

February 2023

TRUSTEES

TRS Board of Trustees Meeting



**Teacher Retirement System of
Texas**

1000 Red River Street
Austin, Texas
78701-2698

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

AGENDA

February 16, 2023 – 12:00 p.m.

February 17, 2023 – 8:00 a.m.

TRS East Building, 5th Floor, Boardroom

*All or part of the February 16-17, 2023, 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 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 publiccomment@trs.texas.gov identifying the name of the speaker and topic, no later than 5:00 pm on February 16, 2023.

NOTE: The Board may take up any item posted on the agenda during its meeting on Thursday, February 16, 2023, or during the meeting on the following day, February 17, 2023, beginning at the time and place specified on this agenda.

The open portions of the February 16-17, 2023, Board meeting are being broadcast over the Internet. Access to the Internet broadcast of the Board meeting is provided at www.trs.texas.gov.

1. Call roll of Board members.
2. 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, Moving Forward Together and TEAMS update.
 - B. Board operational matters, including a review of draft agendas for upcoming meetings.
 - C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.

3. Receive an update on the TRS health insurance benefits program and the administration and performance by TRS-Care and TRS-ActiveCare, including service to public education employers, employees, retirees, and their families. – Katrina Daniel.
4. Receive a Benefit Services Overview including training to better serve our members – Barbie Pearson, Chad Nichols, Deanna Degraw, Mark Chi and Edgar Munoz.
5. Receive CIO Update including Fleet Strategy; Talent Management; Accomplishments; Notices; Awards; Key Dates and Upcoming Events; and Market Update – Jase Auby.
6. Receive the Annual Review of Emerging Manager Program - Kirk Sims.
7. Receive Governance and Risk Management Training – Amanda Jenami.
8. Receive annual ethics and fiduciary training – Heather Traeger, and Benita Harper, AON.
9. Receive an overview of the Succession Planning: Talent Continuity Update – Shunne Powell, Michelle Gray and Alisha Barnebey.

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

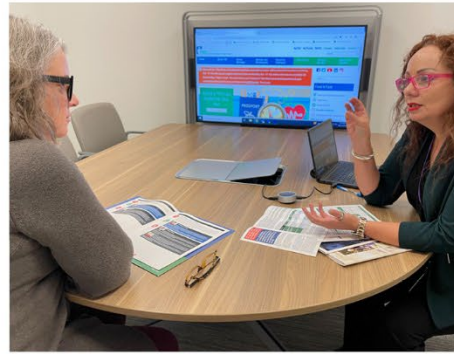
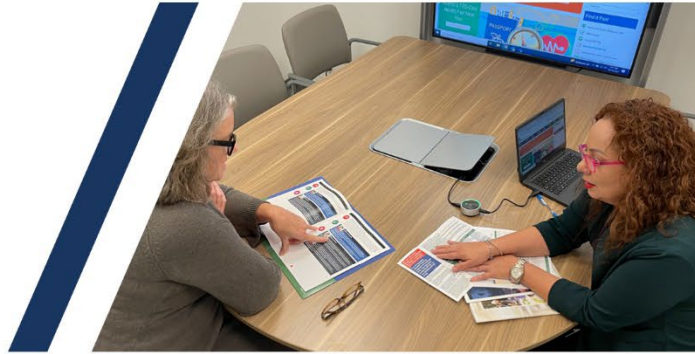
10. Consider Board administrative matters, including: – Jarvis V. Hollingsworth.
 - A. Consider approval of the December 8 – 9, 2022 proposed board meeting minutes;
 - B. Consider the election of the Board Vice-Chair; and
 - C. Consider consenting to the Board Chair’s appointment of committee members and receive the Board Chair’s public announcement of committee chairs.
11. Provide opportunity for public comment – Jarvis V. Hollingsworth.
12. Discuss and consider the selection of a vendor for an Executive Compensation Consultant, including considering a finding that deliberating or conferring on the selection of the vendor in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Shunne Powell.
13. Discuss and consider the selection of a vendor or vendors for Executive Coaching, including considering a finding that deliberating or conferring on the selection of the vendor in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Shunne Powell.

14. Discuss and consider the selection of a vendor for Executive Assessments, including considering a finding that deliberating or conferring on the selection of the vendor in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Shunne Powell.
15. Discuss and consider selecting a pharmacy benefit administrator(s) (PBMs) to improve and enhance financial performance and services for public education employers, employees, retirees, and their families participating in the TRS-Care Standard, TRS-Care Part D (solicited as TRS-Care Indirect EGWP with Wrap PDPs), and TRS-ActiveCare, including considering a finding that deliberating or conferring on the selection of the PBM(s) in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Katrina Daniel, Yimei Zhao; Greg Callahan and Rebekah Bayram, Milliman.
16. Receive an update on proposed changes to the Fiscal Year 2023 – 2027 Strategic Plan Goals, Objectives and Strategies to further strengthen how TRS delivers on behalf of members – Caasi Lamb.
17. Receive an overview of the Enterprise Risk Management Program used to identify, assess and mitigate risks that could impact TRS’ ability to execute on its mission to best serve members – Caasi Lamb and Michelle Pagan.
18. Receive the Ombudsman’s Annual Report – Lori LaBrie.

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, Deputy Executive Director, Chief Auditor 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;
- F. Texas Government Code, Section 825.115(e): Regarding a Procurement; or
- G. Texas Government Code, Section 825.3011: Certain Consultations Concerning Investments.

TAB 2



Executive Director's Report

Brian Guthrie

February 16, 2023

*Earning your trust every day by...
improving the retirement security of
our members by prudently investing
and managing the Trust assets and
delivering benefits that make a
positive difference in their lives.*

General Updates
Legislative Update
TRS Workforce Demographics
Moving Forward Together Update
TEAMS: April 23 Release
Special Honors and Acknowledgments
Future Meeting Agendas





Upcoming Conferences and Meetings:

- February 22, 2023: TRS/ERS Emerging Manager Conference
- February 25-27, 2023: NCTR/NASRA Winter Meeting, Washington, D.C.
- March 6 – 8, 2023: Council of Institutional Investors Spring Conference, Washington, D.C.



Important Legislative Dates



January 10 – Session Began at Noon

March 10 – 60-day Bill Filing Deadline

May 29 – Sine Die

June 18 – Deadline for Gov to sign or veto

During the first 60 days of session, the legislature cannot debate bills on the floor, unless the governor declares emergency items.





Legislative Committees Named

- Senate Committee on Finance
 - Senator Joan Huffman, Chair
 - Hearing: February 6, 2023
- Senate Committee on State Affairs
 - Senator Bryan Hughes, Chair
- House Appropriations Committee
 - Representative Greg Bonnen, Chair
- House Committee on Pensions, Investments, and Financial Services
 - Representative Giovanni Capriglione, Chair



SB 1 and HB 1 As Filed

- SB 12 (86R) final phase of increased contribution rates included
- No supplemental funding needed for TRS-Care
- New Rider 21

Rider 21

Contingent Appropriation for TRS Retiree Benefit Enhancement

It is the intent of the Legislature that a benefit enhancement be provided to TRS retirees, contingent on the determination that the TRS Pension Trust Fund is considered actuarially sound pursuant to Government Code, Section 824.2031

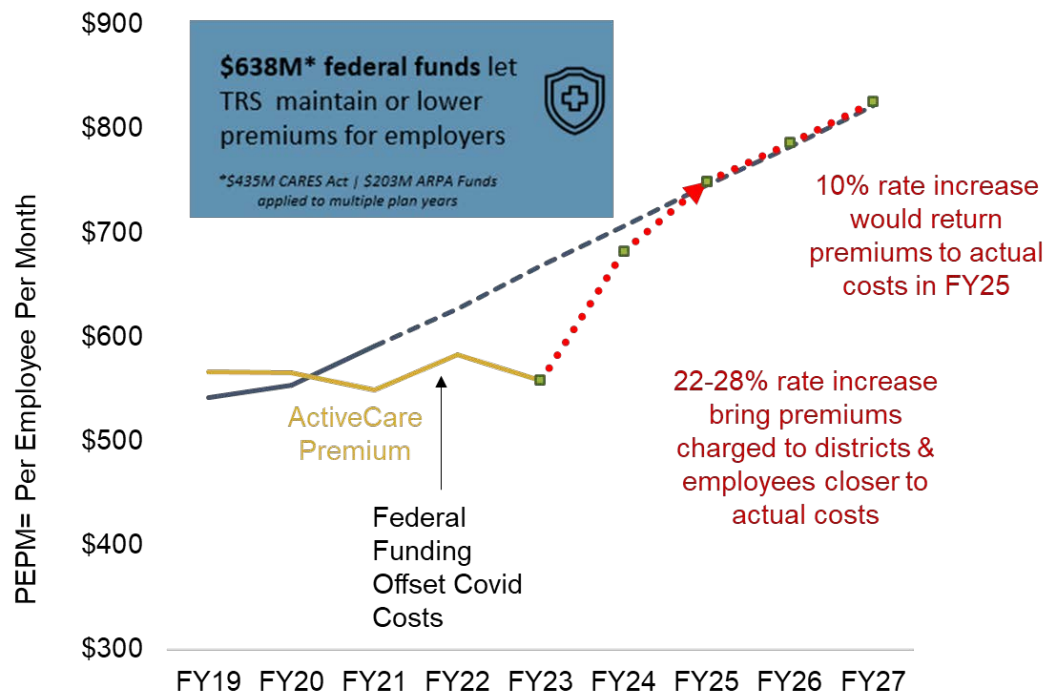


TRS and General Appropriations Act



Exceptional Item requested in the GAA:

Funding for TRS-ActiveCare

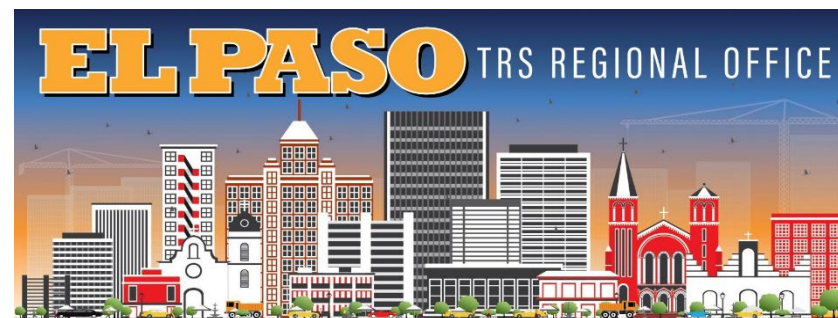


*Based on medical trend indicators, health care costs expected to grow 5% each year; premiums/funding amounts may need to increase depending on actual costs. Data and estimates as of June 2022. Actual amounts will change as more data is received. Increase in public educator contributions assumes no increases in employer contributions. FY and Plan Years are the same.

Rider recommendation not included in the GAA:

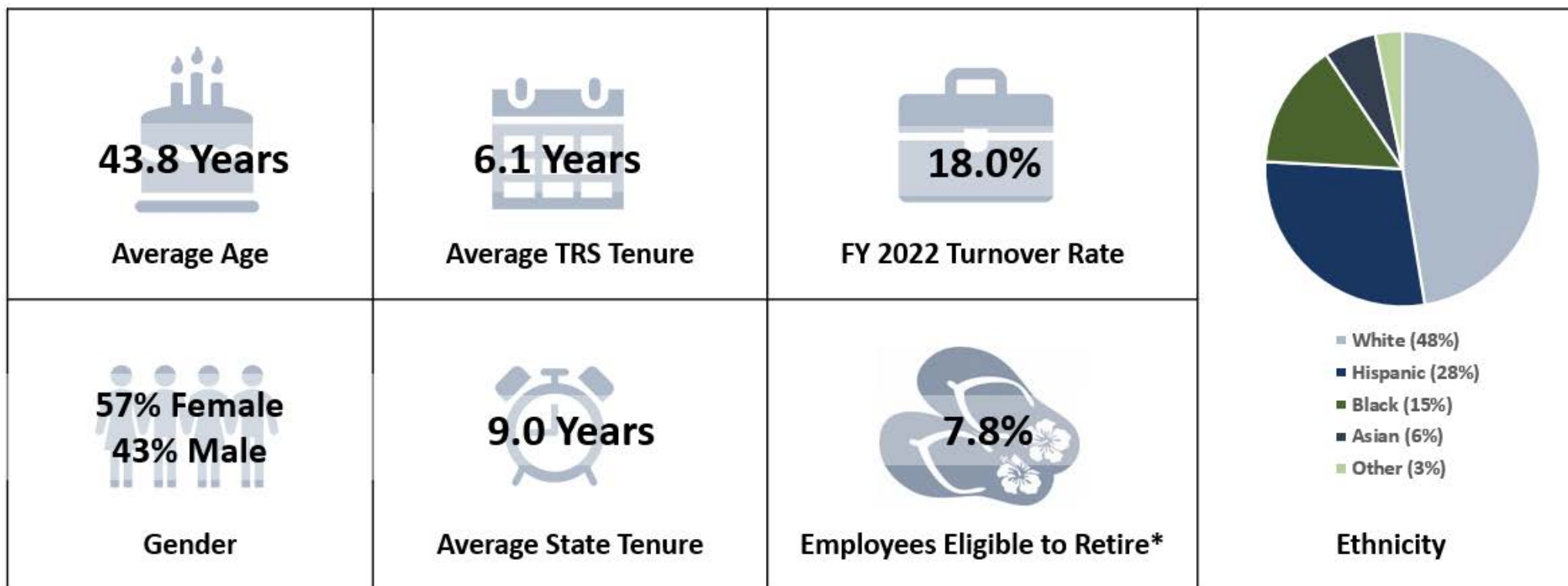
Contingent Appropriation of Pension Trust Funds to consider an additional Regional Office.

Upon a finding of fact by the Teacher Retirement System Board of Trustees that additional resources are necessary to open an additional regional office to serve other areas of Texas, the Teacher Retirement System is appropriated such funds and FTEs as approved by the Board from the Teacher Retirement System Pension Trust Fund Account No. 960. Within thirty days of such a finding, the Teacher Retirement System Board of Trustees shall provide written notification to the Legislative Budget Board and the Governor of the amounts anticipated to be necessary to achieve these purposes.





TRS Workforce Demographics



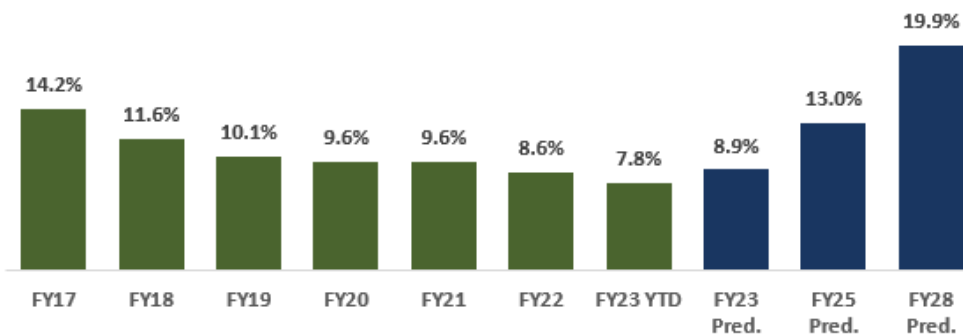
*Note: Based on rule of 80



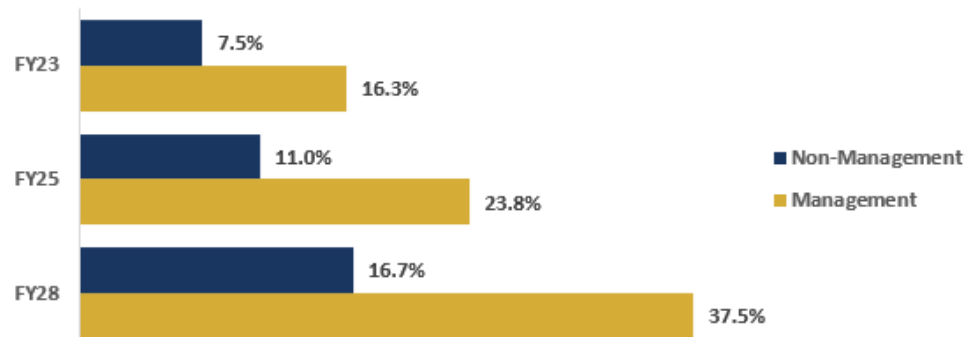
TRS Workforce Demographics: Retirement Eligibility



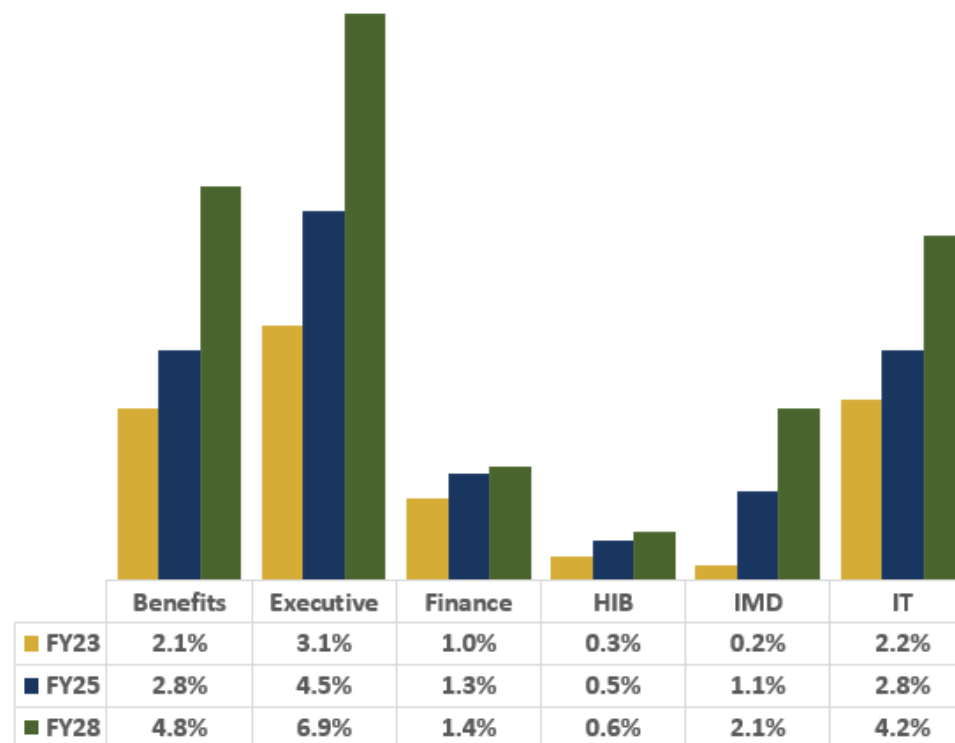
Percent of TRS Employees Eligible for Retirement



