December 2021

TRS Board of Trustees Meeting

Teacher Retirement System of Texas
1000 Red River Street
Austin, Texas
78701-2698
All or part of the December 7-8, 2021 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, 5th Floor, Boardroom.

Members of the public may provide virtual public comment by registering first with the Board Secretary by submitting an email to Katherine.Farrell@trs.texas.gov identifying the name of the speaker and topic, no later than 5:00 pm on December 7, 2021.

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. A recording of the meeting will be available at www.trs.texas.gov.

NOTE: The Board may take up any item posted on the agenda during its meeting on December 7-8, 2021 beginning at the time and place specified on this agenda.

1. Call roll of Board members.

2. Consider the following administrative matters – Jarvis V. Hollingsworth:
   A. Approval of the September 2021 proposed meeting minutes; and
   B. Consider excusing Trustee’s absences from the September 2021 meeting.


4. Chief Operations and Administration Officer (COAO) update including update on El Paso Regional Office – Andrew Roth.


6. Review and consider procurements and contracts, including the following – Martin Cano:
   A. Receive Procurement and Contracts Update;
   B. Consider accepting the Procurement and Contracting Report.
7. Receive an update on the TEAM Program – Andrew Roth, Billy Lowe, Jennifer Whitman and Adam Fambrough.

8. Receive an update from the TEAM Program Independent Program Assessment (IPA) Vendor – Jonathan Scofield and Richard Holt, EY.

9. Receive a presentation on the evaluation process of the Executive Director, Chief Audit Executive and Chief Investment Officer – Janet Bray and Keith Robinson, Focus Consulting.

10. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Audit Executive, Chief Investment Officer, or Ombudsman – Jarvis V. Hollingsworth.

A. Discuss and consider the evaluation, compensation, and duties of the Executive Director, including exceeding the salary limits listed in the schedule of exempt positions in the General Appropriations Act of the 2022 and 2023 Biennium;

B. Discuss and consider the compensation and duties of the Chief Investment Officer, including exceeding the salary limits listed in the schedule of exempt positions in the General Appropriations Act of the 2022 and 2023 Biennium; and

C. Discuss and consider the compensation and duties of the Chief Audit Executive.

**NOTE:** The Board meeting likely will recess after the last item above and will resume December 8, 2021, Wednesday morning, to take up items listed below.

11. Provide an opportunity for public comment – Jarvis V. Hollingsworth


14. Receive an overview of the upcoming TRS of Texas Experience Study, including the purpose of the study and a presentation on Capital Market Assumptions – Caasi Lamb; Joe Newton and Dan Siblik, Gabriel, Roeder, Smith & Co.; Steve Voss and Mike McCormick, AON.

15. Receive the report of the Benefits Committee on its December 7, 2021 meeting and consider the following - Committee Chair:
A. Acceptance of the Medical Board Meeting minutes of July and September 2021 meetings; and
B. Approval of the Benefit Payments for September 2021 to November 2021.

16. Receive the report of the Budget Committee on its December 7, 2021 meeting – Committee Chair.

17. Receive the report of the Policy Committee on its December 7, 2021 meeting and consider adoption of the following: – Committee Chair
   A. Proposed adoption of the Inactive Account Policy;
   B. Proposed amendments to the Trustee Ethics Policy, Employee Ethics Policy, Conflict of Interest Disclosure Statement, Disciplinary Action Disclosure Statement, and Ethics Compliance Statement for Employees and Certain Contractors;
   C. Proposed adoption of new TRS rule 41.13, relating to One-Time Reenrollment Opportunity, in Subchapter A of Chapter 41 of Title 34, Part 3 of the Texas Administrative Code.

18. Receive the report of the Investment Management Committee on its December 7, 2021 meeting – Committee Chair.

19. Receive the report of the Audit, Compliance, and Ethics Committee on its December 7, 2021 meeting and consider adoption of proposed Audit Plan for Fiscal Year 2022 – Committee Chair.

20. Receive the report of the Strategic Planning Committee on its December 8, 2021 meeting – Committee Chair.


22. 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, and personnel matters.
   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.
23. Receive an update and consider long term facilities planning including the disposition of the Red River campus, status updates on the TRS Headquarters project, leasing of Alpha office space, and lease at 816 Congress, 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 negotiations with a third person – Brian Guthrie, Andrew Roth, and Martin Cano.

24. 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.
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

September 16, 2021

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, September 16, 2021, 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:

Jarvis V. Hollingsworth, Chair
Nanette Sissney, Vice Chair
Michael Ball
David Corpus
John Elliott
James Nance
Robert H. Walls, Jr.

Others present:

Brian Guthrie, TRS
Andrew Roth, TRS
Heather Traeger, TRS
Jase Auby, TRS
Don Green, TRS
Barbie Pearson, TRS
Katrina Daniel, TRS
Amanda Jenami, TRS
Martin Cano, TRS
Katherine Farrell, TRS
Jeff Bain, TRS
Lauren Burroughs, TRS
Keith Brown, Investment Advisor
Suzanne Dugan, Cohen Millstein
Michael McCormick, AON
Steve Voss, AON
Dennis Gold

Mr. Hollingsworth called the meeting to order at 8:00 a.m.

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

Ms. Farrell called the roll. A quorum was present, Mr. Moss was absent.

2. **Consider the following administrative matters:**

   a. **Approval of the July 2021 proposed meeting minutes;**

On a motion by Mr. Nance, seconded by Mr. Corpus, the Board unanimously voted to approve the June 2021 proposed meeting minutes as presented.

On a motion by Ms. Sissney, seconded by Mr. Corpus, the Board unanimously voted to approve the following meeting dates for the calendar year 2022:
February 17 – 18, 2022 (Austin, TX)
April 28 – 29, 2022
July 14 – 15, 2022
September 15 – 16, 2022
December 8 – 9, 2022

Mr. Hollingsworth announced items 2c and 2d would be taken up together.

b. **Consider the election of the Board Vice Chair; and**
c. **Consider consenting to the Board Chair’s appointment of committee members, and receive the Board Chair’s public announcement of committee chairs.**

Mr. Hollingsworth noted September is when the Board generally elects the vice chair and also consider the Board approving and consenting to the Chair’s recommendation for committee members and committee chairs. He stated given where things stood in the appointments process, he would like to recommend allowing the current vice chair and the committee chairs to remain the same for now in order not to go through too much flux. Once new trustees are appointed then at that time he said he thought it more appropriate to have a discussion about the Board’s vice chair and committee members and chairs.

On a motion by Mr. Nance, seconded by Mr. Elliott, the Board voted to approve continuing as is with the vice chair, committees and committee chairs assignments.

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3. **Resolution recognizing the service of Dennis Gold – Jarvis V. Hollingsworth.**

Mr. Hollingsworth said during his first term of service as Chair on the Board he worked with Mr. Dennis Gold who is an amazing employee who has seen the system through a lot of changes over the years.

On a motion by Mr. Corpus, seconded by Ms. Sissney, the Board voted unanimously to adopt the following resolution recognizing Mr. Gold’s service to the System:
Whereas, Dennis Gold joined the Teacher Retirement System of Texas in March 1993 and served in a number of roles throughout his tenure, most recently as TRS's senior investment counsel; and

Whereas, his experience, acumen, dry wit, warm compassion and deep knowledge made him a go-to person for senior leaders across the organization and a welcome participant in any meeting; and

Whereas, his eager willingness to assist with any given legal task, coupled with his broad and deep understanding of the law and his ability to synthesize and then simplify complex legal and business issues made Dennis truly a lawyer's lawyer; and

Whereas, as interim general counsel, Dennis oversaw all legal services and compliance at TRS, including those related to pension benefits, trust investments and the two health care funds; and

Whereas, Dennis was instrumental in setting up the Teacher Retirement Investment Company of Texas, TRICOT, as we know it, in London and supporting every aspect of its daily operations and growth; and

Whereas, he was a major contributor in the creation of the non-TRS worker program and the myriad of issues contained therein; and

Whereas, Dennis served as a wealth of institutional knowledge for the Organizational Excellence team over the years; and

Whereas, he was a major creator of the legal and policy framework supporting the creation of the Professional Investment Management Division, including use of derivatives, hedge funds, external management and private assets; and

Whereas, Dennis could always be relied upon to be the voice of reason, bringing a calm and reassuring presence to every meeting no matter how difficult the topic and would go out of his way to meet his counterparts halfway; and

Whereas, Dennis brought a mastery of the English language and a knowledge of the elements of style that few could ever match; and

Whereas, he has been a beloved friend and mentor, always willing to listen and provide his guidance on an issue, sending memes before memes were cool, providing extensive Microsoft Word lessons, and leveraging it in ways that baffled even the most accomplished users, and always maintaining an open door policy to all; and

Whereas, Dennis always stayed relevant and up-to-date, whether it was with the recent news or the latest technology updates, and made others feel important by engaging with his full attention and encouraging their curiosity; and

Whereas, he exemplified the values of TRS, especially candor, maintained the highest standards of professionalism, and cultivated highly effective working relationships with TRS managers and the Board; and
Whereas, throughout his years of service to the Retirement System and its members, Dennis’s approach to working has embodied the fiduciary duties of loyalty and care, always placing the Retirement System and its participants first, and will greatly be missed by all of his colleagues.

And now, therefore, be it resolved that the Board of Trustees and staff of the Teacher Retirement System of Texas recognize the accomplishments and contributions of Dennis Gold at TRS during his highly successful career with the Retirement System and express their sincere appreciation on behalf of TRS members, both present and future.

And be it further resolved that a copy of this resolution be presented to Dennis Gold and entered into the record of the Board for September 16, 2021.

Mr. Hollingsworth then proceeded to read a commendation to Mr. Gold on his retirement from Governor Gregg Abbott and First Lady Cecilia Abbott.

Mr. Brian Guthrie read a resolution in honor of Mr. Gold’s retirement from Senator Joan Huffman.

Mr. Gold provided words of thanks noting the mission is supporting public educators and that had always been part of his motivation. He said it was a pleasure and a privilege to do this work.

Ms. Heather Traeger concluded by presenting Mr. Gold with a flag that was flown over the Capitol on his day of retirement along with a plaque of recognition.

4. Chief Operations and Administration Officer (COAO) update – Andrew Roth.

Mr. Andrew Roth provided updates on return to office efforts, the status of the diversity equity and inclusion tool procurement process. Mr. Roth concluded his report with a list of executive council’s outside leadership or board activities that are relevant to the Teacher Retirement System.

5. Receive the annual evaluation of Gabriel, Roeder, Smith & Company as the provider of pension actuarial and consulting services and discuss upcoming pension actuarial items – Caasi Lamb.

Ms. Caasi Lamb noted that state statute requires the Board to annually evaluate the performance of the actuary during the previous year. She reported GRS prepared and presented the required annual valuation last December and also prepared similar presentation for legislative staff and for associations as well. She said GRS also provided the GASB required reporting schedule GASB 67 and 68 and then during session GRS updated the actuarial valuation and provided actuarial analysis on a number of pieces of legislation dealing with benefit enhancements and changes to employment after retirement laws. She stated GRS continued to be responsive to staff and met all contractual requirements regarding the delivery of materials.


Ms. Katherine Farrell provided a summary of the activity of the quarter which included traffic through the Ombuds office and agency wide communications. She noted traffic was considered all
communications and not just a complaint. She indicated the increase observed this quarter in traffic corresponded with the publication of the TRS News announcing the implementation of the Ombuds office. Ms. Farrell then reviewed the complaints received for the quarter.

7. **Review and consider procurements and contracts, including the following – Martin Cano and Kendall Courtney:**
   - Receive Procurement and Contracts Update;
   - Consider Procurement and Contracting Report; and
   - Consider extension of the State Street Custody Agreement and Securities Lending Authorization Agreement.

Mr. Martin Cano presented a status update. He said the Procurement and Vendor E-System (PAVES) was successfully implemented and went live in August. He reported the TRS Procurement and Contract Management Guide was finalized in July, posted to the TRS internal website and linked to the Comptroller of Public Accounts website in early August. Training for agency contract managers as it relates to the guide will begin soon. He said the audit recommendations for Procurement and Contracts are on track.

Mr. Cano stated a report has been created pursuant to the Board Procurement Policy that includes TRS contracts with a value equal to or greater than $1 million or more a year. He said there are 32 executed contracts that meet these criteria, seven of which are health care contracts, in addition to three solicitation that meet this criteria scheduled for FY 2022.

Ms. Heather Traeger stated the contract with the custodian and securities lending agent, that is State Street, is set to expire this July. She said the Investment Management Division, the business unit sponsoring the contract, is seeking an 18 month extension for that contract in order to permit adequate time to conduct the RFP.

On a motion by Mr. Nance, seconded by Ms. Sissney, the Board unanimously voted to adopt the following resolution approving the 18 month extension of the State Street custody agreement:

### Resolution of Board of Trustees
Relating to the Extension of the State Street Custody and Securities Lending Agreement

WHEREAS, Texas Government Code §825.101 provides that the Teacher Retirement System (“TRS”) Board of Trustees (“Board”) is responsible for the general administration and operation of the retirement system, and §825.103(d) provides that the Board has exclusive authority over the purchase of goods and services using trust funds;

WHEREAS, Texas Government Code §825.207(e) and §825.303(a) provide that the Board may select one or more commercial banks or other entities to serve as custodian of TRS’ assets and to lend TRS’ securities under rules adopted by the Board;

WHEREAS, The TRS Bylaws, subsection 1.7(p), state that the Board will select one or more custodian banks to provide custodial services for TRS assets;
WHEREAS, The TRS Bylaws, subsection 4.1.2(f), state that the Executive Director shall recommend to the Board the selection of the custodian for securities;

WHEREAS, The TRS Board Procurement Policy states that the Board will consider and authorize contracts with one or more custodian banks to provide custodial and security lending services for TRS assets;

WHEREAS, Section 2.3 of the TRS Securities Lending Policy states that the Board will, in addition to the custodian, select the lending agent to perform the securities lending function;

WHEREAS, State Street Bank and Trust Company (“State Street”) has been providing custodial and securities lending services for the TRS pension trust fund since September 2002;

WHEREAS, The current agreements with State Street, the Custody Agreement and the Securities Lending Authorization Agreement, were originally each dated August 1, 2015 and set to expire on July 31, 2020 (the “Agreements”);

WHEREAS, In April 2020, the Board authorized a two-year extension of the Agreements, extending the expiration to July 31, 2022;

WHEREAS, TRS will be issuing a Request for Proposal (RFP) for these services in September 2021 and, given the time needed to conduct the solicitation, present staff recommendations to the Board, negotiate new agreements, and allow time for a transition period (as needed), a new contract for these services will require additional time beyond the current terms of the Agreements; and

WHEREAS, TRS staff has reviewed and evaluated the performance of State Street and recommends that State Street continue to serve as master custodian of TRS’ assets and securities lending agent for TRS during this time period.

