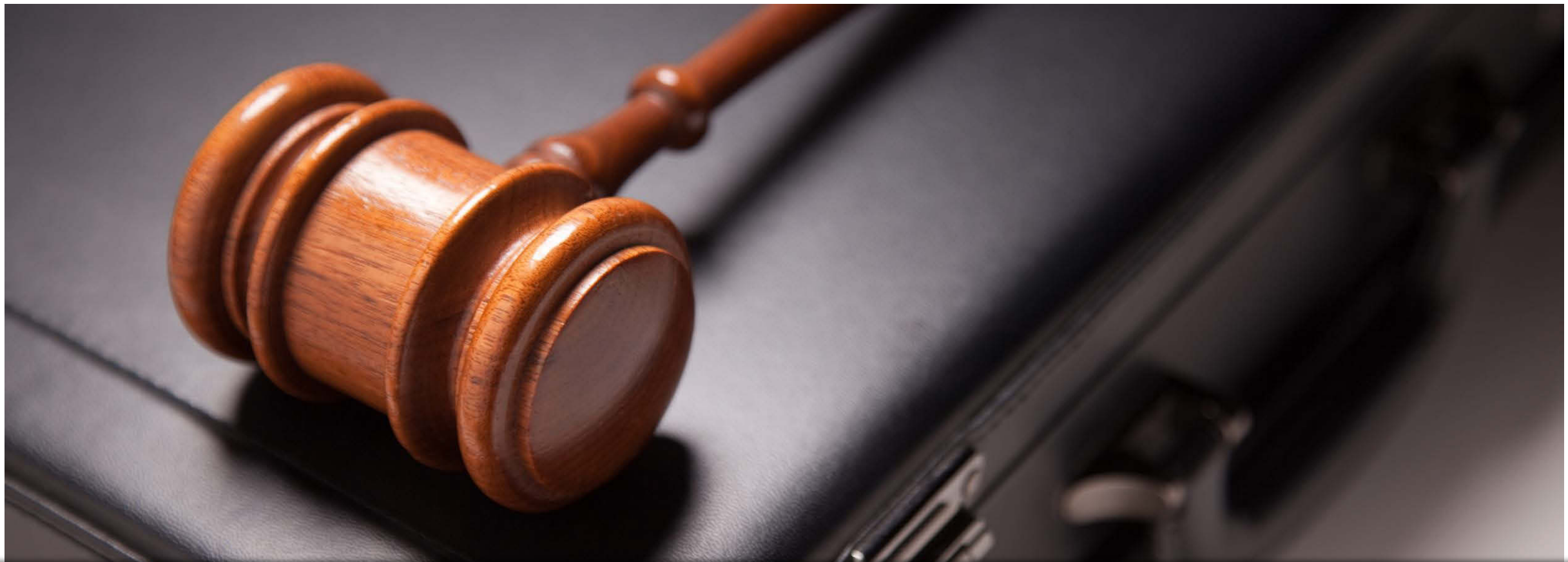


February 2025

- Seeking Trustee input as to topics.

**TAB 4**





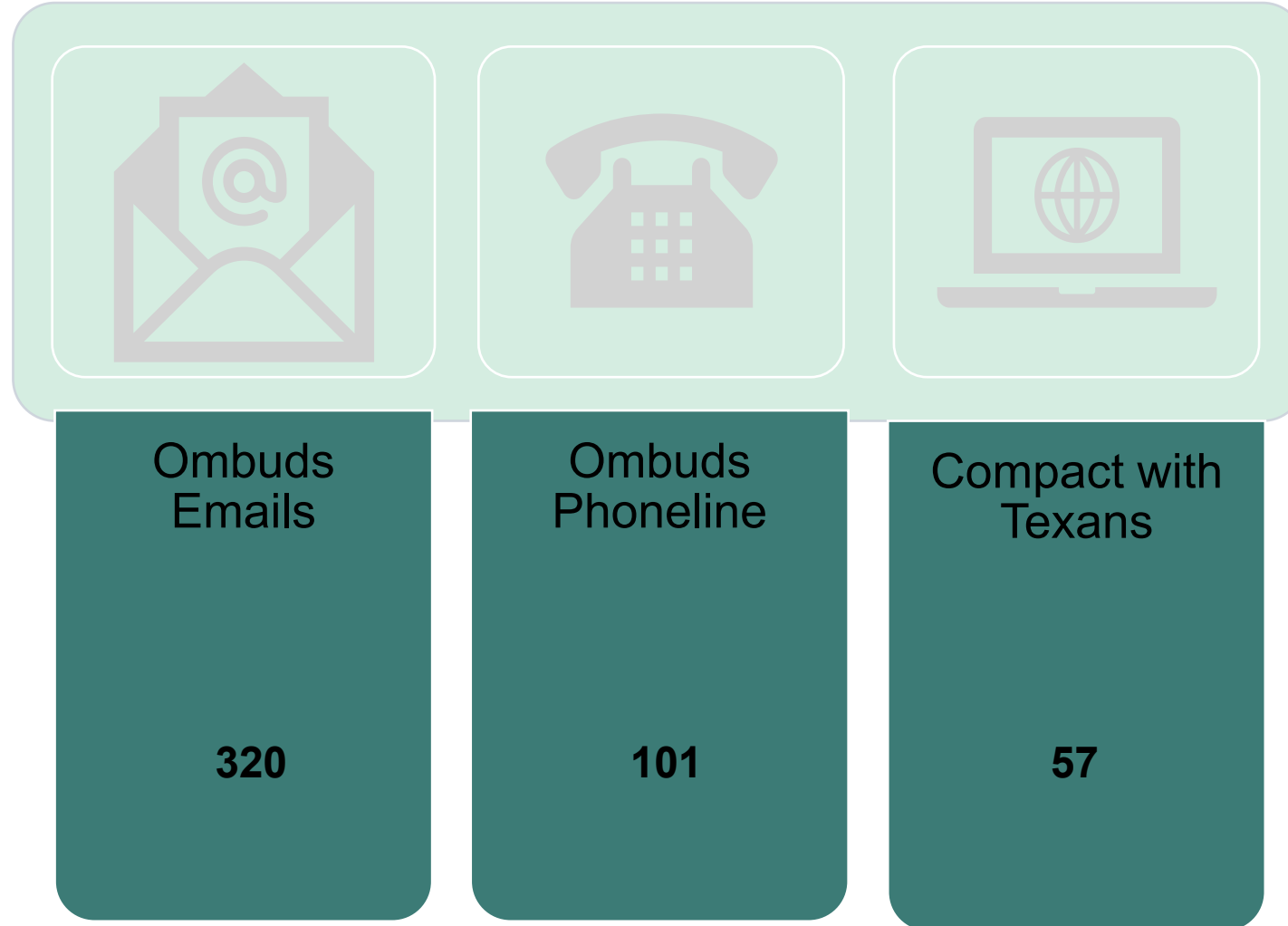
# Ombuds Quarterly Report

Presentation Date: Sept. 19, 2024

Presented By:  
**Lori LaBrie**



# Ombuds Communications- January – July 2024



**Total Ombuds Communications: 478**





# Social Media Comments on Large-Scale Agency Issues ("Hot Topics")

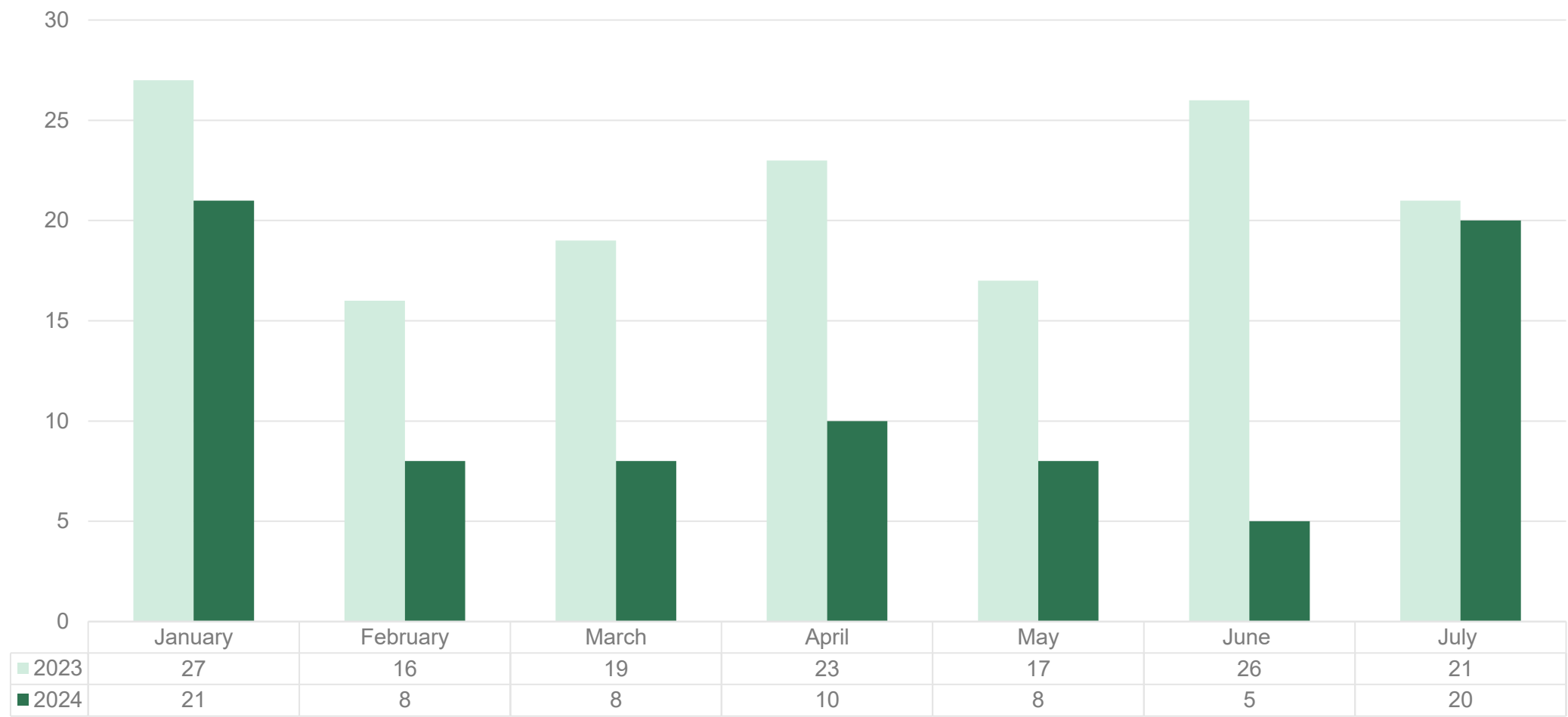
Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Health Care (67)	Health Care (87)	Retirement (30)	Health Care (19)	Health Care (103)	Health Care (245)	Health Care (360)
COLA (41)	Retirement (15)	Investments (11)	Retirement (3)	Political (92)	Board Nominations* (37)	Social Security (24)
MyTRS (11)	1099-R (12)	Annuity Payments (6)	Eclipse (3)	COLA (4)	Ending Employment* (11)	COLA (19)