Management versus Non-Management Positions



% Eligibility by Division



*Estimates are based on active employees as of 01/31/2023. Estimates for FY 2023, 2025, and FY 2028 are made using the rule of 80



One TRS: Moving Forward Together

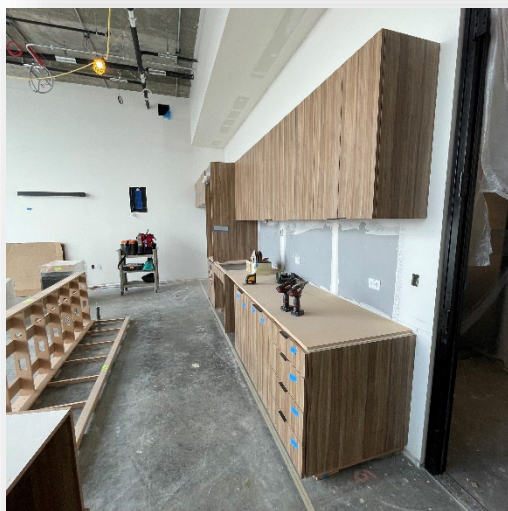


MEMBER
Focused



OPERATIONAL
Effectiveness

ALPHA CONSTRUCTION STATUS



BRAVO SHELL CONSTRUCTION STATUS





One TRS: Moving Forward Together



MEMBER
Focused



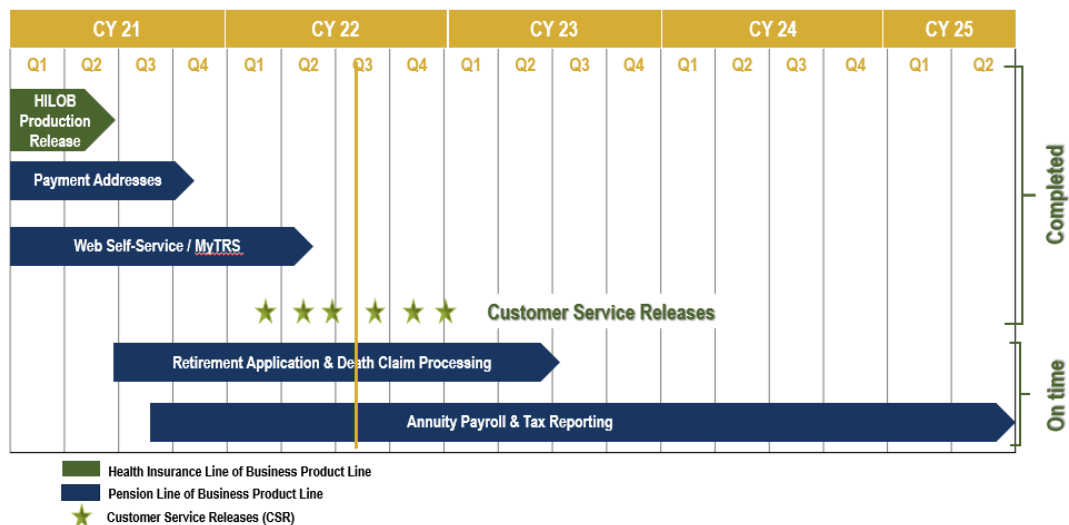
OPERATIONAL
Effectiveness

KEY UPCOMING MILESTONES

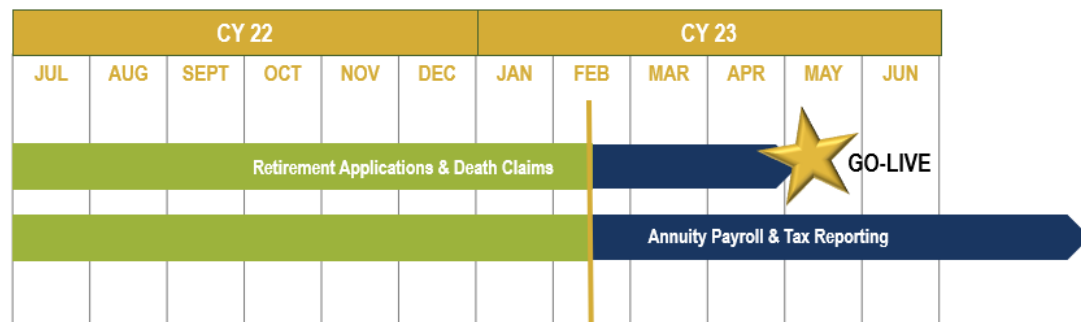
Milestone	Target Date
IMD Move to Alpha 5 and 6	Late May 2023
HIB Move to Alpha 4	Late June 2023
IS, IA and IT Move to Alpha 3	July 2023
Bravo Office/Garage Shell Construction Complete	July 2023
Bravo T.I. Construction Start	July 2023



TEAM – WHERE WE ARE NOW



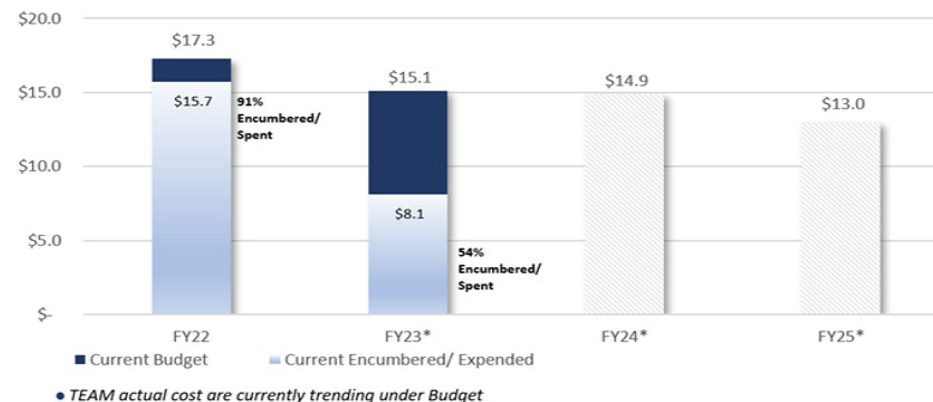
INCREMENTAL RELEASE PROGRESS



Current Date

TEAM Budget Update

Amounts in millions



KEY STATUS UPDATES

Achievements

- 11/9/2022 – Retirement Application & Death Claims Release Pre-User Acceptance Testing (START)
- 12/11/2022 - Pension & Health Line of Business Systems Production Release (Customer Service Roadmap Release #6)
- 01/11/2023 - Retirement Application & Death Claims Release User Acceptance Testing (START)

Key Goals Upcoming

- 02/11/2022 - Pension & Health Line of Business Systems Production Release (includes CRM Upgrade)
- 04/04/2023 - Retirement Application & Death Claims Release User Acceptance Testing (END)



RETIREMENT APPLICATION & DEATH CLAIMS PROCESSING RELEASE: APRIL 2023



Member Benefits

- Brings more functionality into TRUST
- Quicker access to information for counselors
- Changes to design of retirement and death claims forms and letters that align with other TRUST correspondence
- Positions us to further automate the retirement application process



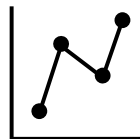
Quality

- 6 rounds (12 weeks) User Acceptance Testing
- 3 readiness surveys to be given to business staff participating in User Acceptance Testing
- 5 rounds (15 weeks) Regression Testing by IT
- 3 practice “dry-run” cutover exercises



Release Statistics

- Largest roadmap release to date
- **45** complete business processes



Timeline

June
2021
[Start]

Planned Go-Live 4/24/23
(contingency Go-Live May)

Retirement Application & Death Claim Processing





Special Honors and Acknowledgments



TRS is a Top Workplaces USA Winner

- 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
- In addition to this win, in November TRS was recognized as an Austin Top Workplace for the 11th time





Upcoming Board Agenda

April 27 - 28, 2023

April 27, 2023

Committees

Strategic Planning Committee

Results Forum Report Out
Update Strategic Plan (if needed)

Benefits Committee

Operational Updates
Approval of Benefits
Medical Board Minutes

Budget Committee

FY2023 mid year and FTE Report

Policy Committee

Code of Ethics for Contractors & Annual Ethics Compliance Statement
Expenditure Reporting Memo & Form for Contractors
Disclosure Statement for Brokers and Financial Advisors and Providers

Investment Management Committee

CIO Update
4th Quarter Performance Review
Annual Rvw of Public Mkts
Semi-annual Risk Report

ACE Committee

Internal Audit and Compliance Reports

April 28, 2023

Board

Committee Reports
ED Report
Ombuds Report
TEAM Update
Procurement Report
Deputy Director Report
Cybersecurity Report
Fiduciary Counsel Contract



Upcoming Board Agenda

June 6, 2023

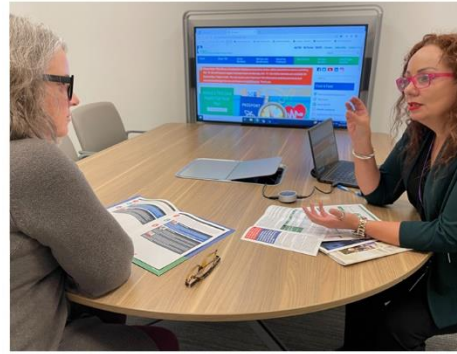
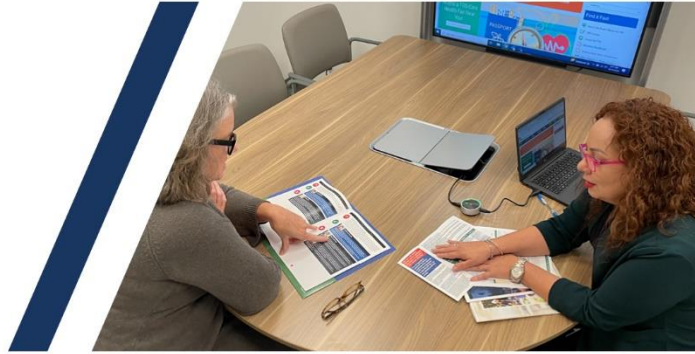
- Address possible legislative items
- To be virtual meeting



Overview of February Meeting

Overview of February Educational Meeting	
February 16, 2023	February 17, 2023
<ul style="list-style-type: none">ED Report	<ul style="list-style-type: none">Contracts<ul style="list-style-type: none">3 OE ContractsPBM Contract
<ul style="list-style-type: none">Three Lines of Business<ul style="list-style-type: none">Health CareBenefit ServicesInvestments	<ul style="list-style-type: none">Strategic Plan and Enterprise Risk Management Program
<ul style="list-style-type: none">Governance and Risk Training	<ul style="list-style-type: none">Ombudsman's Annual Report
<ul style="list-style-type: none">Trustee Fiduciary Training	
<ul style="list-style-type: none">TRS Succession Planning	

TAB 3



Health and Insurance Benefits Division

Katrina Daniel
Chief Health Care Officer
February 16, 2023

*Earning your trust every day by...
delivering high-quality, cost-efficient
health plans to over 670,000 active
and retired Texas public educators.*



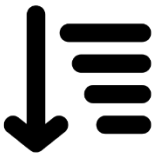
Annual Report Highlights

TRS Drives Value for Health Plan Participants: FY 2022 Highlights

TRS-ActiveCare



99% of participating employers chose to remain with TRS-ActiveCare for the 2023-24 plan year.



TRS implemented regional rates for TRS-ActiveCare. The resulting premiums are competitive in every region — and are 18% less expensive on average.



TRS used COVID relief funds from the legislature to keep premiums from increasing and decreased rates in many regions -- saving employees an average of \$1,500 in premium costs.

TRS-Care



TRS used COVID relief funds from the legislature to cover many out-of-pocket costs and sent more than 185,000 policyholders a one-time \$448.12 payment in March of 2022. These payments totaled more than \$80 million.



More than 2,700 retirees attended TRS-Care health fairs, the first in-person meetings with retirees across the state in three years.



TRS negotiated a lower deductible for Medicare-eligible participants who will see their deductible decrease from \$500 to \$400 in 2023.

We Serve the Public Education Sector Across Texas through TRS-Care and TRS-ActiveCare

OVER 670,000
PARTICIPANTS



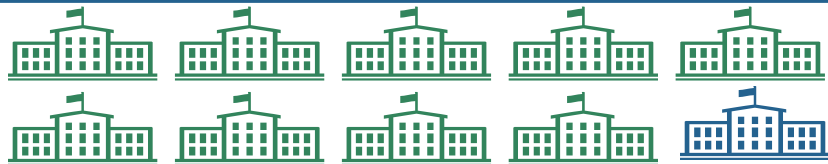
1 IN 43
TEXANS



23 MILLION CLAIMS

6M Medical + 17M Rx claims in FY2022

+\$11 MILLION PER DAY IN TOTAL
CLAIMS PAID IN FY 2022



79%

OF 1,238
Public Education
Employers



6,234 Babies Born in FY2022

TRS offers highly efficient health care coverage for public education employers and retirees



Total Submitted & Potential Charges

- \$18.1B Reductions

- \$15.3B Provider Discounts
- \$1.9B Ineligible Amounts
- \$397M Clinical Programs
- \$161M Coordination of Benefits
- \$391M Anti-Fraud Activity

- \$843M Member Cost-Sharing

- \$748M Refunds & Rebates

= \$4.1B Net Payments



\$20 Billion

Saved last year in TRS-ActiveCare and TRS-Care through programs that avoid waste, improve care, and limit charges to the best price available

97%

Percentage of funding that goes directly to health care claims

Providing High-Value Benefits Tailored to Educators



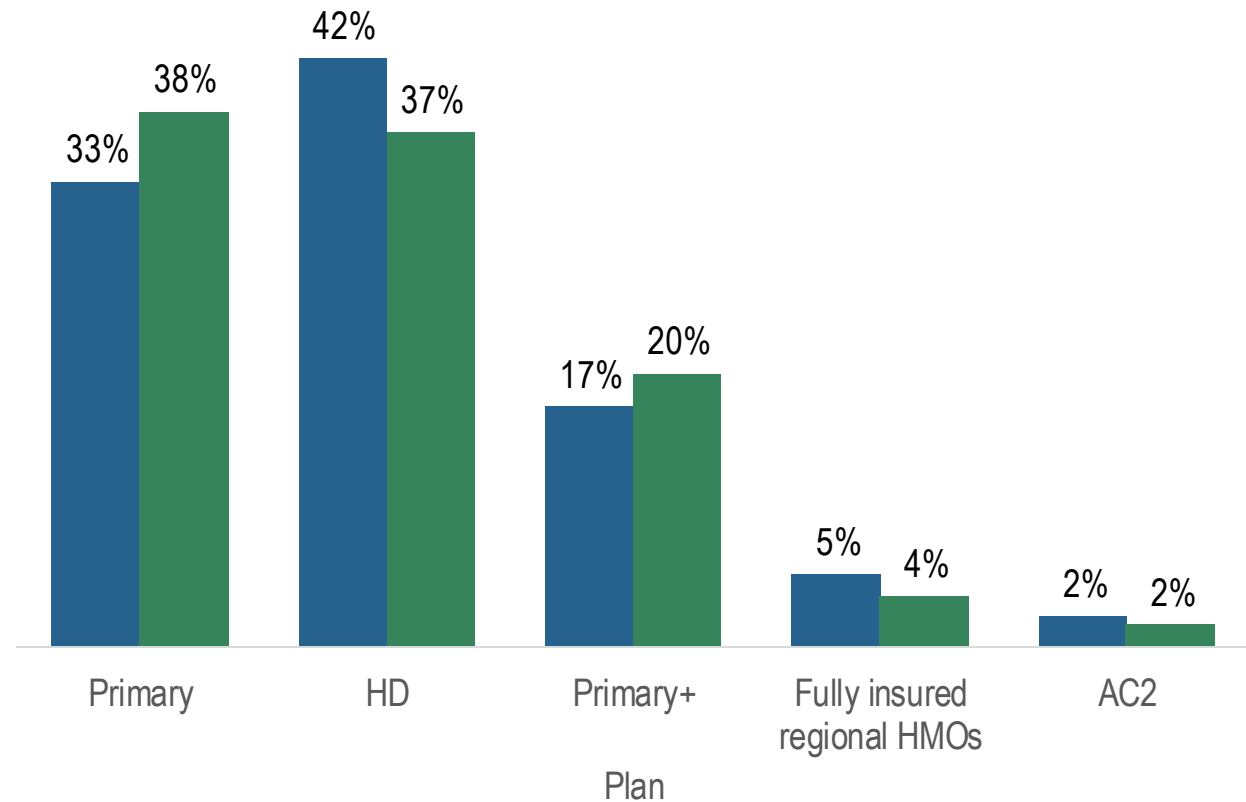
	Addressing These Unique Needs:
Active working population	
<ul style="list-style-type: none"> 2/3 female and average age of 44 among enrolled employees 	<ul style="list-style-type: none"> Education about preventive benefits and recommended health screenings available at no cost
<ul style="list-style-type: none"> Hard to get away for care during workday 	<ul style="list-style-type: none"> Telemedicine on plans and at no cost on primary care driven plans
<ul style="list-style-type: none"> They are on their feet 	<ul style="list-style-type: none"> Back and joint pain therapy (in person and virtual) offering care at no cost; year-one pilots in DFW and Houston regions
<ul style="list-style-type: none"> Demanding, high-stakes work 	<ul style="list-style-type: none"> Mental health benefits including virtual and office-based therapy for low copays on primary-care driven plans
<ul style="list-style-type: none"> Many women in childbearing years 	<ul style="list-style-type: none"> Proactive communications about prenatal care and support through Ovia Health; personal support for high-risk pregnancies and 24/7 Nurseline
<ul style="list-style-type: none"> Often cover children on their plan 	<ul style="list-style-type: none"> Reduced premiums for tiers that cover children in the FY 21 year
Retired population	
<ul style="list-style-type: none"> 2/3 female and average age of 72 among policy holders 	<ul style="list-style-type: none"> Education about preventive benefits and recommended health screenings available at no cost
<ul style="list-style-type: none"> Greater reliance on health benefits 	<ul style="list-style-type: none"> Emphasis on member outreach, customer service excellence, and reducing barriers to access through telemedicine and new HouseCalls program where providers come to Medicare-eligible members' homes
<ul style="list-style-type: none"> More value on broader network of providers 	<ul style="list-style-type: none"> Broad networks on plans and Medicare-eligible participants can see any provider that accepts Medicare

The Primary Plans Have 58% of TRS-ActiveCare Enrollment at the Start of Plan Year



- Designed based on feedback from schools
- This aligns with strategy to increase engagement with primary care
- Copay-based plans with 1st dollar coverage for sick visits at PCPs
- Total employees enrolled in districts that stayed increased by 9% in Sep 2022

Percent of employees enrolled in plans on **August** and **September 2022**



Employees make plan selections that take effect each year on September 1.