Now, therefore be it

RESOLVED, That the Board hereby authorizes the Executive Director or his designee to extend the existing Agreements until December 31, 2023;

RESOLVED, That the Executive Director or his designee is hereby authorized to negotiate such amendments or modifications relating to the services to be provided by State Street under the Agreements during the extended term on such terms and conditions as they deem necessary or desirable and in the best interest of TRS;

RESOLVED, That the Board finds the extension of the State Street Agreements represents the best overall value for TRS based on qualifications, experience, proposed contract terms and conditions, proposed fees, and other relevant factors;

RESOLVED, That the Executive Director and his designees are hereby authorized to execute and deliver any and all documents and do any and all things they deem reasonably necessary or desirable and in the best interest of TRS to negotiate and execute the extension on the same or better financial terms as those in the existing Agreements and on such other terms and conditions deemed by the Executive Director or his delegatee to be in the best interest of TRS; and
RESOLVED, That nothing in this resolution may be construed as a contract, an offer to contract with a power of acceptance that would form a contract, or an acceptance of an offer to contract, and TRS is not and will not be legally bound to any agreement unless and until the Executive Director has executed and delivered definitive agreements relating to the subject matter, as applicable.

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

At 8:56 am, Mr. Hollingsworth announced the Board would recess until 8:00 am tomorrow.
The Board of Trustees of the Teacher Retirement System of Texas met on September 17, 2021 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:
Jarvis V. Hollingsworth, Chair  
Nanette Sissney, Vice Chair  
Michael Ball  
David Corpus  
John Elliott  
Christopher Moss  
James Nance  
Robert H. Walls, Jr.

Others present:
Brian Guthrie, TRS  
Andrew Roth, TRS  
Don Green, TRS  
Heather Traeger, TRS  
Jase Auby, TRS  
Barbie Pearson, TRS  
Katrina Daniel, TRS  
Amanda Jenami, TRS  
Monica Bernal, TRS  
Lang, TRS  
Katherine Farrell, TRS  
Billy Lowe, TRS  
Jennifer Whitman, TRS  
Adam Fambrough, TRS  
Suzanne Dugan, Cohen Milstein

Jonathan Scofield, EY  
Richard Holt, EY  
Keith Brown, Investment Advisor  
Joe Newton, GRS  
Dan Sibilik, GRS  
Michael McCormick, AON  
Brock Grett, TRTA  
Leroy DeHaven, TRTA  
Jordan Ash, Private Equity Stakeholder Project  
Eric Lang, TRS  
Anthony Sanchez, Refresco employee  
Ms. Acevedo, Refresco employee  
Craig Campbell, Austin Retired Teachers  
Leroy DeHaven, TRTA  
Ms. Acevedo, Refresco employee  
Association

At 8:02 am the Chair reconvened the board meeting and without objection called up Agenda Item 8.

8. Provide an opportunity for public comment.

Mr. Jordan Ash, representing Private Equity Stakeholder Project, expressed concern regarding TRS’ investment partner PAI Partners, a private equity firm that is a co-owner of Refresco.

Mr. Anthony Sanchez, Refresco employee, expressed concern about TRS’ investment in Refresco and its unsafe working conditions.
Ms. Acevedo, Refresco employee, through an interpreter expressed concern about TRS’ investment in Refresco and its unsafe working conditions.

Mr. Craig Campbell, Austin Retired Teachers Association, expressed appreciation for the 13th check but concerned that the COLA did not pass. He recommended that compensation for TRS employees undergo the same actuarial analysis performed for COLAs. He also recommended models for the Ombuds office.

Mr. Leroy DeHaven, president of Texas Retired Teacher Association (TRTA), expressed appreciation to the Governor and Texas Legislature for the supplemental payment. He expressed concern about the new TRS building, understanding the agency needs more space as TRS grows, making it more difficult for retirees to receive a COLA in the near future.

9. 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 and personnel matters.
   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 reviewed upcoming conferences. He provided an update on the implementation of the Sunset legislation. He noted this was the second year the agency huddles, where employees can provide direct feedback to Brian and Andrew, were done virtually. Mr. Guthrie concluded by reviewing the upcoming December Board meeting proposed agenda items and sought input for the February Board meeting.

10. Receive the report of the Strategic Planning Committee on its September 16, 2021 meeting – Committee Chair.

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

The Strategic Planning Committee met on September 16, 2021.

The committee adopted the minutes of its July 2021 meeting. Ms. Caasi Lamb provided background information on development of the Executive Director’s proposed Fiscal Year 2022 Areas of Focus and alignment with the strategic plan. The Executive Director laid out and discussed his proposed Areas of Focus and priorities for Fiscal Year 2022.

Ms. Lamb, along with strategic plan objective owners, discussed and reviewed the results forum information for the 2021-2025 TRS Strategic Plan objectives. The objectives included: improving pension funding and health care funding communications, improving communication regarding the impact of changing plan design, increasing the value of
health care benefits, and improving the health of TRS members. Ms. Lamb also provided an overview of the Enterprise Stoplight Report.

11. Receive the report of the Benefits Committee on its September 16, 2021 meeting and consider adoption, approval or acceptance of the following – Committee Chair:
    A. Adopt resolution directing staff to prepare for and issue the supplemental payment consistent with the provisions of Senate Bill 7 as passed by the 87th Texas Legislature in the Second Called Session;
    B. Acceptance of the Medical Board Meeting minutes of May 2021 meeting;
    C. Approval of the Benefit Payments for June 2021 – August 2021;
    D. Appointments of members to fill upcoming vacancies on the Retirees Advisory Committee (RAC), including RAC Vice Chair.

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

The Benefits Committee met on September 16, 2021. The committee approved the proposed minutes of the Benefits Committee for the July 15, 2021 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 May 2021.

Ms. Barbie Pearson provided an update on benefit payments for June through August 2021. The committee recommends to the Board the approval of benefit payments for June through August 2021.

The committee received an update from Ms. Pearson on Benefit Services operations for the fourth quarter of fiscal year 2021. This report included an update on Benefit Services workload, including a discussion on the inactive accounts policy, as outlined in the Sunset legislation as passed by the legislature in the 87th Legislative Session.

Next the committee received an update from Ms. Katrina Daniel, chief health care officer, on both TRS-Care and TRS-ActiveCare. Kyle McKay, Health Care Data Analytics manager, provided the committee with the results of research he conducted of health care benefits offered by public education employers outside of TRS-ActiveCare.

Finally Meaghan Bludau, TRS health chief of staff, provided the committee with staff recommendations to fill vacancies and expired terms of four Retirees Advisory Committee positions, including the vice chair position. The committee recommends to the Board approval of the RAC nominees.

Mr. Ball concluded the report with the following motions:

On a motion by Mr. Ball, the Board unanimously voted to accept the Medical Board’s meeting minutes for May 2021 as recommended by the Benefits Committee.

On a motion by Mr. Ball, the Board unanimously voted to approve the benefit payments for June through August 2021, as recommended by the committee.
On a motion by Mr. Ball, the Board unanimously voted to appoint the nominees to the Retirees Advisory Committee, as recommended by the committee.

At the conclusion of his report, Mr. Ball stated he had another item to report that was not taken up in the Benefits Committee meeting. Item 3A in the Benefits agenda was to consider recommending to the Board adoption of a resolution directing staff to prepare for an issue of a one-time supplemental payment consistent with the provisions of Senate Bill 7 as passed by the 87th Texas Legislature. Mr. Ball reported that Governor Abbott signed House Bill 5 into law yesterday with an immediate effective date which provides the funding for Senate Bill 7. Therefore, he announced that the Board may at this time consider adoption of the resolution without committee action as authorized by the by-laws under Section 1.7(c). He concluded by saying that it was his honor and privilege to make the following motion.

On a motion by Mr. Ball, seconded by Ms. Sissney, the Board unanimously voted to adopt the following resolution directing staff to prepare for and issue a supplemental payment.

RESOLUTION CONDITIONALLY APPROVING THE ISSUANCE OF A SUPPLEMENTAL PAYMENT AUTHORIZED IN SENATE BILL 7 AND FUNDED IN HOUSE BILL 5

September 16-17, 2021

Whereas, Senate Bill 7 (SB 7) was passed by the 87th Legislature, Second Called Session, and signed by the Governor with an immediate effective date of September 9, 2021

Whereas, House Bill 5 (HB 5) was passed by the 87th Legislature, Second Called Session, and signed by the Governor with an immediate effective date of September 16, 2021

Whereas, SB 7 requires the Teacher Retirement System of Texas (TRS) to make a one-time supplemental payment of a retirement or death benefit in accordance with the provisions set forth in the bill and sets out specific instructions regarding who is eligible to receive the supplemental payment and the amount and timing of that payment;

Whereas, Government Code § 821.006 requires the pension fund’s unfunded accrued actuarial liability to have a projected amortization period of less than 31 years in order for TRS to issue a benefit enhancement, such as a supplemental payment. According to the actuarial analysis for the combined impact of SB 7 and HB 5, the expected amortization period is less than 26 years;

Whereas, HB 5 instructs the Legislature to appropriate funds TRS in an amount equal to the cost of the supplemental payment and SB 7 instructs TRS not to issue the supplemental payment until the Legislature appropriates those funds to TRS;
Whereas, once the legislation authorizing and funding the supplemental payment bills take effect, the funds to issue the supplemental payment must be received and certified by TRS and programming must take place to distribute the amounts.

Whereas, based on prior member feedback, a January 2022 disbursement date will allow TRS to apply member’s individual tax withholding preferences to the one-time supplemental payment, will defer taxation on the one-time supplemental payment to the 2022 tax year, and will provide eligible annuitants additional time to make any necessary tax or financial planning adjustments for the subsequent tax year.

Whereas, The Benefits Committee has made a recommendation to the Board of Trustees (“Board”) that the Board direct TRS staff to prepare for and issue the supplemental payment in January 2022 and in accordance with the provisions in SB 7, but only upon receipt by TRS of the funds appropriated by the Legislature to fund the one-time supplemental payment;

Whereas, The Board desires to adopt the recommendation of the Benefits Committee; now, therefore, be it

Resolved, That the Board hereby adopts the recommendation of the Benefits Committee and directs TRS staff to prepare for and issue the supplemental payment in January 2022 and in accordance with the provisions in SB 7, but only upon receipt by TRS of the funds appropriated by the Legislature to fund the supplemental payment; be it

Further resolved, That the authority delegated unto TRS staff under this resolution shall terminate upon the commencement of the February 2022 TRS Board meeting should the supplemental payment not have been issued by that date.

12. Receive the report of the Compensation Committee on its September 16, 2021 meeting and consider adoption of the following – Committee Chair:
   A. Proposed continuation and adoption of the Executive Director’s Performance Incentive Pay Plan for the 2021 – 2022 Performance Period; and
   B. Proposed continuation and adoption of the Investment Management Division’ and TRICOT’s Performance Incentive Pay Plan for the 2021 – 2022 Performance Period adoption of a new TRICOT Performance Incentive Pay Plan for the 2021 – 2022, and adoption of a resolution regarding delegation of authority for TRICOT.

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

The Compensation Committee met on September 16, 2021. The committee approved the proposed minutes of its September 2020 meeting.

The committee discussed and recommended to the Board continuation and adoption of amendments to the executive director's performance incentive pay plan for the 2021-2022 performance period. The committee discussed and recommended do the Board continuation and adoption of Investment Management and TRICOT's performance incentive pay plan for the 2021-2022 performance period, and the adoption of a resolution regarding delegation of authority to TRICOT.
Mr. Nance concluded his report with the following motions:

On a motion by Mr. Nance, the Board voted to adopt the resolution continuing and adopting the amendments to the executive director’s performance incentive pay plan for the 2021-2022 performance period, as recommended by the Compensation committee.

September 17, 2021
RESOLUTION READOPTING EXECUTIVE PERFORMANCE INCENTIVE PAY PLAN

Whereas, Section 825.208 of the Texas Government Code provides that, notwithstanding any other law, the Board of Trustees (“Board”) shall approve the rate of compensation of all persons it employs;

Whereas, Subsection 1.7(h) of the Board’s bylaws provides that the Board shall establish a system for the equitable and effective compensation of employees;

Whereas, To remain competitive in its efforts to attract and retain high caliber executives, the Board desires to offer a competitive compensation package that includes, not only a competitive base salary, but also an opportunity to earn additional rewards through an Executive Performance Incentive Pay Plan (“Plan”);

Whereas, Consistent with that desire, the Board adopted on November 19, 2015 the Plan, which rewards select executive management for performance and:

• Focuses on key objectives tied to the overall success of TRS;
• Aligns incentive potential to the achievement of TRS’ mission, goals, and objectives;
• Ties rewards to measurable success in high impact performance areas;
• Creates a quantifiable structure to calculate executive rewards; and
• Ensures TRS can attract, motivate, and retain top-performing executives; and

Whereas, The Board desires to continue the Plan and readopt performance categories, category weights, performance goals, and key performance indicators for the Plan year beginning October 1, 2021; now, therefore be it

Resolved, That effective September 17, 2021, the Board hereby readopts the Executive Performance Incentive Pay Plan, as presented by Staff, including the performance categories, category weights, performance goals, and key performance indicators;

Resolved, That nothing in the adoption of this resolution alters the at-will nature of employment that TRS has with any of its employees, creates a contract between TRS and any TRS employee, or confers on any TRS employee the right to continued employment with TRS, including the Executive Director or any other employee holding a position in the Schedule of Exempt Positions.
On a motion by Mr. Nance, the Board voted to adopt the resolution continuing and adopting the amendments to the Investment Management Division’s performance incentive pay plan for the 2021-2022 performance period, as recommended by the Compensation Committee.

TEACHER RETIREMENT SYSTEM OF TEXAS BOARD RESOLUTION  
September 17, 2021  
RESOLUTION ADOPTING INVESTMENT MANAGEMENT DIVISION’S PERFORMANCE PAY PLAN

Whereas, Section 825.208 of the Texas Government Code provides that, notwithstanding any other law, the Board of Trustees (Board) shall approve the rate of compensation of all persons it employs;

Whereas, Subsection 1.7(h) of the Board’s bylaws provides that the Board shall establish a system for the equitable and effective compensation of Investment Management Division (IMD) employees;

Whereas, To remain competitive in attracting and retaining high caliber IMD employees, the Board has determined that it is in TRS’s best interest to offer a compensation package that includes a competitive base salary and an opportunity to earn additional compensation through an IMD Performance Pay Plan (Plan);

Whereas, Consistent with those objectives, the Board adopted the initial version of the Plan in 2007; Now therefore, be it

Resolved, That effective for the annual performance period beginning October 1, 2021, the Board hereby adopts the amended Plan as presented by staff.

Resolved, That nothing in the adoption of this resolution alters the at-will nature of TRS employment for any employee, creates a contract between TRS and any TRS employee, or confers on any TRS employee the right to continued employment with TRS, including any employee holding a position in the Schedule of Exempt Positions.

On a motion by Mr. Nance the Board voted to adopt the resolution continuing and adopting the TRICOT’s performance incentive pay plan for the 2021-2022 performance period, as recommended by the Compensation Committee.