*\*Members tagging others to raise awareness of the board nominations post,*

*\*Discussions about retirement and retirement tiers.*



# Point-in-Time Complaints January – July 2024



**Point-in-Time Complaints Received:**

**January – July 2023 - 149**

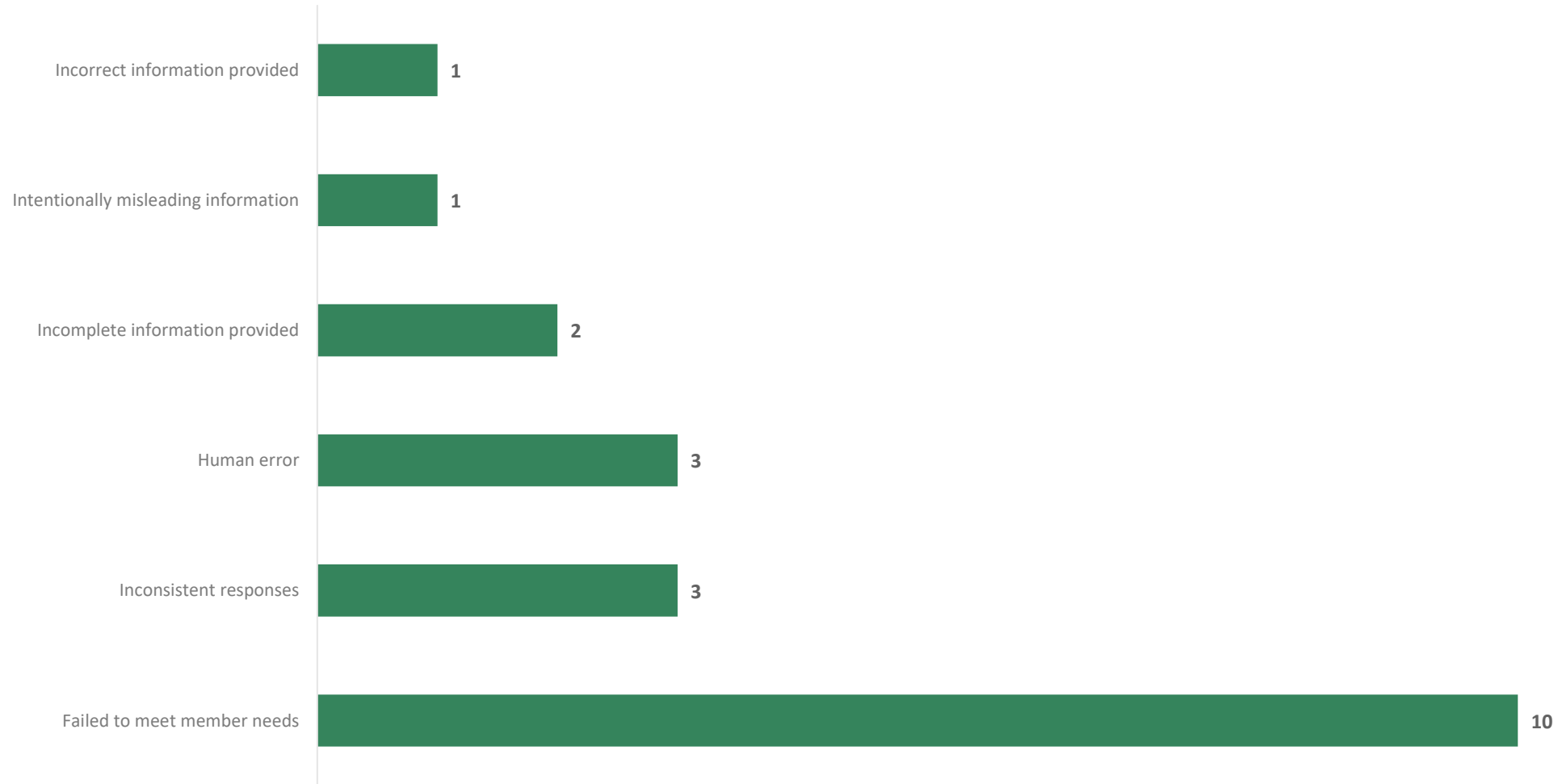
**January – July 2024 - 75**

**Outstanding: 0**



# Point-in-Time Complaints by Category

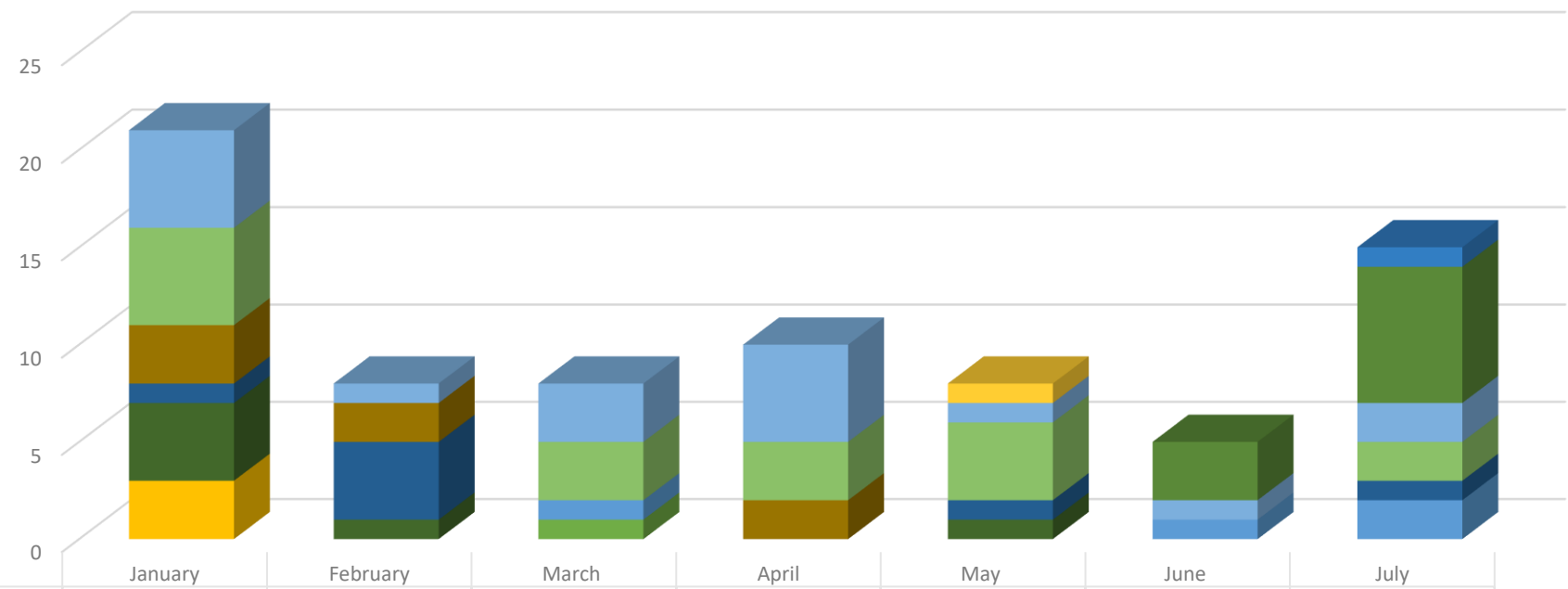
## June – July 2024





# Point-in Time Complaints by Category

## January – July 2024



Intentionally misleading information							1
Failure to meet member needs						3	7
Failure to respond					1		
Human error	5	1	3	5	1	1	2
Incomplete information provided	5		3	3	4		2
Turnaround time is not within service level	3	2		2			
Incorrect information provided/entered	1	4			1		1
Inappropriate commentary	4	1			1		
Extended wait time	3						
Inconsistent responses			1			1	2
Delivery error			1				

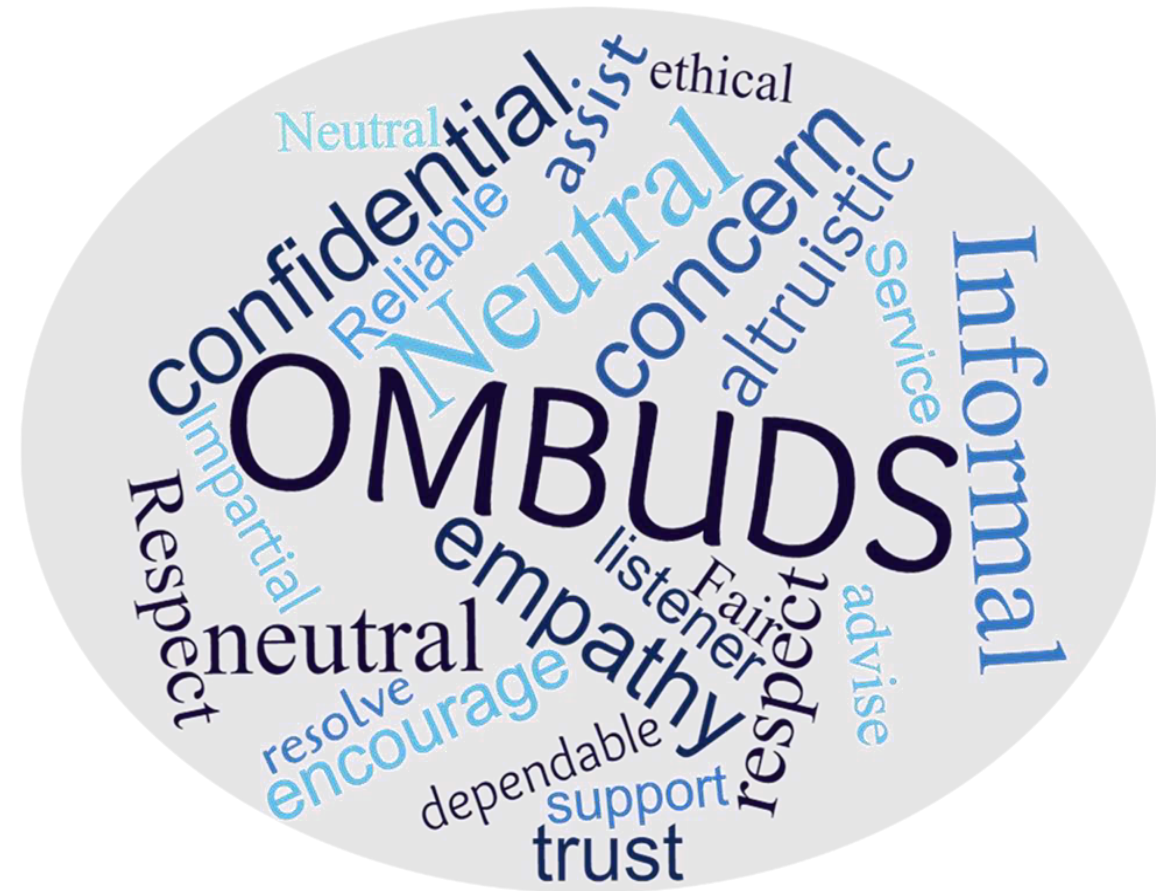


## Ombuds Contact Info:

Direct Phoneline: 833.873.2331

Email: [Ombuds@trs.texas.gov](mailto:Ombuds@trs.texas.gov)

