

July 2021

# ACCOUNTABILITY

## **BUDGET Committee Meeting**



**Teacher Retirement System of  
Texas**

1000 Red River Street  
Austin, Texas  
78701-2698

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING  
BOARD OF TRUSTEES AND  
BUDGET COMMITTEE**

*(Committee Chair: Nanette Sissney; Members: David Corpus, John Elliott, James Dick Nance)*

*All or part of the July 15, 2021, meeting of the TRS Budget Committee and Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 or 551.127 of the Texas Government Code. The Committee and Board intend to have a quorum and the presiding officer of the meeting 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.** This meeting will be conducted in accordance with the Governor's authorization concerning suspension of certain open meeting law requirements in response to the COVID-19 (Coronavirus) Disaster.*

*The open portions of the July 15, 2021, meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the 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).*

**AGENDA**

**July 15, 2021 – 10:00 a.m.**

**TRS East Building, 5<sup>th</sup> Floor, Boardroom**

1. Call roll of Committee members.
2. Consider the approval of the proposed minutes of the April 2021 committee meeting – Committee Chair.
3. Consider recommending to the Board adoption of the following – Don Green
  - a. Consider the adoption of the proposed fiscal year 2022 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 2022 budget.
  - b. Consider the adoption of the proposed fiscal year 2022 administrative operations budgets and general provisions for the TRS health benefits funds (retired and active plans).
4. Consider recommending to the Board the statutory certification of estimated state contributions to the State Comptroller of Public Accounts to be received by the retired school employees group health benefit fund for the fiscal year ending August 31, 2022 – Don Green.
5. Consider recommending to the Board adoption of the proposed Historically Underutilized Businesses program (HUB) goals for fiscal year 2022 – Martin Cano.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Budget Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

**TAB 2**

**Minutes of the Budget Committee  
April 14, 2021**

The Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas met on April 14, 2021, by videoconference in accordance with the Governor's authorization concerning suspension of certain Open Meeting law requirements in response to the COVID-19 (Coronavirus) disaster.

**Committee members who participated by videoconference:**

Ms. Nanette Sissney, Chair  
Mr. David Corpus  
Mr. John Elliott  
Mr. James Dick Nance

**Other TRS Board Members who participated by videoconference:**

Mr. Michael Ball  
Mr. Jarvis Hollingsworth  
Mr. Chris Moss  
Mr. Robert H. Walls, Jr.

**Others who participated by videoconference:**

Brian Guthrie, TRS  
Andrew Roth, TRS  
Don Green, TRS  
Heather Traeger, TRS  
Amanda Jenami, TRS  
Katherine Farrell, TRS  
Suzanne Dugan, Cohen Milstein

Budget Committee Chair, Ms. Nanette Sissney, called the meeting to order at 10:45 a.m.

**1. Call roll of Committee members.**

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

**2. Consider the approval of the proposed minutes of the December 2020 committee meeting – Chair Nanette Sissney.**

On a motion by Mr. Nance, seconded by Mr. Corpus, the committee unanimously voted to approve the proposed minutes for the December 2020 Budget Committee meeting as presented.

**3. Receive an update on the administrative operations budget for fiscal year 2021 including FTE update – Don Green.**

Mr. Don Green provided an overview of the budget to date. He reported the overall operating budget is \$234 million. He noted the contingency fund that was set aside reduced the budget by



about nine percent, \$21.7 million. He said there were no plans to expend the contingency and believed it will lapse at the end of the fiscal year. He reported based on current spending trends that an additional \$14 million could lapse. He said the major factors of this lapse were the hiring freeze implemented for a half year, travel and incentive compensation was lower than expected. He said if the trend continued then only 1/10<sup>th</sup> of one percent of the Pension Fund's value will be spent on administrative costs, a fine achievement for members.

Mr. Green reported there were 758.3 pension-funded full-time employees (FTEs). He said as of February 28<sup>th</sup> there were 735.3 FTEs, 23 below the FTE cap. He noted for health care there were a total of 123 positions and 16 of them were vacant at that time.

With no further business before the Committee, the meeting adjourned at 11:48 a.m.

Approved by the Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas on July \_\_\_\_\_, 2021.

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Katherine H. Farrell  
Secretary of the TRS Board of Trustees

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Date

**TAB 3**



# FY 2022 - 2023 Critical Resource Request




**Brian Guthrie, Andrew Roth,  
and Don Green**

July 2021




# FY 2022-2023 Resource Request

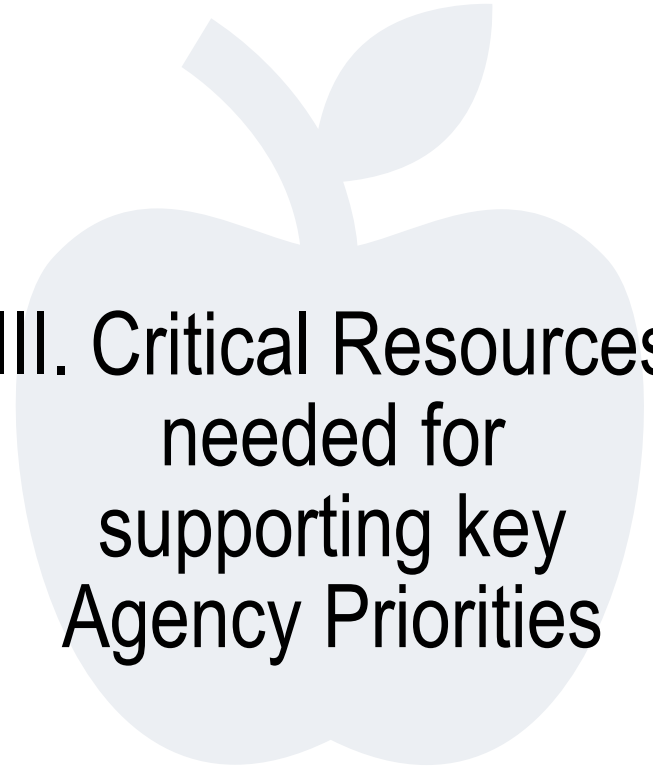
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I. Resources required to implement Legislative intent and Board mandates



II. Healthcare resources required to implement new Legislative mandates



III. Critical Resources needed for supporting key Agency Priorities

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# Legislative Intent and Board Mandates

## I. Resources required to implement TRS Board mandates and Legislative intent of the 87<sup>th</sup> Legislative Session

25  
Investment  
Positions

New resources to sustainably increase the likelihood of meeting actuarial assumptions while preserving risk appropriate returns, phased in over the biennia

Estimated Annual  
Cost \$5.4M

*FTE and funding included  
in SB1*

1 Ombuds  
Position

Sunset Legislation  
HB1585 requires  
resource to monitor  
the agency's  
interactions with  
members

Estimated Annual  
Cost \$154K

*FTE and funding not  
included in SB1*

4 Cyber-  
security  
Positions

To protect TRS data,  
which includes  
member data and  
ensure compliance  
with cybersecurity  
laws and regulations

Estimated Annual  
Cost \$590K

*FTE and funding not  
included in SB1*

# Legislative Intent and Board Mandates

## I. Resources required to implement TRS Board mandates and Legislative intent of the 87<sup>th</sup> Legislative Session

67  
Benefit  
Services  
Positions

### **Benefit Processing Positions, 22**

Resources required to reduce work backlog, eliminate overtime requirements, support new process for inactive account research, enhance processing times to meet member expectations and service levels. Estimated annual cost \$1.9M

### **Benefit Accounting, 23**

Resources required to meet service needs for employer reporting services, improve response times to meet service levels and support the implementation of annuity payroll. Estimated annual cost \$1.9M

### **El Paso Regional Office, 8**

As requested, and approved by the legislature, to expand member services by opening a pilot regional office in El Paso providing additional counseling services in the region. Estimated annual cost \$625K

### **Benefit Counseling, 8**

Resources required to meet member expectations and service levels, reducing call hold times and reducing reliance on external support. Estimated annual cost \$625K

### **Benefit Operations Support, 6**

Develop training program to include foundational training based on department mission, year-round continuing education program and on-the-job training roadmaps. Estimated annual cost \$600K

*FTE and funding not included in SB1, except for El Paso operating budget only*

# Legislative Intent and Board Mandates

## II. Resources required to implement Healthcare Legislative mandates of the 87<sup>th</sup> Legislative Session

5 Healthcare Positions

Resources required to implement new mandates of the 87<sup>th</sup> legislative session changes to TRS-ActiveCare, which include a lock-out period for exiting districts, requirements to provide claims data at no cost to districts (resulting in increased requests), the development of an enrollment opportunity for Medicare-eligible retirees, and the study on an HRA option for Medicare-eligible retirees.

Estimated Annual Cost \$515K

*Exempt from Legislative FTE limitations*



# Legislative Intent and Board Mandates

## III. Resources required to implement Board intent per audit recommendations and cost saving measures by reducing reliance on external contracts

4  
Procurement  
Governance  
Positions

To improve operational effectiveness and efficiencies with procurement and contract monitoring and vendor performance requirements, per audit recommendations

Estimated Annual  
Cost \$483K

*FTE and funding not  
included in SB1*

1 System  
Actuary  
Position

To create value by developing internal measures and more closely monitoring discrete changes in experience that could impact the fund's long-term financial soundness

Estimated Annual  
Cost \$197K

*FTE and funding not  
included in SB1*

1 DE&I  
Position

To expand Diversity, Equity, and Inclusion program creating a diverse talent pipeline development through brand awareness, organization and MSI partnerships, and affinity group coordination

Estimated Annual  
Cost \$124K

*FTE and funding not  
included in SB1*



# Legislative Intent and Board Mandates

## III. Resources required to support agency critical initiatives implemented by the Legislature and the Board, reducing reliance on external contracts

7  
Agency  
Shared  
Support

Additional resources required to enhance mailroom staff to implement sunset recommendations of certify mail requirements to notify a member or the member's heir of their entitlement to a return of contributions, 2 Business Administration Positions

To expand and implement learning and development's in-house and virtual training, reducing the need for expensive external vendors to deliver training, 2 Training Positions

Additional talent acquisition resource to support agencywide growth and increased recruiting efforts in a competitive economic environment, 1 Talent Acquisition Position

Additional resources needed to support the evolution of the digital operating applications, enhancing data management and governance as the agency evolves virtually reducing reliance on external support, 2 Project Management Positions

Estimated Annual Cost \$947K

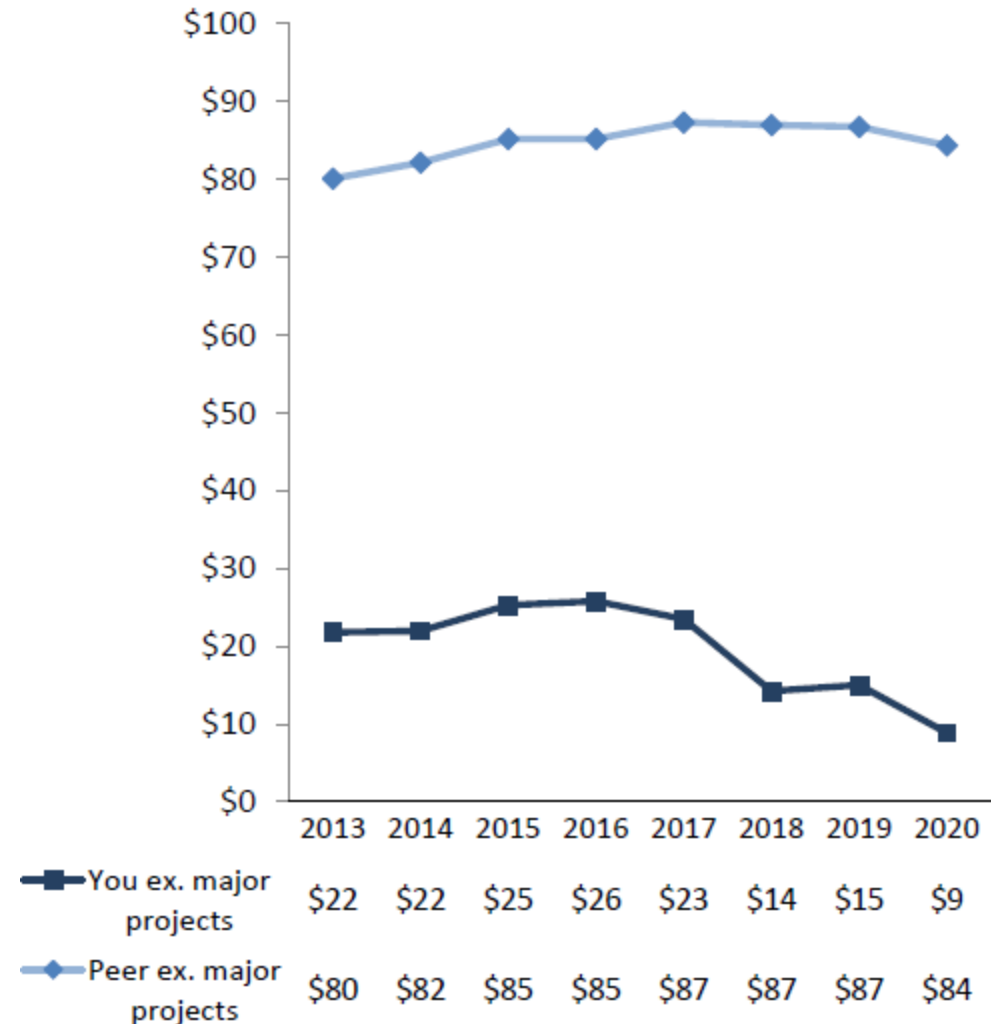
***FTE and funding not included in SB1***