TEACHER RETIREMENT SYSTEM OF TEXAS BOARD RESOLUTION  
September 17, 2021  
RESOLUTION ADOPTING TEACHER RETIREMENT INVESTMENT COMPANY OF TEXAS LTD’S PERFORMANCE PAY PLAN

Whereas, Section 825.208 of the Texas Government Code provides that, notwithstanding any other law, the Board of Trustees (Board) shall approve the rate of compensation of all persons it employs;

Whereas, Subsection 1.7(h) of the Board’s bylaws provides that the Board shall establish a system for the equitable and effective compensation of Teacher Retirement Investment Company of Texas Ltd. (TRICOT) employees;
Whereas, To remain competitive in attracting and retaining high caliber TRICOT employees, the Board has determined that it is in TRS’s best interest to offer a compensation package that includes a competitive base salary and an opportunity to earn additional compensation through a TRICOT Performance Pay Plan (Plan); Now therefore, be it

Resolved, That effective for the annual performance period beginning October 1, 2021, the Board hereby adopts the Plan as presented by staff.

Resolved, That nothing in the adoption of this resolution alters the nature of TRICOT employment for any employee, creates a contract between TRS and any TRS employee, or otherwise alters the employment contract between TRICOT and TRICOT employees.

On a motion by Mr. Nance, the Board voted to adopt the resolution regarding delegation of authority for TRICOT, as recommended by the Compensation Committee.

Resolution Regarding Delegation of Authority to Act as Shareholder Representative for Subsidiary Teacher Retirement Investment Company of Texas Ltd.
September 17, 2021

Whereas, The Teacher Retirement System of Texas (“TRS”) organized and is the sole shareholder of an operating subsidiary, Teacher Retirement Investment Company of Texas Ltd., a company limited by shares and organized under the laws of England and Wales in the United Kingdom, and having offices in London, United Kingdom (“TRICOT”);

Whereas, TRICOT provides investment advisory services to TRS with respect to TRS’s investments in the United Kingdom, Europe and elsewhere, and TRICOT provides such services exclusively to and on behalf of TRS, under an intercompany agreement between TRS and TRICOT;

Whereas, The Board of Trustees (“Board”) has determined that it is in the best interest of TRS to designate a shareholder representative having authority and discretion to act on behalf of TRS as the sole shareholder of TRICOT; and

Whereas, The Board desires to designate the Executive Director as the shareholder representative for TRICOT, specify duties to be performed by the shareholder representative, and delegate general and specific authority to the Executive Director relating to matters requiring action by or on behalf of TRS as the sole shareholder of TRICOT; Now therefore, be it

Resolved, That the Board hereby designates the Executive Director (including a successor or interim Executive Director) as TRS’s shareholder representative for TRICOT with authority and discretion, when acting in that capacity in accordance with these resolutions, to take any and all actions necessary or desirable for the prudent operation and administration of TRICOT in accordance with applicable laws of the United Kingdom, and to execute and deliver all documents, resolutions, statutory reports, certificates, designations, agreements, governmental filings, and appointments as may be necessary or desirable on behalf of TRS as the sole shareholder of TRICOT;
Resolved, That, in addition to the preceding resolution and not by way of limitation, the Executive Director, acting as TRS’s shareholder representative as provided in these resolutions, be and hereby is exclusively authorized and directed, in his or her sole discretion, to adopt and approve all TRICOT shareholder resolutions, amendments to TRICOT’s Articles of Association, documents, policies, schedules, general employment policies, employee compensation, programs of benefits, and pension plans for TRICOT employees in the United Kingdom, in accordance with applicable laws of the United Kingdom, and to execute and deliver any shareholder resolutions necessary or desirable for the adoption and implementation of TRICOT’s employment-related policies, schedules, and plans under these resolutions;

Resolved, That the Executive Director, acting as TRS’s shareholder representative as provided in these resolutions, be and hereby is authorized and directed to adopt a shareholder resolution appointing a senior manager in the TRS Executive Division (including a successor or interim manager) to serve as the sole director of TRICOT without additional compensation until he or she resigns and a successor has been duly appointed and qualified;

Resolved, That the Board hereby further directs the Executive Director, as the shareholder representative, in conjunction with the TRS budgeting processes, to develop and submit for Board consideration an annual budget for TRICOT’s operations during the following TRS fiscal year, and to submit for Board consideration any interim amendments to the TRICOT budget as may be necessary or desirable;

Resolved, That the Board hereby further directs the Executive Director, as the shareholder representative, to (a) develop and submit for annual Board consideration a performance pay plan for TRICOT employees (“TRICOT Plan”) that is, to the fullest extent permitted by laws of the United Kingdom, substantially similar to the TRS Performance Pay Plan for Investment Management Division employees in the United States including reporting requirements, as adopted or amended by the Board from time to time, (b) submit for Board consideration any interim amendments to the TRICOT Plan as may be necessary or desirable, in accordance with TRICOT Plan rules and restrictions on timing of amendments, and (c) implement the TRICOT Plan and any amendments approved by the Board;

Resolved, That the Executive Director is hereby directed to submit and present to the Board periodic reports about TRICOT’s operations, including expenditures and annual audit reports, on at least an annual basis and more often as directed by the Board; and

Resolved, That if the Executive Director (including a successor or interim Executive Director) is or will be unavailable to act as the shareholder representative, he or she may designate the Chief Operations and Administration Officer or the Chief Financial Officer as an alternate shareholder representative with authority to act on behalf of TRS as the shareholder representative under these resolutions in accordance with the Executive Director’s directions.

13. Receive the report of the Policy Committee on its September 16, 2021 meeting and consider adoption of the following – Committee Chair:
   A. Proposed amendments to the Investment Policy Statement;
   B. Proposed amendments to the Key Employee and General Authority Resolutions; and
C. Proposed repeals, new rules and amendments of the TRS rules in Chapter 31 and 41 of Title 34, Part 3 of the Texas Administrative Code:

i. [REPEAL] SUBCHAPTER A. GENERAL PROVISIONS
ii. [REPEAL] §31.1. Definitions
iii. [REPEAL] §31.2. Monthly Certified Statement
iv. [REPEAL] §31.3. Exceptions Apply only to Effective Retirements
v. [REPEAL] SUBCHAPTER B. EMPLOYMENT AFTER SERVICE RETIREMENT
vi. [REPEAL] §31.11. Employment Resulting in Forfeiture of Service Retirement Annuity
vii. [REPEAL] §31.12. Exceptions to Forfeiture of Service Retirement Annuity
viii. [REPEAL] §31.13. Substitute Service
x. [REPEAL] §31.15. Full-time Employment after 12 Consecutive Month Break in Service
xi. [REPEAL] SUBCHAPTER C. EMPLOYMENT AFTER DISABILITY RETIREMENT
xii. [REPEAL] §31.31. Employment Resulting in Forfeiture of Disability Retirement Annuity
xiii. [REPEAL] §31.32. Half-time Employment Up to 90 Days
xiv. [REPEAL] §31.33. Substitute Service Up to 90 Days
xv. [REPEAL] §31.34 Employment Up to Three Months on a One-Time Only Trial Basis
xvii. [REPEAL] §31.36. Forfeiture of Disability Retirement Annuity Payments Due to Excess Compensation
xix. [REPEAL] §31.41. Return to Work Employer Pension Surcharge
xxi. [NEW] Rule 31.1. Definitions
xxiii. [NEW] Rule 31.3. Return-to-Work Employer Pension Surcharge
xxiv. [NEW] Rule 31.4. Employment Resulting in Forfeiture of Retirement Annuity
xxv. [NEW] Rule 31.5. Notice and Forfeiture Requirements for Certain Service Retirees
xxvi. [NEW] Rule 31.6. Second EAR Warning Payments
xxvii. [NEW] Subchapter B: Exceptions to Employment After Retirement
xxviii. [NEW] Rule 31.11. Exceptions to Forfeiture of Retirement Annuity
xxx. [NEW] Rule 31.13. One-half Time Employment
xxxii. [NEW] Rule 31.15. Tutors under Education Code § 33.913
D. Proposed repeals, new rules and amendments of the TRS rules in Chapter 43 of Title 34, Part 3 of the Texas Administrative Code:
   i. [AMEND] Rule 43.1. Administrative Review of Individual Requests
   ii. [AMEND] Rule 43.45. Proposals for Decision, Exceptions, and Appeals to the Board of Trustees

E. Proposed repeals, new rules and amendments of the TRS rules in Chapter 41 and 41 of Title 34, Part 3 of the Texas Administrative Code:
   i. [AMEND] §41.30. Participation in the Health Benefits Program under the Texas School Employees Uniform Group Health Coverage Act by School Districts, Other Educational Districts, Charter Schools, and Regional Education Service Centers
   ii. [AMEND] §41.33. Definitions
   iii. [AMEND] §41.35 Plans of Group Coverage
   iv. [AMEND] §41.36 Enrollment Periods for TRS-ActiveCare
   v. [AMEND] §41.45. Required Information from School Districts with More than 1,000 Employees
   vi. [AMEND] §41.52. Expulsion from TRS-ActiveCare
   vii. [NEW] §41.41. One-Time Reenrollment Opportunity

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

The Policy Committee met on September 16, 2021. The committee approved the proposed minutes of its July 2021 meeting.

The committee conducted the required review of the Board's Investment Policy Statement, referred to as the Statement. The staff recommended eight proposed modifications to that statement. The committee recommended to the Board adoption of proposed amendments to the statement.

The committee recommended to the Board adoption of the proposed amendments to the key employee and general authority resolutions to reflect changes to some job titles. The
committee recommended to the Board adoption of the proposed amendments to the proposed key employee and general authority resolutions.

The committee conducted a review of the Board's policy review schedule and approved that schedule as presented by staff. The committee recommended to the Board adoption of proposed repeals, new rules, and amendments of the TRS rules in Chapter 31 and Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, without changes, to be effective November 1, 2021.

The committee recommended to the Board adoption of the proposed amendments to the TRS rules in Chapter 43 of Title 34, Part 3 of the Texas Administrative Code, without changes, to be effective 20 days after filing with the Texas Register.

The committee recommended to the Board adoption of proposed new rules and amendments to the TRS rules in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, without changes, to be effective 20 days after filing with the Texas Register.

The committee recommended to the Board adoption of the proposed outreach plan.

The committee recommended to the Board the adoption of the amendments to the Board Procurement Policy to change the threshold amount for contracts subject to Board approval to those with an estimated value of $1 million per year, provide quarterly reports to effectuate approval, remove reference to the internal assessment, add statutory updates, and name change for the TRS Guide.

The committee authorized the publication in the Texas Register notice of the proposed repeals, new rules and amendments of the TRS rules in Chapter 31, Chapter 41 and Chapter 43 of Title 34, Part 3 of the Texas Administrative Code.

And finally, the committee authorized for publication in the Texas Register notice of the proposed repeals, new rules and amendments of the TRS rules in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code.

Mr. Elliott concluded his report with the following motions:

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

On a motion by Mr. Elliott, the Board voted to adopt the amendments to the key employee and general authority resolutions as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed repeals, the new rules and amendments of the TRS rules in Chapters 31 and 41 to Title 34, Part 3 of the Texas Administrative Code, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments of the TRS rules in Chapters 43 to Title 34, Part 3 of the Texas Administrative Code, as recommended by the Policy Committee.
On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments of the TRS rules in Chapters 43 to Title 41, Part 3 of the Texas Administrative Code, as recommended by the Policy Committee.

14. Receive the report of the Investment Management Committee on its September 16, 2021 meeting – Committee Chair.

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

The Investment Management Committee met on September 16, 2021. The first item was the adoption of the minutes.

Next, Jase Auby began with his CIO update. The second quarter 2021 performance review was then presented by Steve Voss and Mike McCormick of Aon. To conclude the Investment Management Committee, James Nield and Stephen Kim presented the semiannual risk report.

15. Receive the report of the Audit, Compliance, and Ethics Committee on its September 16, 2021 meeting and consider adoption of proposed Audit Plan for Fiscal Year 2022 – Committee Chair.

Ms. Sissney, Acting-Committee Chair, provided the following report of the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met on Thursday, September 16, 2021 in the 5th Floor Boardroom. The committee approved the minutes of the July 2021 Audit, Compliance and Ethics Committee.

State Auditor's staff presented reports on their planned audit of the annual comprehensive financial report for fiscal year 2021 and the results of the audit of fiscal year 2020 employer pension and other post-employment benefit liability allocation schedules.

Crowe, LLP staff presented a report on their planned financial audit of TRS's investments company, TRICOT.

The general counsel and chief compliance officer presented routine compliance reports. The chief audit executive presented the proposed audit plan for fiscal year 2022. The committee recommends to the Board of Trustees to adopt the proposed audit plan for fiscal year 2022.

Internal Audit staff presented the results of audit on personal trading, status of prior audit recommendations, Internal Audit's strategic plan for fiscal year 2022 through fiscal 2024, and some administrative reports.

The committee went into executive session to discuss the Internal Audit report on health insurance benefits contract oversight at 3:35 p.m. The committee reconvened in open session at 4:57 p.m. and concluded the meeting at 5:02 p.m.

To conclude his report, Ms. Sissney had the following motion:
On a motion by Ms. Sissney, the Board voted to adopt the proposed plan for fiscal year 2022, as recommended by the ACE Committee.

16. **Receive an update on the TEAM Program – Brian Guthrie, Billy Lowe, Jennifer Whitman and Adam Fambrough.**

Ms. Jennifer Whitman provided an overview on the TEAM Program dashboard. She noted the next upcoming release is payment addresses scheduled to go live next month on October 25. She reported there were delays noted in the previous status updates regarding the web self-service release. It was initially scheduled to go-live March 22\textsuperscript{nd} but now they moved it to the planned contingency date of April 25\textsuperscript{th}. She said the delays were due to bringing in a third-party vendor to do testing as well as substantial technical changes resulting from the recent legislative session. She noted that due to the contingency date already being identified and planned for, it will not impact the other release dates down the road from a timeline and schedule perspective. She reviewed the TEAM budget update, she said a new graph was being implemented that provides more information and context.

Mr. Don Green provided further budget information. He reported over the life of the TEAM project the estimated total spend as $219.5 million. For the fiscal year 2021, $15.7 million of the $17.9 million budgeted was spent. He said the difference was due to staffing turnover and one contract did not spend the money anticipated.

Mr. Adam Fambrough discussed the value they have witnessed from bringing the projects in-house since February 2020. He said they are releasing functionality in smaller increments so if there is a need to correct there is a smaller set of code to focus on fixing. Mr. Fambrough reviewed member and employer service improvements such as accepting electronic signatures for members so they can apply for refunds and retirements through MyTRS.

17. **Receive an update from the TEAM Program Independent Program Assessment (IPA) Vendor – Jonathan Scofield and Richard Holt, EY.**

Mr. Jonathan Scofield provided an overview of the cube methodology, the grading scale they are using and next steps. He said the scoring comes from his team over the past two months attending over 100 daily stand-ups with TRS delivery team. He reported the score was right in the middle at five. He said scope is under control and documented well. He said the score is comprised of three scores: program governance which was a 5.2, product management at a 5.0 and technical solution at a 4.8. He stated the TRS team was establishing end-user champions, setting targets and scores and really utilizing the stand-up meetings to seek clarification and bring up any challenges. He said areas of opportunity and risk were inefficient work planning and how resources are prioritized.