Intake Form:  
<https://trs.texas.gov/Pages/ombuds.aspx>



**TAB 5**

# Securities Lending Request for Proposal (RFP)

James Nield, Chief Risk Officer

Chris Pan, Investment Manager

Aundre Petty, Senior Contract Specialist

LaTresa Stroud, Director

September 2024



# Securities Lending RFP objective

---

TRS began exploring the benefits of an additional securities lending agent for two primary reasons:

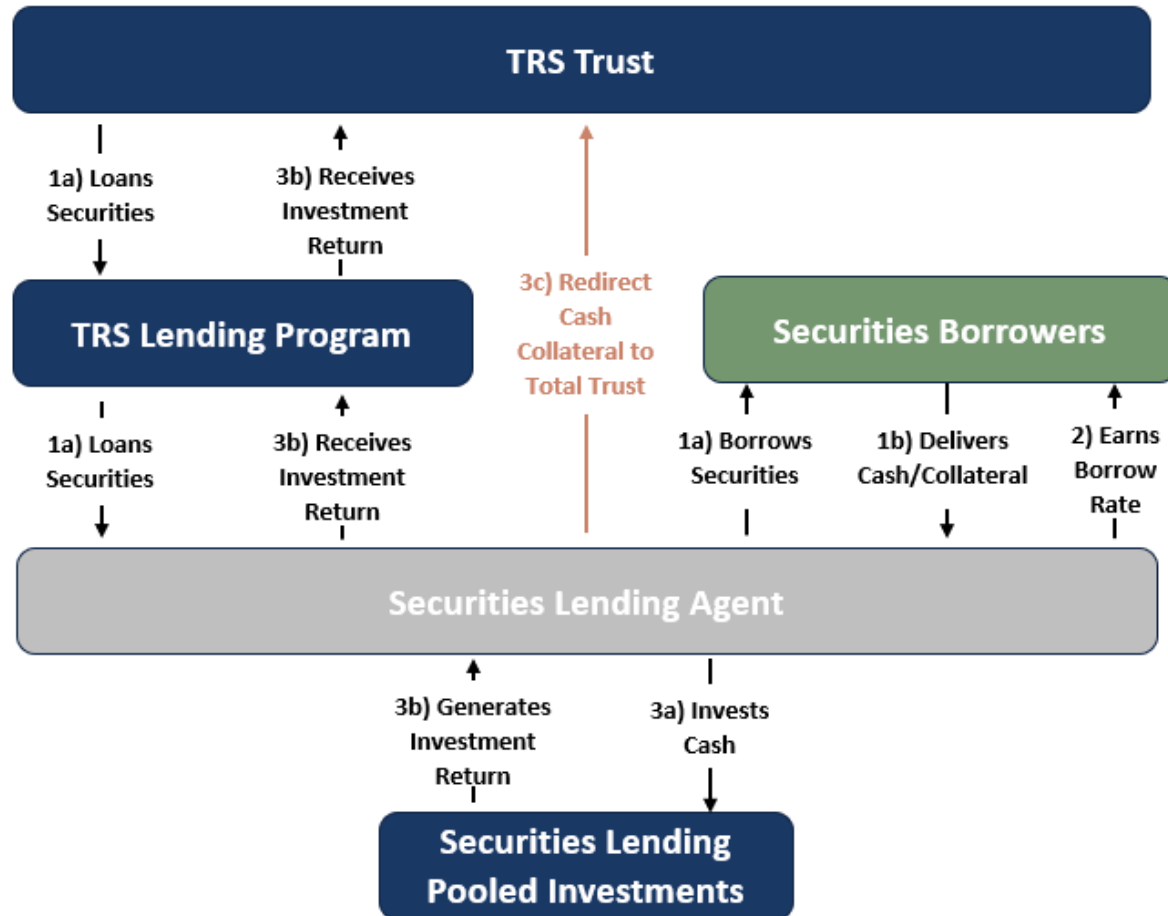
1. To improve the use of equity collateral as a source of financing
2. To provide an alternative, competitive option to the single agent model - as recommended by internal audit

## Items of note:

- The TRS Securities Lending Policy requires the Board to select any new securities lending agent
- TRS has maintained a securities lending program for over twenty years
- The current program is roughly \$6 billion in size and generates annual revenue of ~\$20mm



# TRS Securities Lending overview



- Securities Lending is the practice of loaning securities in exchange for cash/collateral (1a and 1b)
- Securities Lending Agent pays borrowers a “borrow-rate” (overnight interest rate plus or minus a fee) in order to gain use of cash/collateral (2)
- The Securities Lending Agent, in accordance with TRS Securities Lending Policy, can either:
  - Invest cash collateral in a money-market like vehicle (3a and 3b), or with direction from TRS,
  - Redirect cash collateral to Total Trust as a form of leverage/financing (3c)
- The ability to redirect cash to Total Trust as a form of leverage (“Securities Lending Financing”) was approved by the Board in December 2022

# Securities Lending RFP timeline

- March 27, 2024: TRS issued a Request for Proposal (RFP) to solicit a qualified third-party securities lending contractor
- May 3, 2024: Deadline for submission of proposals
  - TRS received four submissions for evaluation
- June 10, 2024: In-person presentations began with top three respondents and were completed by June 18, 2024
  - Evaluation team was comprised of three IMD staff members with expertise in securities lending
- September 19, 2024: Top two ranked respondents invited to provide presentations to the Board



# Two finalists are here to present today

---

## Mitsubishi UFJ Trust and Banking Corporation



## Securities Finance Trust Company



---

---

This slide was intentionally left blank.

---

This slide was intentionally left blank.

---

This slide was intentionally left blank.

---

This slide was intentionally left blank.

---

This slide was intentionally left blank.



---

This slide was intentionally left blank.

---

This slide was intentionally left blank.

---

This slide was intentionally left blank.

---

This slide was intentionally left blank.

---

---

This slide was intentionally left blank.

---

This slide was intentionally left blank.

---

This slide was intentionally left blank.

**TAB 6**



# Board Advisor Request for Proposal

Steven Wilson, Director

September 2024

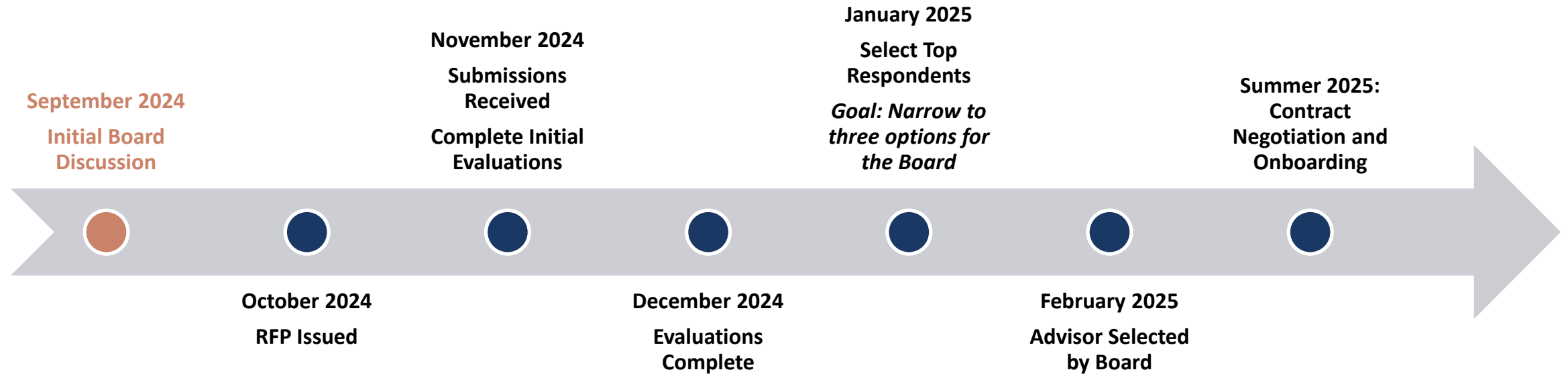


# Introduction

---

- The Board's contract with Aon will expire on **August 31, 2025**. Aon has been the Board's advisor for 20+ years
- A **competitive Request for Proposal (RFP) process** will ensure the Board continues to receive quality advisory services to help inform decision making
- The Board Advisor **reports directly to the Board**, and operates independently of TRS staff. The advisor provides education, advice, commentary and reporting on a wide range of investment topics relevant to the operation of the pension system
- A preliminary **Scope of Work** has been submitted, and covers the services and deliverables the Board requires from its advisor, as well as the criteria upon which submissions will be evaluated
- Finalists will be evaluated at the **February 2025 Board Meeting**, and the Board will make its selection

# Proposed Process and Timeline



- Advisor Selection process will take approximately 6-8 months, followed by legal negotiations and onboarding over Summer 2025
- Next advisor contract expected to begin on September 1, 2025

---

This slide is intentionally left blank.

---

---

This slide is intentionally left blank.

---

---

This slide is intentionally left blank.

---

This slide is intentionally left blank.

---

---

This slide is intentionally left blank.



---

This slide is intentionally left blank.

---

This slide is intentionally left blank.

---

This slide is intentionally left blank.

---

---

This slide is intentionally left blank.

---

---

This slide is intentionally left blank.

---

This slide is intentionally left blank.