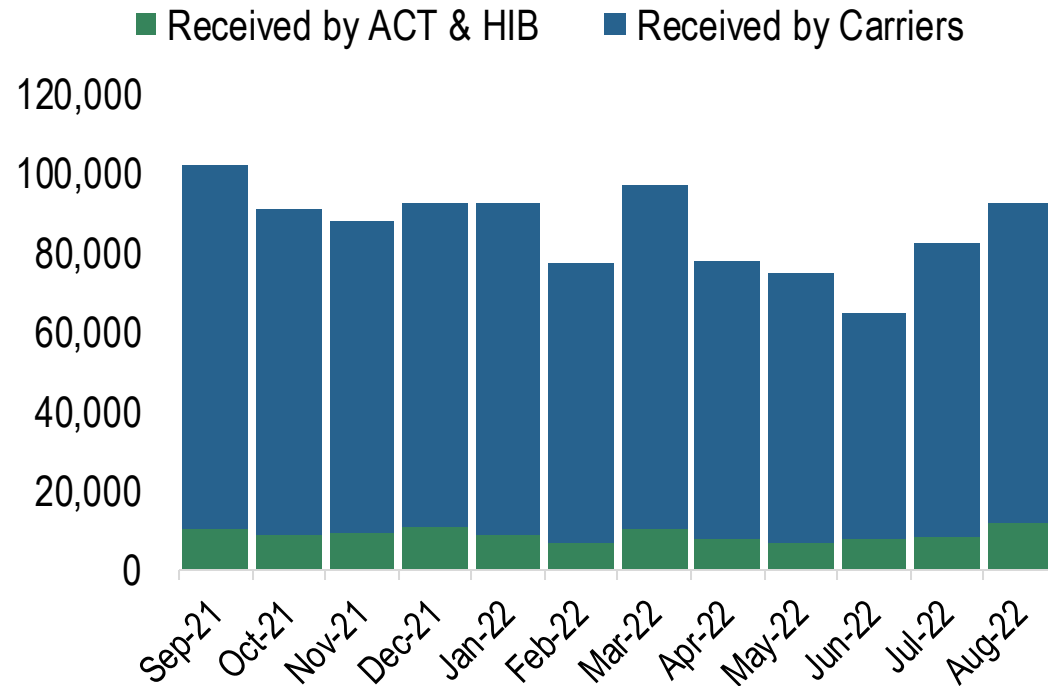


Customer Service

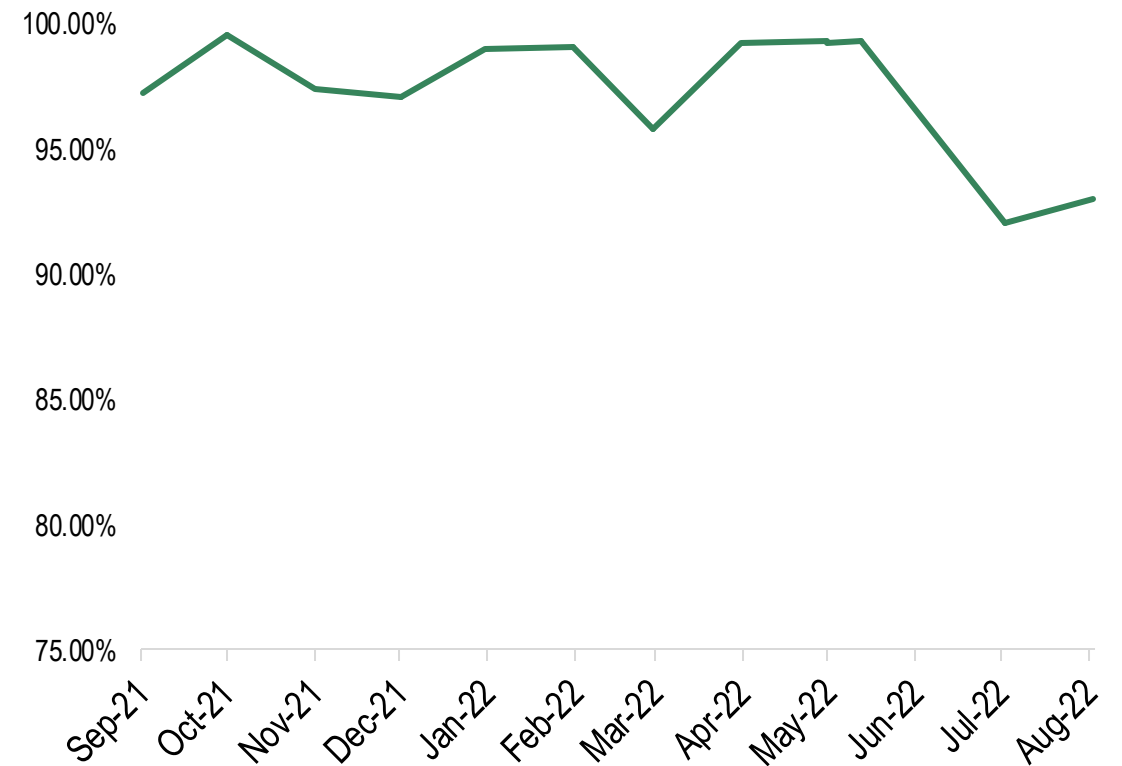


HIB and vendors met or exceeded service level targets in FY 2022.

TRS-Care & TRS-ActiveCare Calls Received by Carriers



Service Level HIB & ACT





Employers in TRS-ActiveCare have three main layers of support:

- **District Ambassadors (DAs)**
 - Act as strategic partners for district leadership and as an extension of TRS
- **Benefits Administrator Advocates**
 - Respond to questions from benefits administrators (BAs) about eligibility, enrollment and billing
- **Personal Health Guides**
 - Respond to questions from BAs and participants about benefits and medical services.

In 2022, DAs provided the following support to districts:

- Interacted with districts **6,417** separate times
- Corresponded via email **4,878** times
- Completed **510** in person visits including **17** conferences
- Answered **936** phone calls initiated by the districts
- Attended **76** virtual events



1

Year 1 of SB 1444: Plan Year 2022-23

- 90% Amount of employers who chose TRS-ActiveCare
- 97% TRS-ActiveCare membership retention rate

2

Year 2 of SB 1444: Plan Year 2023-24

- 99% Amount of employers who chose TRS-ActiveCare: 14 opted-out, 3 joined
- 97% Retention rate TRS anticipates of Sept. 2022 membership

A stylized magnifying glass graphic in a light blue color, positioned in the upper left quadrant of the slide. The handle of the magnifying glass extends diagonally downwards and to the right, pointing towards the text.

TRS-ActiveCare Cost Benchmarking and Employer Participation Decisions for September 1, 2023

TRS offers school districts a competitive choice for health care coverage and administration services.



BELOW MARKET COSTS, EVEN BEFORE FEDERAL FUNDS

- Total costs for the most affordable plan is **18% lower than similar plans offered by non-par districts**
- In the past decade, cost per person grew 3x more for Texas employers with self-funded plans other than TRS



HIGHLY EFFICIENT

- 97% of funding goes directly to health care costs
- \$20 billion saved last year through programs that avoid waste, improve care, & limit charges to the best price available



PLAN OF CHOICE

- 99% of education employers chose to stay in TRS' health plan for next year
- 1 in 43 Texans are in a TRS health plan
- Provides health care to nearly 1,000 districts



December 12th Statewide TRS-ActiveCare Health Forum



- Featured Dr. Vivian Ho, Health Economics professor at Rice University as expert keynote speaker
 - Shared hospital pricing among three major Houston health systems, showing wide price disparities in the same services between the three
- Presented benchmarking on the lower cost of TRS-ActiveCare compared to other public school and public sector plans
- Goal was to share expert knowledge on external forces driving health care costs
- 200 district leaders listened to the forum



We know where TRS-ActiveCare is.
We wanted to know where others are.



TRS contracted the Milliman Group to do a statewide study on how TRS-ActiveCare compares to non-participating districts and city and county employers.

WHO

- 71% of employees in non-participating districts
- Every ESC region covered
- 235 plans across 120 public employers in Texas

WHAT

All TRS-ActiveCare plans except AC2 compared to all available plans offered by other employers. This was averaged across all coverage tiers.

HOW

They compared not just premiums – but the **total cost of care per month**:

How much employee pays +

How much employer contributes +

How much average employee pays for care *after* premium

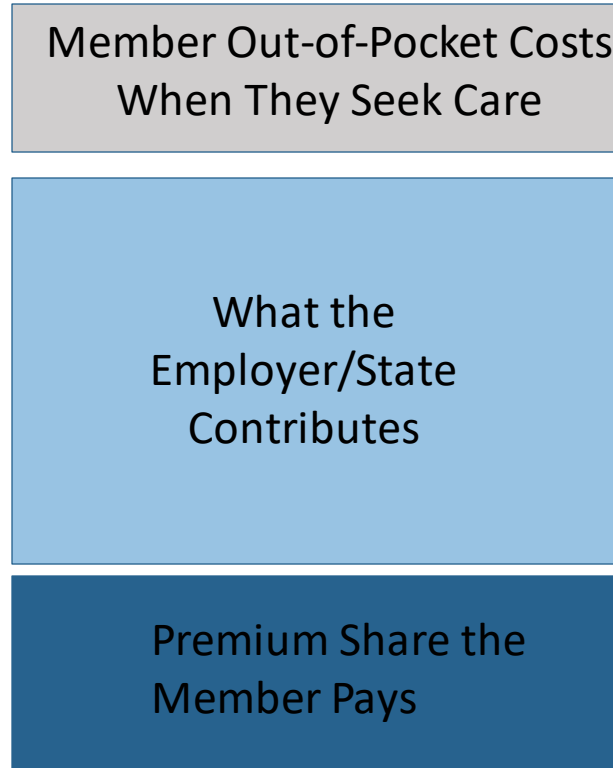
= Total Cost 

For plans without specialty drug coverage, we added 10% to the total cost of these plans.

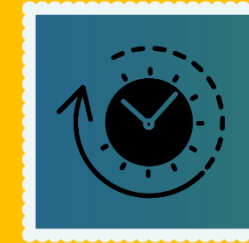
What benchmark did we use?



Efficiency
Benchmark
looks at
Total Costs



Employer/State
Contribution
+
Employee Share
=
Plan's Premium



Plan Efficiency

- Measures how efficient plans are by **comparing total costs**.
- Captures the amount of health care each dollar buys.
- Holds benefit designs constant to allow for an apples-to-apples comparison.



CONTINUOUS
Improvement

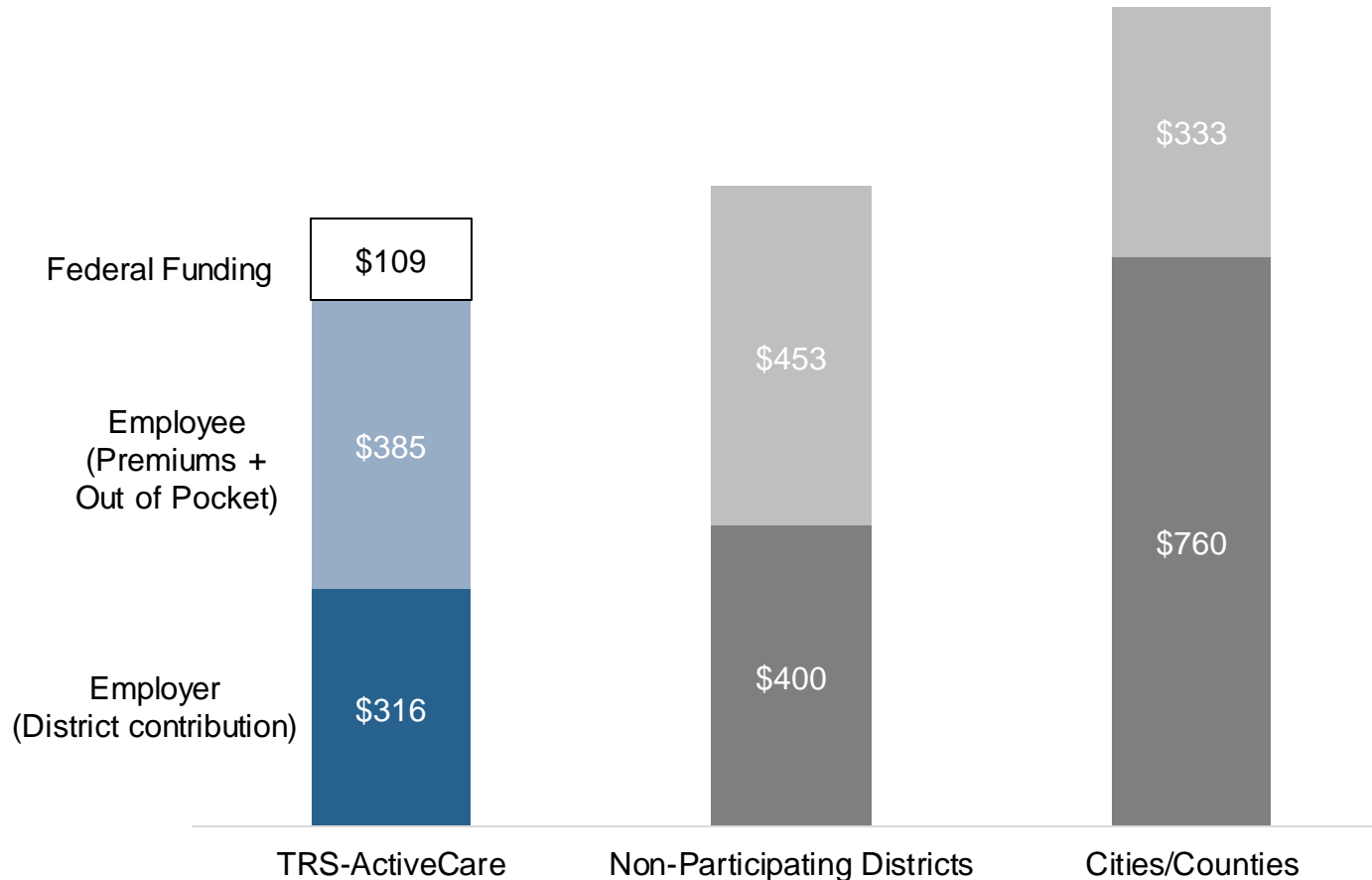


LEADERSHIP
Effectiveness



MEMBER
Focused

The main takeaway: our total costs are lower.
However, employee cost-sharing is still higher.

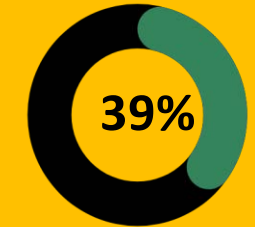


TRS-ActiveCare-2 is excluded from the total costs

Employer Contribution

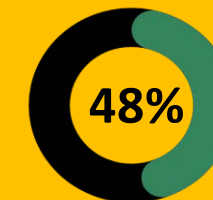


Cities/Counties



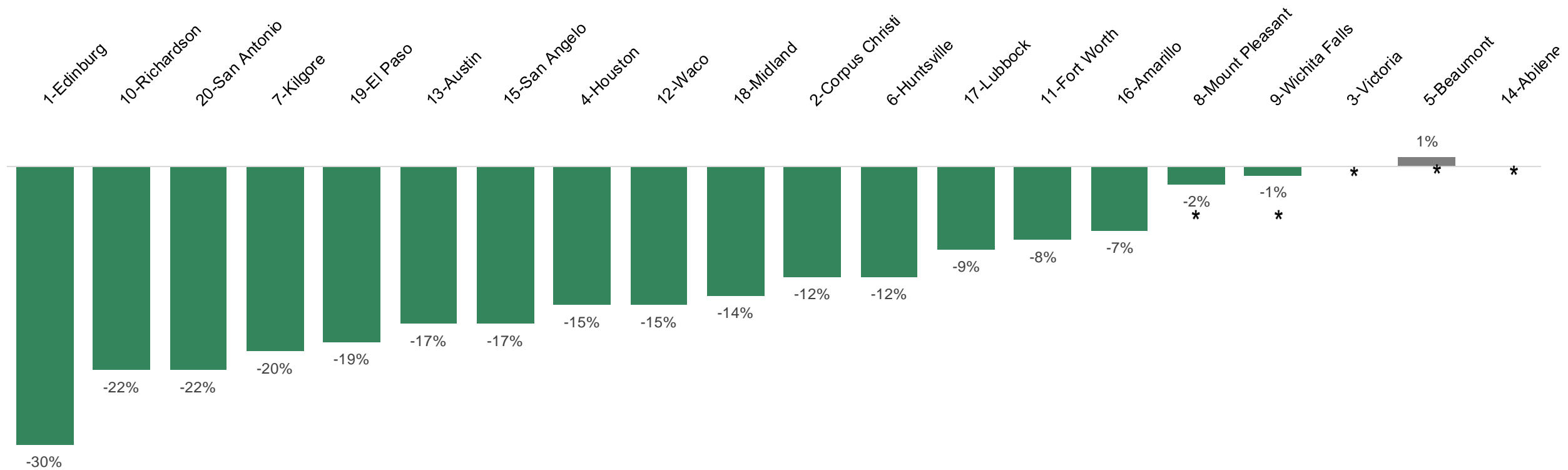
TRS-ActiveCare

Employee Contribution



Percentage **employees in TRS-ActiveCare contribute** to total cost. This is higher without federal funding.