Mr. Moss joined the meeting virtually at 10:46 a.m.

18. **Receive an update and consider long term facilities planning on potential new building, potential renovations or sale of the Red River campus, lease for regional office space in El Paso, Texas and leases at 816 Congress and Indeed Tower 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 negotiations with a third person—Brian Guthrie, Andrew Roth, Eric Lang.

Mr. Guthrie provided an overview of the long-term facilities history. He reported discussions began back in 2014 with the Board and then a pause button was hit in 2016, starting again in 2018. After three years of open meeting discussions, the Board this July gave permission to proceed with fully developing the Alpha/Bravo solution as an alternative to the current use of the Red River facilities and the leasing space at 816. He reported during the intervening months, staff has worked on that proposal and had made significant outreach with the members by providing information on Facebook including a Facebook live event. He said the Alpha/Bravo proposal is a solution with several benefits: it is outside of the downtown area; it is in East Austin; it is a generational solution for TRS that will improve member access.

Mr. Guthrie noted this proposal demonstrates financial stewardship, many options were explored, including staying where we are. This proposal eliminates the need for leased space which is consistent with State philosophy which is also being pursued via the Capitol Complex. He reported the purchase price to be between $250 to $300 million total. He said this will be offset by significant savings on the administrative side that will be realized by moving into this new facility. For instance, there is significant maintenance at current headquarters estimated to be $50 – $75 million. He said avoiding lease costs over 20 years should save an additional $120 to $140 million. Additionally, selling the asset, current headquarters, would be on the conservative side anywhere from $80 to $100 million.

Mr. Guthrie responding to questions made earlier about the impact of new facilities would have on the legislature providing a cost of living adjustment (COLA) to members long term. He said TRS received a letter from the actuary that stated definitively this would not have a significant impact on the Trust Fund. He said they also reported it did not have a negative impact on the current funded status and it would not in any way interfere with the ability of members to get a COLA in the future if authorized by the legislature. He said he believes that given the economic analysis and given the actuarial analysis, the Alpha/Bravo proposal makes the most sense for the Fund moving forward.

Mr. Guthrie provided member feedback received. He said information was provided to members, legislators, and outside stakeholders. He said the reaction has been fairly positive from nay stakeholders but our members are concerned about receiving a COLA. He reported the total number of member feedback were 963 touch points.

Mr. Roth provided a timeline if the decision today was to move forward with the Alpha/Bravo proposal. The timeline included placing the Red River headquarters on the market.

On a motion by Mr. Nance, seconded by Mr. Walls, the board voted to find that deliberating or conferring on item number 18 in an open meeting would have a detrimental effect on the position of the Retirement System in negotiations with a third person.
At 11:15 a.m. Mr. Hollingsworth announced the board would go into executive sessions on the following agenda item and sections of the Government Code: Item number 18 under Sections 825.115(e), 551.071 and 551.072 to discuss procurement matters, real property and consult with legal counsel and other experts as needed.

At 12:17 p.m. Mr. Hollingsworth reconvened the Board in open meeting.

Mr. Elliott moved for the Board to adopt the resolution to select Shorenstein as the developer for the main campus, and authorize the executive director or his delegee to engage in negotiations necessary for the purchase of the real property for the design and build of a new main campus.

Ms. Sissney seconded the motion. She commented that weighing the options as a fiduciary, that while she is concerned about the timing and what office space is needed and what it will look like after the pandemic, that is a smaller percentage to the overriding percentage for the need for new facilities, primarily the economic argument, that is to get out of leasing space and own our own facilities is the controlling.

Mr. Ball commented that he wanted to reassure the members that there has been a significant amount of due diligence involved in arriving at this decision that is before the Board and there has been a significant amount of professional skepticism applied toward some of the assumptions that have been presented. He concluded by stating this will be a net benefit to the Pension Trust in the long term.

The board then voted unanimously to adopt the following resolution:

**Resolution of Board of Trustees September 17, 2021**
**Relating to Long Term Space Planning for the TRS Administrative Headquarters**

WHEREAS, Texas Government Code §821.007 provides that the buildings comprising the home office (referred to here as “administrative headquarters”) of the Teacher Retirement System (“TRS”) are under the control and custodianship of the retirement system;

WHEREAS, TRS performed due diligence activities and presented to the TRS Board of Trustees (the “Board”) on the following: space planning and long-term facilities options including associated cost-benefit analysis, engaged a broker, architect, and an owner’s representative, performed stakeholder outreach, conducted a workplace study and an employee perspectives survey to evaluate the long-term facilities planning needs of TRS;

WHEREAS, a Request for Proposal (“RFP”) was issued in 2019 to interested entities to solicit design and build proposals to develop a potential new administrative headquarters for TRS;

WHEREAS, TRS received and evaluated the RFP proposals for a new TRS administrative headquarters;
WHEREAS, TRS staff discussed the RFP proposals with the Board at the December 2019 Board meeting, provided relevant information to the Board, and presented an evaluation to the Board concerning the selection of RFP proposals;

WHEREAS, The Board considered the evaluation made by TRS staff of the developer proposals submitted in response to the RFP;

WHEREAS, at the December 2019 Board meeting, the Board considered the TRS staff evaluations of and consultant advice of CBRE, Inc. related to the RFP proposals and voted to delegate to the Executive Director to begin initial negotiations with two selected finalists and named a third finalist, if necessary;

WHEREAS, the Governor of Texas issued a disaster proclamation for the State of Texas relating to the COVID-19 pandemic on March 13, 2020, and on March 16, 2020, TRS restricted public access to TRS offices and directed the majority of TRS employees to work remotely;

WHEREAS, TRS staff advised the Board at the April 2020 Board meeting that negotiations for the new administrative headquarters were suspended because of the COVID-19 pandemic;

WHEREAS, TRS staff advised the Board at the July 2020 Board meeting that a new workplace study was conducted to refine space needs in light of work-from-home considerations;

WHEREAS, in August 2020, given the changed market conditions expected to result from the COVID-19 pandemic, TRS performed additional due diligence activities, including requesting updated proposals to reflect updated pricing and terms;

WHEREAS, at the September 2020 Board meeting, the Board by resolution authorized and instructed the Executive Director, or his delegee, to expend funds and to take all actions and do all things necessary or desirable to continue negotiations on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of TRS for a final, proposed contract for the purchase of real property and for the design and build of a new administrative headquarters for TRS with the finalists;

WHEREAS, from September 2020 through July 2021, TRS conducted extensive due diligence, including negotiating and executing a non-binding term sheet with the top finalist;

WHEREAS, it was understood the final contract’s material terms and conditions would be presented to the Board at a future date for a final decision; and

WHEREAS, TRS developed the Moving Forward Together communication outreach plan to provide information to TRS stakeholders about the long-term facilities project, including issues, concerns, options, costs, and project goals and timelines;

Now, therefore, be it

RESOLVED, That the Board hereby authorizes and instructs the Executive Director or his delegee, with the assistance of TRS employees and TRS’s broker and owner’s
representative, to expend funds and to take all actions and do all things necessary or desirable to continue negotiations on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of TRS to finalize contracts for new administrative headquarters for TRS with Shorenstein Realty Investors 11 LP, including the purchase of the project known as the “Alpha” building and for the purchase of a design-and-build project known as the “Bravo” building.

RESOLVED, That the Board hereby authorizes and instructs the Executive Director or his delegatee, with the assistance of TRS employees, to transfer the funds authorized by the Board under to the selected custodian bank account and to perform all activities necessary to manage, monitor, and disburse funds from the account.

RESOLVED, That the Board hereby authorizes and instructs the Executive Director or his delegatee, with the assistance of TRS employees and TRS's broker and owner's representative, to expend funds, procure all necessary goods or services, and to take all actions and do all things necessary or desirable to negotiate and sign all agreements related to the purchase and sale of Alpha and Bravo, including all ancillary agreements.

RESOLVED, That the Board hereby authorizes and instructs the Executive Director or his delegatee, with the assistance of TRS employees and TRS’s broker and owner’s representatives, to take all actions and do all things necessary or desirable to conduct any activities needed to comply with any requirements needed from other governmental entities, including the City of Austin, Travis County, or any other local jurisdiction, as well as conduct all activities needed to comply with any contractual requirements, service agreements, or ordinances.

RESOLVED, That the Board’s selection of the finalist pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until full and final written contracts are successfully negotiated and executed by both parties.

On a motion by Mr. Ball, and seconded by Mr. Nance, the board voted unanimously to adopt the proposed resolution making a fiduciary finding and selection of the custodian to authorize the transfer of Pension Trust funds of the approved main campus project cost and selection of a custodian bank.

Resolution of Board of Trustees September 17, 2021
Authorizing Expenditure and Transfer of Funds for New Administrative Headquarters for TRS and Selection of a Custodian Bank

WHEREAS, Texas Government Code §821.007 provides that the buildings comprising the home office of the Teacher Retirement System (“TRS”) are under the control and custodianship of the retirement system; and

WHEREAS, Section 825.313(d) of the Government Code provides that the TRS Board of Trustees (the “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, The Board approved the selection of Shorenstein Realty Investors 11 LP to develop the new Administrative Headquarters for TRS and authorized the Executive Director to finalize contracts for the two properties known as “Alpha” and “Bravo” for a total cost of up to $300,000,000.00;

WHEREAS, Under Sections 1.7(n)(1) and 5.3 of the Bylaws of the Board of Trustee (“Bylaws”), the Board selects the custodian or custodians to hold TRS assets;

Now, therefore, be it

RESOLVED, That the Board finds the expenditure of pension trust funds for operating expenses is required to perform the fiduciary duties of the Board in administering the retirement system in the amount not to exceed $300,000,000.00, to pay all expenses related to the design and build of a new administrative headquarters for TRS, designated as the new administrative headquarters project.

RESOLVED, That the Board selects JP Morgan as the custodian bank for the new administrative headquarters project.

RESOLVED, That staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the new administrative headquarters project under the approved budget, subject to a not to exceed in the amount of $300,000,000.00.

RESOLVED, That staff is authorized to amend the fiscal year 2022 budget as approved under the Resolution Authorizing Expenditure and Transfer of Trust Funds for Pension Trust Fund Administrative Operations, dated July 15, 2021, to reflect this action.

Mr. Hollingsworth then announced taking up agenda item 20.

20. Discuss and consider personnel matters including the appointment, selection, compensation, duties, discipline, or dismissal of Ombudsman in consultation with the with the Executive Director, including to interview candidates and deliberate the selection of an Ombudsman – Brian Guthrie and Janet Bray.

Mr. Guthrie stated both candidates were in the building and ready to be interviewed in closed session.

At 1:04 p.m. Mr. Hollingsworth the board would go into executive sessions regarding agenda item 20, Ombuds interviews, under Section 551.071 and 551.074 to discuss personnel matters and to consult with legal counsel as needed.

At 3:03 p.m. Mr. Hollingsworth announced the board reconvened in open meeting.

On a motion by Mr. Nance, seconded by Mr. Ball, the board unanimously voted to adopt the resolution selecting Randon Wilkins to the position of Ombudsman of the Teacher Retirement System of Texas.

RESOLUTION REGARDING SELECTION AND HIRING OF OMBUDS
WHEREAS, House Bill 1585, 87th Regular Legislative Session (“HB 1585”), amends Chapter 825 of the Government Code to require the Teacher Retirement System of Texas (“TRS”) Board of Trustees (“Board”) to designate an ombudsman (“Ombuds”) to assist TRS members and retirees by performing member and retiree protection and advocacy functions;

WHEREAS, HB 1585 received a vote of two-thirds of all members elected to each house and therefore took effect on May 26, 2021;

WHEREAS, The Board at the June 3, 2021 meeting directed the Executive Director to search for an Ombuds to fulfill the duties set forth in HB 1585;

WHEREAS, Section 1.7(g)(3) of the Board’s Bylaws provides that the Board shall be responsible for the selection and compensation of the Ombuds in consultation with the Executive Director;

WHEREAS, TRS Bylaws subsection 4.1.2(c)(3) provides that the Executive Director is authorized by the Board to set the salary of the Ombuds within approved ranges and applicable laws; now, therefore, be it

Resolved, That, effective September 17, 2021, the Board hereby selects Randon Wilkins to fill the position of Ombuds, and the Board authorizes the Executive Director to extend terms for the monthly salary, as the Executive Director deems reasonable and in the best interest of TRS;

Resolved, That if the contingencies listed above are not satisfactorily met, negotiation with the above-selected candidate does not result in an offer of employment, or an offer of employment is not accepted by the above-selected, the Board hereby selects Lori LaBrie to fill the position of Ombuds. The Board authorizes the Executive Director to extend terms for the monthly salary, as the Executive Director deems reasonable and in the best interest of TRS; and

Resolved, That nothing in the adoption of this resolution alters the at-will nature of employment that TRS has with any of its employees, creates a contract between TRS and any TRS employee, or confers on any TRS employee the right to continued employment with TRS, including the Ombuds or any other employee holding a position in the Schedule of Exempt Positions.

Mr. Hollingsworth announced agenda item 19 would be taken up next.

19. Discuss and consider personnel matters including the appointment, selection, compensation, duties, discipline or dismissal of the Executive Director, the Chief Investment Officer and Chief Audit Executive – Jarvis V. Hollingsworth.

At 3:06 p.m. Mr. Hollingsworth announced the board would adjourn into executive session for Agenda Item 19 under Sections 551.071 and 551.074 to discuss personnel matters and consult with legal counsel as needed.
At 4:02 p.m., Mr. Hollingsworth reconvened the Board in open session.

On a motion by Mr. Nance, seconded by Mr. Elliott, the board unanimously voted to adopt the resolution to increase the base salary of the Chief Investment Officer as indicated in the following resolution:

TEACHER RETIREMENT SYSTEM OF TEXAS BOARD RESOLUTION
September 17, 2021
Resolution Increasing the Base Salary of the Chief Investment Officer

Whereas, Section 825.208 of the Texas Government Code provides that, notwithstanding any other law, the Board of Trustees (“Board”) of the Teacher Retirement System of Texas (“TRS”) shall approve the rate of compensation of all persons it employs;

Whereas, Subsection 1.7(v) of the Board’s bylaws provides that the Board shall be responsible for the compensation of the Chief Investment Officer;

Whereas, The General Provisions of TRS’ annual administrative operations budget adopted by the Board provide that the Board will set the salary rate for the Chief Investment Officer;

Whereas, The upper limit of the Chief Investment Officer’s annual compensation is set out as a not-to-exceed amount in the Schedule of Exempt Positions in TRS’ bill pattern in the current General Appropriations Act (“GAA”), and Rider 8 of TRS’ GAA bill pattern provides that, notwithstanding the limitations on exempt positions contained in Article IX of the GAA, the Board may determine the salaries of the positions listed in TRS’ Schedule of Exempt Positions without limitation; and

Whereas, The Board wishes to increase the Chief Investment Officer’s base salary; now, therefore be it

Resolved, That the Board hereby increases the base salary of the Chief Investment Officer as follows:

Chief Investment Officer’s base salary (the incumbent is Jase Auby):
Increase the base salary amount effective October 1, 2021 by 22.22%; and

Resolved, That nothing in the adoption of this resolution alters the at-will nature of employment that TRS has with any of its employees, creates a contract between TRS and any TRS employee, or confers on any TRS employee the right to continued employment with TRS, including the Chief Investment Officer or any other employee holding a position in the Schedule of Exempt Positions.