**TAB 7**

# TRS Executive Compensation Review

September 2024

Josh Wilson  
Susan Lemke  
Aimee Kudela  
Lanni Barrie



1. Benchmarking methodology
2. Review compensation information for:
  1. Ombuds
  2. Chief Audit Executive
  3. Chief Investment Officer
  4. Executive Director

# Agenda

# Benchmarking Methodology

- Mercer was asked to benchmark four positions which report directly to the Board of Trustees: Ombuds, Chief Audit Executive, Chief Investment Officer, and Executive Director.
- Mercer gathered data from the following sources:
  - Mercer Public Pension Plan Survey
  - Mercer Benchmark Database
  - McLagan Public Pension Survey
  - McLagan Private Company Survey
  - WTW Salary Survey
  - TRS Custom Survey of Other State Pension Plans
- Data from different sources is not averaged, but rather shown separately for the Board's understanding
- Prior report formats and historical data was gathered from TRS OE, including current performance ratings
- All data was aged to 8/1/2025 using aging factor of 3.8% for 2024 and 3.5% for 2025



**TAB 8**



# **Teacher Retirement System of Texas**

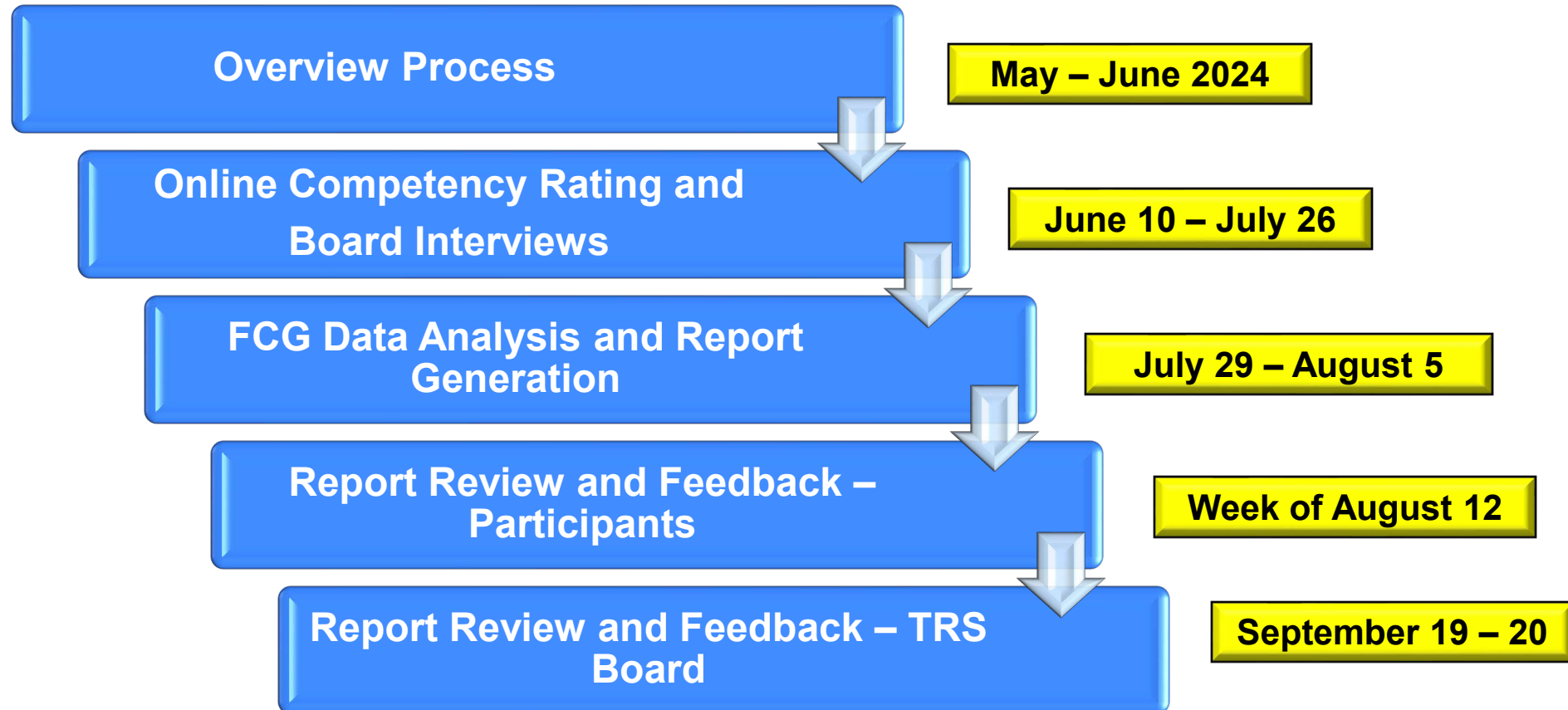
## **Board Overview**

### **C-Suite Evaluations**

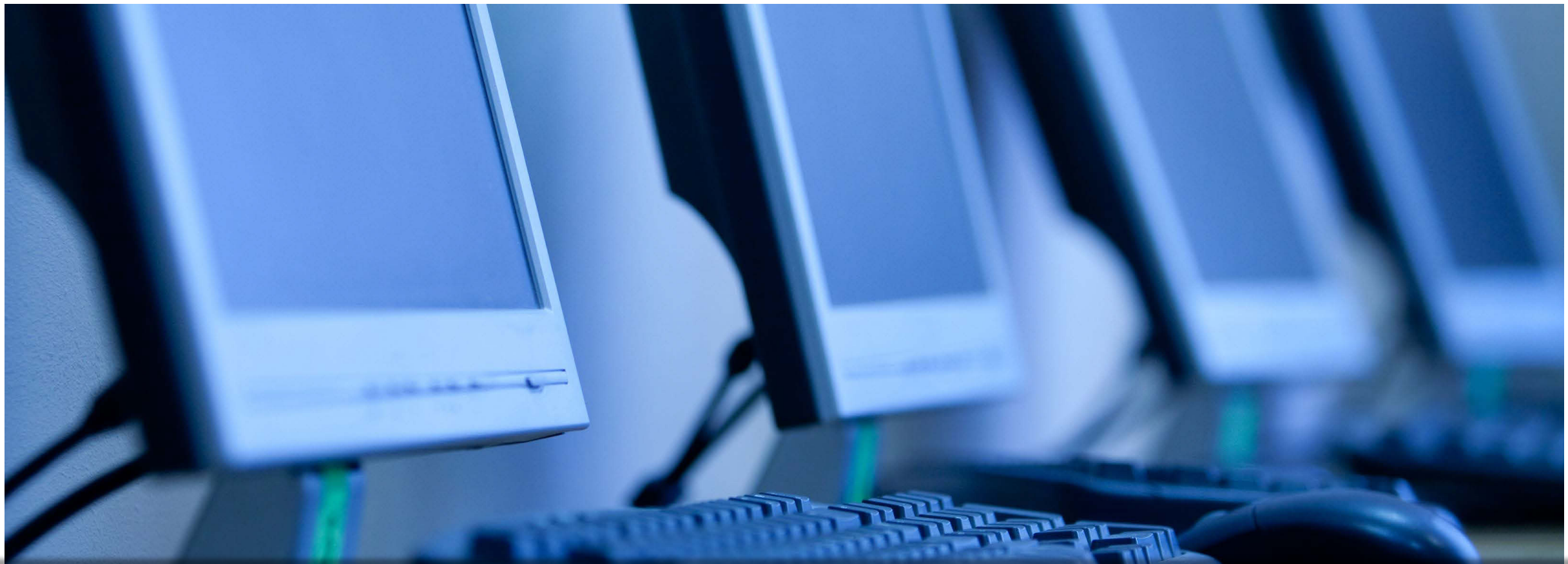
**September 2024**

**Presented by:**  
Liz Severyns  
Partner

## Steps and Timeline



**TAB 17**



**IT/TEAM**

Presentation Date: September 20, 2024

Presented By:

**Chris Cutler, Adam Fambrough, Billy Lowe, Jennifer Whitman**





# TEAM – WHERE WE ARE NOW

Annuity Payroll, Benefit Account Adjustment & Tax Reporting (PBT)

## Annuity Payment Reductions vs Deductions Issue Re-cap

### Reductions

Marital QDROs, waivers, and actuarial reductions should reduce the total gross payment amount.

### Deductions

Insurance and association dues are applied after taxes have been calculated.

**ISSUE: Reductions are currently being applied as deductions.**

Impacts tax withholding, tax reporting, and information display on over 3,000 accounts.

## KEY STATUS UPDATES










### Achievements

- Pension & Health Line of Business Systems Production Releases
  - 8/18/2024

### Key Goals Upcoming

- Finalize re-baselined schedule and Go-Live date

## Workstream Status

 Development & Testing	 Data Migration
 End-to-End Testing	 Data Reconciliation
 Parallel Payroll Testing	 General Ledger Testing
 Change Management	 Regression Testing
	 User Acceptance Testing

### LEGEND



ON SCHEDULE



NOT STARTED



CAUTION, ISSUE BEING WORKED



# ISSUE BREAKDOWN

- 27 Requirement Document Updates
- 25 User Interface Screens with Changes
- 57 Letters & Forms
- 2,260+ Lines of Code modified
- 927k+ Data Migration records affected
- 49 End to End Business Processes to be re-tested