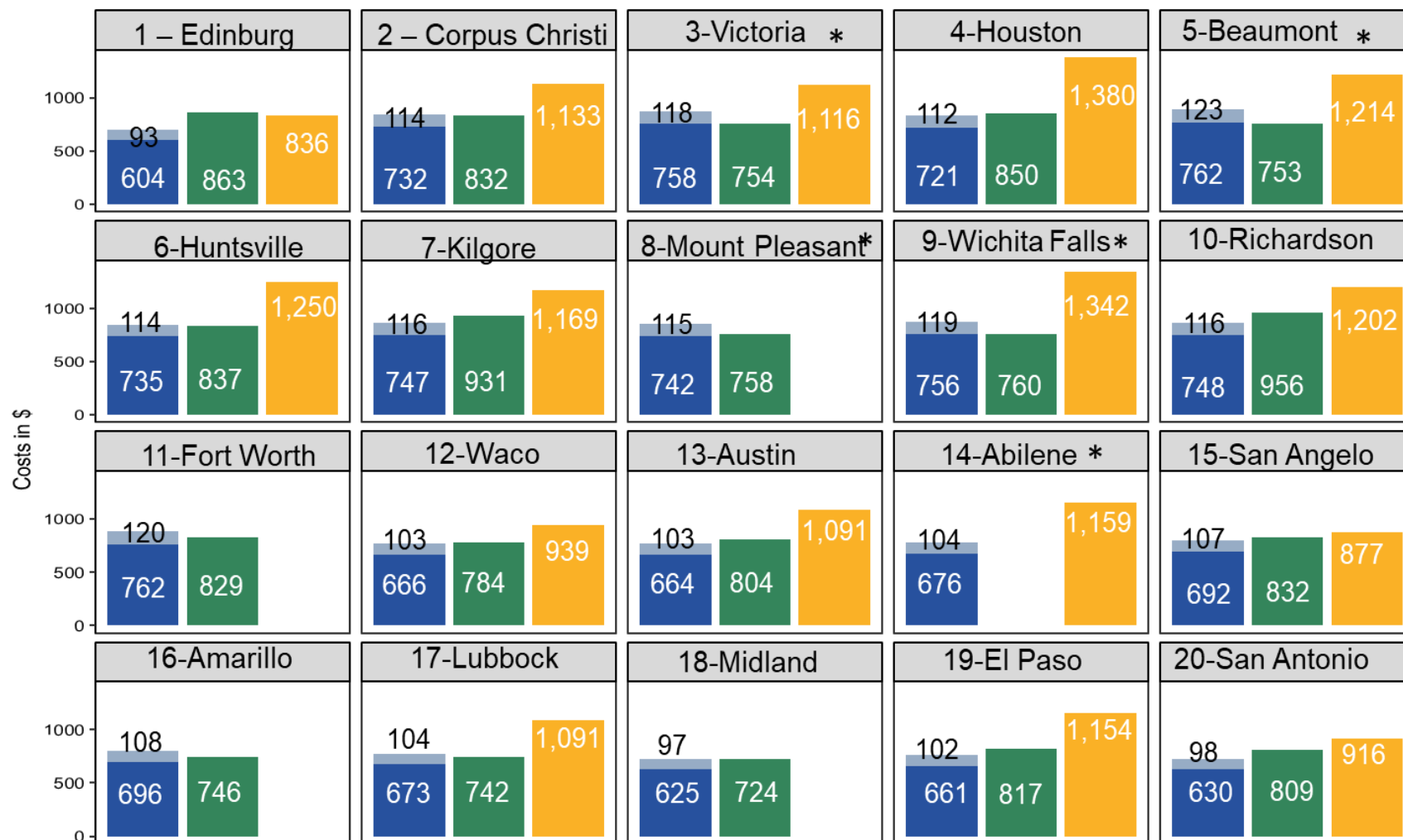
TRS-ActiveCare is competitive in all regions.



**No public information was available for plans offered by non-participating districts in ESC 14 (Abilene).*

**Number of non-participating districts is lower than average in ESC regions 3, 5, 8, 9.*

Total Costs Comparison across ESC's



*Number of non-par participants is lower than average in ESC Regions 3,5,8,9

Note: Cities/Counties data for ESC 11 is \$1,919. This was an outlier that was removed to preserve the scale of the chart

TRS with funding

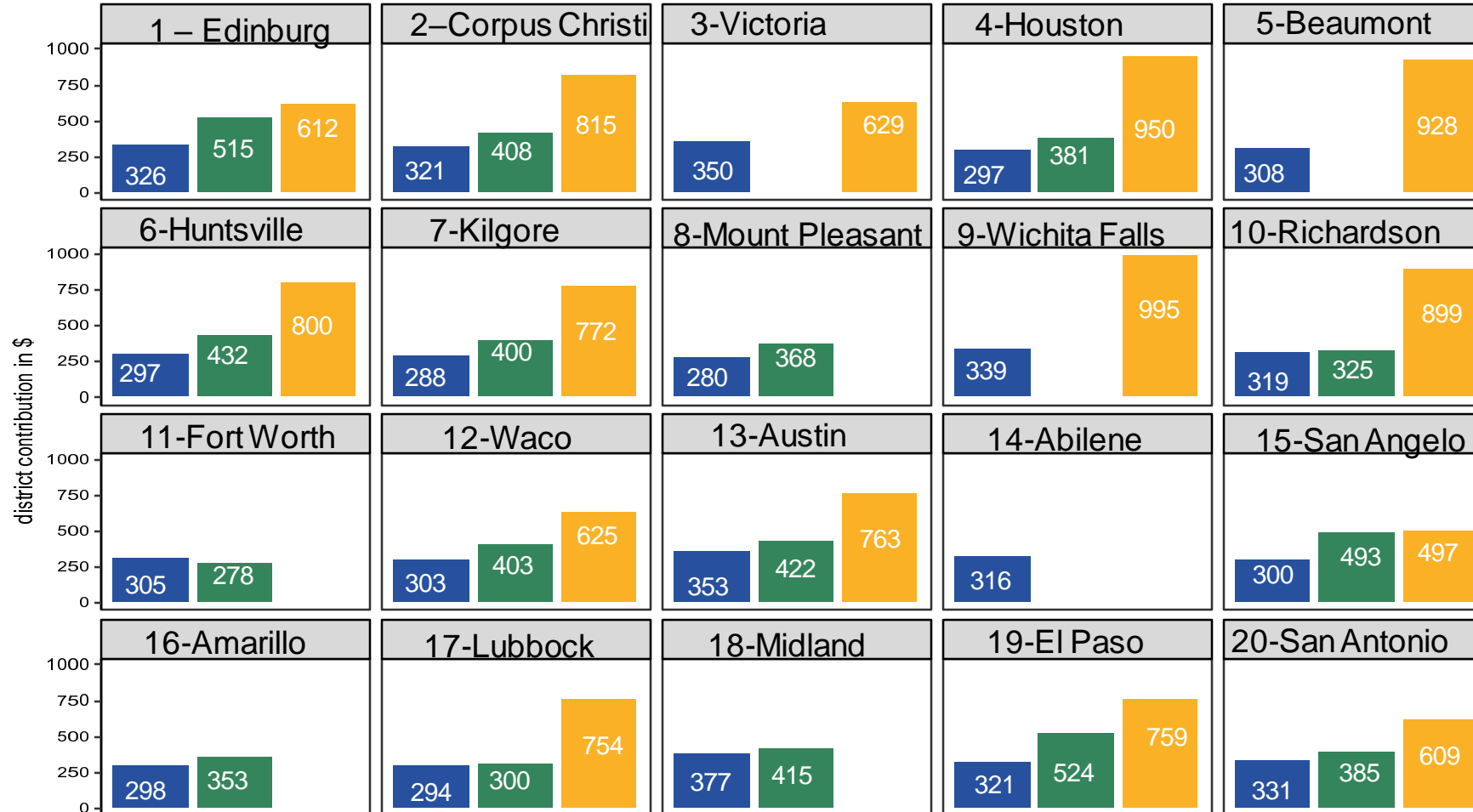
TRS without
funding

Non-participating
districts

Cities & counties

TRS amounts reflect with or without additional federal funding received for FY22-23 premiums.

Employer Contributions in TRS-ActiveCare are Lower Compared to Employers Outside



Participating Districts

Non-participating districts

Cities & counties

Note: Cities/Counties data for ESC 11 is \$1,472. This was an outlier that was removed to preserve the scale of the chart.

No public information was available for plans offered by non-participating districts in ESC 14 (Abilene).

Number of non-participating districts is lower than average in ESC regions 3, 5, 8, 9.

Regional example of cost-sharing dynamics: Region 4



CONTINUOUS
Improvement

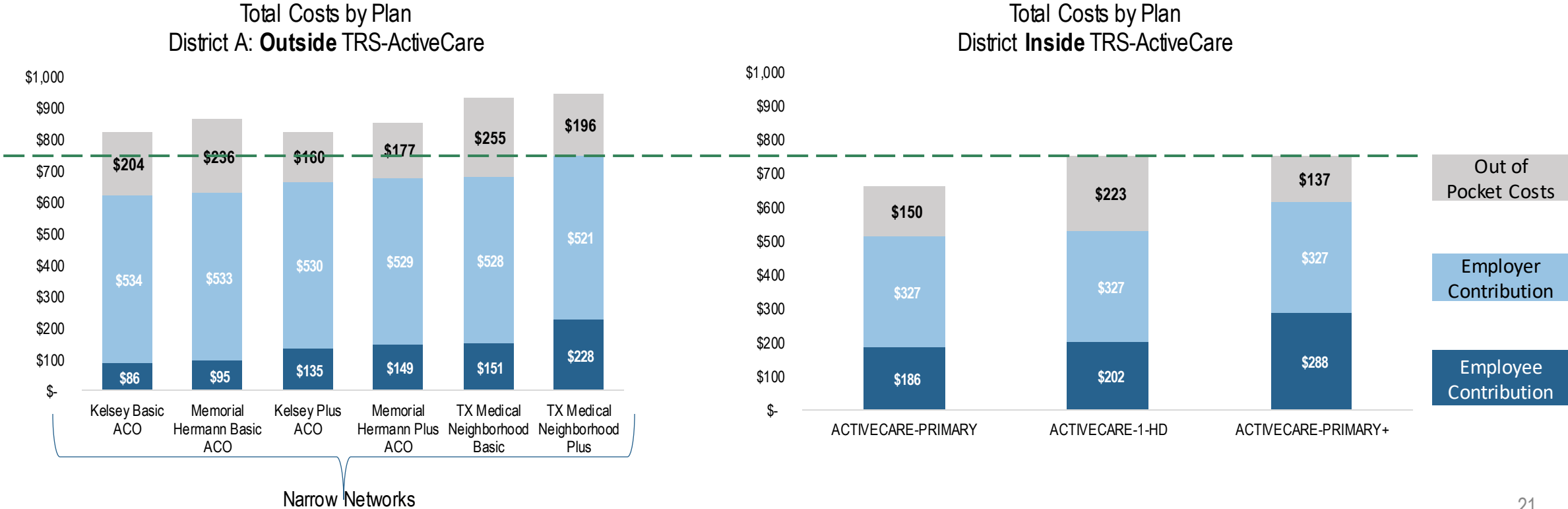


LEADERSHIP
Effectiveness



MEMBER
Focused

TRS-ActiveCare has **lower total costs**. However, what employees pay per month is still higher than employees outside of TRS-ActiveCare because **districts outside contribute \$200 more per month**.





TRS-ActiveCare Alternative Benefits Study

Study Comparing TRS-ActiveCare to State Peers Finds TRS-ActiveCare is Lower Cost

The Legislature directed TRS to engage a third-party vendor to examine alternative methods to deliver current benefits supplied under TRS-ActiveCare. TRS selected Segal for the study. Segal provides comprehensive health care consulting to 24 state level health plans.

Segal benchmarked TRS-ActiveCare within Texas and nationally and found:

“TRS-ActiveCare total premiums are lower than peer states and national state averages”

“TRS is operating efficiently and is more cost effective than the comparative groups”

“[L]ow state and employer funding lead[s] to higher members costs”

The findings in the study are consistent with TRS’ benchmarking analysis.



Affordability Risks in TRS-ActiveCare for 2023-24



With the federal funding, TRS maintained or reduced premiums for nearly half a million public educators.

However, TRS premiums are now lower than what TRS spends on health care claims. This means the difference between TRS-ActiveCare suppressed premiums and claims costs must be made up in subsequent years.

As we receive claims over the next six months, cost growth may be greater than the estimates produced in the summer of 2022.



CONTINUOUS
Improvement



LEADERSHIP
Effectiveness



MEMBER
Focused

No Replacement: Monthly premiums increase by ~\$300 for teachers covering their family and require 31% of income on Primary+



Mrs. Lopez is an art teacher at Alamo ISD*. Here is what she'll pay depending on which coverage tier she chooses.

Teacher average monthly salary:

\$4,907



Employee Only
Contribution FY23

\$172



Employee Only
Contribution FY24

\$281

Total Premium: \$497

Total Premium: \$606

Change from
2023-24

↑ \$109

Premium % of Salary



Employee & Children
Contribution FY23

\$485



Employee & Children
Contribution FY24

\$662

Total Premium: \$805

Total Premium: \$982

Change from
2023-24

↑ \$177

Premium % of Salary



Employee & Family
Contribution FY23

\$1,185



Employee & Family
Contribution FY24

\$1,523

Total Premium: \$1,535

Total Premium: \$1,873

Change from
2023-24

↑ \$338

Premium % of Salary





CONTINUOUS
Improvement

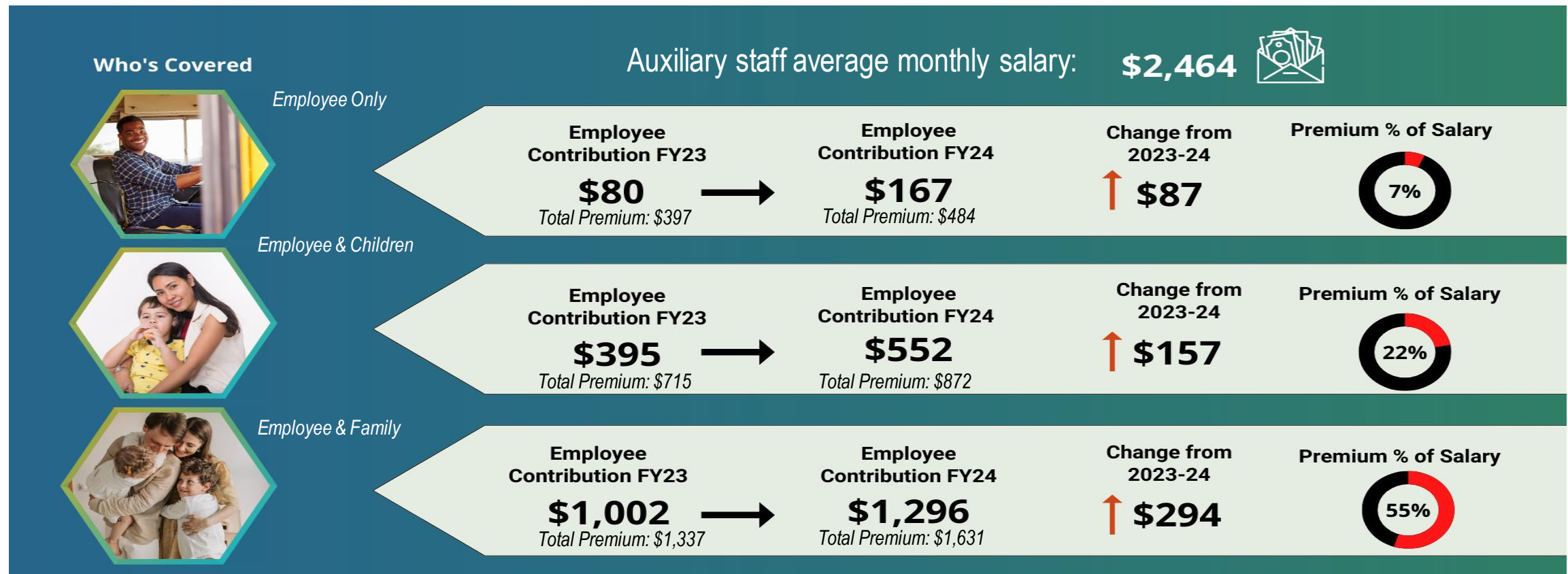


LEADERSHIP
Effectiveness



MEMBER
Focused

No Replacement: Monthly premiums increase by ~\$300 for educators covering their family and require 55% of income of auxiliary staff on the lowest cost plan



Forecast is based on data from Summer 2022 and will change as we receive newer data

Minimum Employer Contribution by TRS-ActiveCare Employer



CONTINUOUS
Improvement



LEADERSHIP
Effectiveness



MEMBER
Focused

Districts that contribute more than the minimum generally contribute between \$300 and \$325 toward their employee's premium, which is considerably below the amount contributed by employers outside TRS-ActiveCare as discussed.

Fiscal Year 2023

Min Employer Contribution	Number of Employer	% of TRS-ActiveCare Employees Impacted
\$225	138	9%
\$226-\$249	16	1%
\$250-\$275	151	11%
\$276-\$299	35	7%
\$300-\$325	231	33%
\$326-\$351	83	12%
\$352-\$377	87	11%
\$378-\$403	67	11%
\$404-\$429	75	6%
>\$430	1	0.003%

2001 law set total contribution from district at \$225 per person. This \$225 contribution = \$0 employee premium for employee-only coverage in 2001. Nine percent of employees enrolled in TRS-ActiveCare still receive this level of contribution from their employer in 2022-23 plan year.