On a motion by Mr. Ball, seconded by Mr. Walls, the board voted unanimously to adopt the motion to increase the base salary of the Executive Director as indicated in the following resolution:
TEACHER RETIREMENT SYSTEM OF TEXAS BOARD RESOLUTION
September 17, 2021
Resolution Increasing the Base Salary of the Executive Director

Whereas, Section 825.208 of the Texas Government Code provides that, notwithstanding any other law, the Board of Trustees (“Board”) of the Teacher Retirement System of Texas (“TRS”) shall approve the rate of compensation of all persons it employs;

Whereas, Subsection 1.7(d) of the Board’s bylaws provides that the Board shall be responsible for the selection, job description, assignment of duties, performance evaluation, compensation, and discipline, including dismissal, of the Executive Director;

Whereas, Subsection 1.7(x) of the Board’s bylaws provides that the Board shall set the not-to-exceed amounts in the exempt salary schedule in consultation with the Compensation Committee and the executive director;

Whereas, Subsection 1.7(l) of the Board’s bylaws provides that the Board may consider or take any action otherwise specified to be taken or considered by a committee;

Whereas, The General Provisions of TRS' annual administrative operations budget adopted by the Board provide that the Board will set the salary rate for the Executive Director;

Whereas, The upper limit of the Executive Director's annual compensation is set out as a not-to-exceed amount in the Schedule of Exempt Positions in TRS' bill pattern in the current General Appropriations Act (“GAA”), and Rider 8 of TRS’ GAA bill pattern provides that, notwithstanding the limitations on exempt positions contained in Article IX of the GAA, the Board may determine the salaries of the positions listed in TRS' Schedule of Exempt Positions without limitation; and

Whereas, The GAA not-to-exceed amount for the Executive Director is not sufficient for the Board to exercise its discretion in setting the salary rate for that position, and the Board wishes to increase the Executive Director's base salary above the not-to-exceed amount; now, therefore be it

Resolved, That effective October 1, 2021 the Board hereby adopts the following GAA not-to-exceed amount for the Executive Director:

   Executive Director: Increase the not-to-exceed amount listed in the GAA by 12.63%

Resolved, That the Board hereby increases the base salary of the Executive Director as follows:

   Executive Director’s base salary (the incumbent is Brian K. Guthrie):
   Increase the base salary amount effective October 1, 2021 by 12.63%; and

Resolved, That nothing in the adoption of this resolution alters the at-will nature of employment that TRS has with any of its employees, creates a contract between TRS and any TRS employee, or confers on any TRS employee the right to continued employment with TRS, including the Executive Director or any other employee holding a position in the Schedule of Exempt Positions.
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 – Heather Traeger.**

There was no discussion on this item.

At 4:04 p.m., Mr. Hollingsworth adjourned the meeting.


ATTESTED BY:

__________________________   _________________________
Katherine H. Farrell     Date
Secretary to the TRS Board of Trustees
| TAB 4 |
I. El Paso Office

II. Talent Management: Challenges and Solutions
Regional Office – El Paso

Location

- Contract under negotiation
- Build-out phase date TBD

Opening Timeline

- Contract – December 2021
- Design/Constructions – Estimated Completion TBD

Recruiting, Hiring & Training

- Hired Director – November 2021
- Office Visit Counselor Selections in Progress
- OV's on-boarding in January 2022
- Training – January through May 2022
II. Talent Management: Challenges

• Talent Management: “Attract, Recruit, Retain”

• Employee turnover and rejection of employment offers continue to increase, as well as increased difficulty in obtaining skilled applicants in general

• Recruiting and hiring new FTEs as constraints allow (FTE cap, budget)

• Other challenges include expectations involving remote work, compensation, bonus structures, overtime requirements, and flexibility

• Austin employment environment continues to heat up:
  • Declining rates of unemployment (from the Austin American Statesman: Austin unemployment down, fourth straight month of decline and a pandemic-era low)
  • Staff departing TRS for the private sector, especially in the key areas of tech, data, finance, investments, customer service, organizational excellence, and legal/compliance
II. Talent Management: Solutions

- Solutions include identifying business areas that are appropriate for remote work and looking for talent outside of Austin
  - El Paso Office experience for Telephone Contact Center

- TRS-specific classification effort focuses on business need that allows for TRS to better compete for necessary talent
  - Will present on status of TRS-specific classification project at the February Board meeting
## TRS Complaints Report
### December 2021

### Ombuds Communications

<table>
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<tr>
<th></th>
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<td>N/A</td>
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<td>4</td>
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<td>Vimeo maybe</td>
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<td>N/A</td>
<td>N/A</td>
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<td>161</td>
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<td>Compact with Texans</td>
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<td>14</td>
<td>16</td>
<td>17</td>
<td>10</td>
<td>7</td>
<td>24</td>
<td>8</td>
<td>12</td>
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<td>Total</td>
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<td>5</td>
<td>14</td>
<td>16</td>
<td>17</td>
<td>14</td>
<td>47</td>
<td>207</td>
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### Communications on Large-Scale Agency Issues

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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>955*</td>
<td>60*</td>
<td>N/A</td>
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<td>Other Large-Scale Agency Issues</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>250**</td>
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<td>Total</td>
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<td>N/A</td>
<td>N/A</td>
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<td>N/A</td>
<td>955</td>
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### Monthly Complaints

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<td>Appeals (Benefit Services)</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>6</td>
<td>3</td>
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<td>OE Ethics Related Matters</td>
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<td>3</td>
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<td>N/A</td>
<td>1</td>
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<tr>
<td>Total</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>2</td>
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<td>7</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

* Represents the number of comments, not unique commenters.

**Communications related to supplemental check, represents the number of comments, not unique commenters.
### Point-in-Time Complaints
**Q3 2021**

<table>
<thead>
<tr>
<th>#</th>
<th>Date Received</th>
<th>Department</th>
<th>Source</th>
<th>Complaint Category</th>
<th>Complainant</th>
<th>Brief Statement of Complaint</th>
<th>Response provided/ Resolved</th>
<th>Resolution Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>7/2/2021</td>
<td>Executive Ombuds</td>
<td>Quality of Service Provided: Timeliness of response; Incomplete information provided</td>
<td>Beneficiary</td>
<td>Allegation of lack of information on appeal process and accommodations provided, timing of TRS responses, and loss of mail</td>
<td>Yes</td>
<td>7/7/2021</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>7/3/2021</td>
<td>Benefit Services</td>
<td>Quality of Service Provided: Incomplete information provided</td>
<td>Member</td>
<td>Allegation of incomplete information provided by TRS regarding LTCI</td>
<td>Yes</td>
<td>7/6/2021</td>
<td></td>
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<tr>
<td>3</td>
<td>7/5/2021</td>
<td>Executive Ombuds</td>
<td>Quality of Service Provided: Incorrect information provided</td>
<td>Member</td>
<td>Allegation of incorrect information provided by TRS</td>
<td>Yes</td>
<td>7/6/2021</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>7/6/2021</td>
<td>Executive Ombuds</td>
<td>Quality of Service Provided: Timeliness of response</td>
<td>Member</td>
<td>Allegation of timing delay in processing a refund</td>
<td>Yes</td>
<td>7/6/2021</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>7/6/2021</td>
<td>Benefit Services</td>
<td>Quality of Service Provided: Timeliness of response; Incomplete information provided</td>
<td>Beneficiary</td>
<td>Allegation of timing delay in the distribution of death benefits and incomplete information provided regarding processing time</td>
<td>Yes</td>
<td>7/8/2021</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>7/7/2021</td>
<td>Executive Ombuds</td>
<td>Quality of Service Provided: Self-Service applications - lack of needed functionality</td>
<td>Member</td>
<td>Complaint about inability to see the account balance in MyTRS</td>
<td>Yes</td>
<td>7/9/2021</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>7/7/2021</td>
<td>Compact with Texans</td>
<td>Quality of Service Provided: Timeliness of response</td>
<td>Beneficiary</td>
<td>Allegation of timing delay in providing the retirement package</td>
<td>Yes</td>
<td>7/7/2021</td>
<td></td>
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<tr>
<td>8</td>
<td>7/9/2021</td>
<td>Benefit Services</td>
<td>Quality of Service Provided: Rude or inappropriate commentary</td>
<td>Member</td>
<td>Allegation of counselor not being empathetic</td>
<td>Yes</td>
<td>7/21/2021</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>7/21/2021</td>
<td>L&amp;C SAO Hotline</td>
<td>Other: Fraud</td>
<td>Member</td>
<td>Allegation of fraud related to member's account</td>
<td>Yes</td>
<td>7/23/2021</td>
<td></td>
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<tr>
<td>#</td>
<td>Date Received</td>
<td>Department</td>
<td>Source</td>
<td>Complaint Category</td>
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<td>Brief Statement of Complaint</td>
<td>Response provided/Resolved</td>
<td>Resolution Date</td>
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<tr>
<td>10</td>
<td>7/23/2021</td>
<td>Benefit Services</td>
<td>After visit survey</td>
<td>Quality of Service Provided: Incorrect information provided/entered</td>
<td>Member</td>
<td>Complaint regarding guest WIFI password being incorrect</td>
<td>Yes</td>
<td>7/23/2021</td>
</tr>
<tr>
<td>11</td>
<td>7/26/2021</td>
<td>Benefit Services</td>
<td>Compact with Texans</td>
<td>Quality of Service Provided: Timeliness of response</td>
<td>Beneficiary</td>
<td>Allegation of timing delay in the distribution of death benefits</td>
<td>Yes</td>
<td>7/27/2021</td>
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<tr>
<td>12</td>
<td>8/10/2021</td>
<td>Benefit Services</td>
<td>After visit survey</td>
<td>Quality of Service Provided: Incorrect information provided/entered</td>
<td>Member</td>
<td>Allegation of incomplete information provided regarding retirement eligibility</td>
<td>Yes</td>
<td>9/7/2021</td>
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<tr>
<td>13</td>
<td>8/20/2021</td>
<td>Benefit Services</td>
<td>Ombuds</td>
<td>Quality of Service Provided: Timeliness of response; Incorrect Information Provided</td>
<td>Beneficiary</td>
<td>Allegation of timing delay in the distribution of death benefits</td>
<td>Yes</td>
<td>8/24/2021</td>
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<td>14</td>
<td>9/2/2021</td>
<td>Benefit Services</td>
<td>After visit survey</td>
<td>Quality of service: Extended wait time</td>
<td>Member</td>
<td>Complaint regarding phone wait time</td>
<td>Yes</td>
<td>10/15/2021</td>
</tr>
<tr>
<td>15</td>
<td>9/13/2021</td>
<td>Executive</td>
<td>Compact with Texans</td>
<td>Quality of Service Provided: Timeliness of response</td>
<td>Beneficiary</td>
<td>Allegation of timing delay in the distribution of death benefits</td>
<td>Yes</td>
<td>9/13/2021</td>
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<td>16</td>
<td>9/16/2021</td>
<td>Executive</td>
<td>Ombuds</td>
<td>Quality of Service Provided: Timeliness of response</td>
<td>Member</td>
<td>Allegation of timing delay in processing a refund</td>
<td>Yes</td>
<td>9/16/2021</td>
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<tr>
<td>17</td>
<td>9/16/2021</td>
<td>Benefit Services</td>
<td>After visit survey</td>
<td>Incorrect information provided/entered: Incomplete information</td>
<td>Member</td>
<td>Allegation of incomplete information provided regarding years of service</td>
<td>Yes</td>
<td>Two attempts: 9/27 and 9/29</td>
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<tr>
<td>18</td>
<td>9/22/2021</td>
<td>Benefit Services</td>
<td>After visit survey</td>
<td>Quality of Service Provided: Incomplete information provided</td>
<td>Member</td>
<td>Allegation of inconsistent information provided by TRS counselors</td>
<td>Yes</td>
<td>10/12/2021</td>
</tr>
<tr>
<td>19</td>
<td>9/28/2021</td>
<td>Benefit Services</td>
<td>After visit survey</td>
<td>Quality of Service Provided: Timeliness of response</td>
<td>Member</td>
<td>Allegation of timing delay in mailing the requested documents</td>
<td>Yes</td>
<td>Two attempts on 10/04</td>
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</table>
# Point-in-Time Complaints

## October 2021

<table>
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<tr>
<th>#</th>
<th>Date Received</th>
<th>Department</th>
<th>Source</th>
<th>Complaint Category</th>
<th>Complainant</th>
<th>Brief Statement of Complaint</th>
<th>Response provided/Resolved</th>
<th>Resolution Date</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>10/1/2021</td>
<td>Benefit Services</td>
<td>After visit survey</td>
<td>Quality of service: Extended wait time</td>
<td>Member</td>
<td>Complaint regarding phone wait time</td>
<td>Yes</td>
<td>10/12/2021</td>
</tr>
<tr>
<td>2</td>
<td>10/2/2021</td>
<td>Benefit Services</td>
<td>After visit survey</td>
<td>Quality of service: Incorrect information provided; Timing delay</td>
<td>Member</td>
<td>Allegation of delay in mailing the package and conflicting information provided by TRS counselors</td>
<td>Yes</td>
<td>9/30/2021</td>
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<td>10/7/2021</td>
<td>Benefit Services</td>
<td>After visit survey</td>
<td>Quality of Service Provided: Incomplete information provided</td>
<td>Member</td>
<td>Allegation of incorrect and incomplete information provided</td>
<td>Yes</td>
<td>10/26/2021</td>
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<tr>
<td>4</td>
<td>10/7/2021</td>
<td>Benefit Services</td>
<td>After visit survey</td>
<td>Incorrect information provided/entered: Human error</td>
<td>Member</td>
<td>Allegation of incorrect information regarding the appointment time</td>
<td>Yes</td>
<td>10/28/2021</td>
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<td>5</td>
<td>10/7/2021</td>
<td>Benefit Services</td>
<td>After visit survey</td>
<td>Quality of service: Extended wait time</td>
<td>Member</td>
<td>Complaint regarding phone wait time</td>
<td>Yes</td>
<td>10/29/2021</td>
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<tr>
<td>6</td>
<td>10/7/2021</td>
<td>Executive Compact with Texans</td>
<td>Quality of Service Provided: Timeliness of response</td>
<td>Beneficiary</td>
<td>Allegation of timing delay in distributing death benefits</td>
<td>Yes</td>
<td>10/7/2021</td>
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<td>7</td>
<td>10/12/2021</td>
<td>Executive Compact with Texans</td>
<td>Quality of Service Provided: Timeliness of response</td>
<td>Beneficiary</td>
<td>Allegation of timing delay in distributing death benefits</td>
<td>Yes</td>
<td>10/12/2021</td>
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<td>8</td>
<td>10/15/2021</td>
<td>Executive Compact with Texans</td>
<td>Quality of Service Provided: Timeliness of response</td>
<td>Member</td>
<td>Allegation of delay in processing retirement payments</td>
<td>Yes</td>
<td>10/15/2021</td>
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<td>9</td>
<td>10/19/2021</td>
<td>L&amp;C Email to CCO Other: Fraud</td>
<td>Member</td>
<td>Allegation of fraud related to member's account</td>
<td>Yes</td>
<td>10/21/2021</td>
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</tr>
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</table>
Business Administration – Procurement and Contracting Report