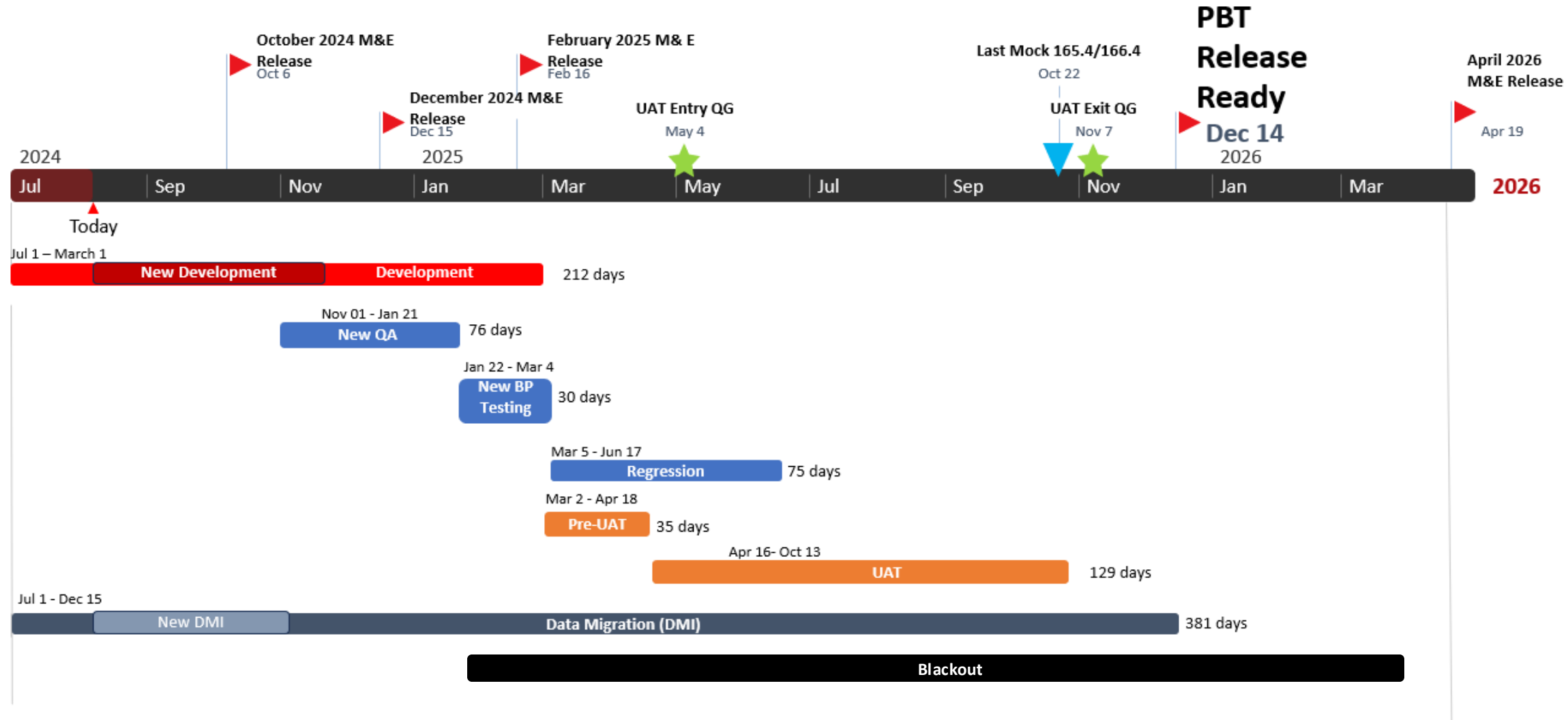
***6 months additional work which includes:***

- *Development*
- *QA Testing*
- *Data Migration*



# DRAFT RE-BASELINED SCHEDULE

## PBT Re-baseline





## GO-LIVE DATE ANALYSIS

- Go-Live Viability Varies By Month
- One month project delay does not always equate to a one month go-live delay.
- Heat map developed by business units and project team
- Considers impact to Benefit Services, Health Division, and Finance



Go-live analysis is focused on the 1<sup>st</sup> quarter of 2026.



# GO-LIVE HEATMAP



Go-Live	Benefit Services	Health	Financial
Jan	Tax reporting processes	Retiree additions to healthcare plans and potential plan changes	Tax reporting processes
Feb	Tax reporting processes and high call volume	Retiree additions to healthcare plans	Tax reporting processes
Mar	Tax reporting processes (1042-S forms)	GOOD	Tax reporting processes and still reconciling previous payroll
Apr	GOOD	GOOD	GOOD
May	Summer retirement season	Start planning for active care changes, update sessions and summer peak enrollments	GOOD
Jun	Summer retirement season	Start planning for active care changes, update sessions and summer peak enrollments	GOOD
Jul	Summer retirement season	Start planning for active care changes, update sessions and summer peak enrollments	GOOD
Aug	Summer retirement season, Year-end reporting for REs.	Major peak enrollments and changes - active care enrollment ending - a lot of workflow coming from Benefit Services	Annual Financial Reporting processes prep
Sep	Peak summer retirement adds to payroll. Year-end reporting for REs. Fiscal year end processes.	Need to look at potential vendor changes for 25/26.	Annual Financial Reporting processes
Oct	Still in summer retirement season. Annual Statement processing	The benefit services workflow feeds into HIB - Open enrollment (Federal) through December	Annual Financial Reporting processes
Nov	GOOD	Open enrollment (Federal) through December	Need to have time to reconcile all the new GL that will be in TRUST.
Dec	Calendar year end processes. Tax reporting prep.	Open enrollment (Federal) through December	Need to have time to reconcile all the new GL that will be in TRUST. Tax reporting prep.

**TAB 18**





# **TRS Enterprise Application Modernization (TEAM) Program Independent Program Assessment (IPA)**

TRS Board of Trustees  
September 2024

# Assessment observations

## Program status

Scope	TEAM continues to prioritize the Minimum Viable Product for the Payroll, Annuity, and Tax Reporting (PBT) release. Given the schedule change, additional features may be added to the release that were planned for future maintenance and enhancements.
Schedule	As the planned go-live date will not be achieved, business, security, and technical team leaders are jointly deciding a new release date for PBT.
Budget	TEAM has approved additional full-time equivalent (FTE) hires to aid in user-testing. Following PBT go-live, these FTEs will be transitioned to support benefits services.

## Recommendations

### Defect metrics

Based on the defect counts and metrics observed, it will be beneficial to understand the average defect resolution times while testing takes place.

### Utilization

IPA and TEAM continue to have discussions regarding utilization measures and automated reporting of these measures to assist with resourcing management post PBT go-live.

## Measuring defects

**Defect** - A deviation from the expected behavior in software that arises due to flaws in the code or design.

**Defect resolution time** - Amount of time it takes to resolve a defect from the moment it is reported to the moment it is closed.

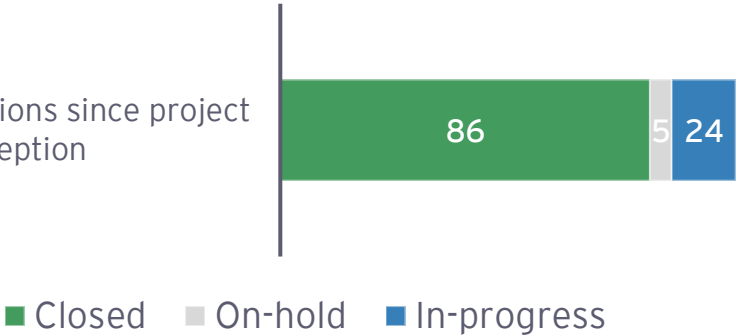
**Defect density rate** - Number of defects per lines of code.

**Defect detection rate** - Number of defects detected per sprint or per test case.

**Defect reopen rate** - Percentage of defects that were fixed but reopened due to improper fixes.

## Recommendations status

Recommendations since project inception





**TAB 19**



# Deputy Director Report

September 20, 2024

Presented By: **Caasi Lamb, Deputy Director**



# Agenda



**Core Values  
Refresh  
& Mission  
Statement  
Review**



**FY 2024 Annual  
HUB Report**



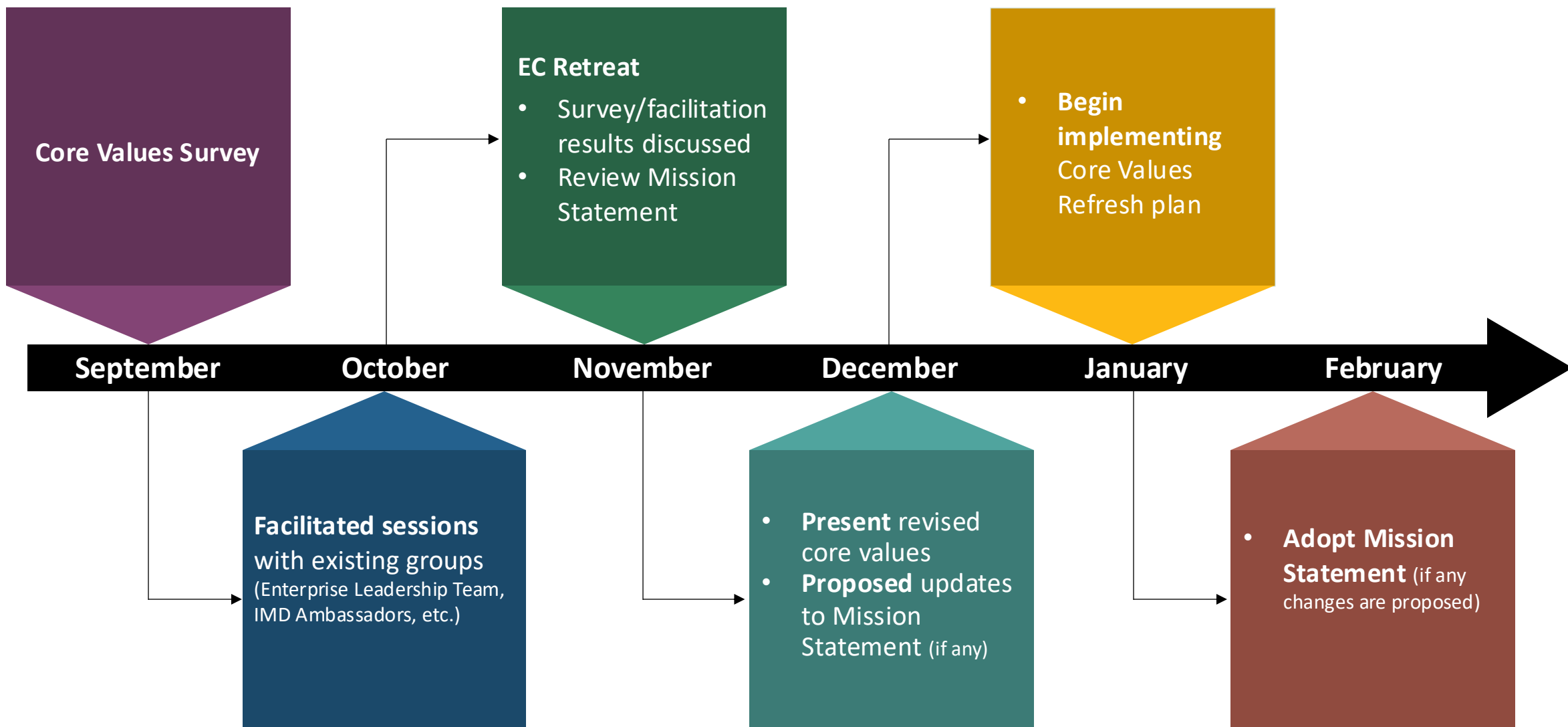
**Proposed FY  
2025 HUB  
Goals**



**Solicitation  
and Contract  
Quarterly  
Board Report**



# Core Values Refresh & Mission Statement Review





# FY 2024 Annual HUB Report - Definitions

**A Historically Underutilized Business (HUB) is generally defined as:**

- Texas-based Business (corporation, sole proprietorship or joint venture)
- For Profit
- Principal place of business in Texas
- At least 51% owned, operated, controlled and managed by person(s) of economically disadvantaged groups:
  - Black Americans
  - Hispanic Americans
  - Asian Pacific Americans
  - Native Americans
  - American Women
  - Veterans with at least a 20% service-connected disability

TRS must follow the State of Texas HUB Program in accordance with Texas Government Code §2161.