The most common minimum contribution by districts today is between \$300 and \$325 per month.

If adjusted for general economy wide inflation, the minimum employer contribution would be \$363 in 2022 (GDP Price Deflator). If the minimum district contribution in 2022 were \$363, then 71% of employees in TRS-ActiveCare would see an average reduction of \$771 per year in their premiums.

Minimum Employer Contribution by TRS-ActiveCare Employer(Continued)



Most employers made no change to their contributions for the 2022-23 year

Change in Minimum Employer Contribution*	2021-22 to 2022-23 Change	
	Number of Employers	Employees Impacted
Decrease: \$192 - \$99	3	142
Decrease: \$100 - \$49	64	19,850
Decrease: \$50 - \$3	101	28,480
No Change	587	170,084
Increase: \$2 - \$8	3	1,249
Increase: \$9 - \$24	19	14,679
Increase: \$25 - \$49	39	13,715
Increase: \$50 - \$99	38	14,388
Increase: \$100 - \$199	12	3,214
Not Available**	19	1,859

Change in Employer Contribution

- 19% decreased their contribution
- 66% of employers made no change
- 13% increased their contribution
- Not available for 2%

*Based on the minimum contribution received by any employee in each school district using September enrollment each year. No change includes changes of \$2 or less to account for rounding and minor changes in report.

**Data is not available from school district for both plan years needed to make comparison.

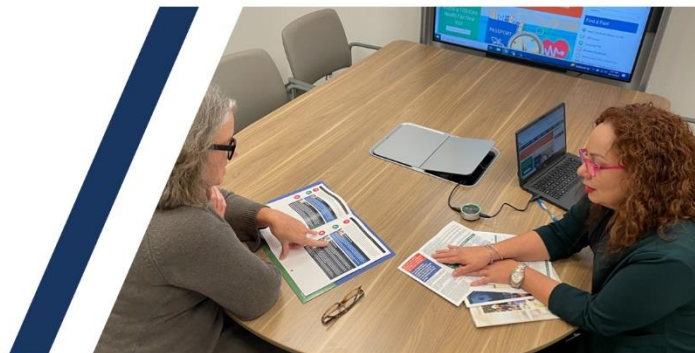
TRS-ActiveCare Employee Contributions Decreased in 2022-23



Because most employers kept their contribution the same and some increased contributions, savings from total gross premium reductions were passed onto employees. The typical employee saw a decrease of \$20 per month for employee-only coverage and \$59 per month for family coverage. This is consistent with expectations at the time of federal funds appropriations.

	50% (Median)	
Tier	2021-22	2022-23
Employee	\$117	\$97
Employee + Child	\$466	\$429
Employee + Spouse	\$896	\$837
Employee + Family	\$1,128	\$1,069

TAB 4



Benefit Services

Barbie Pearson, Mark Chi, Deanna DeGraw, Edgar Muñoz & Chad Nichols

February 16, 2023

*Earning your trust every day...by
providing excellent customer service
delivering accurate, timely information
for participants and employers.*

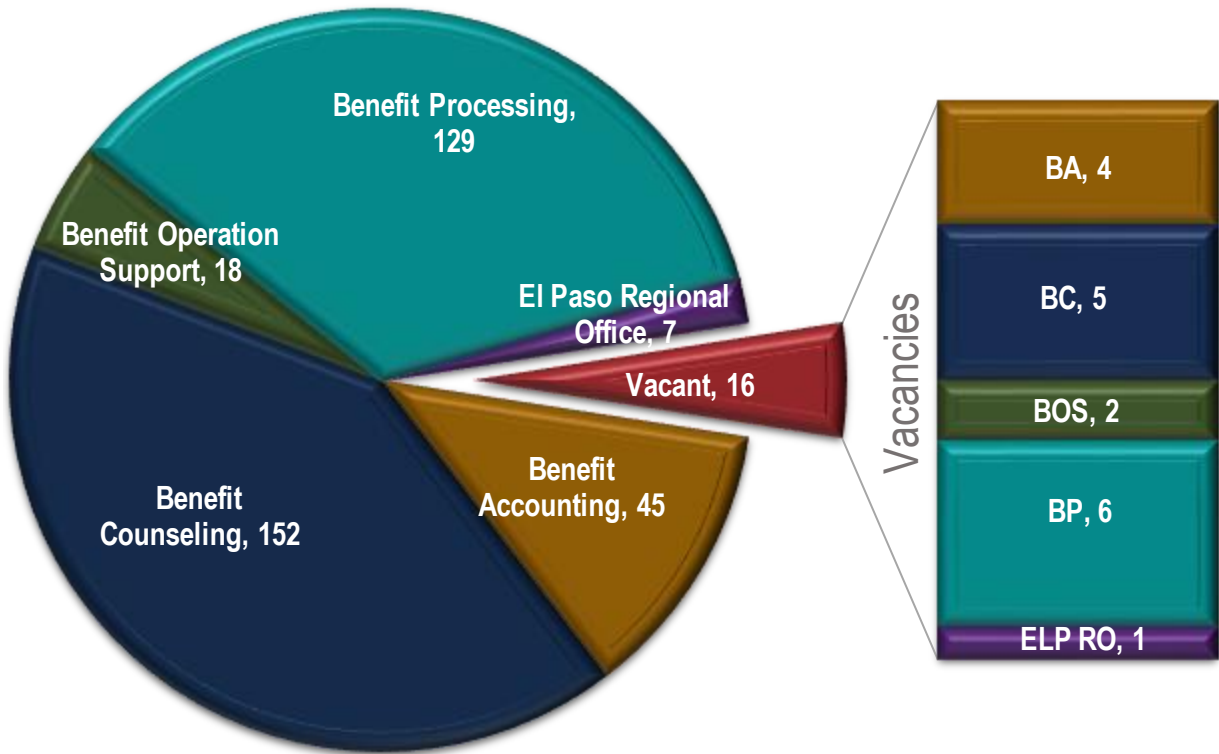




Staffing

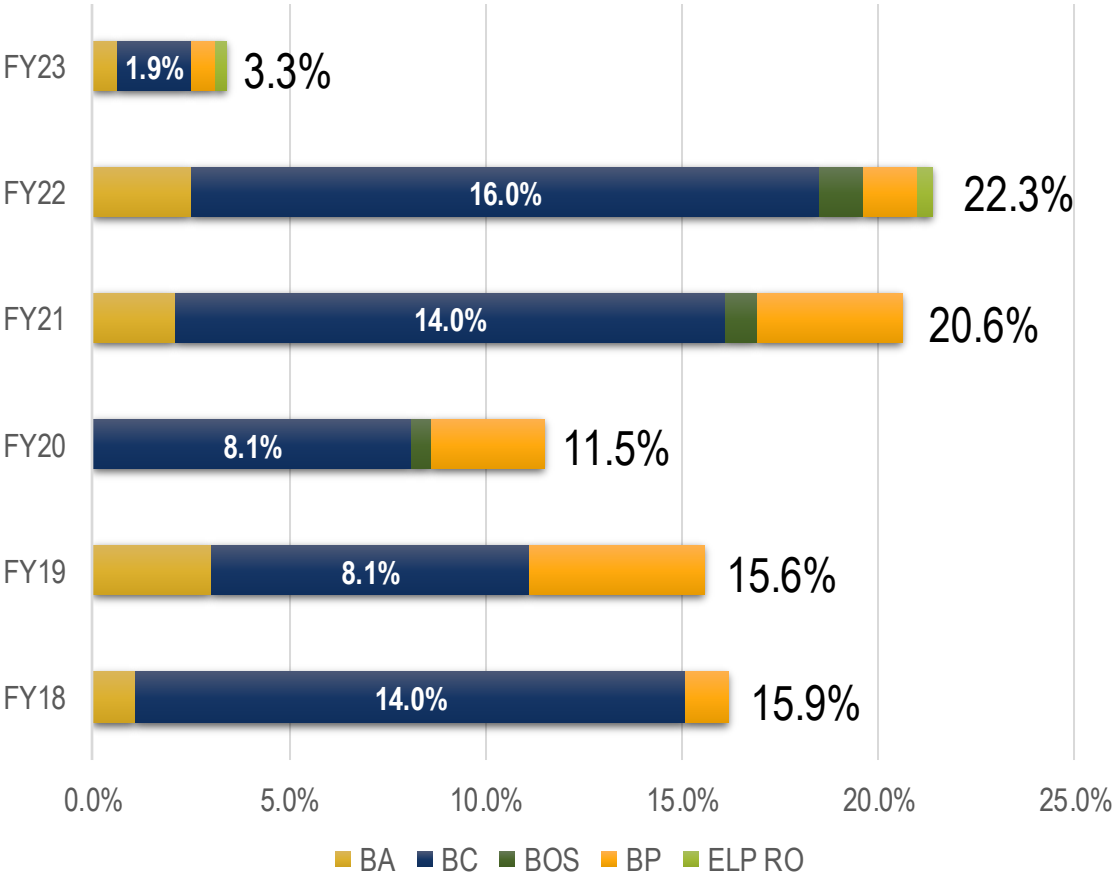
Update

Benefit Services Staffing & Attrition



Benefit Services most valuable resource played a significant role in reaching service levels across all service areas during January 2023.

Attrition



Benefit Counseling vs. Industry Attrition



Benefit
Services

22.3%

Benefit
Counseling

16.0%

Call Center
Industry

30-45%



Recruiting & Hiring

Tools & Techniques

Hiring Process



MEMBER
Focused



Advertise jobs statewide



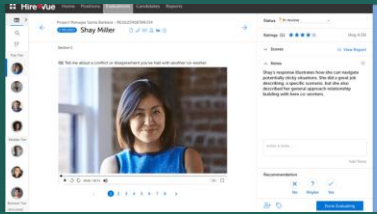
Review & update job descriptions



Promote remote work



Determine job skills and abilities



Recorded video interview



In person or virtual interviews

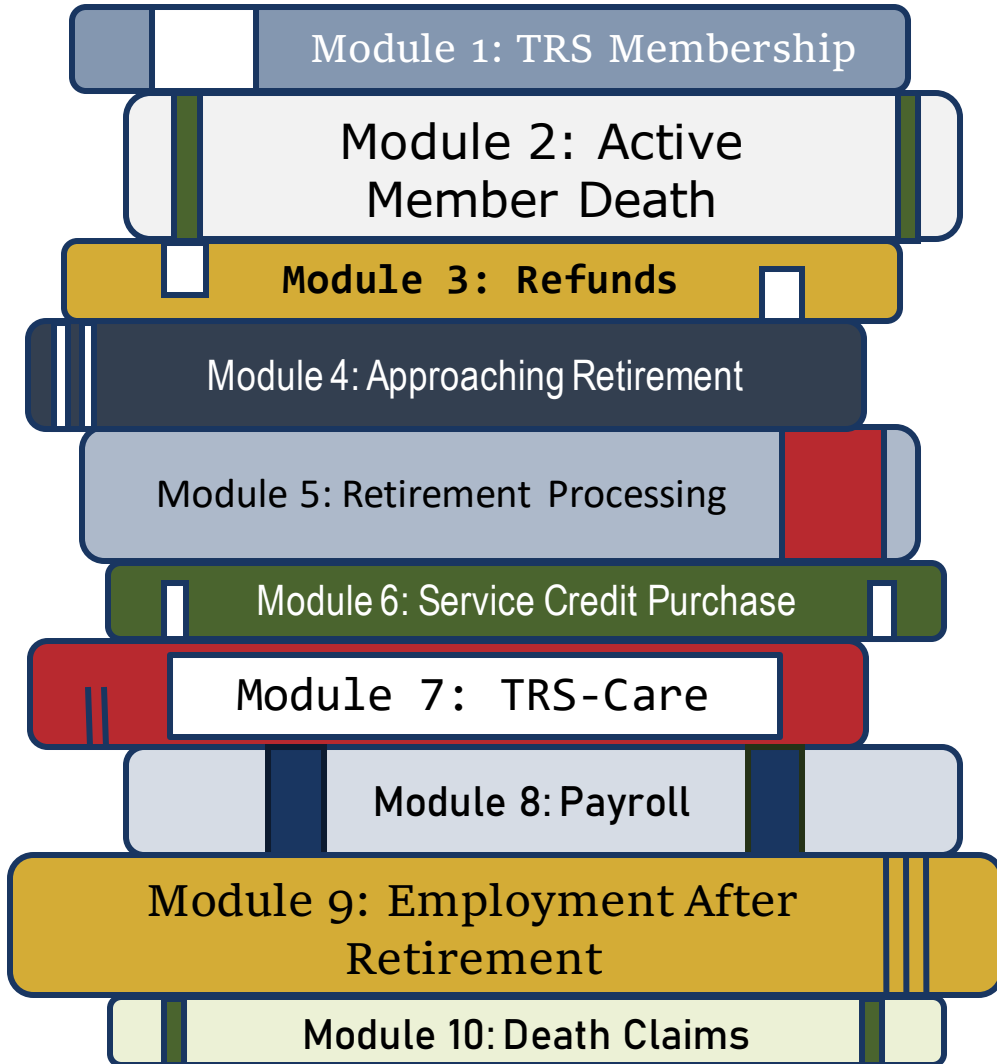


Determine best candidates



Developing Employees

New Employee Foundational Training



Facilitated virtually

.....



Reference Materials

.....



Modules & Final Exams

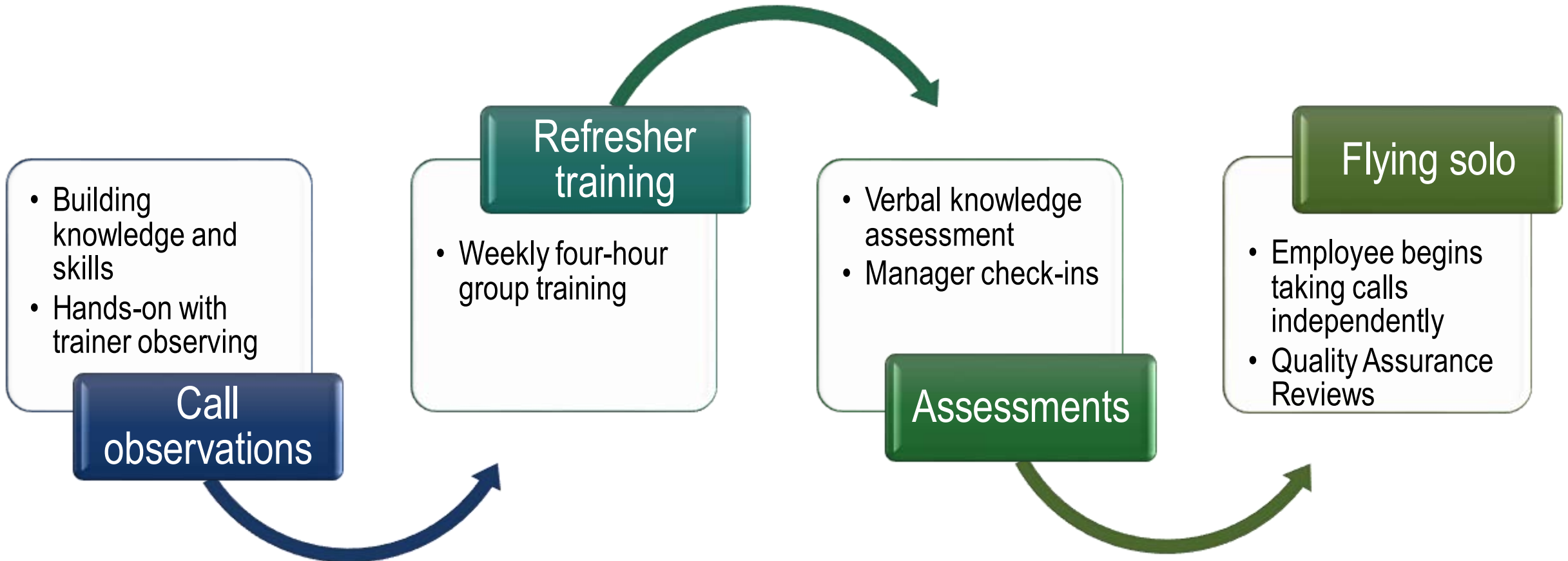


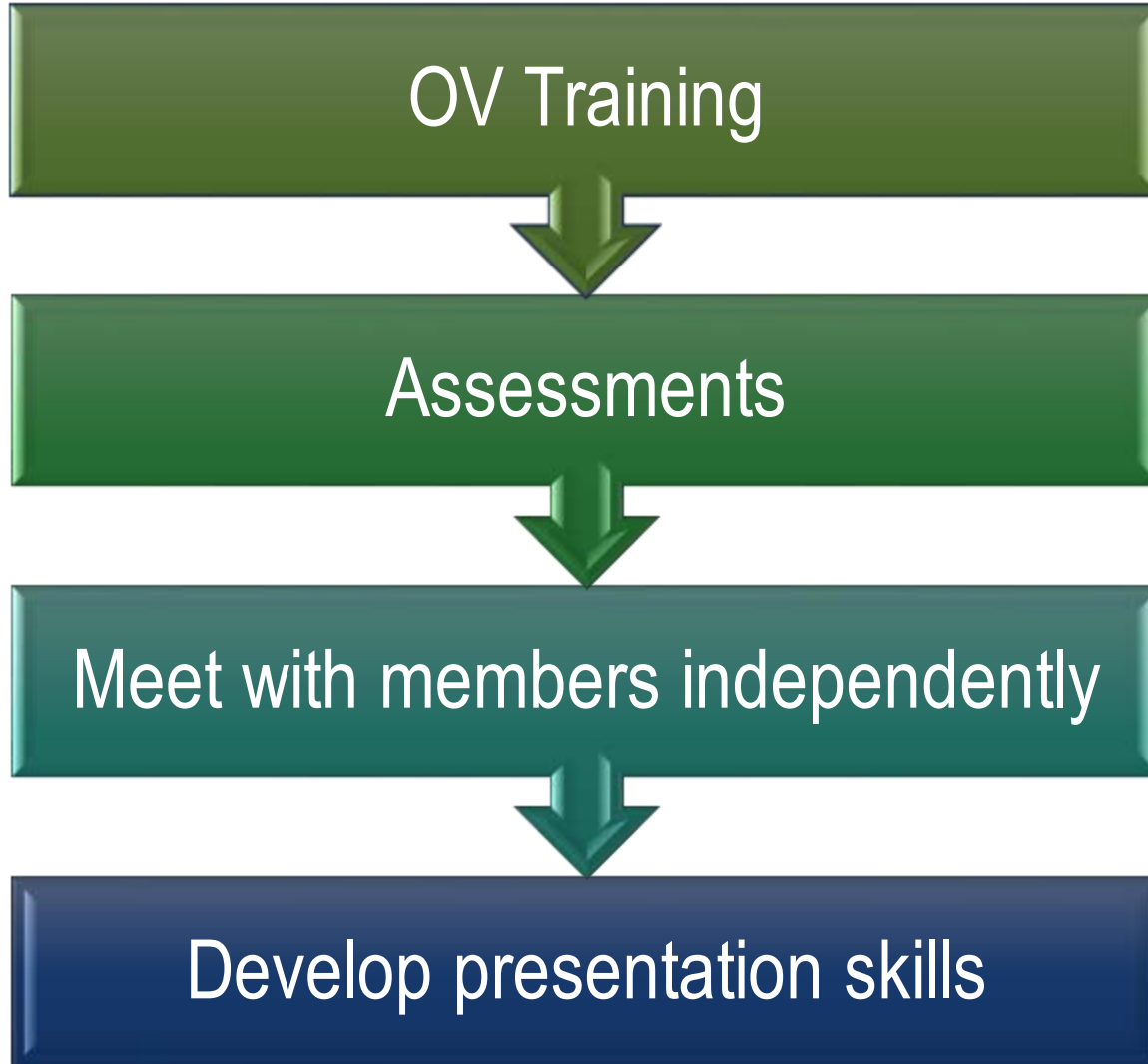
Developing Employees

On-the-Job Training (OJT)