Martin Cano
December 7, 2021
The Procurement and Vendor E-System (PAVES) training is ongoing

51 TRS employees took the State Contract Management Training and 33 TRS contract managers have become Certified Texas Contract Managers with the State of Texas

P&C provided TRS Contract Manager training at the end of October

HUB training was provided in November

Comptroller of Public Accounts completed the Contracts Audit. Overall, TRS received a Compliant rating.
Review of TRS contracts and solicitations with a value of $1 million or more a year

- 1 - Executed Contracts
- 0 - Executed Health Care Contracts
- 1 - FY22 Solicitations
TEAM – WHERE WE ARE NOW

INCREMENITAL RELEASE PROGRESS

<table>
<thead>
<tr>
<th>CY 21</th>
<th>CY 22</th>
<th>CY 23</th>
<th>CY 24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
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</tbody>
</table>

Completed
On time

PAYMENT ADDRESSES

WEB SELF-SERVICE / MY TRS

REPORT OF DEATH

RETIREMENT APPLICATION & DEATH CLAIM PROCESSING

ANNUITY PAYROLL & TAX REPORTING

Key Goals

- 10/06/2021 – Pension Web Self-Service Regression Testing by IT (START)
- 10/07/2021 - Payment Address Release User Acceptance Testing (UAT) (END)
- 10/20/2021 – Payment Address Quality Gate Checkpoint – UAT Exit
- 1/25/2021 – Payment Address Go-Live
- 12/21/2021 – Retirement Application & Death Claims Processing IT Regression Testing Round One (START)

TEAM Budget Update

- Current Budget
- Current Spend

TEAM actual cost are currently trending under Budget
*Projected TEAM budget remains under targeted spend for duration of the project

TEAM – WHERE WE ARE NOW

INCREMENITAL RELEASE PROGRESS

<table>
<thead>
<tr>
<th>CY 21</th>
<th>CY 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCT</td>
<td>NOV</td>
</tr>
<tr>
<td>DEC</td>
<td>JAN</td>
</tr>
<tr>
<td>FEB</td>
<td>MAR</td>
</tr>
<tr>
<td>APR</td>
<td>MAY</td>
</tr>
<tr>
<td>JUN</td>
<td>JUL</td>
</tr>
<tr>
<td>AUG</td>
<td>SEPT</td>
</tr>
</tbody>
</table>

06-04-LIVE

WEB SELF-SERVICE / MY TRS

RETIREMENT APPLICATIONS & DEATH CLAIMS

BAA / ANNUITY PAYROLL & TAX

Key Status Updates

Achievements
- 10/06/2021 – Pension Web Self-Service Regression Testing by IT (START)
- 10/07/2021 - Payment Address Release User Acceptance Testing (UAT) (END)
- 10/20/2021 – Payment Address Quality Gate Checkpoint – UAT Exit
- 1/25/2021 – Payment Address Go-Live
- 12/21/2021 – Retirement Application & Death Claims Processing IT Regression Testing Round One (START)

Key Goals Upcoming
- 12/12/2021 – Pension & Health Line of Business Systems Production Release (Calendar Year End)
- 12/15/2021 - Pension Web Self-Service Cutover Dry Run
- 01/17/2022 - Pension Web Self-Service User Acceptance Testing (START)
Payment Address Release - Quality

Payment Address Release

- Payment Address went live on October 25th as planned
- Defect Score at Go-Live = 54 (well below goal of <=225)
- Defect Detection Efficiency = 96% one week after Go-Live
- Twice daily “Control Room” meetings with Business & IT to address issues quickly
Improvements with Payment Address

- No interruptions to member service
- Process automation
- Real time processing of changes with December maintenance release
<table>
<thead>
<tr>
<th>CY 21</th>
<th>CY 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCT</td>
<td></td>
</tr>
<tr>
<td></td>
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</tr>
</tbody>
</table>

Current Date
TEAM Budget Update

Amounts in millions

FY21: $17.8
- Current Budget: $15.7 (88% Spent)

FY22: $17.3
- Current Budget: $8.4 (49% Spent)

FY23*: $14.0

FY24*: $14.0

FY25*: $12.0

TEAM actual costs are currently trending under budget.
*Projected TEAM budget remains under targeted spend for duration of the project.
<table>
<thead>
<tr>
<th>TASK</th>
<th>DUE DATE</th>
<th>ACTUAL</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
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<td>10/06/21</td>
<td>Completed</td>
</tr>
<tr>
<td>43</td>
<td>10/07/21</td>
<td>10/07/21</td>
<td>Completed</td>
</tr>
<tr>
<td>44</td>
<td>10/20/21</td>
<td>10/20/21</td>
<td>Completed</td>
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<td>10/25/21</td>
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<td>Completed</td>
</tr>
<tr>
<td>46</td>
<td>12/12/21</td>
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<tr>
<td>47</td>
<td>12/15/21</td>
<td></td>
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</tr>
<tr>
<td>48</td>
<td>01/17/21</td>
<td></td>
<td>Pending</td>
</tr>
</tbody>
</table>
TAB 8
Board of Trustees
IPA Update

For reporting period 08-22-21 to 11-08-21
A One-Team culture
Communicate and collaborate with consistency, transparency and bridging the gap from dev team to leadership

Embedding within the Team
Provide solutions and expert guidance to key TRS and partner stakeholders

Being Independent
Speak the truth with open dialogue with senior leaders

Forward Looking
Identify issues and risk before they become critical

Solution Focused
Assesses the program with effective program governance model, technical solution and program management

Success Driven
Everything we do is anchored to what will make the TRS TEAM program successful

Program Governance
Benefit realization and sustainability

Product Management
Processes, controls, and predictability

Technical Solution
Requirements development, Quality, and transition

Future Review
Portfolio Governance
Technical Solution
Program Management
Remaining Facets for Initial Review Schedule

Program Governance
Benefit realization and sustainability

Business case integrity
Quality management
Risk management
Scope management
Human resource management
Procurement management
Time management
Cost management
Integration management

Capability and maturity
Complexity profile
Decision Framework
Communications management
Governance effectiveness
Methodology and development
Sustainability model
Business continuity and recovery

Performance management
Organizational change management
Compliance and regulatory
Testing and validation
Requirements engineering and design
Technical infrastructure

Benefits design and realization
Governance effectiveness
Cutover and support
Security and controls
Data management

Cutover and support

Program Governance
Benefit realization and sustainability

Product Management
Processes, controls, and predictability

Business case integrity
Risk management
Scope management
Human resource management
Procurement management
Time management
Cost management
Integration management

Data management

Technical Solution
Requirements development, Quality, and transition

Business continuity and recovery
Technical infrastructure
Requirements engineering and design
Testing and validation
Governance effectiveness

Data management

December
January
February
Our assessment grading scale is targeted for optimal program growth for TEAM and establishing a baseline to improve upon. The goal is not to be a perfect 10 but to improve components of the program to increase productivity and effectiveness of the product implementation.

<table>
<thead>
<tr>
<th>Grading Range</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Not Agile TEAM program needs improvement</td>
</tr>
<tr>
<td>1</td>
<td>Transition Agile TEAM conducting fundamental agile</td>
</tr>
<tr>
<td>2</td>
<td>Optimal Range Where TEAM Program wants to be</td>
</tr>
<tr>
<td>3</td>
<td>Pure Agile Not what TEAM program is striving for</td>
</tr>
<tr>
<td>4</td>
<td>Activities/functions are not defined and performed in an ad-hoc manner or process aren't stable and consistent across functions and teams</td>
</tr>
<tr>
<td>5</td>
<td>Activities/functions are defined, fairly stable and consistent across functions and teams. And are being performed at a proficient level</td>
</tr>
<tr>
<td>6</td>
<td>All functions and teams are high performing, aligned, continually optimizing and leading practices are engrained in the daily activities. High level of automation.</td>
</tr>
</tbody>
</table>
Setting the stage

Background

- TEAM agreed to meet monthly to evaluate future and current risks
- TEAM has increased its consistency in the use of story point for work planning as well as, its efficiency in completing actual vs planned work
- TEAM incorporating risk planning at scrum team levels
- TEAM currently evaluating opportunity areas to increase efficiency in resource allocation methodology.

Grading scale

<table>
<thead>
<tr>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
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</thead>
<tbody>
<tr>
<td>Not defined and performed in an ad-hoc manner</td>
<td>Are defined, fairly stable and consistent across functions and teams</td>
<td>High performing, aligned, continually optimizing and leading practices</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Process aren’t stable and consistent</td>
<td>Performed at a proficient level</td>
<td>High level of automation.</td>
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</tr>
</tbody>
</table>

Risk Management

- Program facets have improved review area scores
  - 5
  - TEAM increasing cadence of risk evaluation at program and scrum team levels

Scope

- Development backlog is documented, however, scope can increase due to defects, M&E and new requirements.
  - 9

Schedule

- Payment Address (PADR) functionality released as expected. Project remains on schedule.
  - 9

Cost

- Current budget based on internal human resources at fixed costs. WSS delay will not extend current costs beyond fiscal year.
  - 9

EY IPA team is working daily with the TRS TEAM program to cultivate relationships and a robust understanding across the entire program.
TEAM Program summary

Overall Rating: 5.44

Trends and KPI’s

5.8 Program Governance
5.1 Product Management
5.3 Technical Solution

Wall of Fame

Increased Schedule Performance
User Experience Adaptation
Increased cadence in Risk Assessments

Quick Wins

Earned Value Management KPI’s & Dashboards
Incorporation of risk planning

Risks

Multiple sources of data & manual processes for reporting
Legislative Session Delays

Areas of Opportunity

Human Resource project methodology
Project Forecasting
Customer & Business-Centric Prioritization
### Trends and KPIs

<table>
<thead>
<tr>
<th>Facet</th>
<th>Area of Review</th>
<th>Initial</th>
<th>Previous</th>
<th>November '21</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEAM Program</td>
<td>Overall Program Health</td>
<td>4.42</td>
<td>4.93</td>
<td>5.44</td>
</tr>
<tr>
<td>Program Governance</td>
<td>Decision framework</td>
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<tr>
<td></td>
<td>Organizational change management</td>
<td>7</td>
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<tr>
<td></td>
<td>Performance management</td>
<td>4</td>
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<td>5</td>
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<tr>
<td></td>
<td>Governance effectiveness</td>
<td>5</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Benefits design and realization</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td></td>
<td>Business Case Integrity</td>
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<tr>
<td>Product Management</td>
<td>Quality management</td>
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<td>4</td>
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</tr>
<tr>
<td></td>
<td>Risk management</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Communications management</td>
<td>6</td>
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<td>6</td>
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<tr>
<td></td>
<td>Scope Management</td>
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<td>5</td>
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<td>Time Management</td>
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<td>Cost Management</td>
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<td></td>
<td>Integration Management</td>
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<tr>
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<td>Human Resource Management</td>
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<tr>
<td>Technical Solution</td>
<td>Methodology and development</td>
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<td>5</td>
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<tr>
<td></td>
<td>Testing and validation</td>
<td>4</td>
<td>6</td>
<td>6</td>
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<tr>
<td></td>
<td>Cutover and support</td>
<td>5</td>
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<td>6</td>
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<tr>
<td></td>
<td>Sustainability model</td>
<td>4</td>
<td>5</td>
<td>5</td>
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<tr>
<td></td>
<td>Requirements Engineering and Design</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Technical Infrastructure</td>
<td>6</td>
<td>N/A</td>
<td>6</td>
</tr>
</tbody>
</table>

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*As the program advances, we will bring in additional areas of review and rank them.

---

**Legend**
- ![Increase over previous month](icon-up.png)
- ![No improvement over previous month](icon-stable.png)
- ![Decrease over previous month](icon-down.png)
- ![Detailed review not prioritized.](icon-dash.png)
- ![Review Area assessed during period.](icon-circle.png)
Questions?
Teacher Retirement System of Texas
Board Overview
C-Suite Evaluations

December 2021

Presented by:
Keith Robinson
Managing Partner
Steps and Timeline

- Overview Process
  - August - September 2021

- Online Competency Rating and Board Interviews
  - September 20 – October 8

- FCG Data Analysis and Report Generation
  - October 11 – October 29

- Report Review and Feedback – Participants
  - Week of November 1

- Report Review and Feedback – TRS Board
  - December 7 – December 8
Teacher Retirement System of Texas

Actuarial Valuation as of August 31, 2021
Actuarial Valuation

• Prepared as of August 31, 2021 using member data, financial data, benefit and contribution provisions, actuarial assumptions and methods as of that date

• A “Health checkup” for TRS:
  • Determine adequacy of current statutory contributions
  • Measure the actuarial liabilities
  • Explain changes in actuarial condition of TRS
  • Track changes over time
  • Warn about possible future problems and issues
  • Provide other information for reporting
    - Annual Comprehensive Financial Report
    - Accounting results provided under separate report
2021 Valuation Results

- As shown, 2021 results came in better than projected from last year due to the strong fiscal year 2021 investment performance
- 23 Year funding period would end in 2044, 4 years ahead of original projections in SB 12

<table>
<thead>
<tr>
<th></th>
<th>Actual 2021 Valuation</th>
<th>Projected 2021 Valuation</th>
<th>2020 Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on Smoothed Asset Value</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>UAAL ($ Billions)</td>
<td>47.6</td>
<td>51.9</td>
<td>50.6</td>
</tr>
<tr>
<td>Actuarial Funded Ratio</td>
<td>79.1%</td>
<td>77.1%</td>
<td>76.8%</td>
</tr>
<tr>
<td>Funding Period in years*</td>
<td>23</td>
<td>26</td>
<td>27</td>
</tr>
</tbody>
</table>

*Assumes current scheduled statutory contribution rates continue
Investment Returns and Contributions

• Estimated market return for plan year ended August 31, 2021 was 25%, compared to the 7.25% assumption
  – Approximately 11.3% last 5 years
  – Approximately 9.6% last 10 years
  – Approximately 7.6% last 20 years

• Contribution Schedule

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Base Rate</th>
<th>Employer Supplemental</th>
<th>Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>7.50%</td>
<td>1.60%</td>
<td>7.70%</td>
</tr>
<tr>
<td>2022</td>
<td>7.75%</td>
<td>1.70%</td>
<td>8.00%</td>
</tr>
<tr>
<td>2023</td>
<td>8.00%</td>
<td>1.80%</td>
<td>8.00%</td>
</tr>
<tr>
<td>2024</td>
<td>8.25%</td>
<td>1.90%</td>
<td>8.25%</td>
</tr>
<tr>
<td>2025 and Beyond</td>
<td>8.25%*</td>
<td>2.00%*</td>
<td>8.25%</td>
</tr>
</tbody>
</table>

* Blended Employer Rate approximately 9.50%
TRS Board’s Adopted Funding Policy: Monitoring Progress

• From Board Policy
  – “A declining UAAL over time will evidence that contribution and benefit policies are being implemented consistent with Tex. Gov’t Code § 802.2011.”