# Resource Request: TRS Cost Comparison to US and Canadian Peers

- Excluding major projects, TRS is far below the average cost trend even should every FTE initially requested be granted

- Source: CEM International benchmarking data report for 2020

Trend in Total Pension Administration Costs

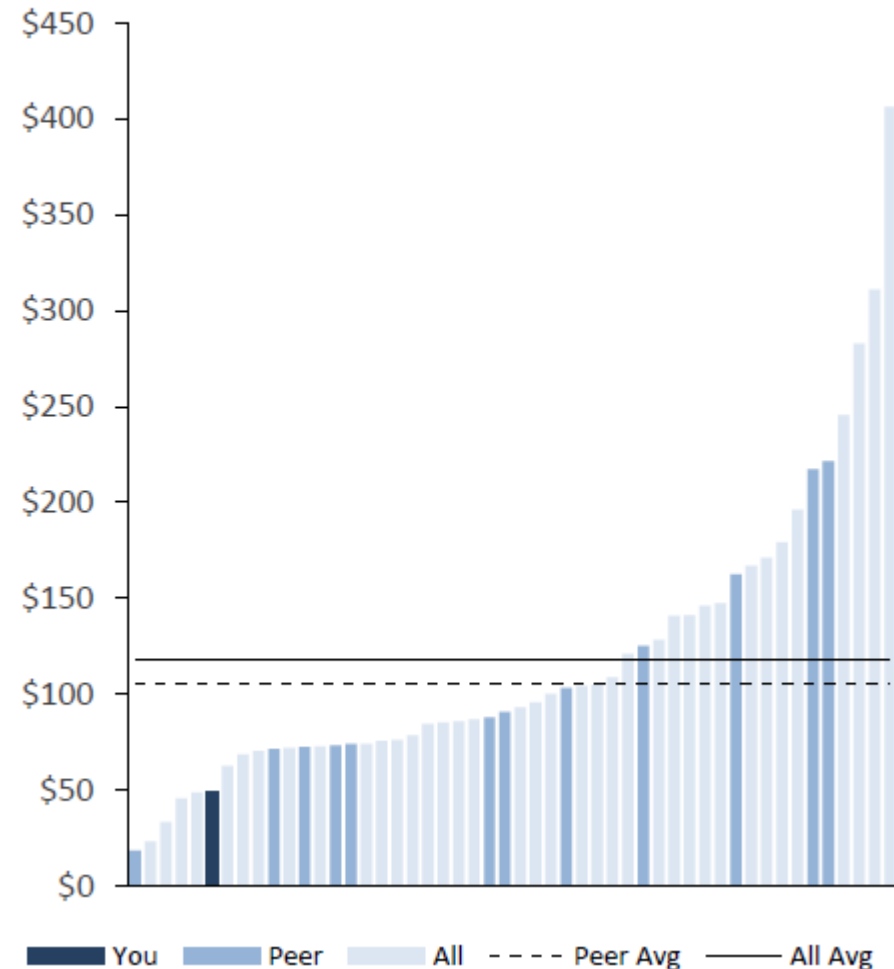


# Resource Request: TRS Cost Comparison to US and Canadian Peers

- Average cost per member is among the lowest of all North American systems
- Even if TRS doubled its FTEs from approx. 850 to 1700 FTEs, cost per member would be at the mean for all North American systems

• Source: CEM International benchmarking data report for 2020

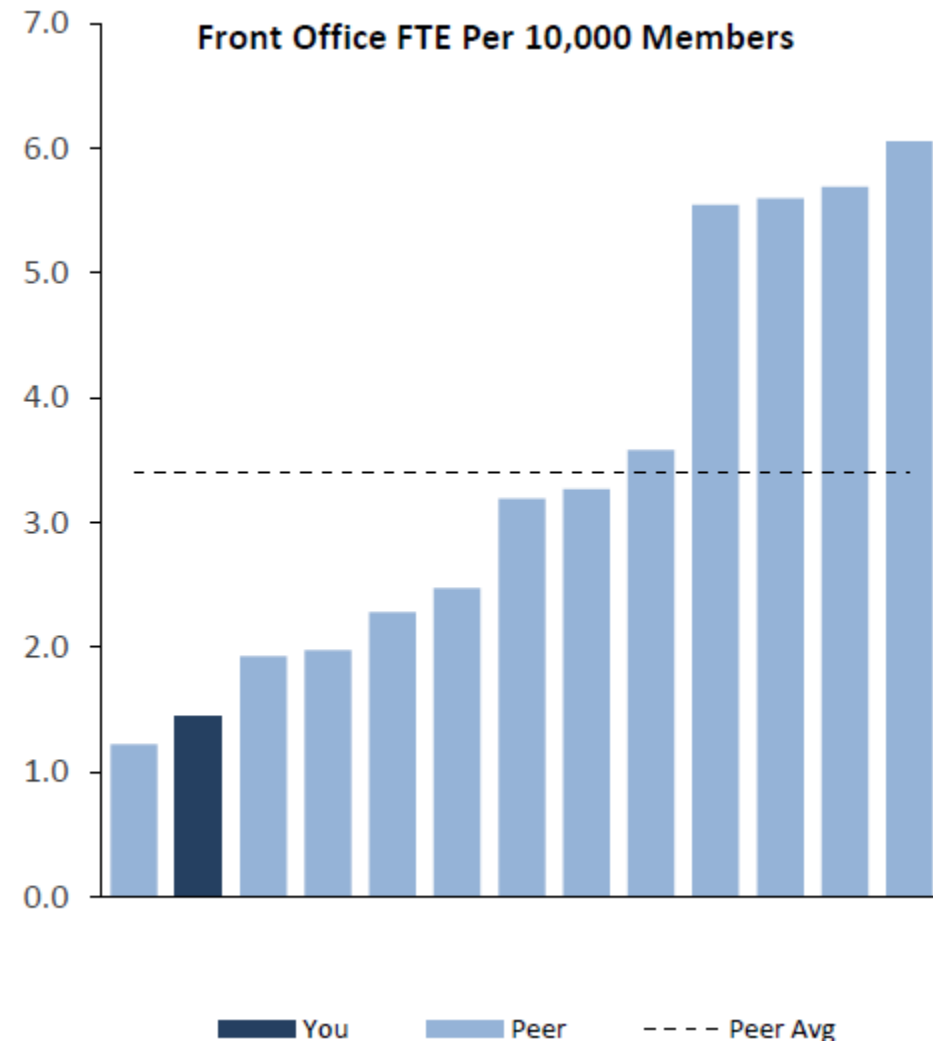
Pension Administration Cost Per Active Member and Annuitant



# Resource Request: TRS Cost Comparison to US and Canadian Peers

- TRS has the second lowest front office per 10,000 members ratio among its peer group
- Even if TRS doubled its FTEs from approx. 850 to 1700 FTEs, cost per member would be slightly below the mean for its peer group

• Source: CEM International benchmarking data report for 2020



# FY 2022-23 Resource Request

- Onboarding new staff will be in two phases over the course of the biennium

FY 2022 -2023	Request Priority		Phase One FY 2022		Phase Two FY 2023
			Pension Funded	Healthcare Funded	
<b>Core Support</b>					
Investment Management <sup>1</sup>	25	25	10		15
Benefit Services	101	67	23	6	38
Health and Insurance Benefits <sup>2</sup>	5	5	-	5	-
<b>Shared Support</b>					
Business Administration	8	5	3	-	2
Diversity, Equity & Inclusion	4	1	-	1	-
Executive (Ombuds)	1	1	1	-	-
Financial Services	3	-	-	-	-
Information Technology	20	5	1	2	2
Legal & Compliance	6	2	-	1	1
Organizational Excellence	3	3	-	-	3
Strategy Office	2	1	-	-	1
<b>Total</b>	<b>178</b>	<b>115</b>	<b>38</b>	<b>15</b>	<b>62</b>

1 – Investment Management 25 resource included in FY 2022-23 SB1

2 – Healthcare funded resources are exempt from Legislative FTE limitations



**FY22 authorized FTE cap is 768.3  
for the pension fund**

Article IX provisions authorize  
additional 50 FTEs



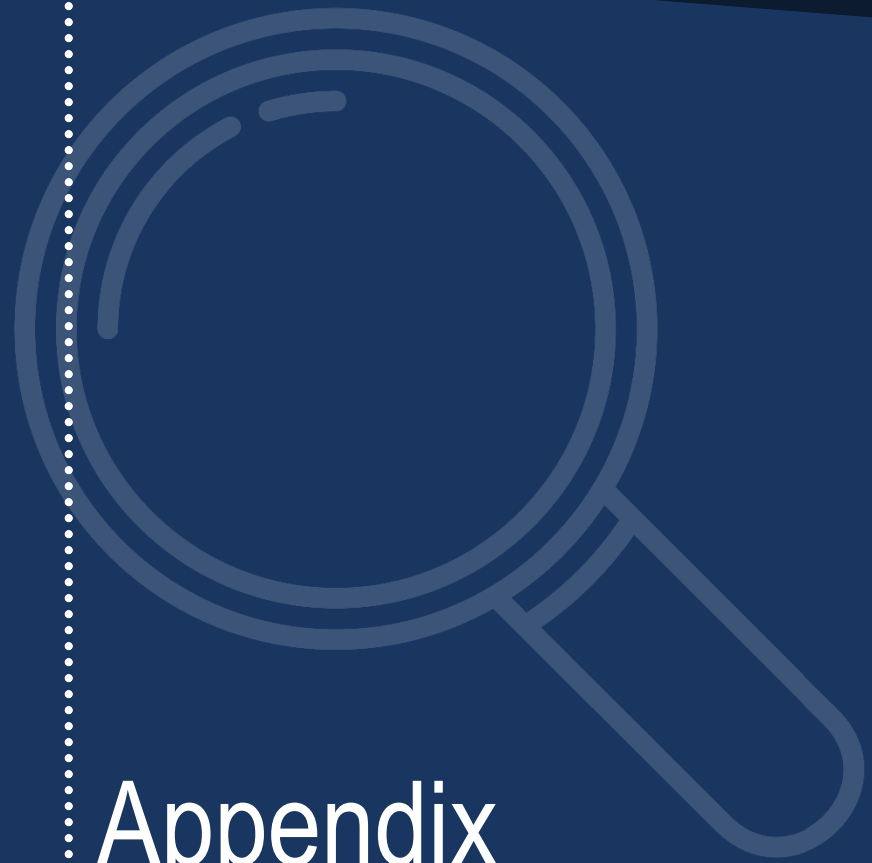
**FY 2022 estimated cost for additional  
resources is *\$5.7 million***

Estimated cost includes salaries, benefits, and  
one time set up cost for each new resource

# FY 2022 Phase One

- May require action to increase budget authority, agency will reevaluate at mid-year and provide the Board an update

Business Unit		Resources to be included in FY22 Proposed Budget		Resources <u>not</u> included in SB1		
		FTE	Amount	FTE	Amount	
I.	Resources required to implement Legislative intent and Board mandates	Investment Management	10	\$1.6M		
		Benefit Services	6	\$507K	23	\$1.9M
		Executive (Ombuds)			1	\$154K
		Cybersecurity Positions Information Technology Legal & Compliance	3	\$452K	1	\$138K
II.	Healthcare resources required to implement new Legislative mandates	Healthcare	5	\$515K		
III.	Critical Resources needed for supporting key Agency Priorities	Diversity, Equity & Inclusion	1	\$124K		
		Business Administration			3	\$293K
<b>Grand Total</b>			<b>25</b>	<b>\$3.2M</b>	<b>28</b>	<b>\$2.5M</b>



# Appendix



# Resource Assessment & Needs for Critical Service Areas

Full Time Employees			Fiscal Year Recruiting & Hiring Plan	
Team	Current	Total	2022	2023
Claims	23	5	3	2
Retirement Estimates	19	6	3	3
Retirement Processing	14	4	3	1
Account Services	9	1		1
Service Credit Purchase	8	1		1
Telephone Counseling	78	8		8
Employer Reporting Support	18	11	6	5
Employer Reporting Exceptions		7	2	5
Regional Office – El Paso		8	7	1
Disbursements	5	4	2	2
Employment After Retirement	3	1		1
Inactive Account Research		5		5
Training	4	3	3	
Quality Assurance	5	3		3
<b>FTE Need:</b>		<b>67</b>	<b>29</b>	<b>38</b>
<b>Benefit Services FTEs at Beginning of Fiscal Year:</b>			<b>253</b>	<b>282</b>
<b>Benefit Services FTEs with Proposed Increase:</b>			<b>282</b>	<b>320</b>