12 weeks in training





Cross-Training Case Studies
Peer-to-Peer Learning Simulation Training
Spaced Learning eLearning
On-the Job Training
Collaborative Training Instructor-Led Training
Coaching Job Shadowing
Roleplaying Video Training

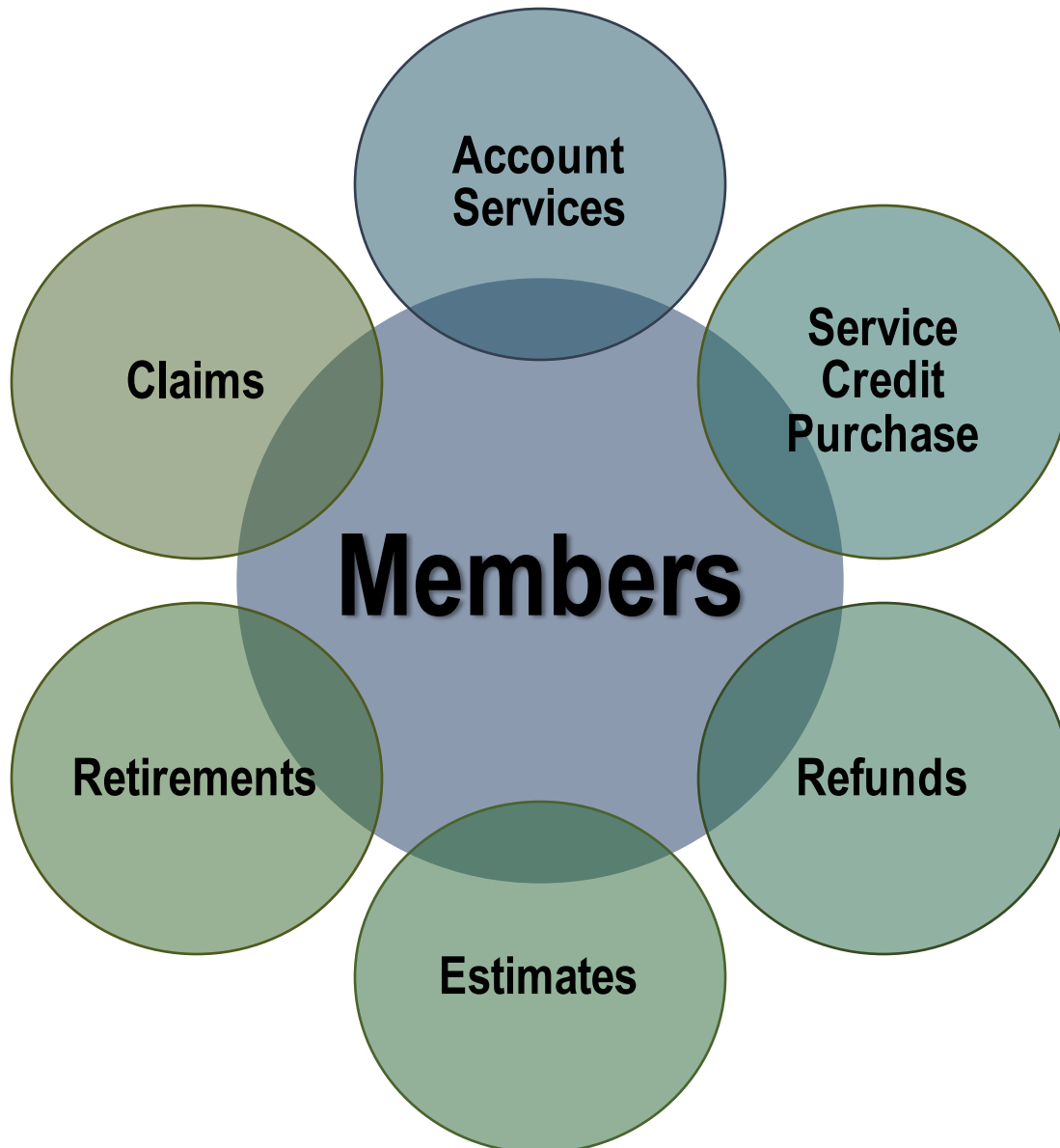


Laws and rules classroom training

Observe trainer; hands-on; quality checks

System Navigation

Independent work



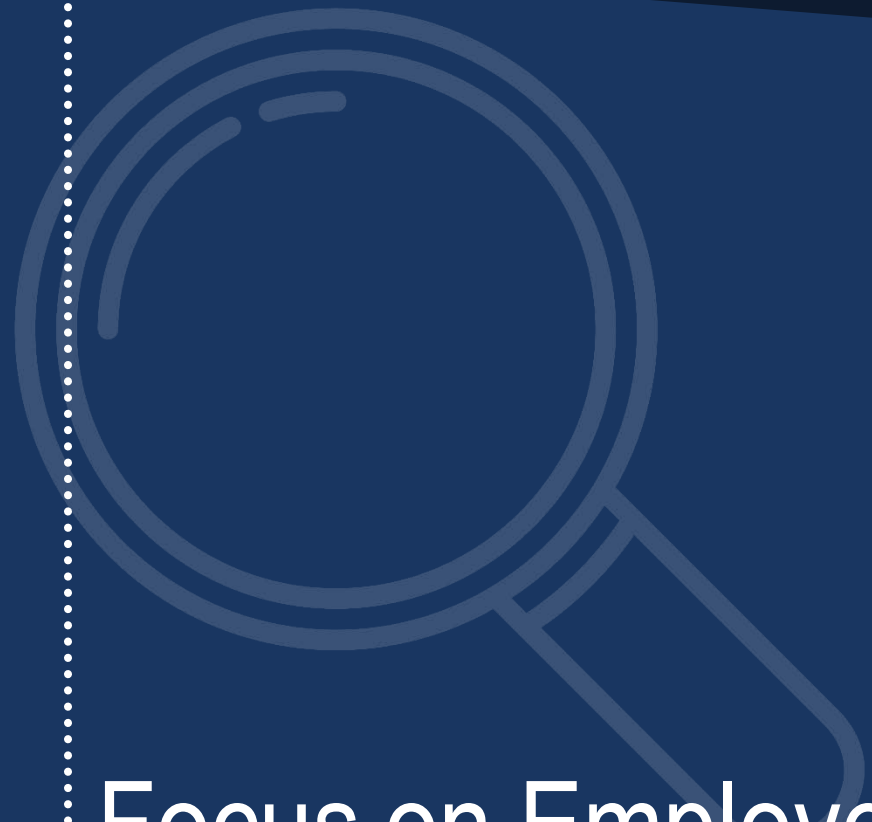
Observe trainer; hands-on;
quality checks

System navigation and
processing

Exposure to laws, rules and
procedures

Weekly knowledge checks

Trainer reviews work
for accuracy



Focus on Employee Excellence

Quality Assurance, Performance Management & Retention



MEMBER
Focused



Cue Cards &
eLearning

Quality
Assurance
Reviews

Positive
Reinforcement
& Coaching

TRS
Benefit Counseling
Quality Monitoring Scorecard Rev. 1/2023

Counselor Name: _____
Date of Call: _____

Time of Call: _____
Evaluation Date: _____

1. Opening		Score = 4	Points Earned
1.1.	Was the call answered promptly and proper greeting used?	Yes = 4 No = 0	
Comments:		Total Score=	

2. Knowledge and Procedures		Score = 56	Points Earned
2.1.	Was the caller verified and confidentiality maintained?	Yes = 9 No = 0 N/A = 9	
2.2.	Were all questions relevant to the call answered and consistent with TRS Laws and Rules?	Yes = 13 No = 0 N/A = 13	
2.3.	Was the counselor proactive in providing benefit information and education to the caller?	Yes = 8 No = 0 N/A = 8	
2.4.	Did the counselor set appropriate expectations?	Yes = 5 No = 0 N/A = 5	
2.5.	Were self-service options offered?	Yes = 5 No = 0 N/A = 5	
2.6.	Did the counselor utilize available resources?	Yes = 5 No = 0 N/A = 5	
2.7.	Was the Hold/Transfer/Escalation procedure used correctly?	Yes = 6 No = 0 N/A = 6	
2.8.	Was correct format and/or documentation used?	Yes = 5 No = 0 N/A = 5	
Comments:		Total Score=	

3. Member Experience		Score = 30	Points Earned
3.1.	Did the counselor avoid interrupting and/or talking over the caller?	Yes = 5 No = 0 N/A = 5	
3.2.	Were active listening skills used?	Yes = 5 No = 0 N/A = 5	
3.3.	Did the counselor display empathy?	Yes = 5 No = 0 N/A = 5	
3.4.	Was professionalism and common courtesy maintained throughout the call?	Yes = 5 No = 0	





Awards Program

Learning and Development Opportunities

Comprehensive Compensation Plan

OJT Coach & Retention One-time Merits



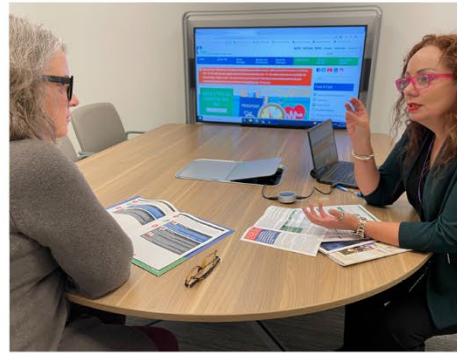
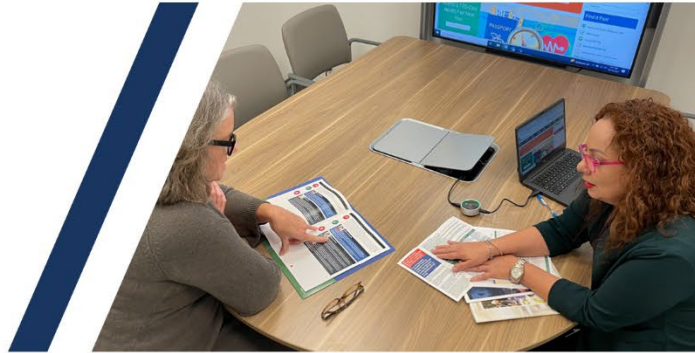
Ready for Questions



MEMBER
Focused



TAB 5



CIO Update

Jase Auby, Chief Investment Officer

February 2023

*Earning your trust every day... by
investing now for member's
tomorrow.*

CIO Update

IMD at a Glance

Priorities

- **Performance.** As of 12/31/2022, Trust value is \$179.7 billion with a preliminary one-year absolute return of -10.3%
- **Town Hall.** Hosted annual Town Hall event at the LBJ Center to emphasize IMD strategy and 2023 priorities
 - Excellence in Investing Award
 - Spotlight Award
- **Building the Fleet.** Concluded five-year initiative to strengthen the Trust's internal capabilities and generate fee savings

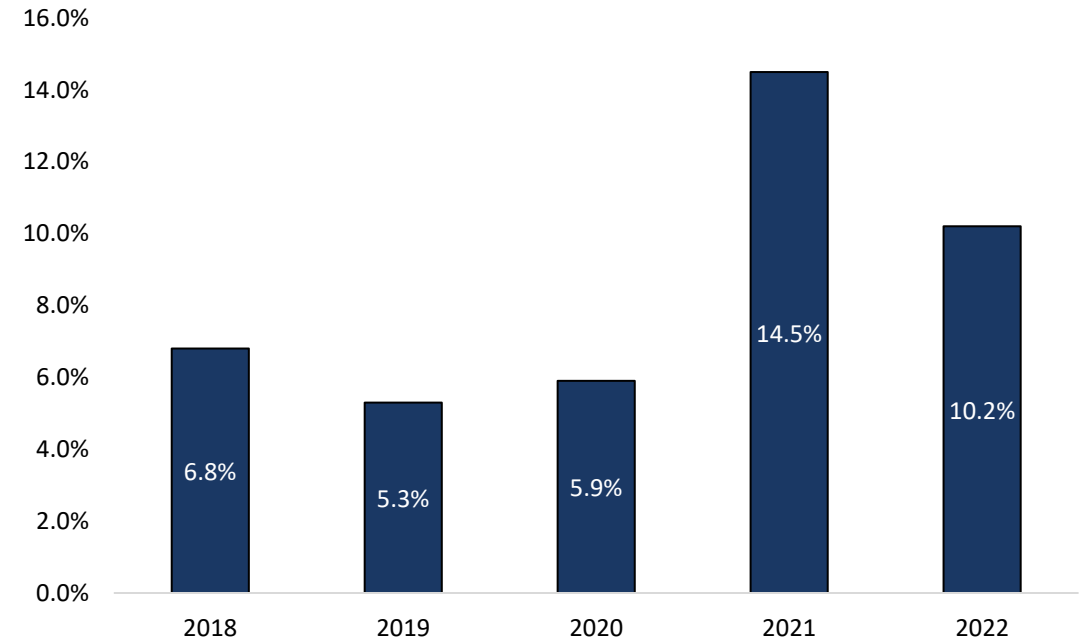
Key Dates and Upcoming Events

Event	Location	Dates
TRS Emerging Manager Conference	Virtual	February 22, 2023
Texas Alternatives Conference	Austin, TX	March 1, 2023
Council of Institutional Investors (CII) Spring Conference	Washington, DC	March 6-8, 2023

Our People

Snapshot as of January 2023		Activity	Phase I	Phase II	Phase III
IMD FTEs	219	Hired	32	31	12
Shared-Services	21	Recruiting	0	0	1
Contractors	14	Pipeline	0	0	12
Secondees	6		32	31	25

Attrition Trend 2018 – 2022 (As of 12/31/2022)



Market Update

2022 In Review

Overview

- **Markets**

- S&P 500 returned -18.1% for the year (troughing at -24.0% in October), its worst year since 2008
- US value stocks significantly outperformed growth by over 25% (value down -7.0% while growth down -32.1%)
- Energy sector stocks had another record year (gain of over 65%) while the technology sector faltered (-28.2%)

- **Rates**

- The Federal Reserve raised interest rates from 0.1% to 4.4%, the largest annual move since 1973
- Treasury yield curve inverted, with the 3 month to 10 year spread at -47 bp to end the year
- Mortgage rates rose from 3.1% in January to end the year at 6.4%, the highest level since 2008

- **Economy**

- Real GDP increased 2.1% for calendar year 2022. Consensus forecasts are for 0.3% in 2023 and 1.3% in 2024
- Inflation remained elevated, with headline CPI at 6.5% in 2022 and core CPI (excluding food and energy prices) at 5.7%. Consensus is for headline CPI of 4.0% in 2023 and 2.5% in 2024