• Section 802.2011
  “(b) The governing body of a public retirement system shall:
    (1) adopt a written funding policy that details the governing body’s plan for achieving a funded ratio of the system that is equal to or greater than 100 percent;”
What is the UAAL?

• Unfunded Actuarial Accrued Liability

• The Actuarial Accrued Liability (AAL) is the target value of assets to be in the trust on the valuation date to cover the value of all benefits that have been earned through that date.

• Thus, the UAAL is the difference between that target value of assets and the actual value of assets on the valuation date.

• Or, it is a measure of how far behind (or potentially ahead) the accumulation of assets is compared to the amount needed to provide the already accrued benefits.
Why focus on the UAAL?

• An increasing UAAL means the accumulation of assets is falling further behind the target

• A declining UAAL (especially for a number of years in a row) means the package of benefits, funding, and investments is strengthening in comparison to the target

• It provides a simple, objective way to monitor the trends of the System
  – If the UAAL is declining, all other metrics will also be improving
The UAAL declined from 2020 to 2021.

This was not expected. In fact, the UAAL was not expected to decline year over year until 2028.

The strong recent investment performance, along with following through on the commitment to increase funding and immediate financing of benefit enhancements, has accelerated the financing of the UAAL.
One year does not make a trend

Even more than one year of decline does not guaranty future improvement

However, there has to be one year of decline, and then two, before there can be more
The above assumes all assumptions exactly met, including 7.25% annual investment returns projected from the smoothed assets, level active population, assumes no changes to benefit policy, and assumes SB12 contribution policy remains throughout projection period.

Policies put in place in SB12 continue to put the System on an appropriate path and will save the State significant money over the long term.

The projected date of full funding is 4 years less than original SB12 projections.
Market and Smoothed Values of Assets

$ in billions


$225 $200 $175 $150 $125 $100 $75 $50 $25

$225 $200 $175 $150 $125 $100 $75 $50 $25

(MVA was 8.4% higher)

(MVA was 13.5% higher)

(MVA is 11.7% higher)

$90.0 $103.4 $112.1 $201.8 $180.6

$79.3

$25 $50 $75 $100 $125 $150 $175 $200 $225

Market

Smoothed
What the deferred gains does for TRS: Projected Growth of Market and Actuarial Assets

• The valuation has estimated the UAAL will be reduced to $0 in 23 years
• To do so, it assumes 7.25% will be earned starting from the **smoothed** basis
  – Meaning will generate 7.25% annual returns compounding from the $180.6b
• With $201.8b actually in the trust, could generate less than 7.25% on a market basis and still reduce the UAAL to $0 in 23 years
  – The $21.2 deferred gains are there to fill in gaps if needed
  – For example, could generate about 6% on a market basis for the next decade and then 7.25% thereafter and reduce the UAAL to $0 in 23 years
  – Or, could generate about 6.6% annual market returns for all 23 years and still reduce the UAAL to $0 in 23 years
# Mortality Experience from COVID-19

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Retirees</th>
<th>Deaths</th>
<th>Crude Mortality %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>327,201</td>
<td>8,079</td>
<td>2.47%</td>
</tr>
<tr>
<td>2017</td>
<td>341,128</td>
<td>8,228</td>
<td>2.41%</td>
</tr>
<tr>
<td>2018</td>
<td>350,837</td>
<td>8,650</td>
<td>2.47%</td>
</tr>
<tr>
<td>2019</td>
<td>361,868</td>
<td>8,701</td>
<td>2.40%</td>
</tr>
<tr>
<td>2020</td>
<td>373,797</td>
<td>10,451</td>
<td>2.80%</td>
</tr>
<tr>
<td>2021</td>
<td>383,000</td>
<td>11,386</td>
<td>2.97%</td>
</tr>
</tbody>
</table>

Approximately 2,080 more deaths than projected.
Summary

• Investment performance far exceeded expectations

• Full funding now projected 4 years earlier (2044) than projections from SB 12

• If all statutory contribution levels continue:
  – Considering the amount of deferred investment gains from FY2021, projections have an expectation of the UAAL continuing to decline
  – 23 year funding period is the lowest since 2001

• The Board’s funding policy provides a strong mechanism for protecting the System
GASB 74 Overview
OPEB – Other Post Employment Benefits

• The TRS-Care valuation satisfies an accounting requirement
  – There is no requirement to prefund; most OPEB benefits are unfunded
  – Monitor trends: significant plan changes and cost management

• Employer reporting
  – Participating employers and the State are allocated shares of the overall OPEB liabilities and expense
  – Total Net OPEB Liability as a ratio of covered-employee payroll slightly decreased from last year, from 101% to 100%
    ○ Net OPEB liability was roughly 230% of payroll prior to 2017 changes
August 31, 2021 Net OPEB Liability

- The GASB 74 Net OPEB Liability increased by $0.6 billion from 8/31/2020 to 8/31/2021

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Total OPEB Liability</td>
<td>$41.1</td>
<td>$40.0</td>
<td>$48.6</td>
<td>$50.7</td>
<td>$43.9</td>
<td>$77.4</td>
</tr>
<tr>
<td>Plan Fiduciary Net Position</td>
<td>$2.5</td>
<td>2.0</td>
<td>1.3</td>
<td>0.8</td>
<td>0.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Net OPEB Liability</td>
<td>$38.6</td>
<td>$38.0</td>
<td>$47.3</td>
<td>$49.9</td>
<td>$43.5</td>
<td>$76.8</td>
</tr>
<tr>
<td>Net Benefit Payments</td>
<td>$0.50</td>
<td>$0.55</td>
<td>$0.54</td>
<td>$0.88</td>
<td>$1.00</td>
<td>$1.10</td>
</tr>
<tr>
<td>Discount Rate (GASB 74)</td>
<td>1.95%</td>
<td>2.33%</td>
<td>2.63%</td>
<td>3.69%</td>
<td>3.42%</td>
<td>2.98%</td>
</tr>
</tbody>
</table>

- $0.6 billion increase =
  - 2.0 billion expected increase
  - +2.6 billion increase due to lower discount rate
  - - 4.0 billion experience gain primarily to favorable claims experience
Pre-funding Option

- Net OPEB Liability as of 8/31/2021 would be $16.7 billion using a 7.25% discount rate
- To advance fund the program, using a 30-year amortization period, would require a contribution increase of 1.25% of payroll

<table>
<thead>
<tr>
<th>Amortization period</th>
<th>30-years</th>
<th>25-years</th>
<th>20-years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active employees</td>
<td>0.65%</td>
<td>0.65%</td>
<td>0.65%</td>
</tr>
<tr>
<td>Local employers</td>
<td>0.75%</td>
<td>0.75%</td>
<td>0.75%</td>
</tr>
<tr>
<td>Current State</td>
<td>1.25%</td>
<td>1.25%</td>
<td>1.25%</td>
</tr>
<tr>
<td>Additional Pre-Funding</td>
<td><strong>1.25%</strong></td>
<td><strong>1.52%</strong></td>
<td><strong>1.93%</strong></td>
</tr>
<tr>
<td>Total Actuarially Determined Contribution (ADC)</td>
<td>3.90%</td>
<td>4.17%</td>
<td>4.58%</td>
</tr>
</tbody>
</table>
Experience Study Overview
**Background**

**What**
- Regularly scheduled review of assumptions and methods

**Purpose**
- Evaluate the accuracy of the assumption set

**Why**
- Required by statute and Board’s Pension Funding Policy

**Process**
- Actuary gathers data, performs analysis, and makes recommendations
- Board considers recommendations and makes a final decision on the assumption set prior to calculation of the FY 2022 valuation

**Timing**
- Overview in December
- Summary of results and discussion in February
- Final decision in April or July
TRS of Texas
Experience Study Kickoff

December 8, 2021
Agenda

• Purpose of Experience Study
• How Recent Experience Should Guide Recommendations
• Investment Return Assumption
• What to Expect in Report and Next Meeting
Purpose of Experience Study

• Assumptions should occasionally change to reflect
  – New information and changing knowledge
  – Changing patterns of retirements, terminations, mortality, etc.

• Experience study is a regularly scheduled review of the assumptions and methods
  – The Board’s Funding Policy have a scheduled study every four years

• General process for setting assumptions and methods
  – Actuary gathers data and performs the analysis
  – Actuary makes recommendations
  – Board considers actuary’s recommendation and makes the final decision for the TRS valuations
Inside the Actuarial Valuation: Projecting the Liability for Each Member

What is the probability the member reaches retirement? (Termination assumption)

When will the member retire? (Retirement assumption)

How much will the benefit be? (Salary increase assumption)

How long will the benefit be paid? (Mortality assumption)

Hired at age 30

Retire with annual benefit

Receive benefit for remaining lifetime

What investment earnings will be available to help pay the benefits?

What overall payroll will be available to provide contributions?
Recent Demographic Experience

• Since the previous experience study, the average non-investment actuarial gain or loss in the valuation has been a $100 million gain, or 0.04% of projected liabilities.

• Thus, there does not appear to be a reason for a meaningful change from those sources.
Investment Return Assumption

• It is the most meaningful assumption in the process
  – Changes the current results the most when changed
  – Impacts future results the most if experience deviates from the assumption

• Unfortunately, it is also the most subjective of the assumptions
Why is it so important?

- This assumption is used to predict what percentage of a future benefit payments will be covered by investment return and what percentage by contributions.

- Lower Returns/Higher Contributions
TRS’ Recent History

- Used 8% for more than 30 years
- In the 2017 experience study, data was compelling that the assumption needed to decrease
  - With recommendations from GRS and Aon, Board decreased the assumption to 7.25%
- This put the System into a meaningfully underfunded position and required sizable reform in the 2019 legislative session
  - Significant commitment to increased contributions from the active members, employers, and the State
  - Increases phased in over a six year period beginning in fiscal year 2020
- Since, then, annual valuation results have tracked with, if not exceeded, the original projections
Investment Return Assumption – National Trends

Change in Median and Average Public Pension Plan Investment Return Assumption

NASRA Aug-21

Fiscal Year

01 03 05 07 09 11 13 15 17 19 21 22

8.0%
7.8%
7.6%
7.4%
7.2%
7.0%
6.8%

Average 7.06%
Median 7.0%

GRS Retirement Consulting
Teacher Retirement System of Texas
Long-Term Portfolio Risk/Return Expectations
Fourth Quarter 2021
Overview

- TRS requested Aon Investments USA, Inc. (Aon) provide its capital market assumptions for the investment program
- The table below reflects the TRS long-term asset allocation policy

- The following slides provide the expected risk and return for each asset class above as well as the expected distribution of outcomes for the Plan over time
- The next section of this document outlines how our assumptions compare to other providers
## Capital Market Assumptions & Expected Results - Fourth Quarter 2021

<table>
<thead>
<tr>
<th>TRS Asset Class</th>
<th>Aon Asset Class</th>
<th>Policy</th>
<th>10 Year Expected Return</th>
<th>10 Year Expected Risk</th>
<th>30 Year Expected Return</th>
<th>30 Year Expected Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stable Value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasuries</td>
<td>Long Duration Government</td>
<td>16%</td>
<td>2.3%</td>
<td>9.5%</td>
<td>2.5%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Stable Value Hedge Funds</td>
<td>Allocation based blend</td>
<td>5%</td>
<td>4.5%</td>
<td>7.7%</td>
<td>4.9%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>Absolute Return</td>
<td>0%</td>
<td>3.2%</td>
<td>12.0%</td>
<td>4.1%</td>
<td>13.0%</td>
</tr>
<tr>
<td><strong>Global Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>US market weighted blend</td>
<td>18%</td>
<td>5.7%</td>
<td>17.9%</td>
<td>6.2%</td>
<td>18.5%</td>
</tr>
<tr>
<td>Non-US Developed</td>
<td>Non-US Developed Equity</td>
<td>13%</td>
<td>6.5%</td>
<td>20.0%</td>
<td>6.9%</td>
<td>20.5%</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>Non-US Emerging Equity</td>
<td>9%</td>
<td>7.0%</td>
<td>27.0%</td>
<td>7.5%</td>
<td>27.5%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>Private Equity</td>
<td>14%</td>
<td>8.8%</td>
<td>26.0%</td>
<td>9.3%</td>
<td>26.8%</td>
</tr>
<tr>
<td><strong>Real Return</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate &amp; Other Real Assets</td>
<td>Private Real Estate (Core)</td>
<td>15%</td>
<td>5.6%</td>
<td>15.0%</td>
<td>5.4%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Energy &amp; Natural Resources</td>
<td>Infrastructure &amp; Commodities</td>
<td>6%</td>
<td>7.1%</td>
<td>14.5%</td>
<td>7.2%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Commodities</td>
<td>Commodities</td>
<td>0%</td>
<td>4.0%</td>
<td>17.0%</td>
<td>4.4%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Risk Parity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Parity</td>
<td>Risk Parity (12% Vol)</td>
<td>8%</td>
<td>5.0%</td>
<td>12.0%</td>
<td>5.2%</td>
<td>12.0%</td>
</tr>
<tr>
<td><strong>Leverage</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>Cash (Government)</td>
<td>2%</td>
<td>1.5%</td>
<td>1.0%</td>
<td>1.9%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Asset Allocation Leverage</td>
<td>Cash (Libor)</td>
<td>-6%</td>
<td>1.7%</td>
<td>1.5%</td>
<td>2.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td><strong>Expected Results</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>100%</td>
<td>6.9%</td>
<td>13.7%</td>
<td>7.2%</td>
<td>14.1%</td>
</tr>
</tbody>
</table>
Forward-Looking Distribution of Expected Returns

- In any one-year period, the Pension Plan is expected to return between -13.2% and +31.6% with a 90% degree of certainty (the 95th and 5th percentiles)
  - There is a 50% probability that the return will be between -1.8% and +16.4% (the 25th and 75th percentiles)

- Over multi-year periods, there is a tighter band in the range of outcomes
  - Over a five-year period, there is a 90% chance that the annualized return will be between -2.6% and +17.3%, and a 50% chance that the annualized return will be between +2.9% and +11.1%

10 Year Assumptions
10 and 30 Year Probabilistic Returns

- The table below describes the probability of achieving specific levels of annualized return over 10 and 30 years
  - There is just under a 50% chance of achieving an annualized return of 7.25% over the next 10-year period
  - Over a thirty-year period, the probability of a 7.25% is 50%

### Range of Return Outcomes

<table>
<thead>
<tr>
<th></th>
<th>6.75%</th>
<th>7.00%</th>
<th>7.25%</th>
<th>7.50%</th>
<th>7.75%</th>
<th>8.00%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>10 Year Horizon</strong></td>
<td>52%</td>
<td>49%</td>
<td>47%</td>
<td>45%</td>
<td>42%</td>
<td>40%</td>
</tr>
<tr>
<td><strong>30 Year Horizon</strong></td>
<td>58%</td>
<td>54%</td>
<td>50%</td>
<td>46%</td>
<td>42%</td>
<td>38%</td>
</tr>
</tbody>
</table>
Inflation Expectations