# Filling the Back Office Service Level Gap

## Expected Results

Eliminate Work Backlog

Meet Member & Employer Expectations

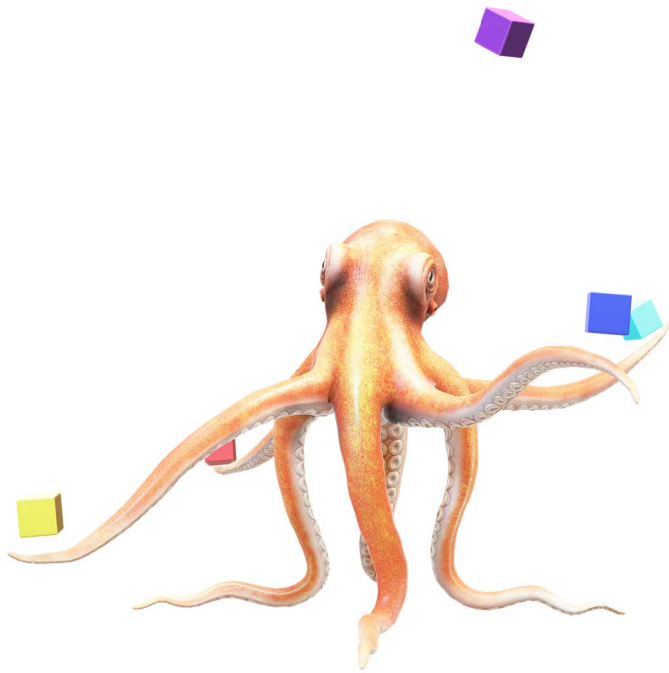
Achieve Service Level

Reduce Repeat Member Calls

Prepare for TEAM Roadmap

Eliminate Overtime Requirements

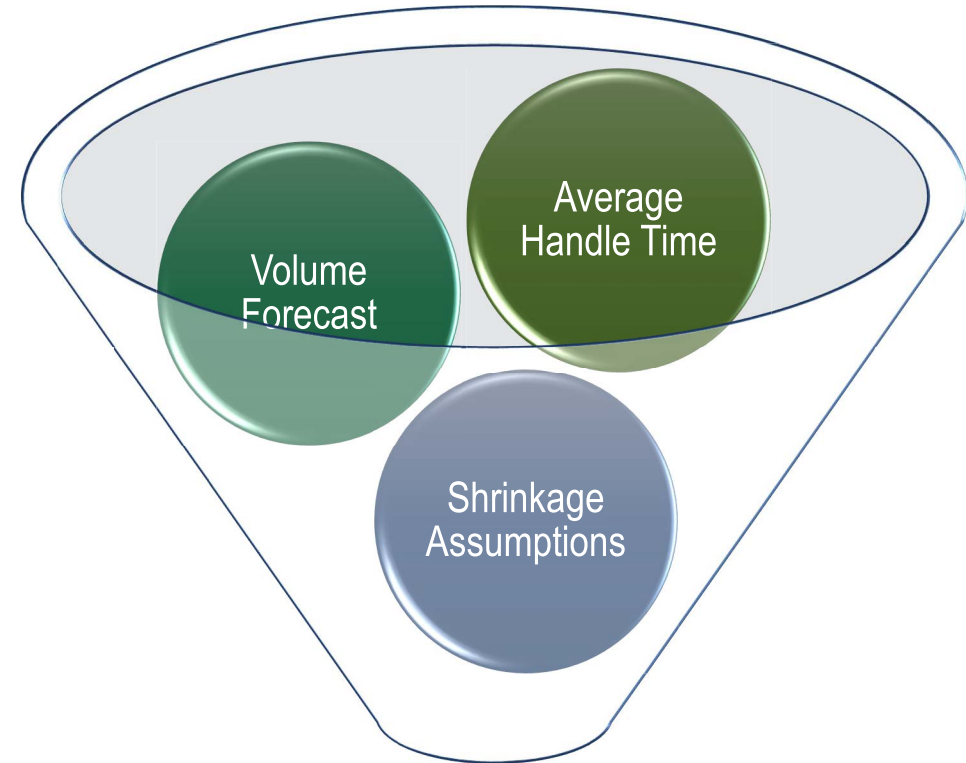
Locate Members & Return Escheated Contributions



# Filling Telephone Counseling Service Level Gap



## Erlang-C Calculation



Full-time Employees

# Filling Employer Reporting Service Level Gap

## Employer Reporting

Support

Exceptions &  
Collections

Employment After  
Retirement

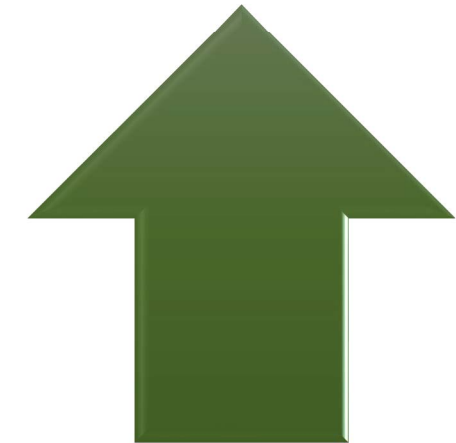


Less responses that push employers to resources



Improve email response time

Add chat service





# Supporting Operations

- **Develop training program to include:**
  - Foundational training based on department mission
  - Year-round continuing education program
  - On-the-job training roadmaps
- **Expand quality assurance program for:**
  - Office visits
  - Member and employer email correspondence
  - Back-office processing
- **Absorb Business Procedures and Training for TRUST**



# Regional Office – El Paso



## Location

- Educational Service Center (ESC 19)
- Site visit – June 16
- Negotiating lease contract

## Opening Timeline

- Contract – September 2021
- Design/Constructions – Complete by April 2022

## Recruiting, Hiring & Training

- Job Announcement – August 2021
- Onboarding – October 2021
- Office Visit Counselor Training – October 2021 through April 2022

# Healthcare Legislation

TRS-ActiveCare and TRS-Care will be affected by new legislation that will drive a significant increase in workload. The additional resources are critical to TRS' ability to implement these legislative mandates.

- **SB 1444** makes significant changes to TRS-ActiveCare including a lock-out period for exiting districts
- **HB 1432** requires TRS to provide claims data at no cost to districts and will result in uptick in requests
- **HB 2022** creates an enrollment opportunity for Medicare-eligible retirees
- **HB 1461** requires TRS to study an HRA option for Medicare-eligible retirees



# Healthcare

Insourcing builds TRS' internal expertise, reduces reliance on external vendors, and generates considerable savings to the agency. Since December 2018, adding staff to the Analytics and Engagement and Finance Teams has enabled TRS to insource \$2.75 million in work that would have been performed by external consultants. TRS saved \$1.63 million after backing out internal staff costs. The proposed staff alignment and new FTEs are estimated to generate a net savings of nearly \$4 million over the next 12-month period.

<b>Estimated Savings</b>	
<b>Estimated project hours for June 2021 - May 2022 (12-month period)*</b>	<b>14,000</b>
<b>The cost of using external consultants for these hours would be (average \$405/hour)</b>	<b>\$5,667,600</b>
<b>Existing staff are expected to insource 8,000 hours and generate savings of</b>	<b>\$2,101,558</b>
<b>Five new FTEs are expected to insource another 6,000 hours and generate savings of</b>	<b>\$1,880,500</b>
<b>Amount that insourcing is expected to save the agency over next 12 months</b>	<b>\$3,982,058</b>
*Existing staff insourced 5,400 hours in the prior 12-month period and HIB expects that new legislation will increase workload by an additional 8,600 over the next 12 months	



# Investment Management

- The Board of Trustees, as fiduciaries, is responsible for the administration of the system under provisions of the state constitution and laws.
- The 86<sup>th</sup> legislature provided TRS with the flexibility to successfully accomplish critical initiatives adopted by the TRS Board of Trustees to reduce investment fees and improve member services.
- To continue to reduce external management fees with an additional 10 FTEs while preserving risk appropriate returns and to sustainably increase the likelihood of meeting return assumptions.



## Reduce Investment Fees

As of April 2021, saved approximately \$204M in fees

As of June 2021, hired 47 FTEs



## Improve Member Services

As of June 2021, TRS hired 49 direct support FTEs and 28 support staff FTEs to enhance customer service.



## HB1585 of the 87<sup>th</sup> Legislative Session

- Create an Ombudsman (Ombuds) position designated by the board of trustees for the purpose of assisting members by performing member protection and advocacy functions and regularly submit a report recommending changes to operations that would benefit members.



# Legal & Compliance – Data Privacy and Security Attorney

**Data privacy and security laws are being enacted across the country in growing complexity. TRS' increasingly complex business operations intersects with these state, national, and global legal requirements. TRS needs legal expertise and a devoted resource to ensure centralized compliance with laws and regulations to protect TRS data, which includes member data.**

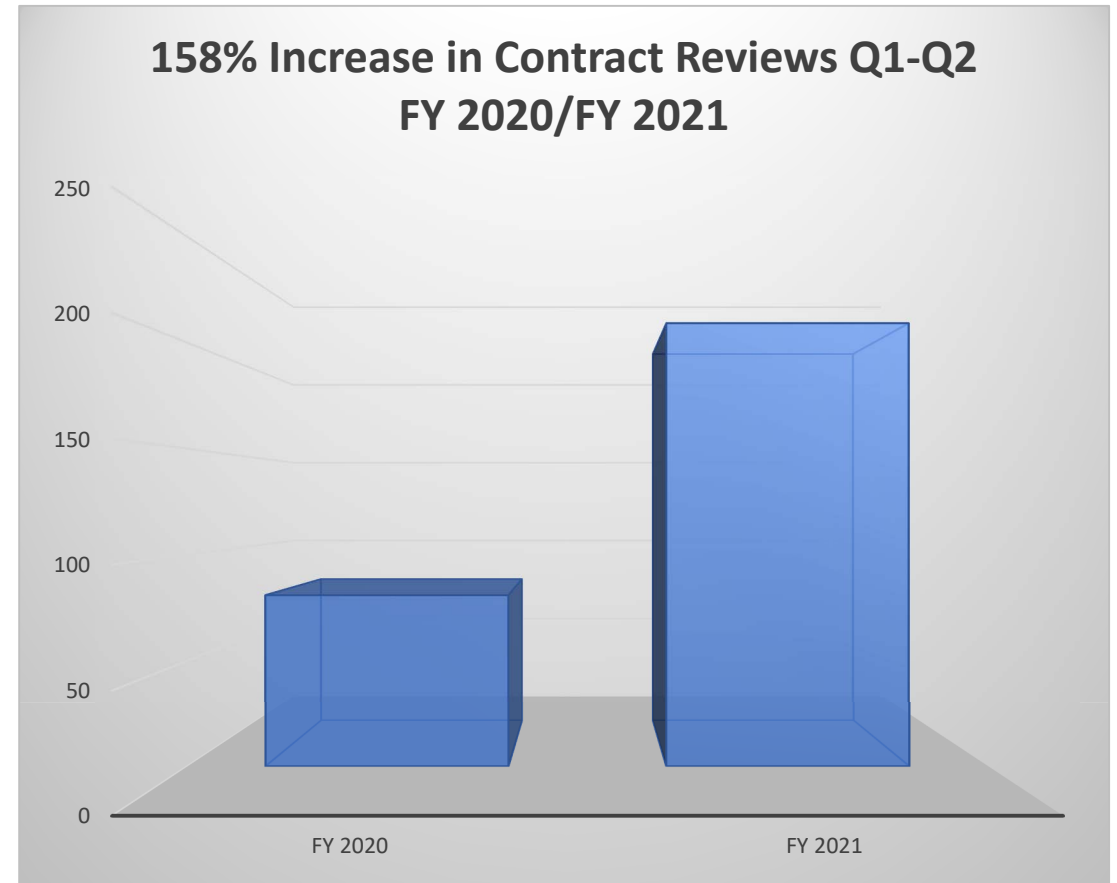
## Risks and Business Impact:

- This is an enterprise risk – operational, legal, fiduciary, and reputational. Appropriate resourcing and management of risk has been identified as a “cause” for the risk materializing.
- TRS exposure and risk are increasing (e.g., remote employees, 3<sup>rd</sup> party vendor management, national and international investments, Tricot, MyTRS capabilities, hacktivist, etc.).
- Impacts all business units, employees, members and retirees, and vendors with which TRS does business.
- TRS addressing certain weaknesses while having to triage compliance.
- Penalties for noncompliance can be extreme.
- It is a full-time specialty; existing staff does not have the bandwidth or specialization to guide the business units forward efficiently or consistently.
- Outside counsel is far more expensive and will not be able to offer mission-oriented advice.

# Legal & Compliance - GPS Contracts Attorney

**As TRS business needs grow, contracting and procurement have become an increasingly critical component to assist business units in meeting their program objectives.**

- Risks and Business Impact:
  - Failure to adhere to legal and policy requirements due to insufficient negotiation time due to increase in use of the competitive solicitation process, long work queue, and condensed timelines.
  - Without additional resources, potential for further slow down in the contracting process which will cause delays for project implementation.
  - Need to address audit findings, including need for enhanced contract monitoring and vendor performance requirements.
  - Increased number of evergreen contracts going through solicitation process requires additional legal review time.
  - The time allotment needed to perform sufficient legal reviews will increase, resulting in increased risk for the agency.