- **Commodities and Currency**

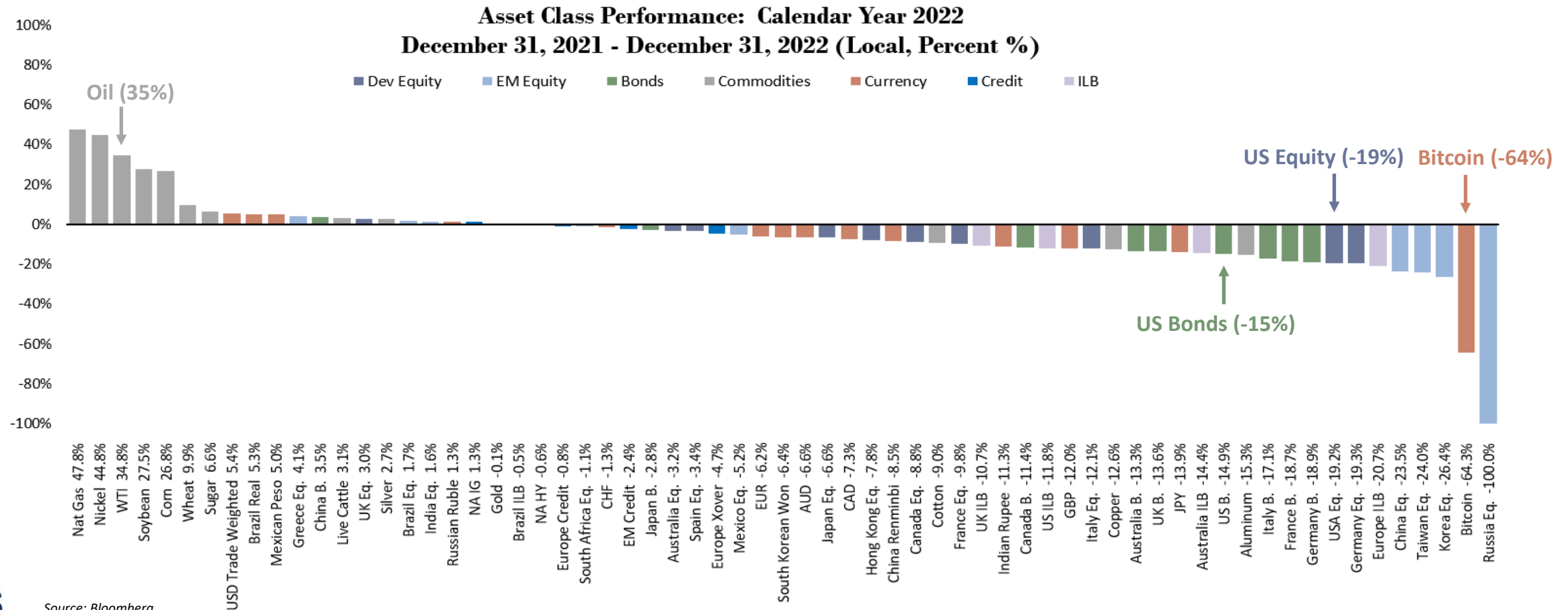
- West Texas Intermediate spot price rose from \$75.2 to peak at \$123.7, then declined to \$80.3 to end the year
- US Dollar index spot rate strengthened throughout the year, gaining 8.2% relative to other major currencies

2022 In Review

Market returns

29% of assets had positive returns in calendar year 2022

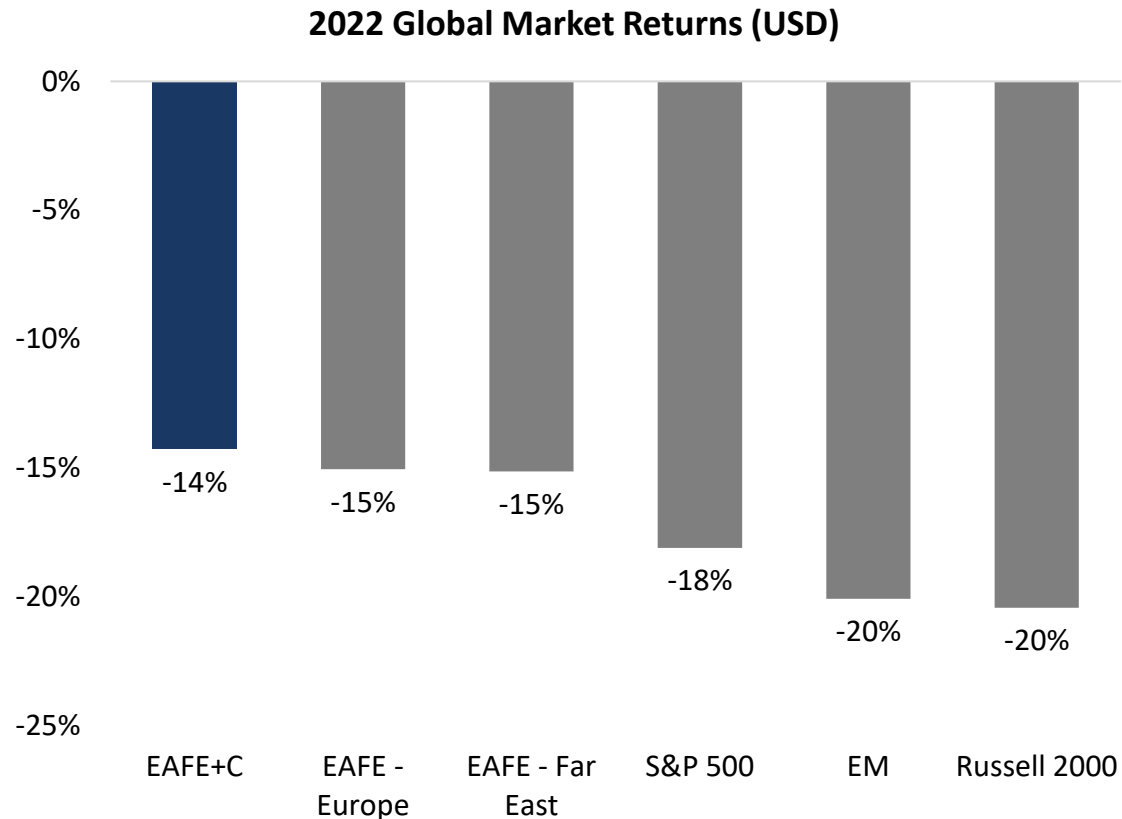
- **Top 5:** Natural Gas 48%, Nickel 44.8%, WTI 35%, Soybean 28%, Corn 27%
- **Bottom 5:** Russia Equities -100%, Bitcoin -64%, Korea Equities -26%, Taiwan Equities -24%, China Equities -24%



2022 In Review

Equity performance was negative

Non-US Developed market equities led major market indices...

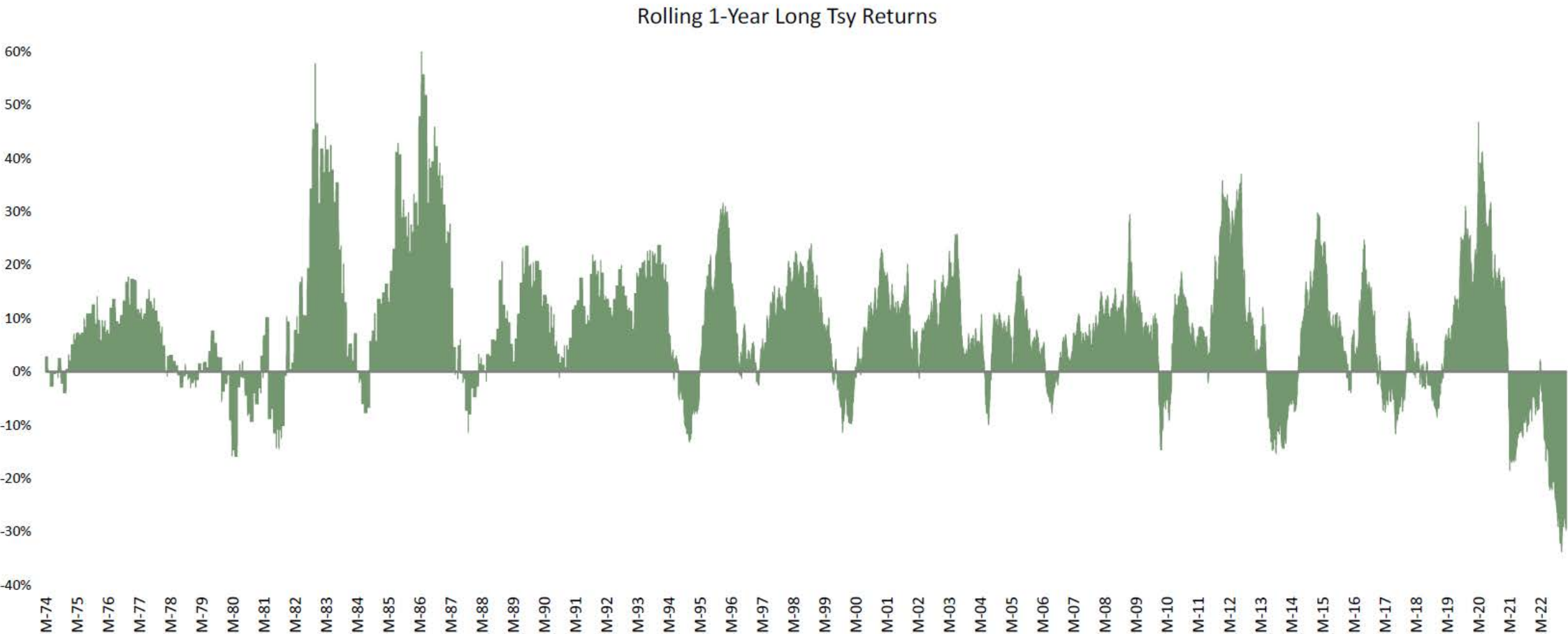


...while value shares made a comeback versus growth



2022 In Review

Long UST had the worst performance in history



Down -33.7% on 11/8/22

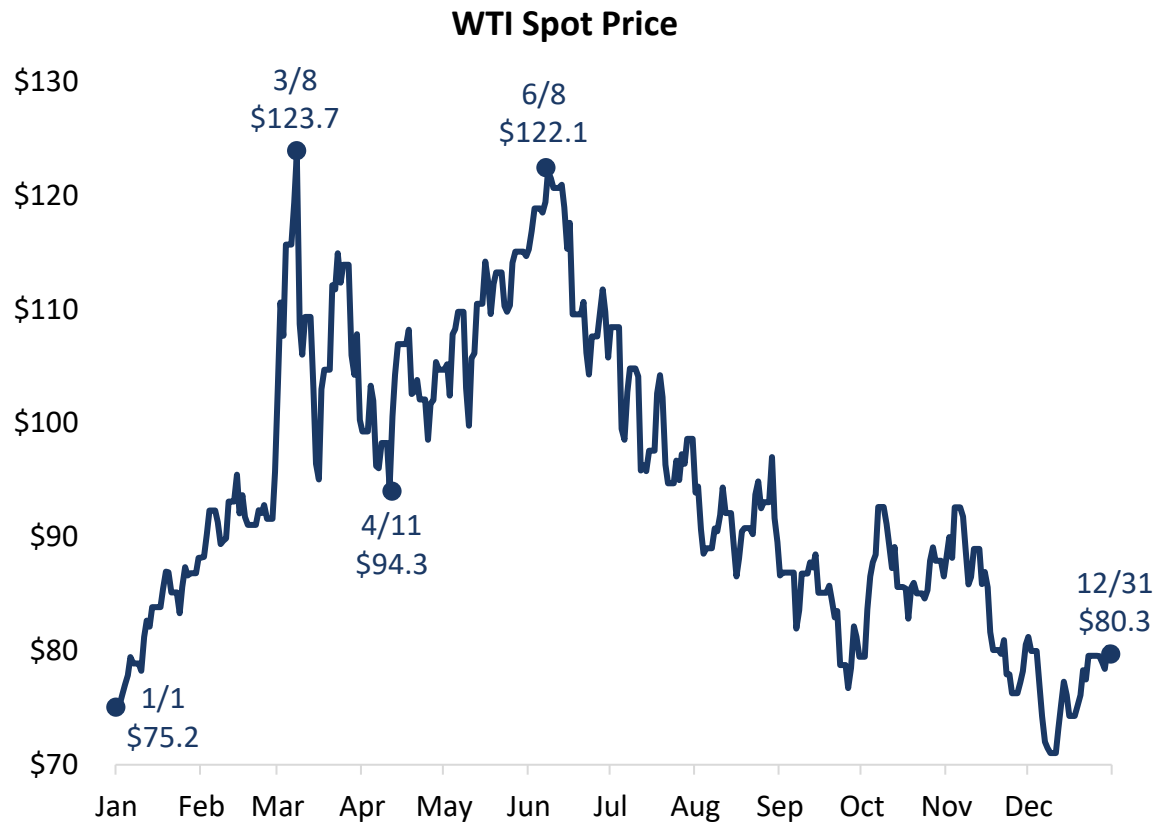


Source: TRS Risk Group

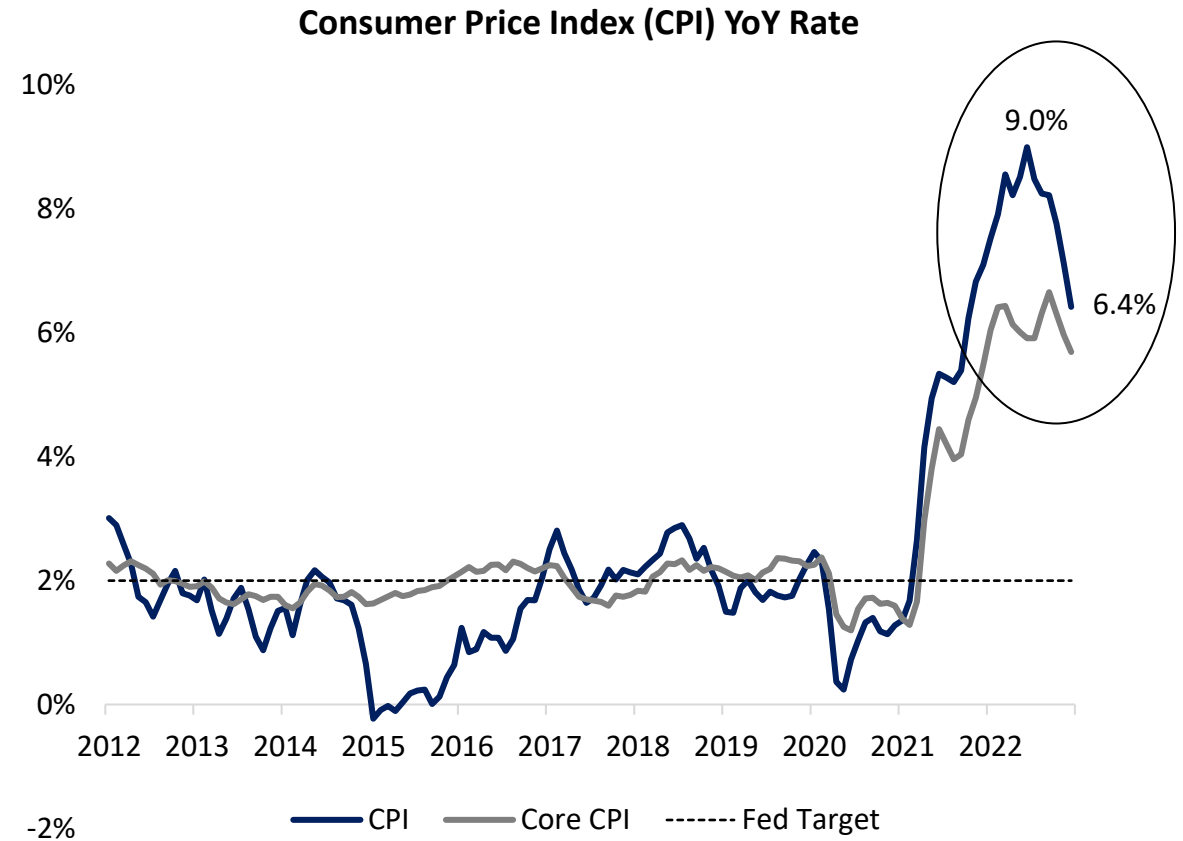
2022 In Review

Commodity markets faced volatility while inflation finally appears to be cooling off

Oil ended a year full of wild price swings...



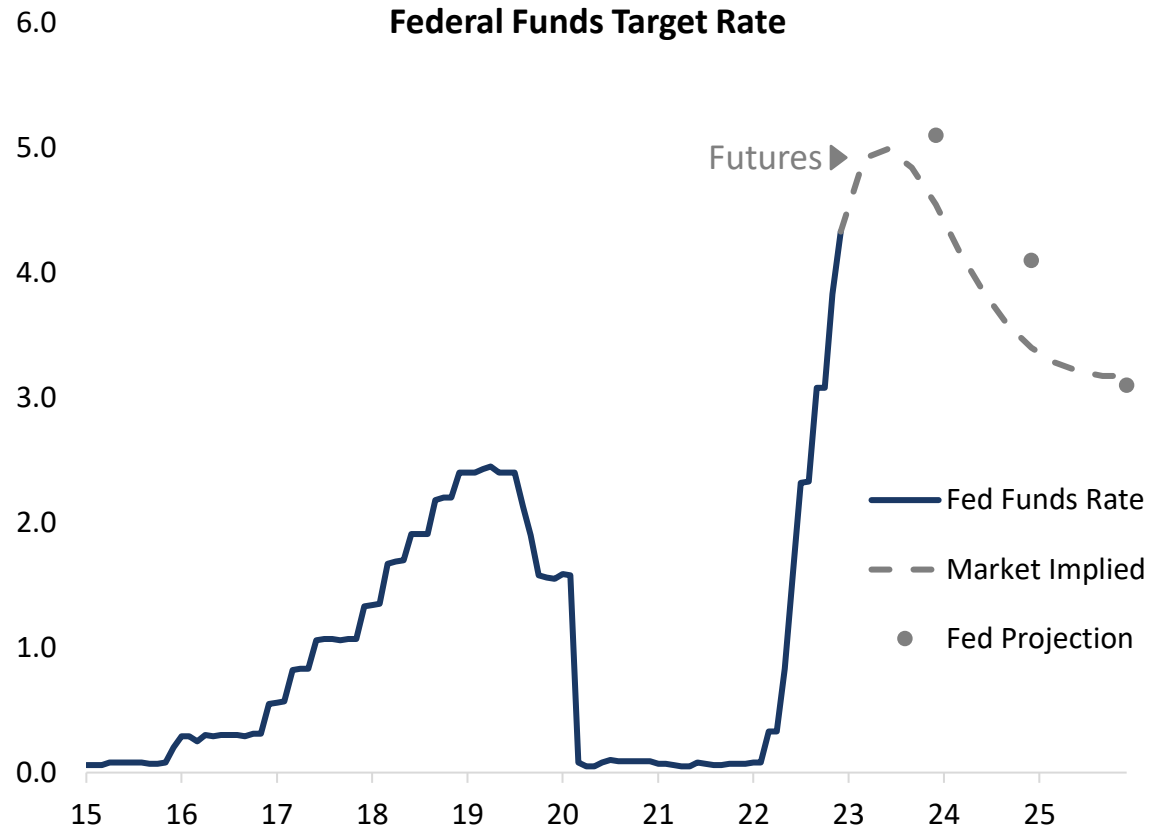
...while annual CPI may have peaked and is on a decline



2023 Investment Outlook

Rate movements are closely watched by investors

The Fed hiked rates from 0.1% to 4.4% over the year...