- Common approach is to use market implied break-even inflation rates (the difference between yields on nominal and inflation-linked government bonds of equivalent maturity or duration)

- We do not believe that Break-Even Inflation is a good estimator of future inflation
  - Break-even inflation = Expected Inflation + Inflation Risk Premium (IRP)
  - Inflation is a risk for many investors and therefore a premium is demanded to protect against it. Therefore, we would expect IRP > 0 in the long-term
  - Break-even is affected by lots of things unrelated to inflation expectations

- Aon Inflation assumption based on consensus forecasts
  - Principal source is Consensus Economics
  - Supplement with other sources (e.g., Philadelphia Fed)

- Current 10-year Inflation forecast = 2.2%
  - The same as the level in the previous quarter
Assumptions of Other Institutions
Aon Investments’ Capital Market Assumptions vs. Horizon Survey

Expected Geometric Returns of 39 Investment Advisors
(10 Year Forecast)

SOURCE: Horizon Actuarial Solutions, LLC survey of 2021 capital market assumptions from 39 independent investment advisors
Expected returns of the survey are annualized over 10-years (geometric).
Aon Investments’ expected returns are annualized over 10-years as of 2Q 2021 (3/31/2021)
Leading Methodologies & Reasons for Differences

### Leading Methodologies
- Building Block
- Global Capital Asset Pricing Model (Global CAPM)
- Surveys
- Historical data (as a guide to future)
- Black-Litterman (combination of building block and CAPM)

### Reasons for Differences
- Methodology
- Time Horizon
- Arithmetic vs. Geometric forecasts*
- Alpha (active management)*
- Inflation
- Investment Fees*
- Asset class definition

*While some firms in the Horizon survey responded with arithmetic forecasts, the results have been converted to geometric forecasts for comparison purposes. Additionally, the return expectations included in the Horizon survey are generally market returns that do not reflect active management. Returns for asset classes where passive investments are not available (e.g., hedge funds and private equity) are net of fees.
Appendix
Capital Market Assumptions

- What are they?
  - Aon’s asset class return, volatility and correlation assumptions
  - Long-term (10-year), forward-looking assumptions
    - These are separate from our Medium Term views
  - Best estimates (50/50 probability of better or worse long-term results than expected)
  - Market returns: no active management value added or fees (other than hedge funds and private equity, where traditional passive investments are not available)
  - Produced quarterly by Global Asset Allocation Team
<table>
<thead>
<tr>
<th>Coverage</th>
</tr>
</thead>
</table>

- Continually expanding coverage
- Equities and Bond assumptions formed at regional level for the U.S., U.K., Europe ex-U.K., Japan, Canada, Australia and Switzerland. Real estate assumptions for U.S., U.K., Canada and Europe

<table>
<thead>
<tr>
<th>Fixed Income</th>
<th>Equities</th>
<th>Alternatives</th>
<th>Macro Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal Government Bonds</td>
<td>All major regions covered including Emerging Markets</td>
<td>Hedge Funds (7 Single Strategies; Fund of Hedge Funds; Broad Hedge Funds)</td>
<td>Inflation</td>
</tr>
<tr>
<td>Inflation-linked Government Bonds</td>
<td>U.S. Large and Small Cap</td>
<td>Real Estate (Total Market, Core and U.S. REITs)</td>
<td>Currency Movements</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>Non-U.S. Developed and Emerging Markets</td>
<td>Private Equity</td>
<td></td>
</tr>
<tr>
<td>High Yield Debt</td>
<td>Global Equity</td>
<td>Infrastructure</td>
<td></td>
</tr>
<tr>
<td>Bank Loans</td>
<td>Equity Insurance Risk Premium (High Beta)</td>
<td>Commodities</td>
<td></td>
</tr>
<tr>
<td>Emerging Market Debt (Hard, Local, Corporate)</td>
<td></td>
<td>Equity Insurance Risk Premium (Low Beta)</td>
<td></td>
</tr>
<tr>
<td>Multi-Asset Credit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Debt (Direct Lending)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Volatility and Correlation

- We take a **forward-looking view** when setting volatility assumptions as opposed to using purely historic averages. The credit crisis demonstrated the dangers of relying solely on historical values.

- We consider:
  - **Implied volatilities** priced into option contracts of various terms
  - **Historical volatility** levels
  - The broad **economic/market environment**

- We assume that **volatilities are not constant over time**; we assume that the volatility of "risky" asset classes such as equities will be at historically high levels in the next few years before declining over time.

- For illiquid asset classes such as real estate, de-smoothing techniques are employed when assessing historic volatility levels.

- Correlation assumptions are formulated with reference to historic experience over different time periods and during different economic conditions
  - We take into account the fact that **correlations are highly unstable over time** and, in particular, we take into account the fact that correlations are very different in stressed environments.
Fees

- Objective is to develop return assumptions that reflect the cost of implementing an investment program
- Liquid, publicly traded asset classes are investable passively at very low cost
  - Fee assumption is zero
- For asset classes such as emerging market debt which cannot be invested in passively at very low cost, it is assumed for modeling purposes that manager alpha is offset by fees
- For real estate there is an allowance for the unavoidable costs associated with investing in a real estate portfolio. These include property management costs, trading costs and investment management expenses.
- For hedge funds, private equity and infrastructure, explicit fee assumptions are subtracted from expected returns; include base and performance-based fee/carry as appropriate
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Aon Investments USA Inc.
200 E. Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

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Aon’s Return Expectations for TRS Portfolio

• 2021 4th Quarter Expectations:
  – 10 Year: 6.90% median, 47% probability of 7.25%
  – 30 Year: 7.23% median, 50% probability of 7.25%

• From 2018 Experience Study:
  – 10 Year: 7.14% median, 49% probability of 7.25%
  – 30 Year: 7.34% median, 52% probability of 7.25%

• Thus, lower by 0.11%-0.24% or so
Next Meeting

• The Board will receive the full report prior to the meeting

• We will present the detail of the findings, along with any more information the Board wants to see (if any)
General Updates
Data Center Update
Special Honors and Acknowledgements
Upcoming Board Meeting Agendas
General Updates

Upcoming Conferences and Meetings:
- December 13, 2021: EC Retreat, Austin, TX
- January 19, 2022 TRS/ERS Emerging Manager Conference, Virtual

Past Meetings and Updates:
- October 10 – 12, 2021: NCTR 99th Annual Meeting, Virtual
- October 28, 2021: EC Retreat, Austin, TX
- November 11 – 14, 2021: NASRA Fall Executive Meeting, Park City, UT
- November 16, 2021: SPN Summit, Austin, TX
- December 1, 2021: GEDP CEO Panel, Austin, TX
- December 6, 2021: NCTR Administrative Assistants’ Workshop
Tuesday, December 14th

- TRS is partnering with Lake Hills Pharmacy
- To offer a scheduled Booster Clinic Onsite
- To limited number of employees, family members and non-TRS workers.
Data Center Update: Loading UP
Data Center Update: Heading Out with Escort
Data Center Update: Move Core Project Teams

Executive Sponsors
Chris Cutler
Chet Henry

Project Management Leads
Cristi Woods
Kyle Weigum
Lance Rayborn

Project Technical Leads
Randle Martin
Cole Strawbridge
Scott Thomas
Justin Krause

Communication Planning Leads
Michelle Barnett - OCM
Dena Riede – OCM
Kale Romberger - Communications

Business Continuity Leads
Robert Sosa
Michael Sullivan

ISO / Internal Audit Compliance Leads
Casey Schlageter - ISO
Kristi Glasgall - ISO
Mathew Fruth - IA
Nirmal Vincent - IA

Business Unit Planning Leaders
Monica Bernal - HIB
Denise Jimenez – HIB
David Cox – IMD
Andrea Drummond – IMD
Adam Fambrough – BP
Mark Chi – BA
Jennifer Gasior – BC
Jannie Duarte – FS
Ann Zigmond – FS
Shunne Powell – OE
Chris Bailey – OE
Robert O’Connor – RM
Patricia Seade – RM
LaTresa Stroud - P&C
Michael Waters – FAC
Roxanne Quintero – S&S

Service Providers & Contractors

psi technology
*New DIR/HUB Partner
CyrusOne
Data Center and Colocation Provider
Silverback
Data Center Relocation Team
Data Center Update: Cutover Planning IT Technical Teams

**CORE Infrastructure**
- Steven Lewis
- Billy Chiem
- Marques Cash
- Nirav Patel
- Julie Buchanan
- Lynn Kearns
- Glenn Louviere

**IMD Data & Analytics**
- Zak Kaylor
- Betsey Harper
- Marques Cash

**Release & Quality Management**
- Jackie Serio
- Ron Walters
- Aruna Uppalapati
  - Brian Null
  - Jeff Phillips

**Business Relationship Management**
- Tim Hill
- Vic Horton
- Angie Nichols
- Elizabeth Herson

**Data Reporting**
- Robert LaBare
- Ginger Payne

**Product Development**
- Ernie Jones
- Mike Sobey
- Craig Nicholas
- Evan Lecklider
- Nita Reddy
- Mounika Bommanapally
- Carey Smith
- Darren Lauron

**LOB Infrastructure**
- Tom Clayton
- Bryan Eargle
- Gail Coronado
- Brian Fuller
- Lee Formby
- Cedric Robertson
- Bruce Locke
- Jeff Nelson
- Nehemiah Zapata

**Information Security Office**
- Petr Sidopulos
- Corey Oliver
Data Center Update: Cutover Planning Business Teams

**LOB Teams:**
- Benefit Services
- Health and Insurance Benefits
- Investment Management

**Business Administration Teams:**
- Security
- Facilities
- Print Shop
- Imaging
- Procurement and Contracts
- Incident Management
- Continuity of Operations

**Shared Support Service Teams:**
- Finance
- Organizational Excellence
- Business Relationship Management

**Project Oversight and Evaluation Teams:**
- Information Security Office
- Internal Audit

Several other TRS staff will make contributions to the final cutover and ultimate success of this project. We appreciate everyone’s hard work to accomplish this goal.
Special Honors and Acknowledgements

National Association by state Retirement Administrators (NASRA)
  • Brian Guthrie, Regional VP for Region IV, and
  • Chair of Education and Research Committee.

National Council on Teacher Retirement (NCTR)
  • Trustee Committee Assignments

National Society of Compliance Professionals (NSCP)
  • Heather Traeger, Co-Chair of the Regulatory Advisory Committee
TRS is an *Austin-American Statesman* Top Workplace for the 10\textsuperscript{th} time!

- TRS was the first state agency to win this designation and has won it more times than any other agency

- Recognition comes entirely from employee feedback in a survey of 15 culture drivers

- Drivers measure employees’ opinions of agency values, employee/manager communication, and ability to innovate and operate efficiently
February 17-18, 2022

Items Already Identified:

- Ethics/Fiduciary Training
- Ombudsman’s Annual Report
- DE&I Annual Update
- Cybersecurity
- TRS Compensation Philosophy
- Proxy Voting
April 28 - 29, 2022

April 28, 2022

Committees

**Strategy and Planning Committee**
- Results Forum Report Out
- Update Strategic Plan (if needed)

**Benefits Committee**
- TRSActiveCare & Care plan design & rates
- Operational Updates
- Approval of Benefits

**Budget Committee**
- FY2021 mid year and FTE Report

**Policy Committee**
- Litigation Policy Review

**Investment Management Committee**
- CIO Update
- 4th Quarter Performance Review
- Annual Rvw of Public Mkts and Public SPN
- Semi-annual Risk Report

**ACE Committee**
- Internal Audit and Compliance Reports

April 29, 2022

Board

Committee Reports
ED Report
Ombuds Report
TEAM Update
Procurement Report
COAO Report
TAB 23
TRS Headquarters Project

Generational Solution for TRS

Brian Guthrie, Executive Director
Andrew Roth, COAO

December 8, 2021
Agenda

I. Transaction
II. Design
III. Schedule
IV. Leasing
V. Budget
VI. Red River Disposition
VII. Timeline
VIII. Next Steps
Purchase and Sale Agreement (PSA)

• As part of the signed PSA, the following amounts* are in escrow:
  ✓ Alpha Deposit: $5.2M
  ✓ Bravo Deposit: $6.8M
  ✓ Bravo Construction Cost Deposit: $27M

• Closing on Alpha is expected prior to year’s end

*Amounts listed are all part of the not-to-exceed (NTE) amount of $300M
Alpha Building

- Investment Management Division (IMD) will occupy floors 4, 5, and 6
- Health and Insurance Benefits (HIB) will occupy part of floor 4
- Working to identify potential lease tenants for floors 2 and 3
- First floor will include retail (not owned by TRS), TRS facilities and security offices, and a reception area in the lobby
Bravo Building

• Preliminary design iterations are underway
• Focus on member area and member experience on the first floor in the member lobby and reception area
• Member counseling offices and training rooms will be located on the first floor
• Boardroom and member-facing Pension Benefits and HIB staff will be located on floors 1 and 2
• Other business units placed on floors 3 – 6 depending on necessary functional adjacencies and business need
Construction Schedule

- Shorenstein anticipates receiving a Temporary Certificate of Occupancy for Alpha in December 2021
- Bravo ground-breaking anticipated to begin first quarter of CY 2022
- Alpha build-out and TI anticipated to start Summer 2022
Alpha Building Lease Activity

• Working with broker to identify and respond to interested parties
• Evaluating potential tenants
• Signing a lease requires board action or delegation

➢ Action item at the end of this presentation: Consider delegating general authority to the Executive Director to sign tenant leases in the Alpha building
**Not-to-Exceed amount of $300M**

- Initial payments placed in escrow for Alpha and Bravo (as highlighted on slide 3)
- Next payment for Alpha anticipated to occur in January 2022 and consists of the remaining balance of the purchase price
- Next Bravo payment will occur later in 2022

*These numbers are estimates and subject to change

\*Amounts reflected in millions
Red River Disposition

• Updated appraisal completed by Colliers in September 2021
• TRS engaged with its broker CBRE to initiate disposition-related diligence activities
• Staff will provide the Board an update on any offers received in the February meeting
VII. Alpha/Bravo Timeline

Timeline – 2021 to 2024

- **SEPT. 2021**: Board of Trustees authorizes Executive Director to negotiate the purchase of Alpha and Bravo for a price not to exceed $300 million
- **FALL 2021**: Due diligence begins for Red River facility disposition
- **LATE 2021 EARLY 2022**: Place Red River campus on the market
- **WINTER 2022**: Begin Bravo construction; Prepare to move into Alpha
- **SPRING 2023**: Lease at 816 Congress expires; Move into Alpha
- **2024**: Move into Bravo
VIII. Next Steps

- Close on PSA
- Initiate diligence activities associated with Red River Disposition
- Continue design activities for Alpha and Bravo buildings
- Continue engagement with the Umlauf Foundation regarding “Spirit of Learning” sculpture
- Continue engagement with the Mueller Community
Thank You

Brian Guthrie,  
Executive Director

Andrew Roth,  
COAO