# FY 2024 HUB Report - Outreach and Education



**10**

Group Presentations



**13**

1:1 Meetings

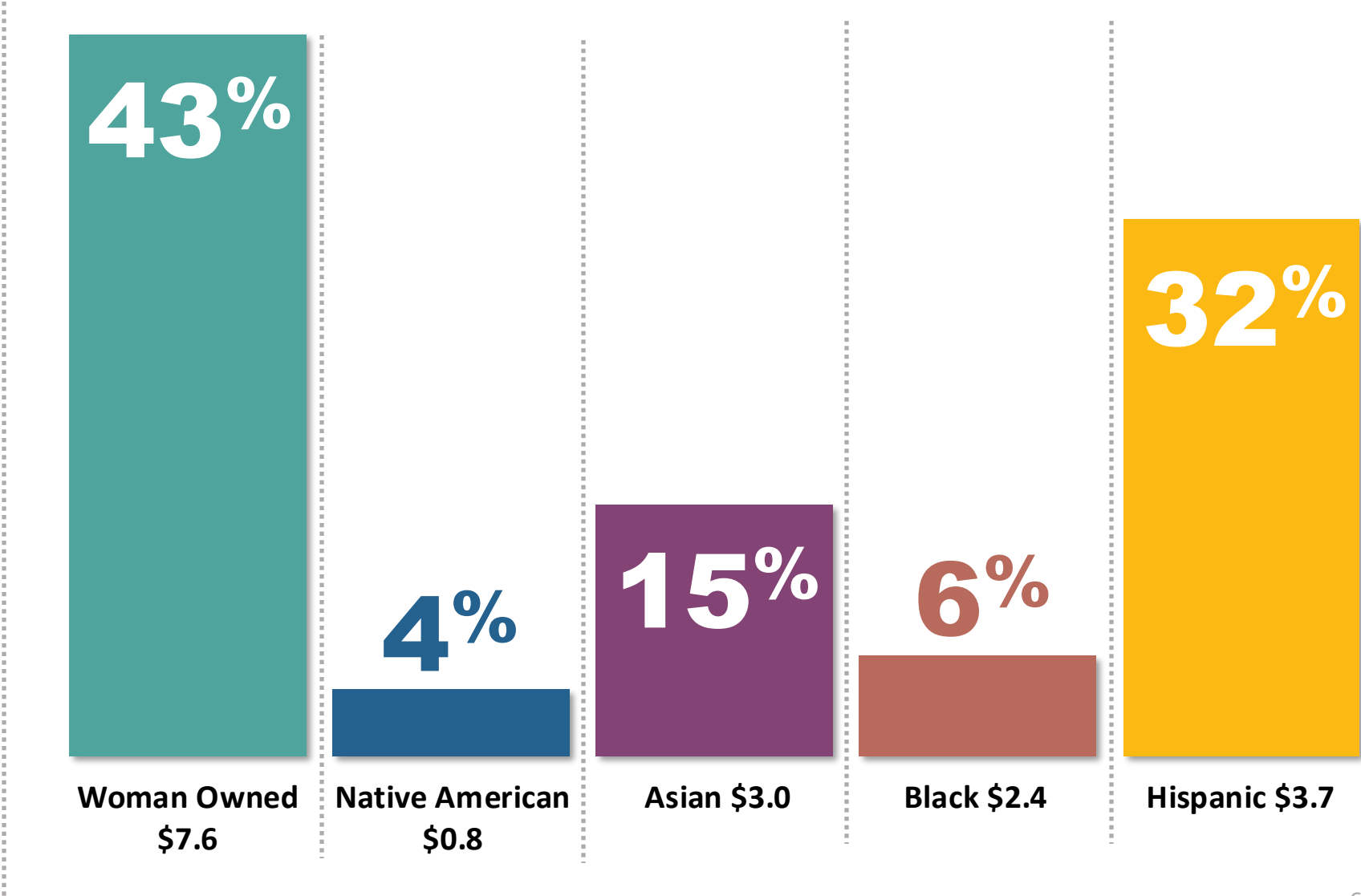


# FY 2024 Annual HUB Report - Expenditures



**Total HUB  
Expenditure  
\$17.5 Million**

In FY24, TRS spent approximately \$17.5 million with HUB vendors. The amount spent is broken out by HUB classification.

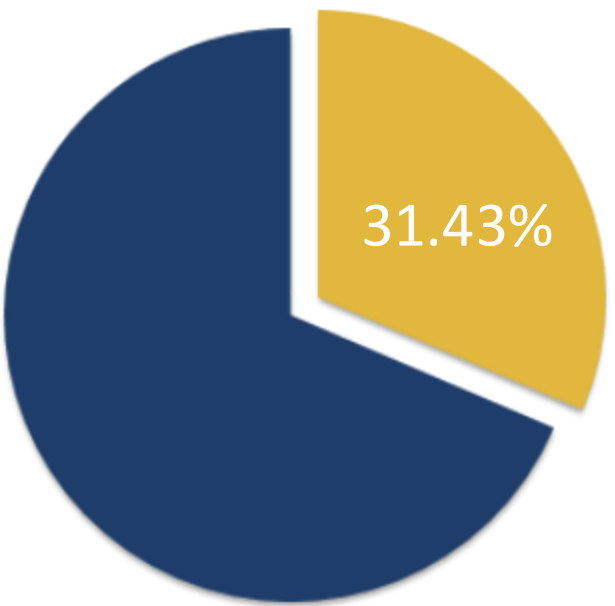




# FY 2024 Annual HUB Report - Utilization



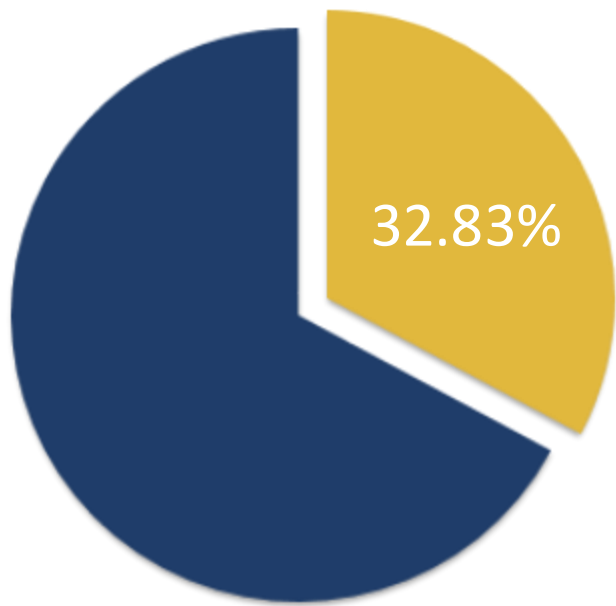
HUB Utilization for FY23: \$15.4 million



■ FY23 HUB Expenditures: ■ FY23 Non-HUB Expenditures:

Total HUB Eligible Expenditures for  
FY23 - **\$49.1 million**

HUB Utilization for FY24: \$17.5 million



■ FY24 HUB Expenditures: ■ FY24 Non-HUB Expenditures:

Total HUB Eligible Expenditures for  
FY24 - **\$53.5 million**

As of 8/19/24

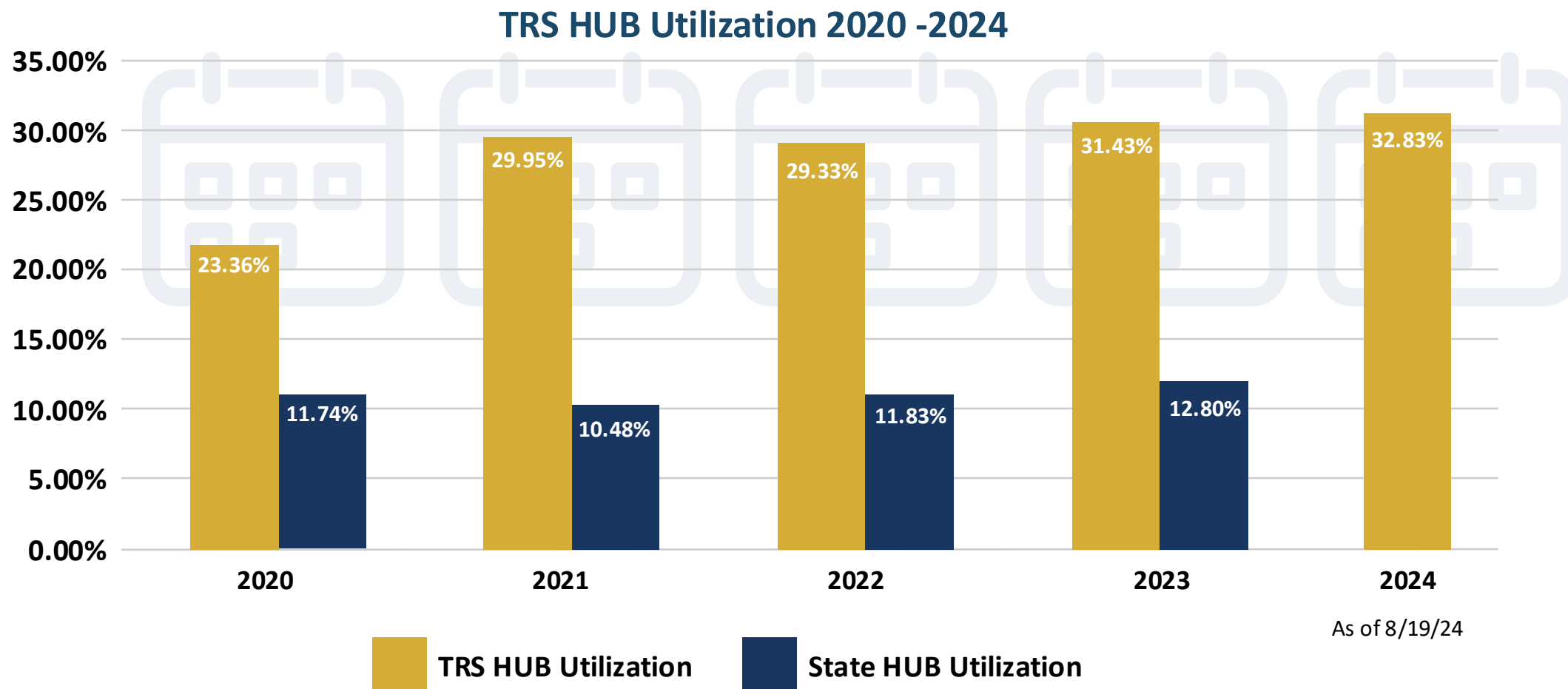




# FY 2024 Annual HUB Report - Utilization



## HUB Utilization Over the Last 5 Years





# FY 2024 Annual HUB Report – Type of Expenditure

FY 2024 HUB Expenditures by Type					
	Total Expenditures	HUB Expenditures	HUB %	TRS Goal %	State Goal %
Commodities	\$ 5,080,141	\$ 1,732,075	34%	35.00%	21.10%
Other Services	\$ 42,899,359	\$ 15,104,603	35%	25.00%	26.00%
Professional Services	\$ 4,598,013		0%	10.00%	23.70%
Special Trade	\$ 962,146	\$ 734,813	76%	50.00%	32.90%
<b>TOTAL</b>	<b>\$ 53,539,659</b>	<b>\$ 17,571,491</b>	<b>33%</b>		