# Information Technology

## Growth & Complexity

- Data Management / Governance
- Maturing Methodologies: Agile, ITIL
- Advancing development models (DevOps)
- Application usability & design (UI)
- Data Analytics and Citizen Developers
- Support for overall TRS Growth

## Changing Landscape

- Information and Cybersecurity Security
- Compliance & Regulatory Complexity
- Pivot to Cloud (CapEx vs OpEx)
- More remote work & office locations
- Growing need for research and support for IA, Machine Learning, Robotic Automation
- Data, data, data



## Areas of Focus

- TRUST & HILOB
- PAVES
- Enterprise Data Management
- ServiceNow
- Digital Business Transformation: SharePoint Online
- Digitizing OE Records

## Keeping the Lights On

- Operational support for TEAM / HILOB as systems go-live
- Data Center Relocation
- Business Continuity & Disaster Recover Review
- Operational & Business Support
- Operational Maintenance & Patching
- Technical Debt

# Diversity, Equity & Inclusion

Diversity, Equity, and Inclusion (DEI) at TRS is 1.5 years old, still a relatively new area for the agency. A first draft of a TRS DE&I Strategic Plan has been completed and meetings are being scheduled via each division/department leader to establish departmental measures and tactics. These meetings will be instrumental in establishing agency-wide and department specific measures for DE&I.

- **Program Objectives**

- Helps diversify primarily the ~800 TRS employees, and secondarily vendors and partners across various demographics
- Evaluates and works to remove barriers to equitable access to opportunities and professional success for TRS employees
- Enhances an inclusive culture inviting and valuing engagement of all TRS employees domestically and abroad
- Collaboration across divisions is necessary as DE&I will provide consultative services, new programming, and strategic partnered engagement to help meet outlined goals, objectives and targets

As DE&I programs develop, increase and expand, so will the need to measure change and impact across TRS as will the need for additional DE&I FTEs. This growth will require:

- Long-term management of partnerships and collaborative efforts across the organization, industry and community
- Increased engagement with TRS-IMD specifically targeting the diverse talent pipeline expansion and external managers submission on DE&I related metrics
- Continuous data collection operations, monitoring and analytics across all DE&I programs and initiatives
- Programmatic content development, implementation and promotion across various TRS tech and live platforms

## Procurement & Contracts

- Sunset recommended TRS enhance contract management practices
- In addition, due to audits and legislative changes, there is more scrutiny on contract management and increased contract oversight within TRS
- As a result, Contract Managers are being held accountable

## Print Shop & Mailroom

- Coordinating with Benefits to develop planning for enhanced print and mail services
- HB1585 of the 87<sup>th</sup> Legislative Session requires TRS to develop a policy to locate and notify a member or the members' heirs of their entitlement to a return of contributions, including sending certified letters and manual internet searches



## Learning & Development

Create and deliver in-house and virtual training  
eliminating the need for vendors to deliver training  
Continue to analyze data and deliver training based on  
skill gap



## Talent Acquisition

Additional resource to support agencywide growth and  
increased recruiting efforts



## Actuary Position

- Developing actuarial expertise in-house is a common-sense investment in TRS' future that improves risk management and benefits all stakeholders by allowing TRS to more:
  - closely monitor discrete changes that could impact the fund's long-term soundness
  - efficiently model and understand key risk indicator data, such as mortality and longevity.
- An in-house actuary is also an opportunity for cost savings and avoidance for non-fixed fee actuarial services
  - Texas Gov't Code Section 825.206 requires the Board's external actuary to prepare the annual valuation, conduct an experience study at least once every five years, and recommend demographic rates and tables, such as mortality and service, for adoption
  - An in-house actuary could perform non-fixed fee services such as preliminary modeling of legislative impacts, working on interim or ad-hoc pension policy studies, responding to staff and stakeholder inquiries on demographic or economic experience and assumptions, and developing a deeper analysis and understanding of demographic and economic data\*
  - Estimations show that non-fixed fee services could be done at ¼ the cost of outsourcing\*\*

\*Due to the significance of accurately assessing the impact of potential legislation on the annual valuation, this work would be in-sourced over time.

\*\*Cost savings are estimated based on the average hourly rate of primary and secondary outsourced actuaries compared to the estimated hourly rate of an in-house actuary. Estimated cost savings do not include initial expenses such as the purchasing of actuarial modeling software.

# Custom Peer group for TRS

- The custom peer group for TRS of Texas consists of the following 13 peers:

Custom Peer Group for TRS of Texas			
Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
CalPERS	880	735	1,615
<b>TRS of Texas</b>	<b>915</b>	<b>445</b>	<b>1,360</b>
Florida RS	642	466	1,108
NYSLRS	531	487	1,018
CALSTRS	463	312	775
Virginia RS	348	223	571
Washington State DRS	338	201	539
Ohio PERS	304	215	519
Pennsylvania PSERS	256	240	496
Michigan ORS	190	280	470
Wisconsin DETF	258	209	467
Indiana PRS	252	164	416
Oregon PERS	181	155	336
Peer Median	338	240	539
Peer Average	427	318	745

Inactive members are not considered when selecting peers because they are excluded when determining cost per member. They are excluded because they are less costly to administer than either active members or annuitants.

2 of the peers have data rolled forward from the prior year.



# FY 2022 Operating Budget

**Don Green, Chief Financial Officer**

July 2021



# 87<sup>th</sup> Legislative Session Highlights

**2022 – 2023  
Administrative  
Operations**

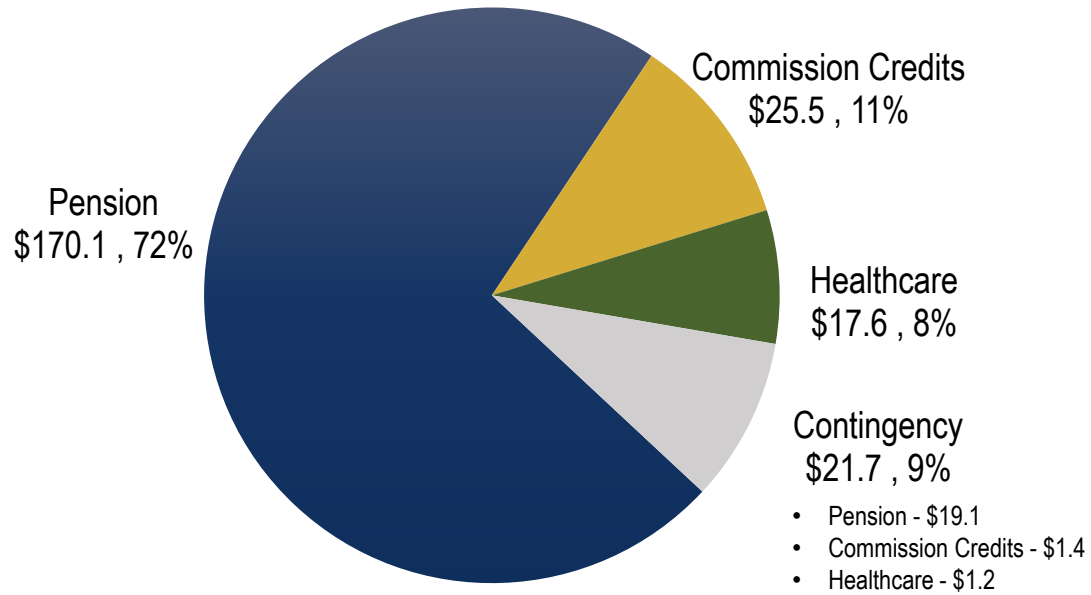
SB1 Enrolled

**\$293,798,507**

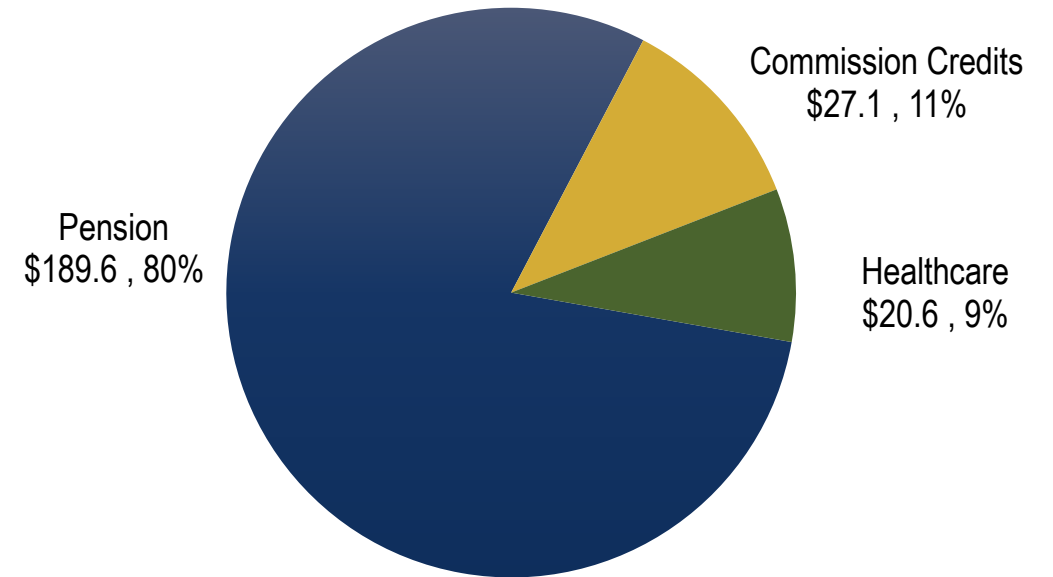
- Includes all funding as requested by the Board of Trustees for the administrative operating budget, including 25 additional FTEs for saving investment fees and operating costs to expand member services by opening a pilot regional office in El Paso providing additional counseling services in the region

# Comparison by Fund (\$ millions)

FY 2021 Operating Budget  
\$234,852,726



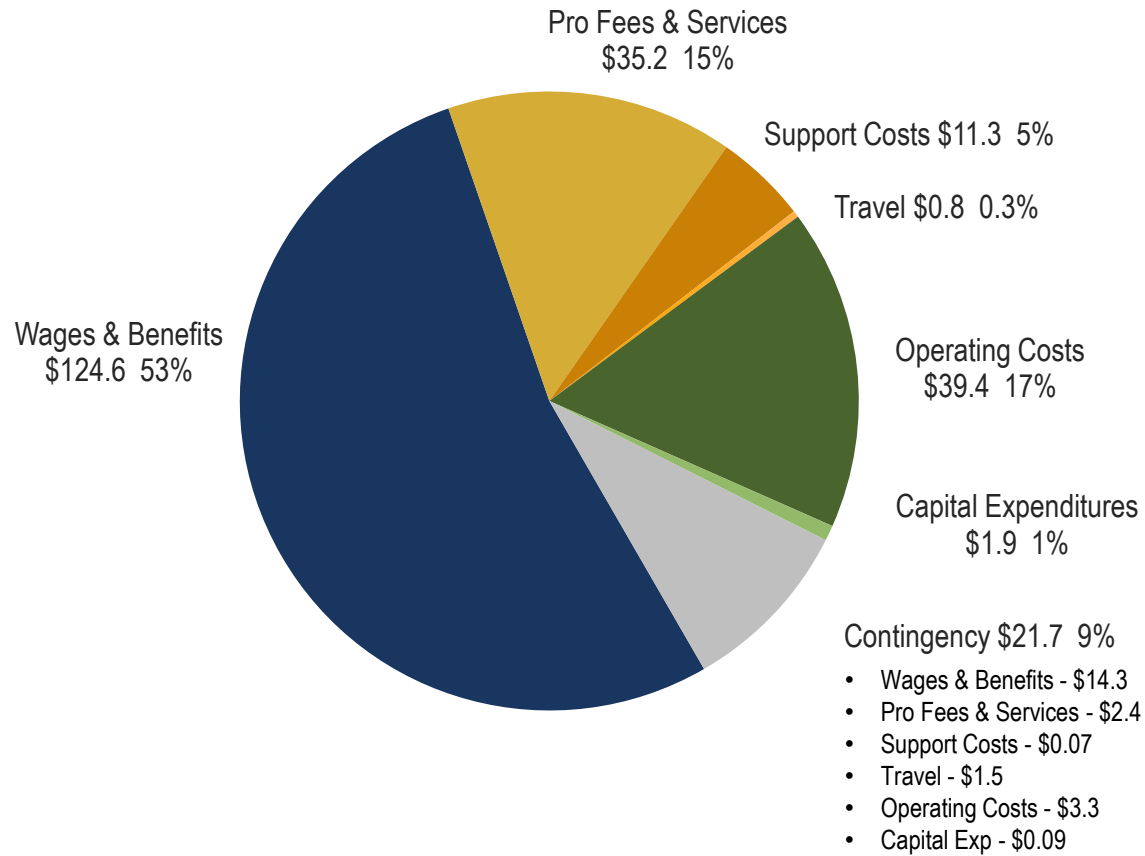
FY 2022 Operating Budget  
\$237,347,000