**Commodities**  
Office Supplies  
Furniture  
Consumables  
IT Software/Hardware



**Other Services**  
Legal Services  
Temporary Services  
Investment Counseling



**Professional Services**  
Financial Accounting Services  
Architectural Services



**Special Trade**  
Building Maintenance & Repair  
Property Improvement



# Proposed FY 2025 HUB Goals



TRS HUB Goal Comparison Since FY23						
	FY23 Goals	FY23 Year End Actuals	FY24 Goals	FY24 Actuals as of 8/19/2024	FY 25 Proposed Goals	Current State Goals
<b>Commodities</b> - Office Supplies; Furniture; Consumables; IT Software/Hardware	30%	31%	35%	34%	35%	21.10%
<b>Other Services</b> - Legal Services; Temporary Services; Investment Counseling	25%	32%	25%	35%	25%	26.00%
<b>Professional Services</b> - Financial Accounting Services; Architectural Services	10%	0%	10%	0%	10%	23.70%
<b>Special Trade</b> - Building Maintenance and Repair; Property Improvement	40%	85%	50%	76%	50%	32.90%



## Proposed FY 2025 HUB Goals



- **Whereas**, TRS staff developed proposed HUB goals for FY25 for the Board to consider; and
- **Whereas**, The Board has received and discussed the proposed HUB goals, and the Board desires to adopt TRS' HUB goals for FY25; now, therefore, be it
- **Resolved**, That the Board hereby adopts the following HUB expenditure goals for FY25:

Commodities	Other Services	Professional Services	Special Trade
35%	25%	10%	50%



# Solicitation & Contract Quarterly Board Report – FY24

## Solicitations and Contracts with a Value of \$1 Million or More per Year

Type	Q1	Q2	Q3	Q4	Total
New Executed Contracts	5	1	4	4	14
New Executed Health Contracts	2	0	0	0	2
New FY 24 Solicitations	7	0	0	0	7

### BOARD PROCUREMENT POLICY

*For those contracts that are to be brought to the Board for approval solely because they exceed an estimated value of \$1 million or more per year, **TRS staff will present a report to the Board at each quarterly meeting** summarizing the key information for the proposed procurement. The Board may **accept** the report in its entirety or identify specific procurements for additional discussion or direct selection or approval by the Board.*



# APPENDIX

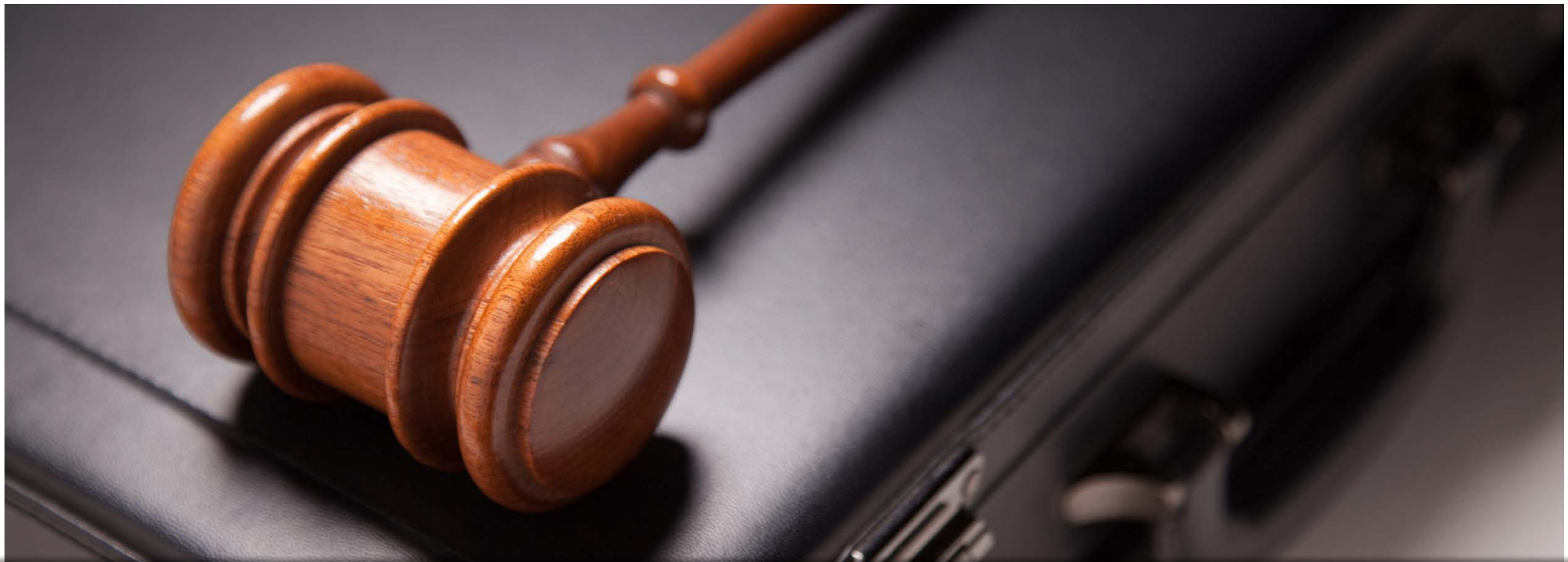


# APPENDIX – HUB Outreach and Education Activity Detail

Date	Event	Location
October 11-12, 2023	“HMSDC Expo 2023” Houston Minority Supplier Diversity Council	Houston
October 23, 2023	“TDLR First Annual Breaking Boundaries”	Austin
December 6, 2023	“Bexar County Business Conference” Small, Minority, Women & Veteran Business Owners	San Antonio
March 14, 2024	“Building Your Dream HUB Expo”, Presented by Golden Triangle Minority Business Council & Statewide HUB Program	Beaumont
April 4, 2024	“Celebrating TxDMV Marketing for Success, 10 <sup>th</sup> Annual HUB Vendor Fair” (TRS is a co-sponsor)	Austin
May 14-15, 2024	“Doing Business Texas Style” Senator West’s Spot Bid Fair	Irving
June 24- 26, 2024	“Getting Connected” ERG/Committee Fair	TRS
June 27, 2024	“Growing Your Business with HUB Certification” TWU Center for Women Entrepreneur	Virtual
July 11, 2024	“HUB Pre-Certification Workshop” (TRS and Comptroller’s Office)	Online & at TRS
August 2, 2024	1 <sup>st</sup> Annual Central Health HUB Connection	Austin
FY2024	Thirteen One-on-One Vendor Meetings	Online & at TRS

**TAB 20**





## **Data Governance and Information Security: Artificial Intelligence (AI) Governance**

Sept. 20, 2024

Presented By: **Martin Cano, Chris Cutler, Kristi Glasgall,  
Caasi Lamb, Heather Traeger, and Frank Williams**



# TRS AI Governance Process



- AI Governance: part of TRS' comprehensive Data Governance Program.
- Primary Goal: protecting member data and agency resources while providing greater business efficiencies and insights.
- Awareness of data types: protected health information, sensitive personal information, and confidential investment or other TRS information.
- Managing, tracking, protecting data: processes for documenting, mapping, tracking uses and access.



# How TRS is Using AI



## AI Isn't New

Although AI only recently captured the world's fascination with the launch of ChatGPT in November 2022, AI applications have been in use since the 1950s. Examples: games, regression modeling (statistical analysis), smart assistants.

## Current and Planned AI Uses



### Improved Member Engagement

Machine learning to perform analytics & sentiment analysis

- \*Dynamic and predictive guidance to call center agents during calls
- \*Call summarization and synthesis



### Enhanced Productivity

Copilot (browser-based)

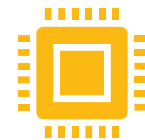
- \*Microsoft 365 Copilot (Office & Teams)



### Improved Business Processes

Machine learning to perform analytics & sentiment analysis

- \*Intelligent document processing & classification
- Enhanced analytics & data synthesis



### Advanced Coding & Development

- \*Natural language to code
- \*Documentation generation
- \*Code analysis for quality & vulnerability



# Journey to Now

KEY MILESTONES in 2024

**March**

## AI Use Policy

HB2060; Adopt AI Use Policy; train staff on new policies.

**Oct**

## AI Risk Review Team

Establish collaboration team of key SME's to evaluate risks of requested AI technology.

**June**

## AI Strategy Workshop

Document Mission, Vision, and Strategic Principles; Brainstorm use cases; Identify and prioritize top projects, high-level roadmap.

**July**

## ADS Inventory

Finalize and submit report to DIR to satisfy HB2060 requirement.

ADS = Automated Decision Systems.