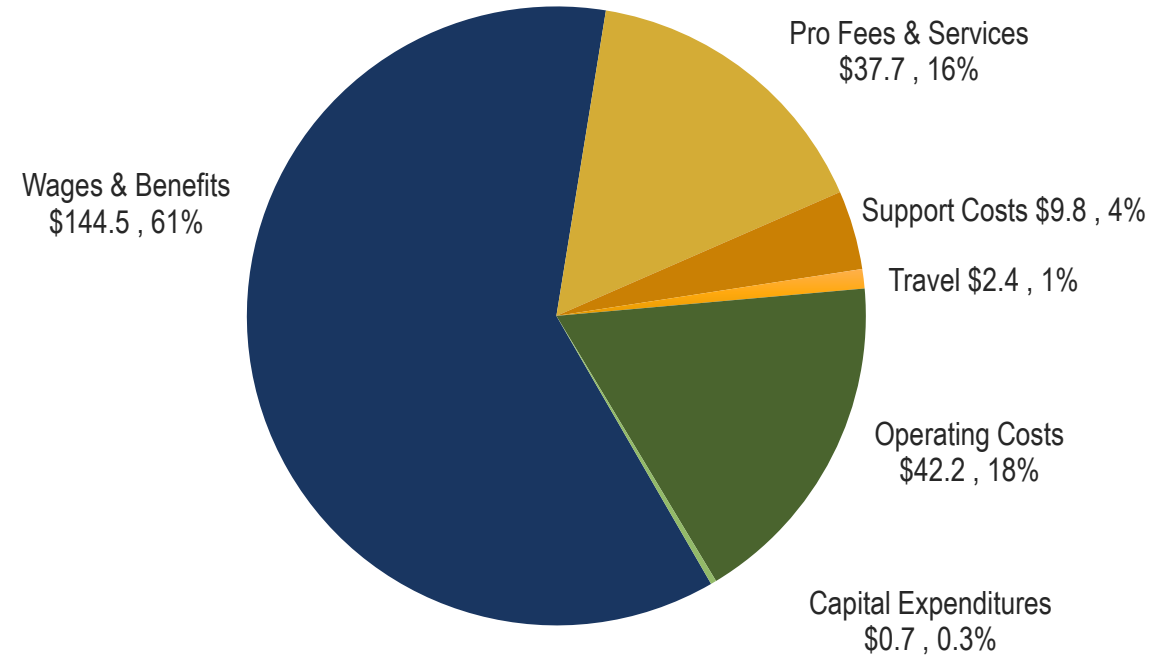


# Comparison by Budget Category (\$ millions)

FY 2021 Operating Budget  
\$234,852,726



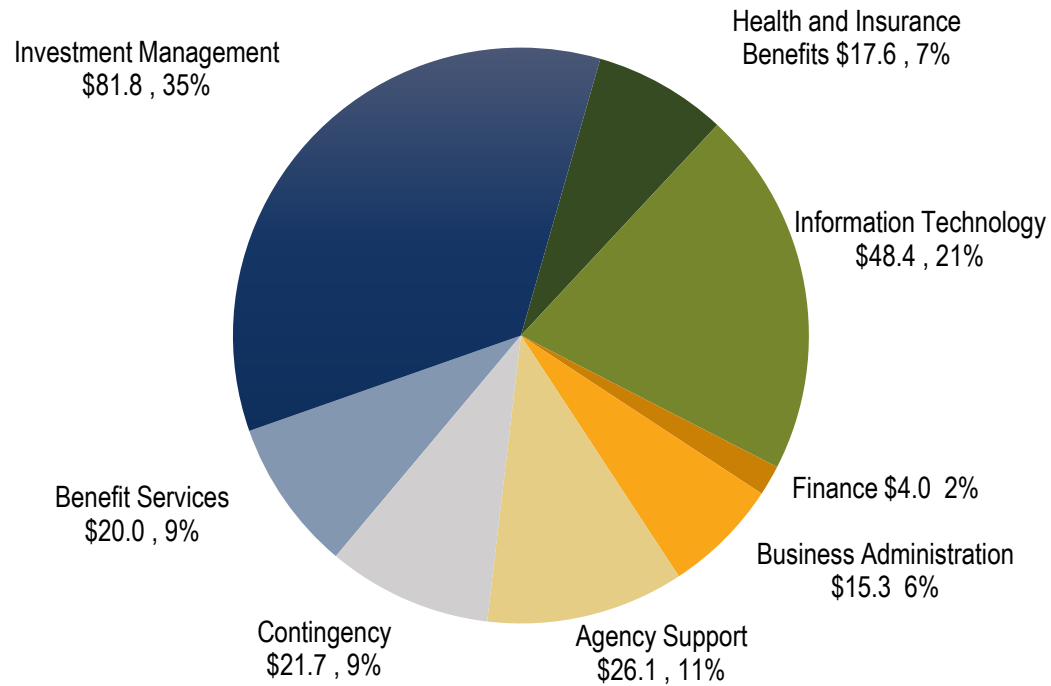
FY 2022 Operating Budget  
\$237,347,000



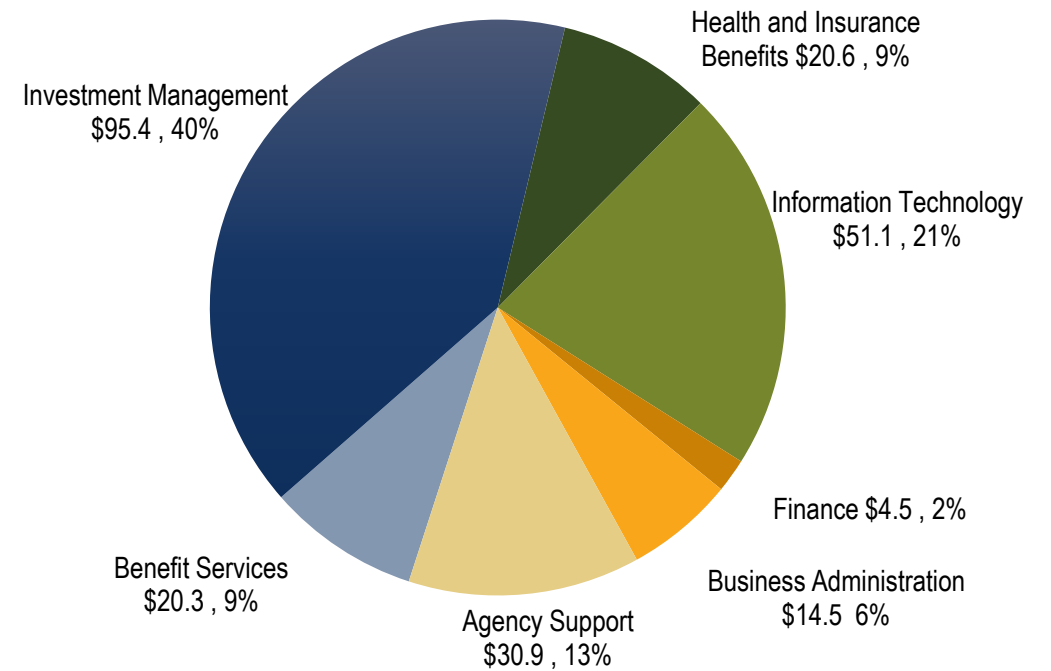
Operating costs: software, hardware, postage, printing, equipment, reference materials  
Support costs: Rent, building/equipment maintenance, utilities, supplies

# Comparison by Division (\$ millions)

FY 2021 Operating Budget  
\$234,852,726



FY 2022 Operating Budget  
\$237,347,000



Agency Support: Executive, Internal Audit, Legal & Compliance, Gov't Relations, Diversity, Equity, and Inclusion, Organizational Excellence, Strategy Office, and Agency-wide

# Summary of FY 2022 Operating Budget

	PENSION TRUST FUND		HEALTH BENEFITS FUNDS		
	Administrative Operations	Commission Credits	TRS-Care (Retired Plan)	TRS-ActiveCare (Active Plan)	FY 2022 Operating Budget
<b>Revenues and Other Sources</b>					
Legislative Appropriations - Administrative Operations	\$ 143,785,462	\$ -	\$ -	\$ -	\$ 143,785,462
Fringe Benefits Paid by the Pension Fund	26,380,138	-	-	-	26,380,138
Performance Incentive Compensation Rider	15,000,000	-	-	-	15,000,000
Investment Compensation Plan	4,500,000	-	-	-	4,500,000
Commission Credits	-	27,111,400	-	-	27,111,400
Healthcare Administrative Operations	-	-	16,340,000	4,230,000	20,570,000
<b>Total Revenues and Other Sources</b>	<b>\$ 189,665,600</b>	<b>\$ 27,111,400</b>	<b>\$ 16,340,000</b>	<b>\$ 4,230,000</b>	<b>\$ 237,347,000</b>
<b>Operating and Capital Expenses</b>					
Wages and Benefits	\$ 116,393,885	\$ -	\$ 11,298,700	\$ 1,814,000	\$ 129,506,585
Professional Fees and Services	21,543,863	9,376,300	4,482,000	2,320,000	37,722,163
Support	9,742,100	-	15,000	4,500	9,761,600
Travel	2,173,400	-	204,400	30,500	2,408,300
Operating	24,127,000	17,735,100	339,900	61,000	42,263,000
Capital Expenditures	685,352	-	-	-	685,352
Performance Incentive Compensation	15,000,000	-	-	-	15,000,000
<b>Total Operating and Capital Expenses</b>	<b>\$ 189,665,600</b>	<b>\$ 27,111,400</b>	<b>\$ 16,340,000</b>	<b>\$ 4,230,000</b>	<b>\$ 237,347,000</b>
FY 2021 Operating Budget	\$ 189,218,466	\$ 26,808,681	\$ 14,526,998	\$ 4,298,581	\$ 234,852,726
<b>% Increase/(Decrease) from FY 2021 Budget</b>	<b>0.24%</b>	<b>1.13%</b>	<b>12.48%</b>	<b>-1.60%</b>	<b>1.06%</b>

Includes estimated Employer Retirement Contributions, Employer FICA Contributions, Employer Health Insurance Contributions, and Benefit Replacement Pay. The total amount requested for the FY 2022 operating budget from the Pension Trust Fund represents approximately 0.12% of the value of the fund



# FY 2022 Capital Projects

	<b>FY 2022 Amount</b>	<b>Project Description</b>
<b>Buildings and Facilities</b>	<b>\$ 1,600,000</b>	
Building Renovations	1,500,000	Remodeling for efficient space utilization
Security Renovations	100,000	Update headquarters' security equipment
<b>Information Resource Technologies</b>	<b>\$ 1,785,352</b>	
Data Center Upgrade	335,352	Development and maintenance of the data center
Network Infrastructure Upgrade	500,000	Development and maintenance of the client/server environment
PC Workstation Refresh	500,000	Continuation of TRS' desktop technology refresh policy
Investment Systems Modernization	450,000	Develop and implement the technical infrastructure to support Investment Management

# Administrative Operating Budget

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## **Pension Trust Fund**

10 new positions for reducing investment fees by hiring more investment professionals in-house and reducing the use of external managers, increasing Investment base compensation rates, expanding member services by opening a pilot regional office in El Paso providing additional counseling services in the region, developing internal technologies and infrastructure, and reducing our reliance on more expensive contract services

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## **Healthcare**

\$3 million increase to implement new mandates of the 87<sup>th</sup> Legislative Session changes to TRS-Care and TRS-ActiveCare and continued support of the healthcare line of business project (HILOB) and customer service

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## **Commission Credits**

\$1.6 million increase includes funding for contractors, data services and software as the pension trust fund continues to grow

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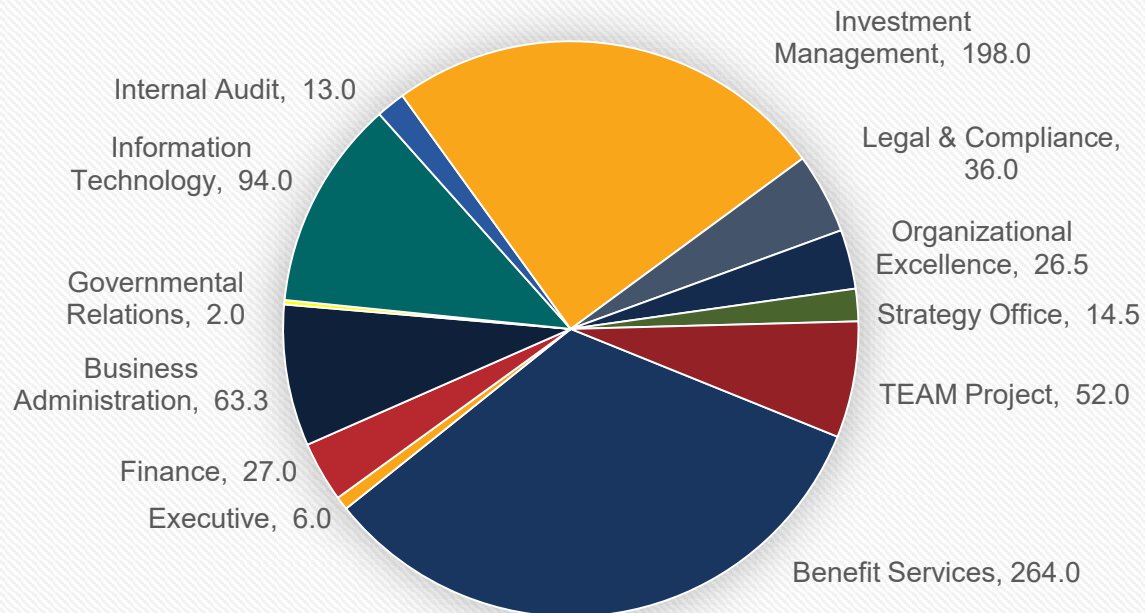
# FY22 Investment Compensation Plan

## Proposed budget includes increase to bring compensation in line with Board philosophy

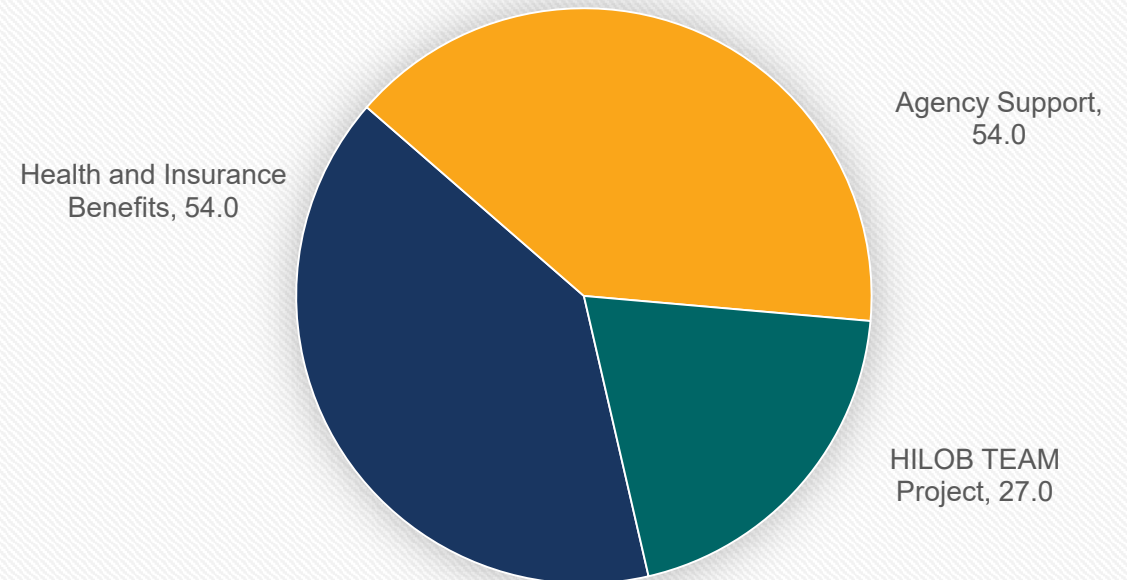
- **Base compensation for the Investment Management Division is studied every two years**
  - COVID-19 delayed the 2020 study for one year
  - IMD provided no merit increases last fiscal year and also implemented a hiring freeze to preserve budget flexibility
- **The study measures alignment with the Board's IMD compensation philosophy**
  - The top quartile of US pension peers is the benchmark for base salaries
  - The bottom quartile of private investment management peers is the benchmark for incentive compensation
- **In addition to the study, the IMD's recent experience highlights a need for base compensation adjustments**
  - IMD turnover is increasing
  - Difficulties in recruiting qualified candidates required repeated increases in salary ranges offered
- **McLagan recommended an overall increase in base salaries**
  - Net increase to the operating budget for IMD base salary adjustments is \$4.5 million
  - This increase represents only 1.9% of the total recommended operating budget

# FTE Summary

## Pension funded FTEs 796.3



## Healthcare funded FTEs 135.0



- Additional FTEs will be managed within Article IX provisions authorizing additional 50 FTEs to the FTE cap of 768.3

# General Provisions

## TEACHER RETIREMENT SYSTEM OF TEXAS GENERAL PROVISIONS

The Teacher Retirement System (TRS) uses as guidelines the provisions of Article IX (General Provisions) of the General Appropriations Act adopted by the 86th 87th Texas Legislature (GAA) in administering the system to the extent that the Executive Director or a designee acting in the absence of the Executive Director determines that individual provisions of Article IX are in the best interests of TRS and are not in conflict with applicable TRS laws, fiduciary duties, or policies. In addition, it is the intent of the TRS Board of Trustees (board) that the General Provisions also apply to the TRS-Care Fund, and the TRS-ActiveCare Fund. The following provisions are also subject to this paragraph.

**PENSION TRUST FUND ADMINISTRATIVE OPERATIONS** – In adopting the related Budget Resolution, the board finds that authorizing expenditures from the Pension Trust Fund to pay for TRS' administrative operating expenses for the fiscal year is necessary to perform the fiduciary duties of the board. Further, the Legislature has not appropriated money from the State's general revenue fund for TRS to use in paying operating expenses for the fiscal year.

**USE OF COMMISSION CREDITS** – The board finds that the expenditure of commissions and credits, including soft dollars, commission sharing agreements, and cash recapture agreements (together, "Commission Credits") to obtain research, goods, and services supporting the investment function are necessary for the efficient and effective administration of pension trust fund assets and performance of the board's fiduciary duties. Uses of Commission Credits shall be administered in accordance with the board's Commission Credits Policy and applicable law.

**CONTRACTOR PROVIDED RESOURCES** – As part of the contracting process for goods and services (including investment management services), TRS has access to additional resources for operations, including services, credits deducted from payables, temporarily-assigned, non-TRS workers, or allowances, as part of the total contract consideration provided by the vendors or investment managers. Such resources may only be used or expended to the same extent, and for the same purposes, and are subject to the same duty of care and general requirements and policies, as other pension trust fund assets.

**HEALTH BENEFITS FUNDS** – Operations of the Texas Public School Retired Employees Group Benefits Program are funded from the Retired Employees Group Health Insurance Fund (the TRS-Care Fund). Operations of the Texas School Employees Uniform Group Health Coverage Program are funded from the Texas School Employees Uniform Group Coverage Trust Fund (the TRS ActiveCare Fund).

### PERSONNEL SERVICES:

- **Hiring and Personnel Actions** – The Executive Director, or Deputy Director/Chief Operations and Administration Officer in the absence of the Executive Director, is authorized to hire personnel, to transfer personnel within the agency, and to approve base salaries, salary changes, and other personnel actions, including but not limited to promotions, demotions, re-assignment, merits, and recruitment and retention bonuses. TRS will generally base its salary schedules, position classifications, and salary administration practices on the provisions of Article IX, Chapter 659 of the Government Code, and other relevant legislation to the extent the Executive Director determines a particular provision is in the best interest of the system and not in conflict with applicable law, fiduciary duty or TRS policy. The board will set the salary rate for the Executive Director. The Executive Director is authorized to set the base salaries for other exempt positions within the not-to-exceed amounts listed in the GAA or any amended limits adopted by the board from time to time.
- **Performance Pay Plans** – The Executive Director, or Deputy Director/Chief Operations and Administration Officer in the absence of the Executive Director, is authorized to implement performance pay plan(s) as approved from time to time by the board, including authorizing payment of the performance pay to the extent funds have been included in the approved budget for that purpose or are otherwise made available through the Budget Execution Authority in these General Provisions.
- **Longevity Pay and Benefit Replacement Pay** – The board authorizes the payment of Longevity Pay and Benefit Replacement Pay in addition to base pay. The payment of Longevity Pay and Benefit Replacement Pay to eligible TRS employees shall be administered in a manner consistent with the provisions of Chapter 659 of the Government Code and other relevant legislation.

**OTHER PERSONNEL COSTS** – Other Personnel Costs, including Employer Retirement Contributions, Employer FICA Contributions, Employer Health Insurance Contributions, and Benefit Replacement Pay, as estimated in the GAA, are necessary for efficient TRS operations, and may be revised by the Executive Director, or Deputy Director in the absence of the Executive Director, if needed to pay operating expenses for the fiscal year.

# General Provisions

## TEACHER RETIREMENT SYSTEM OF TEXAS

### GENERAL PROVISIONS

(continued)

**PROFESSIONAL SERVICES** – The Executive Director, or Deputy Director/Chief Operations and Administration Officer in the absence of the Executive Director, is authorized to contract for professional services and approve and disburse professional fees to persons or firms who render such professional services to TRS. The board finds that the budget for Professional Services authorized in this document is necessary to the performance of its fiduciary duties.

**COUNSELING SERVICES** – In accordance with Texas Government Code, Chapter 825, Subchapter G, the board authorizes the Executive Director or his designees, to the extent feasible, to make individual retirement benefits counseling sessions available to members in conjunction with informational or educational presentations that TRS provides for groups throughout the state, in order to promote efficiency and minimize the cost of such services. TRS will determine the geographic regions most in need of retirement benefits counseling and will provide retirement benefits counseling services in these regions throughout Texas.

**TRAVEL** – In accordance with TRS policy, the Executive Director, or Deputy Director/Chief Operations and Administration Officer in the absence of the Executive Director, is authorized to reimburse employee and trustee travel expenses at amounts that are reasonable and necessary to conduct official TRS business. The board finds that such reasonable and necessary expenses are necessary for the performance of fiduciary duties. These expenses may include additional allowances above standard or state law rates for transportation and meals. Travel expense reports requesting reimbursement must be submitted timely, and with proper documentation as set forth in the TRS Travel Guide.

**BUDGET EXECUTION AUTHORITY** – As required for the efficient operation of TRS programs, the Executive Director, or Deputy Director/Chief Operations and Administration Officer in the absence of the Executive Director, is authorized to transfer budgeted funds up to 25% of an expense category between different expense accounts and major expense categories, so long as the total approved budget for operating expenses and capital outlay is not exceeded. This provision applies separately to the Pension Trust Fund, the TRS-Care Fund, and the TRS-ActiveCare Fund.

**CONTINGENCY FOR CATASTROPHIC OCCURRENCES** – In the event of a catastrophic occurrence which destroys or incapacitates TRS' physical plant and/or primary operating resources, the Executive Director, Deputy Director/Chief Operations and Administration Officer, or Chief Financial Officer may exceed the total approved budget to the extent necessary to achieve recovery of operational capabilities. The Executive Director, Deputy Director/Chief Operations and Administration Officer, or Chief Financial Officer will notify the Budget Committee of the board, as soon as possible, of the extent of the situation and the budgetary impact.

~~**CONTINGENCY FUNDING**—Aligning with state leadership direction, TRS will operate within a 91% budget for fiscal year 2021; with the remaining budget to be held in a contingency account for items vital to the agency's mission, including but not limited to items determined by the Executive Director to be necessary to implement recommendations of the Sunset Advisory Commission, or to be lapsed and remain in the trust funds. The Executive Director, or Deputy Director/Chief Operations and Administration Officer in the absence of the Executive Director, is authorized to approve transfers from the contingency budget. The board finds that such reasonable and necessary transfers are necessary in performing its fiduciary duties. The Executive Director, Deputy Director/Chief Operations and Administration Officer, or Chief Financial Officer will notify the Budget Committee of the board of such transfers at the next board meeting.~~



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

**July 15, 2021**

**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 16, "Contingent Appropriation of Pension Trust Funds for GASB Statement Implementation," of the TRS bill pattern in the State General Appropriations Act, 87<sup>th</sup> 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, the TRS is appropriated additional funds from the Pension Trust Fund (960) for fiscal year 2022; now, therefore be it;

**Resolved**, That the board finds the expenditure of pension trust funds for operating expenses in Fiscal Year 2022 is required to perform the fiduciary duties of the board in administering the retirement system in the amount of \$174,665,600, as approved today in the Fiscal Year 2022 Budget and General Provisions for the Pension Trust Fund Administrative Operations, plus such additional amounts as may be necessary for the following expenditures:

- To pay the actual amount of performance incentive compensation payable in Fiscal Year 2022, if any; 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 2022, but not to exceed the amount of \$174,665,600 plus, any additional amounts necessary to pay performance incentive compensation payable in Fiscal Year 2022 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.