**August**

## AI Transformation Program

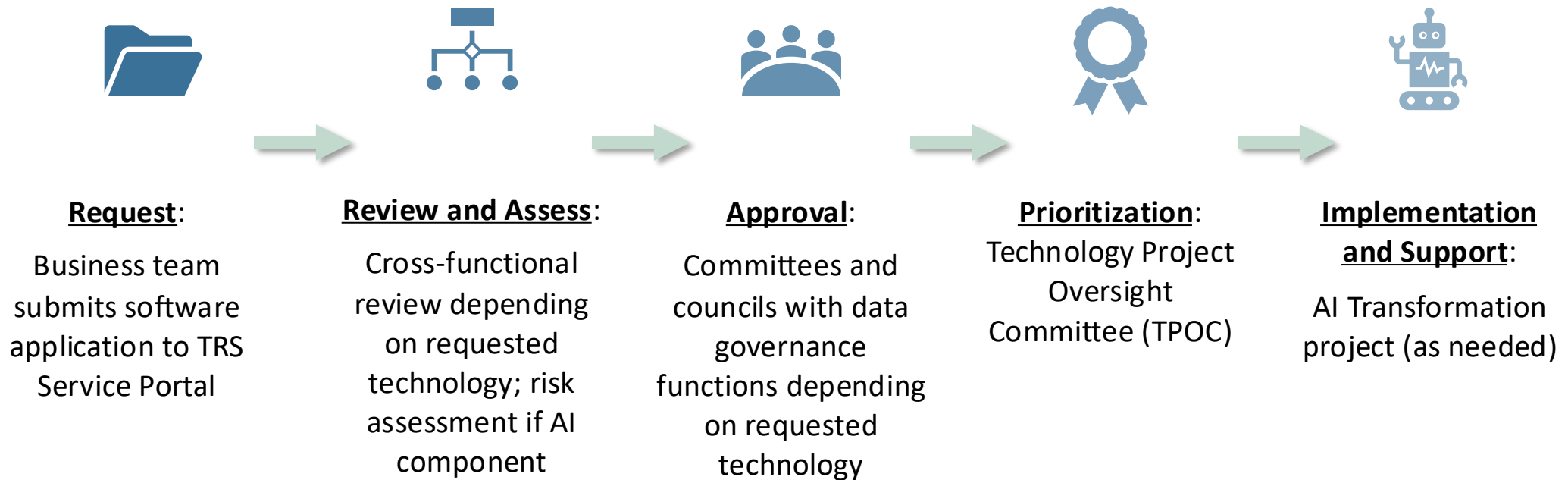
Establish framework for decision-making and project execution for enterprise implementation of approved AI uses.



# TRS AI Governance Workflow



Requests to use AI technology must flow through TRS' standard review for software applications and technology tools and **are subject to a risk assessment specific to AI implementation.**





# AI Risk Review Team



- AI Risk Review Team: cross-functional – IT, InfoSec, Legal & Compliance, Communications, Records Management, and Business Units
- Assess AI technology and use risks:
  - Unauthorized disclosures of confidential or sensitive information
  - Intellectual property infringement
  - Inaccuracy
  - Lack of transparency
  - Bias
  - Threats to safety and security
  - Third party/vendor risks

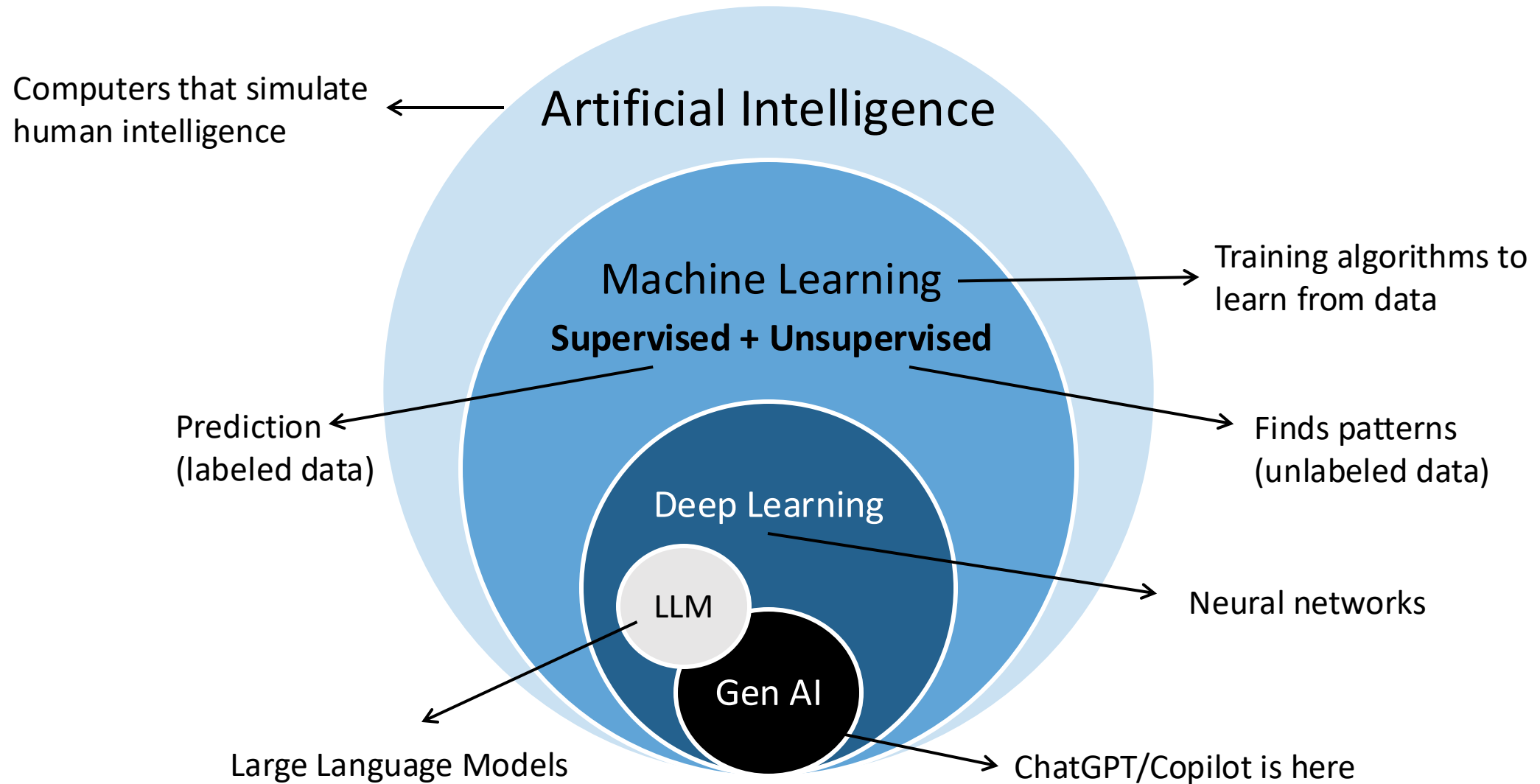


# Staying Current and Cautious on Rapidly Evolving AI Technology

- Staying current:
  - Participating in industry groups
  - Attending educational programs
  - Reviewing current AI literature
  - Staying connected to federal agencies
  - Creating AI pilots to test and learn new AI technologies
- Continue to utilize data governance processes to evaluate and implement AI technologies for their potential to create efficiencies, improve member services, and maximize member resources.



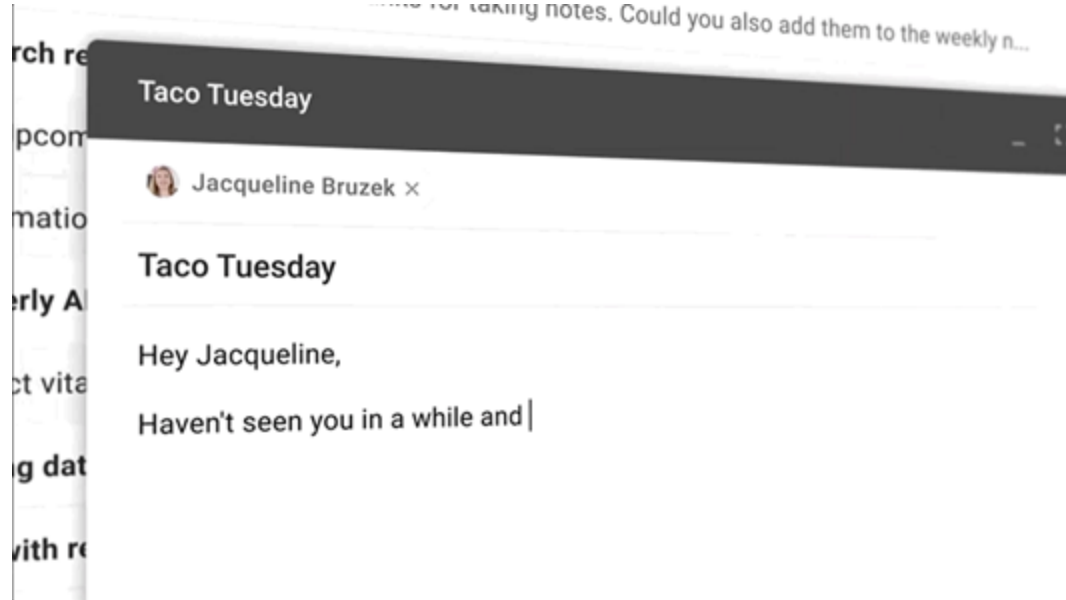
# What is Artificial Intelligence?







# Generative AI



## Predictive Text

Uses relatively simpler models based on dictionaries and frequency of word usage.



## Large Language Models (LLM)

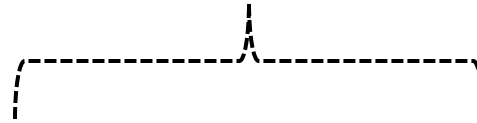
Built on complex algorithms that learn how you type while drawing on vast linguistic databases.



# IMD Sentiment Analysis



AI portion performed.



Step 1

Gather financial signals based on analysis of factors such as price, volume, and market sentiment.



Step 2

Process the multitude of documents at a larger capacity than humanly possible and without bias.



Step 3

Score assigned based on a holistic view providing a quantitative historical trend line.



Step 4

Analysts are now empowered to make better decisions with the additional information.



# New Cybersecurity Challenges



Like ChatGPT, provides real-time intelligent assistance, enabling users to enhance their creativity, productivity, and skills.

## Copilot

Appropriate use and training established prior to widescale use.

Real-time intelligent assistance built into apps such as Word, Excel, PowerPoint, Outlook, and Teams.

## Copilot O365

Extensive access to data sources can magnify user content-sharing mistakes.

AI pair programmer that offers code completion suggestions as you code.

## GitHub Copilot

Mimics code that it previously saw during its training. Like any programmer, GitHub Copilot may sometimes suggest insecure code.



# CrowdStrike Outage



On July 19, 2024, CrowdStrike issued an update for its Endpoint Detection & Response (EDR) product.

This update contained a critical defect that caused Windows systems to crash.

This was the largest worldwide IT outage in history.



Source: DALL·E 3 AI Generated Image



THIS SLIDE WAS INTENTIONALLY LEFT BLANK



THIS SLIDE WAS INTENTIONALLY LEFT BLANK

THIS SLIDE WAS INTENTIONALLY LEFT BLANK



THIS SLIDE WAS INTENTIONALLY LEFT BLANK