# Appendix

FY 2022 Operating Budget Detail



# FY 2022 Budget by Department

	FY 2020 Expended	FY 2021 Budgeted	FY 2022 Proposed	FY 21-22 Variance	% Change
TRS Board of Trustees	146,126	565,900	210,500	(355,400)	(62.8%)
Executive	553,820	548,922	739,550	190,628	34.7%
Chief Ops and Admin Office	268,301	469,532	433,830	(35,702)	(7.6%)
Diversity, Equity, & Inclusion	189,576	245,276	444,920	199,644	81.4%
Governmental Relations	400,649	341,074	368,000	26,926	7.9%
Internal Audit	1,828,447	3,078,013	3,274,400	196,387	6.4%
Legal & Compliance	6,486,906	7,924,434	8,833,000	908,566	11.5%
Organizational Excellence	3,997,648	4,686,932	4,894,700	207,768	4.4%
Strategy Office	2,763,341	3,507,724	3,877,776	370,052	10.5%
Agencywide	9,037,865	4,728,397	7,836,500	3,108,103	65.7%
<b>Agency Support</b>	<b>\$ 25,672,679</b>	<b>\$ 26,096,204</b>	<b>\$ 30,913,176</b>	<b>\$ 4,816,972</b>	<b>18.5%</b>
Benefit Services	1,453,230	482,119	519,130	37,011	7.7%
Benefit Counseling	4,885,316	7,805,533	8,087,042	281,509	3.6%
Benefit Processing	7,542,548	8,613,274	7,939,547	(673,727)	(7.8%)
Benefit Accounting	1,867,207	2,016,976	2,197,820	180,844	9.0%
Benefit Operations Support	-	1,033,393	1,121,240	87,847	8.5%
El Paso Regional Office	-	-	484,621	484,621	100.0%
<b>Benefit Services</b>	<b>\$ 15,748,301</b>	<b>\$ 19,951,295</b>	<b>\$ 20,349,400</b>	<b>\$ 398,105</b>	<b>2.0%</b>
Investment Management	45,167,640	53,303,718	64,701,288	11,397,570	21.4%
London Office	2,664,676	3,065,118	3,562,212	497,094	16.2%
Commission Credit	20,946,983	25,468,247	27,111,400	1,643,153	6.5%
<b>Investment Management</b>	<b>\$ 68,779,299</b>	<b>\$ 81,837,083</b>	<b>\$ 95,374,900</b>	<b>\$ 13,537,817</b>	<b>16.5%</b>

# FY 2022 Budget by Department

	FY 2020 Expended	FY 2021 Budgeted	FY 2022 Proposed	FY 21-22 Variance	% Change
Financial Services	3,772,343	4,041,504	4,509,600	468,096	11.6%
Business Administration	10,036,743	15,263,602	14,486,400	(777,202)	(5.1%)
Information Technology	5,576,719	9,512,906	8,965,142	(547,764)	(5.8%)
Enterprise Infrastructure Services	18,980,239	17,149,601	19,843,488	2,693,887	15.7%
Product Development and Delivery	1,622,560	1,660,867	1,920,344	259,477	15.6%
Information Security	922,263	1,161,293	1,195,370	34,077	2.9%
Enterprise Architecture	1,326,995	1,537,341	1,954,260	416,919	27.1%
Business Relationship Management	1,522,053	1,909,240	2,170,030	260,790	13.7%
Project Management Office	1,359,040	1,663,953	1,868,490	204,537	12.3%
<b>Information Technology</b>	<b>\$ 31,309,869</b>	<b>\$ 34,595,201</b>	<b>\$ 37,917,124</b>	<b>\$ 3,321,923</b>	<b>9.6%</b>
TEAM Project	14,677,590	13,767,717	13,226,400	(541,317)	(3.9%)
HILOB Project	2,430,089	4,083,520	4,096,800	13,280	0.3%
TRS Care	6,527,533	9,495,898	12,243,200	2,747,302	28.9%
TRS ActiveCare	3,254,750	4,030,702	4,230,000	199,298	4.9%
<b>Contingency</b>	<b>\$ -</b>	<b>\$ 21,690,000</b>	<b>\$ -</b>	<b>\$ (21,690,000)</b>	<b>(100.0%)</b>
<b>Total</b>	<b>\$ 182,209,196</b>	<b>\$ 234,852,726</b>	<b>\$ 237,347,000</b>	<b>\$ 2,494,274</b>	<b>1.1%</b>

# FY 2022 Pension Trust Fund

	FY 2020 Expended	FY 2021 Budgeted	FY 2022 Proposed	FY 21-22 Variance	% Change
<b>Salaries and Other Personnel Costs</b>					
Salaries and Wages	72,441,877	77,413,943	88,279,614	10,865,671	14.0%
Longevity Pay	639,920	738,280	856,023	117,743	15.9%
Employer Retirement Contributions	4,926,048	5,897,285	7,118,138	1,220,853	20.7%
Employer FICA Contributions	5,052,444	6,431,830	7,090,000	658,170	10.2%
Employer Health Insurance Contributions	8,140,608	9,588,007	12,069,000	2,480,993	25.9%
Benefit Replacement Pay	34,480	43,024	43,000	(24)	(0.1%)
Other Benefits	703,194	865,050	938,110	73,060	8.4%
Performance Incentive Compensation	10,727,566	12,594,675	15,000,000	2,405,325	19.1%
<b>Total Salaries and Other Personnel Costs</b>	<b>\$ 102,666,137</b>	<b>\$ 113,572,094</b>	<b>\$ 131,393,885</b>	<b>\$ 17,821,791</b>	<b>15.7%</b>
<b>Professional Fees and Services</b>	<b>\$ 17,562,972</b>	<b>\$ 21,959,528</b>	<b>\$ 21,543,863</b>	<b>\$ (415,665)</b>	<b>(1.9%)</b>
<b>Other Operating Expenses</b>					
Consumable Supplies and Fuels	275,653	413,234	526,749	113,515	27.5%
Utilities	903,410	1,355,671	1,897,275	541,604	40.0%
Travel	866,761	764,107	2,173,400	1,409,293	184.4%
Rentals	3,941,172	5,398,610	5,331,080	(67,530)	(1.3%)
Dues, Fees and Staff Development	438,622	584,041	883,208	299,167	51.2%
Subscriptions & Reference Information	520,855	96,952	131,730	34,778	35.9%
Printing and Reproduction Services	246,738	378,232	485,065	106,833	28.2%
Postage, Mailing and Delivery	2,513,668	3,162,152	2,667,500	(494,652)	(15.6%)
Software Purchases and Maintenance	10,745,030	8,168,956	10,043,759	1,874,803	23.0%
Hardware Maintenance	809,525	980,396	1,256,000	275,604	28.1%
Other Operating	2,115,034	5,014,327	4,783,420	(230,907)	(4.6%)
Insurance Premiums	730,164	798,800	937,019	138,219	17.3%
Furniture & Equipment	2,352,246	1,410,881	2,939,299	1,528,418	108.3%
Buildings & Equipment - Maintenance	964,103	4,120,498	1,986,996	(2,133,502)	(51.8%)
<b>Total Other Operating Expenses</b>	<b>\$ 27,422,981</b>	<b>\$ 32,646,857</b>	<b>\$ 36,042,500</b>	<b>\$ 3,395,643</b>	<b>10.4%</b>
<b>Capitalized Expenses</b>	<b>\$ 1,397,751</b>	<b>\$ 1,905,880</b>	<b>\$ 685,352</b>	<b>\$ (1,220,528)</b>	<b>(64.0%)</b>
<b>Contingency</b>	<b>-</b>	<b>19,134,107</b>	<b>-</b>	<b>(19,134,107)</b>	<b>(100.0%)</b>
<b>Total</b>	<b>\$ 149,049,841</b>	<b>\$ 189,218,466</b>	<b>\$ 189,665,600</b>	<b>\$ 447,134</b>	<b>0.2%</b>

# FY 2022 Commission Credits Program

	FY 2020 Expended	FY 2021 Budgeted	FY 2022 Proposed	FY 21-22 Variance	% Change
<b>Professional Fees and Services</b>	\$ 6,104,110	\$ 7,177,647	\$ 9,376,300	\$ 2,198,653	30.6%
<b>Other Operating Expenses</b>					
Rentals	491,704	-	-	-	0.0%
Dues, Fees and Staff Development	64,290	68,876	68,800	(76)	(0.1%)
Subscriptions & Reference Information	80,977	104,651	106,800	2,149	2.1%
Software Purchases and Maintenance	-	843,944	1,744,800	900,856	106.7%
Other Operating	14,187,548	17,250,937	15,814,700	(1,436,237)	(8.3%)
Furniture & Equipment	18,354	22,192	-	(22,192)	(100.0%)
<b>Total Other Operating Expenses</b>	\$ 14,842,873	\$ 18,290,600	\$ 17,735,100	\$ (555,500)	(3.0%)
<b>Contingency</b>	-	1,340,434	-	(1,340,434)	(100.0%)
<b>Total</b>	\$ 20,946,983	\$ 26,808,681	\$ 27,111,400	\$ 302,719	1.1%
<b>Commission Credit Sources</b>					
Commission Recapture Revenue	233,714	379,670	200,000	(179,670)	(47.3%)
Commission Sharing Arrangement	12,913,241	20,429,011	20,911,400	482,389	2.4%
State Street Bank Partnership Agreement	7,800,028	6,000,000	6,000,000	-	0.0%
<b>Total</b>	\$ 20,946,983	\$ 26,808,681	\$ 27,111,400	\$ 302,719	1.1%

# FY 2022 TRS Care

	FY 2020 Expended	FY 2021 Budgeted	FY 2022 Proposed	FY 21-22 Variance	% Change
<b>Salaries and Other Personnel Costs</b>					
Salaries and Wages	3,718,221	4,992,205	6,713,000	1,720,795	34.5%
Longevity Pay	43,780	52,760	57,500	4,740	9.0%
Employer Retirement Contributions	252,839	339,240	489,000	149,760	44.1%
Employer FICA Contributions	273,068	370,430	487,100	116,670	31.5%
Employer Health Insurance Contributions	396,068	532,220	631,000	98,780	18.6%
Benefit Replacement Pay	1,031	2,065	1,100	(965)	(46.7%)
Other Benefits	47,229	55,396	73,200	17,804	32.1%
<b>Total Salaries and Other Personnel Costs</b>	<b>\$ 4,732,236</b>	<b>\$ 6,344,316</b>	<b>\$ 8,451,900</b>	<b>\$ 2,107,584</b>	<b>33.2%</b>
<b>Professional Fees and Services</b>	<b>\$ 1,679,237</b>	<b>\$ 2,659,035</b>	<b>\$ 3,232,000</b>	<b>\$ 572,965</b>	<b>21.5%</b>
<b>Other Operating Expenses</b>					
Consumable Supplies and Fuels	732	3,000	7,500	4,500	150.0%
Utilities	289	1,500	7,500	6,000	400.0%
Travel	28,113	15,600	204,400	188,800	1210.3%
Dues, Fees and Staff Development	25,852	22,200	31,100	8,900	40.1%
Subscriptions & Reference Information	736	2,750	6,300	3,550	129.1%
Other Operating	59,844	446,500	295,000	(151,500)	(33.9%)
Furniture & Equipment	494	997	7,500	6,503	652.3%
<b>Total Other Operating Expenses</b>	<b>\$ 116,060</b>	<b>\$ 492,547</b>	<b>\$ 559,300</b>	<b>\$ 66,753</b>	<b>13.6%</b>
<b>HILOB Project</b>	<b>\$ 2,430,089</b>	<b>\$ 4,083,520</b>	<b>\$ 4,096,800</b>	<b>\$ 13,280</b>	<b>0.3%</b>
<b>Contingency</b>	<b>-</b>	<b>\$ 947,580</b>	<b>-</b>	<b>\$ (947,580)</b>	<b>(100.0%)</b>
<b>Total</b>	<b>\$ 8,957,622</b>	<b>\$ 14,526,998</b>	<b>\$ 16,340,000</b>	<b>\$ 1,813,002</b>	<b>12.5%</b>

# FY 2022 TRS ActiveCare

	FY 2020 Expended	FY 2021 Budgeted	FY 2022 Proposed	FY 21-22 Variance	% Change
<b>Salaries and Other Personnel Costs</b>					
Salaries and Wages	1,563,192	1,385,720	1,435,000	49,280	3.6%
Longevity Pay	17,880	18,560	19,300	740	4.0%
Employer Retirement Contributions	106,297	97,940	103,300	5,360	5.5%
Employer FICA Contributions	111,801	101,400	103,600	2,200	2.2%
Employer Health Insurance Contributions	181,232	145,630	133,400	(12,230)	(8.4%)
Benefit Replacement Pay	1,031	1,032	1,100	68	6.6%
Other Benefits	21,183	18,050	18,300	250	1.4%
<b>Total Salaries and Other Personnel Costs</b>	<b>\$ 2,002,616</b>	<b>\$ 1,768,332</b>	<b>\$ 1,814,000</b>	<b>\$ 45,668</b>	<b>2.6%</b>
<b>Professional Fees and Services</b>	<b>\$ 1,212,627</b>	<b>\$ 2,187,690</b>	<b>\$ 2,320,000</b>	<b>\$ 132,310</b>	<b>6.0%</b>
<b>Other Operating Expenses</b>					
Consumable Supplies and Fuels	-	550	3,000	2,450	445.5%
Utilities	96	1,500	1,500	-	0.0%
Travel	9,641	19,300	30,500	11,200	58.0%
Dues, Fees and Staff Development	11,615	14,767	30,000	15,233	103.2%
Subscriptions & Reference Information	186	1,000	1,000	-	0.0%
Printing and Reproduction Services	211	-	-	-	0.0%
Other Operating	17,684	37,200	25,000	(12,200)	(32.8%)
Furniture & Equipment	74	363	5,000	4,637	1277.4%
<b>Total Other Operating Expenses</b>	<b>\$ 39,507</b>	<b>\$ 74,680</b>	<b>\$ 96,000</b>	<b>\$ 21,320</b>	<b>28.5%</b>
<b>Contingency</b>	<b>-</b>	<b>\$ 267,879</b>	<b>-</b>	<b>\$ (267,879)</b>	<b>(100.0%)</b>
<b>Total</b>	<b>\$ 3,254,750</b>	<b>\$ 4,298,581</b>	<b>\$ 4,230,000</b>	<b>\$ (68,581)</b>	<b>(1.6%)</b>

**TAB 5**





# Annual Historically Underutilized Business (HUB) Status Report for FY21

**Martin Cano and Kellie Sauls**

July 15, 2021





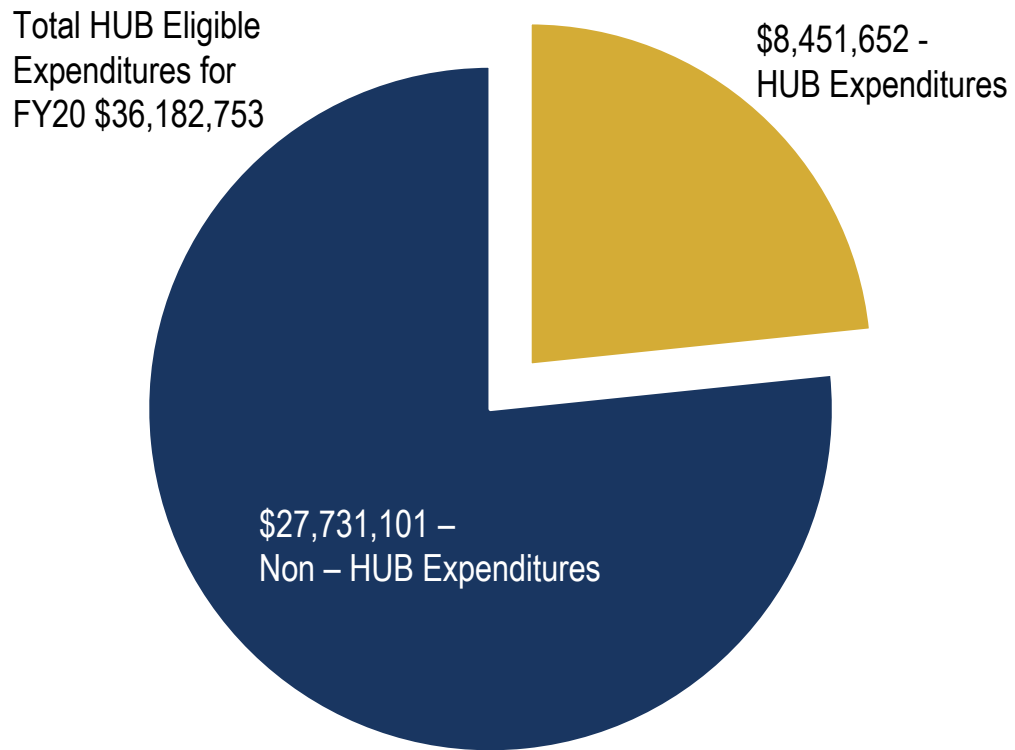
TRS must follow the State of Texas HUB Program in accordance with Texas Government Code 2161. The HUB Program promotes a good faith effort to include historically underutilized businesses in the solicitation process.

A HUB is defined as a corporation, sole proprietorship, partnership or joint venture formed for the purpose of making a profit in which the principal place of business is in the State of Texas and at least 51% is owned, operated, and actively controlled and managed by one or more persons who are members of the following economically disadvantaged groups:

- Black Americans
- Hispanic Americans
- Asian Pacific Americans
- Native Americans
- American Women
- Veterans with at least a 20% service-connected disability

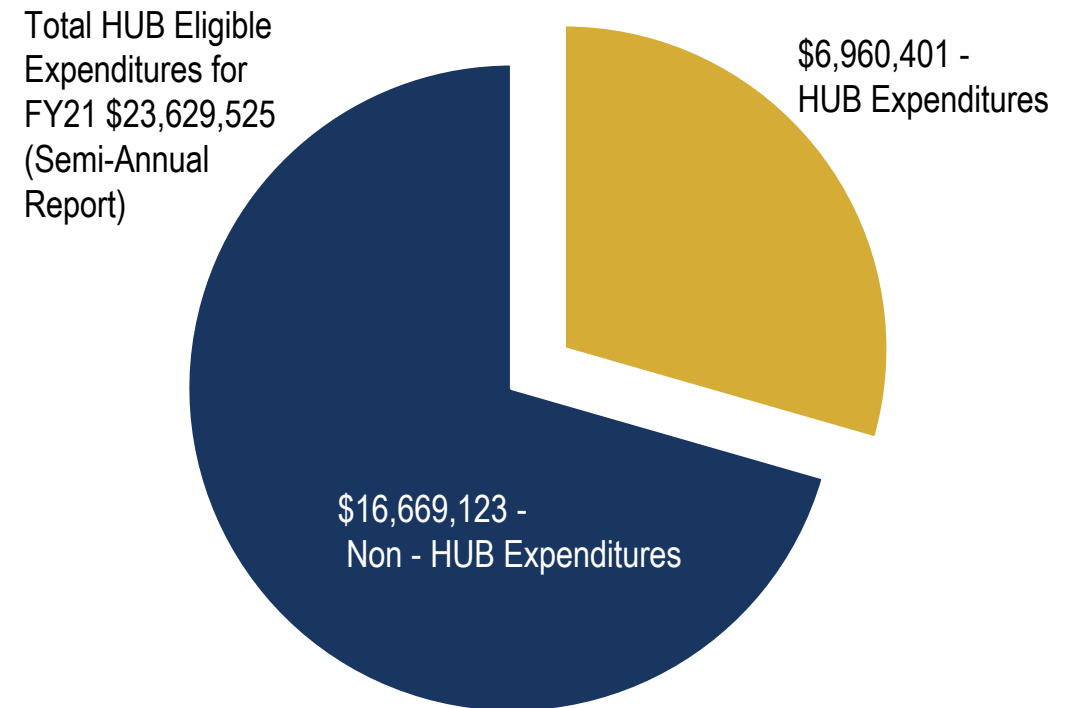
# HUB Utilization from FY20 to FY21

### HUB Utilization for FY20 was 23.36%



■ FY20 HUB Expenditures:      ■ FY20 Non-HUB Expenditures:

### HUB Utilization for FY21 is 29.46% (Semi-Annual Report)



■ FY21 Semi-Annual HUB Expenditures:      ■ FY21 Semi-Annual Non-HUB Expenditures:

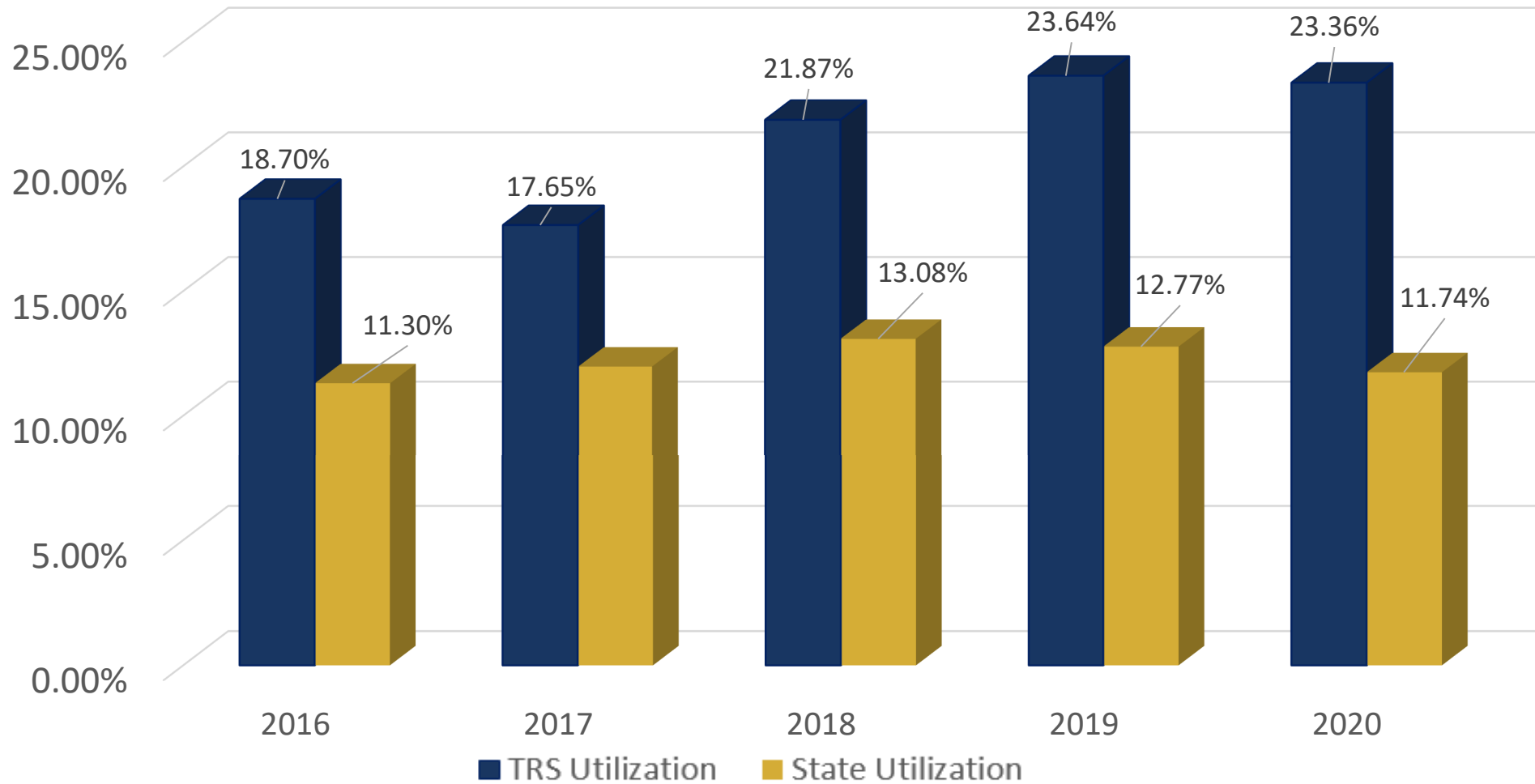
# Fiscal Year 2020 Expenditures

FY2020										
	Total Expenditures		Non-HUB Expenditures	Non-HUB %		HUB Expenditures	HUB %		TRS Goal %	State Goal %
Special Trade	\$ 464,079.00		\$ 234,542.00	50.54%		\$ 229,537.00	49.46%		25.00%	32.90%
Professional Services	\$ 2,589,073.00		\$ 2,589,073.00	100.00%		\$ -	0.00%		10.00%	23.70%
Other Services	\$ 26,984,871.00		\$ 19,959,226.00	73.96%		\$ 7,025,645.00	26.04%		25.00%	26.00%
Commodity Purchasing	\$ 6,144,729.00		\$ 4,948,259.00	80.53%		\$ 1,196,469.00	19.47%		40.00%	21.10%
<b>Total:</b>	<b>\$ 36,182,752.00</b>		<b>\$ 27,731,100.00</b>	<b>76.64%</b>		<b>\$ 8,451,651.00</b>	<b>23.36%</b>			

**Special Trade** – Building Maintenance and Repair; Property Improvement  
**Professional Services** - Financial Accounting Services; Architectural Services  
**Other Services** - Legal Services; Temporary Services; Investment Counseling  
**Commodities** – Office Supplies; Furniture; Consumables; IT Software/Hardware

## HUB Utilization over the last 5 years

### TRS HUB Utilization 2016 - 2020





## Attended HUB Forums (Virtually)

- Small Business Contracting Forum – March 24, 2021
- TRS Hosted Meet and Greet – November 9, 2021
- Senator West Spot Bid Fair – August 3, 2021
- Hosted TRS HUB Forum – June 24, 2021

# HUB and DE&I Collaboration

- Developed Marketing Materials
- Sent postcards to a variety of vendors from minority organizations and Chambers of Commerce
- Targeting vendors that are eligible to become HUB vendors
- The current focus is on professional services vendors

# HUB Program Enhancements for FY22

## Increase Outreach Tools

- TRS invites potential HUB vendors to pre-proposal conferences
- Started a meet and greet program
- Created a solicitation calendar
- Enhanced the TRS HUB Forum to include information on:
  - State HUB program and Resources
  - How to create a winning proposal

## Strategic Goals

- Creating yearly strategic goals starting in FY22

## Working with Communications on:

- Social media to advertise solicitations (Facebook, Twitter)
- HUB website enhancement

## Educational Opportunities

- TRS Training
- HUB Manual bi-annual evaluation

# TRS HUB Goal Comparison Since FY18

	FY 18 Goals	FY18 Semi-Annual Actuals	FY18 Year End Actuals	FY19 Goals	FY19 Semi-Annual Actuals	FY19 Year End Actuals	FY20 Goals	FY20 Semi-Annual Actuals	FY20 Year End Actuals	FY21 Goals	FY21 Semi-Annual Actuals	Proposed Goals for FY22	Current State Goals
<b>Commodities</b>	40%	36%	26%	40%	6%	24%	40%	16%	20%	40%	10%	40%	21.10%
<b>Other Services</b>	15%	24%	22%	25%	0%	26%	25%	22%	26%	25%	31%	25%	26.00%
<b>Professional Services</b>	5%	10%	7%	10%	2%	1%	10%	0%	0%	10%	0%	10%	23.70%
<b>Special Trade</b>	40%	68%	60%	40%	65%	65%	40%	46%	49%	40%	65%	40%	32.90%



## Proposed HUB Goal Resolution

- **Whereas**, TRS staff developed proposed HUB goals for FY22 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 FY22; now, therefore, be it
- **Resolved**, That the Board hereby adopts the following HUB expenditure goals for FY22:
  - **Commodities - 40%**
  - **Other Services – 25%**
  - **Professional Services – 10%**
  - **Special Trade – 40%**