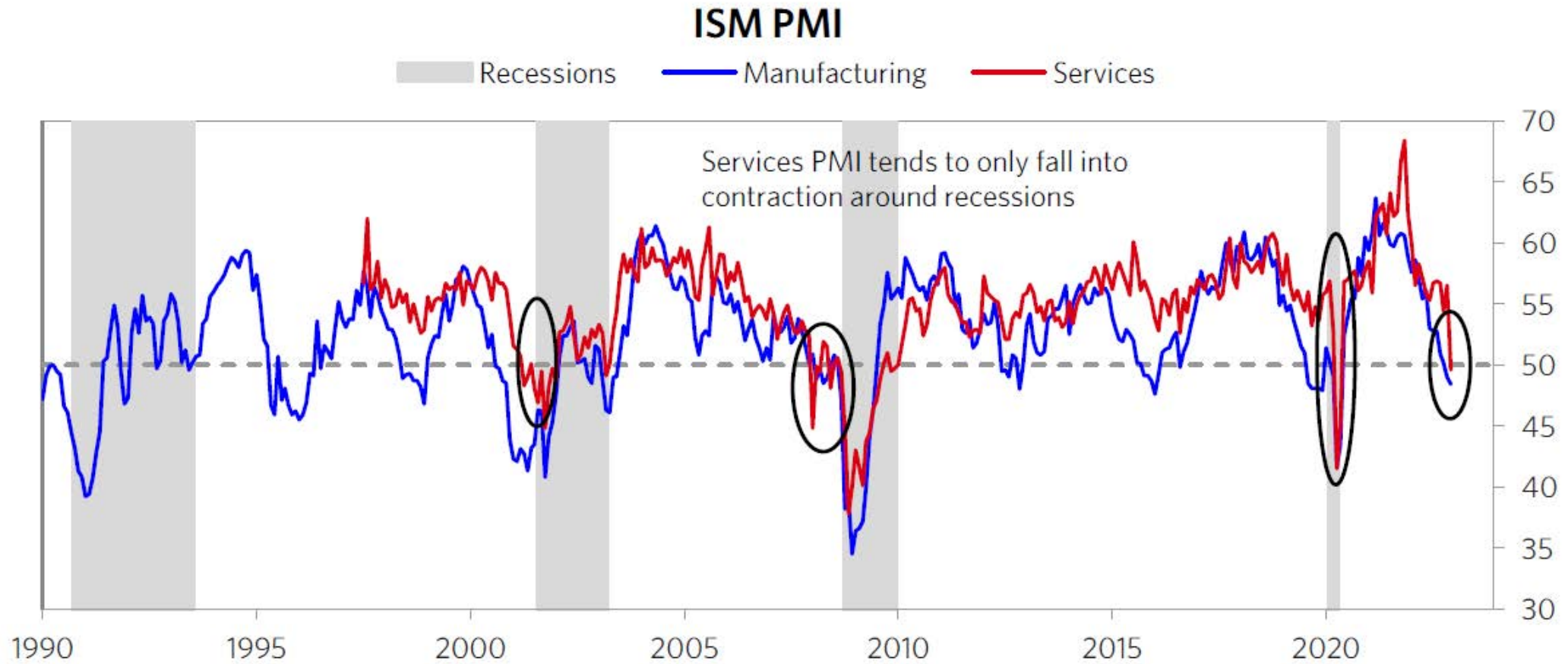


...as the yield curve inverted in late 2022



2023 Investment Outlook

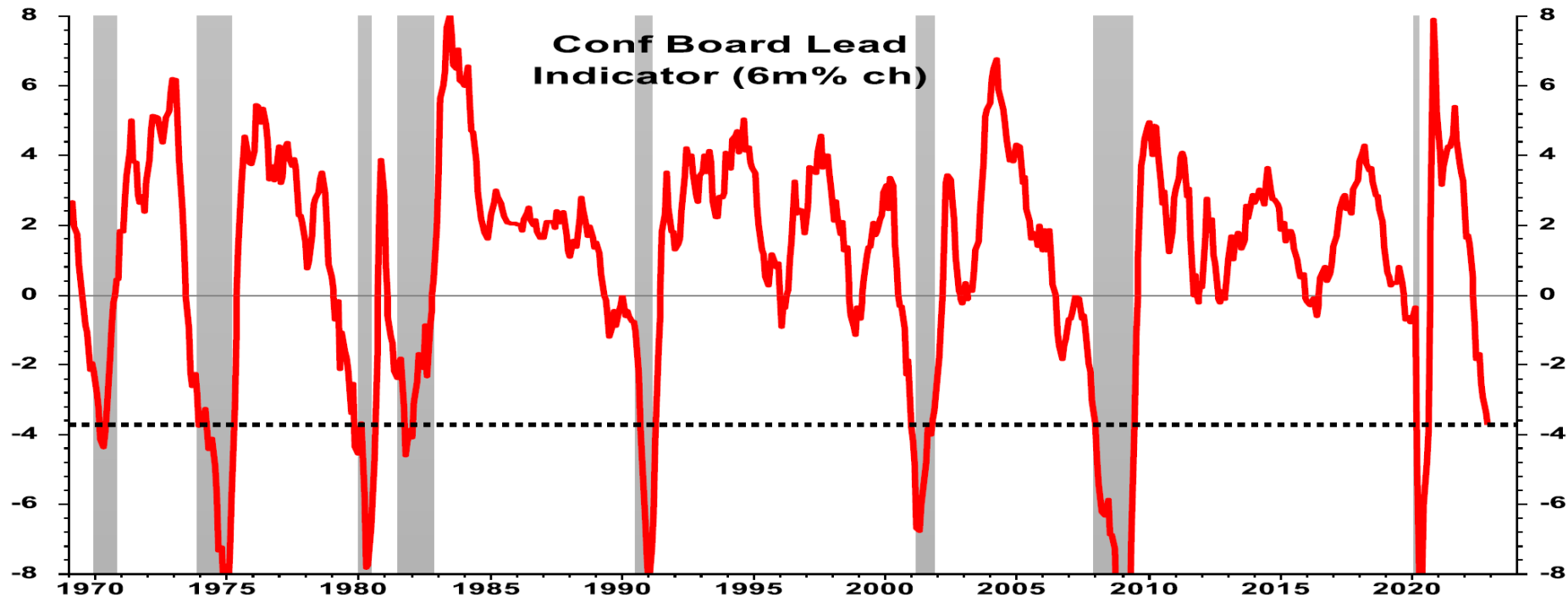
ISM is predicting recession



2023 Investment Outlook

Broader Leading Economic Indicators are also predicting recession

Never before has the US Lead Indicator been this low without a recession having already begun



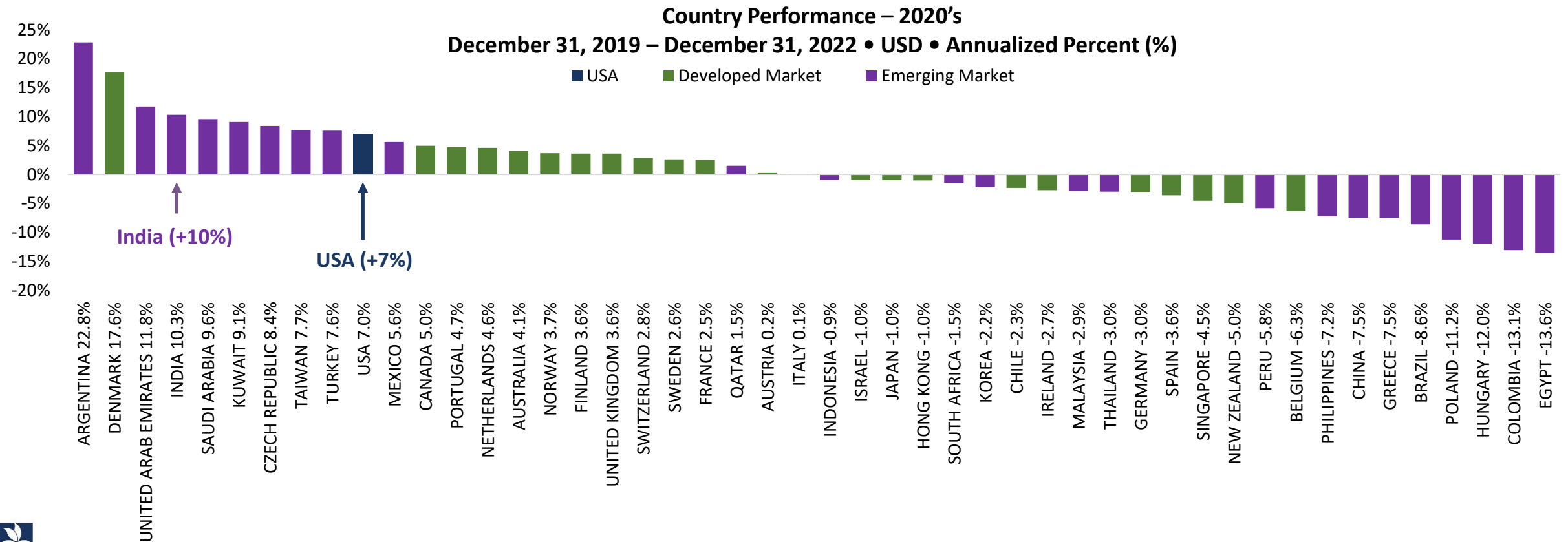
Source: Datastream

Long Term

2020 Decade So Far

62% of countries have positive equity returns in the 2020's decade so far

- **Top 5:** Argentina 23%, Denmark 18%, UAE 12%, India 10%, Saudi Arabia 10%
- **Bottom 5:** Egypt -14%, Colombia -13%, Hungary -12%, Poland -11%, Brazil -9%



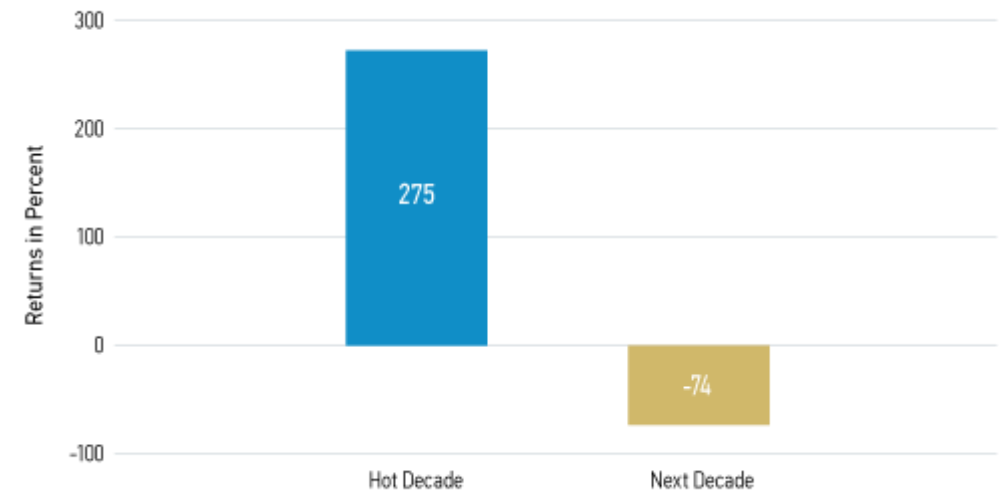
Source: Bloomberg

Long Term

2020 Decade So Far

Decade	Hot Equity Market
1950s	Europe
1960s	US “Nifty Fifty”
1970s	Emerging markets
1980s	Japan
1990s	US Technology
2000s	Emerging Markets
2010s	US Large Cap
2020s	India (so far....)

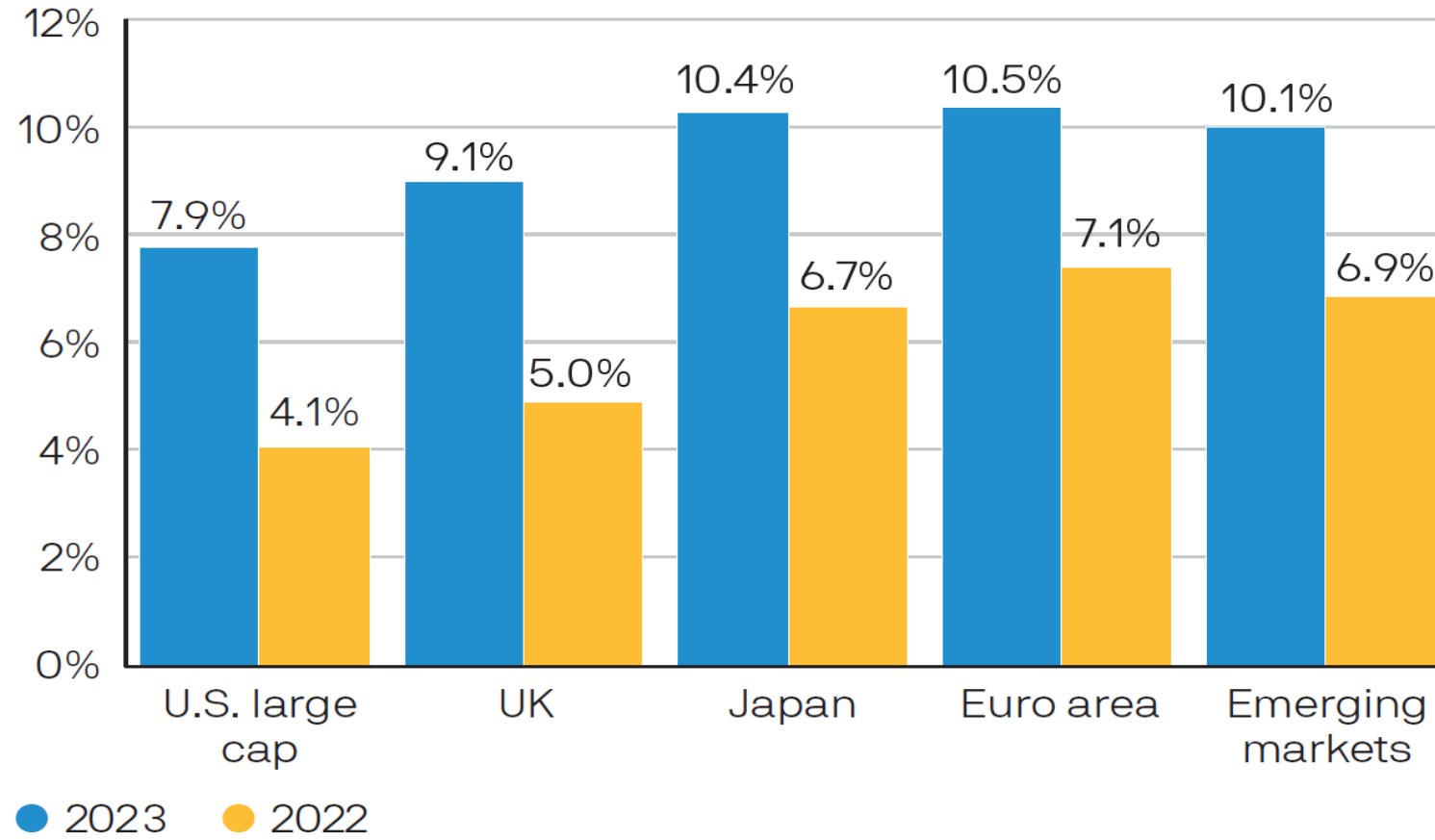
Return in Hot Decade and in Next Decade (versus ACWI)



Long Term

Long Term Equity Return Forecasts

Long Term Equity Return Forecasts



Special Topic: Foreign Currency

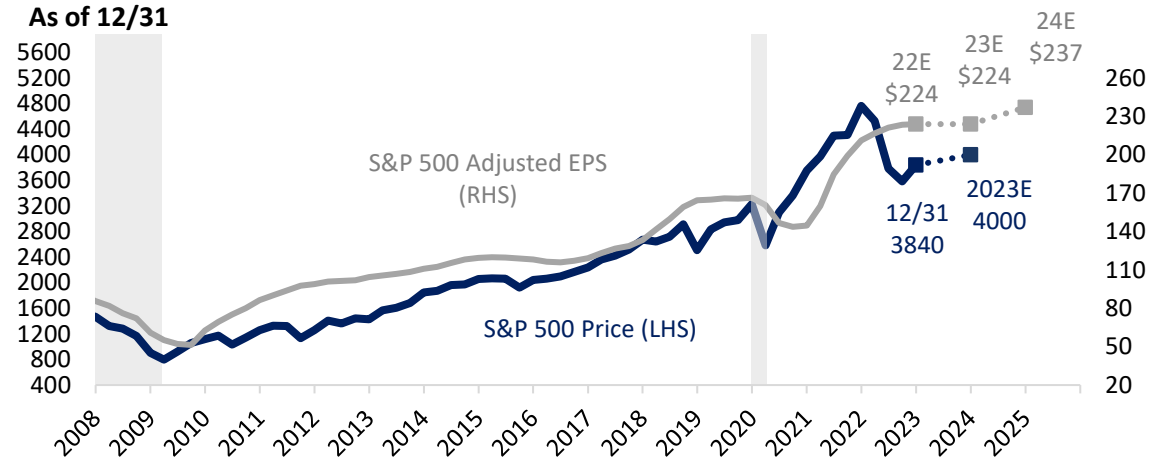
Special Topic: Foreign Currency

Overview

Special Topics

Topic	Date
1 Recession	September 2017
2 Growth	February 2018
3 Inflation	September 2018
4 Strategic Asset Allocation	February 2019
5 Value	September 2019
6 Diversification	February 2020
7 Interest Rates	September 2020
8 Long-Term Investing	February 2021
9 Commodities	September 2021
10 China	February 2022
11 Sentiment	September 2022
12 Foreign Currency	February 2023

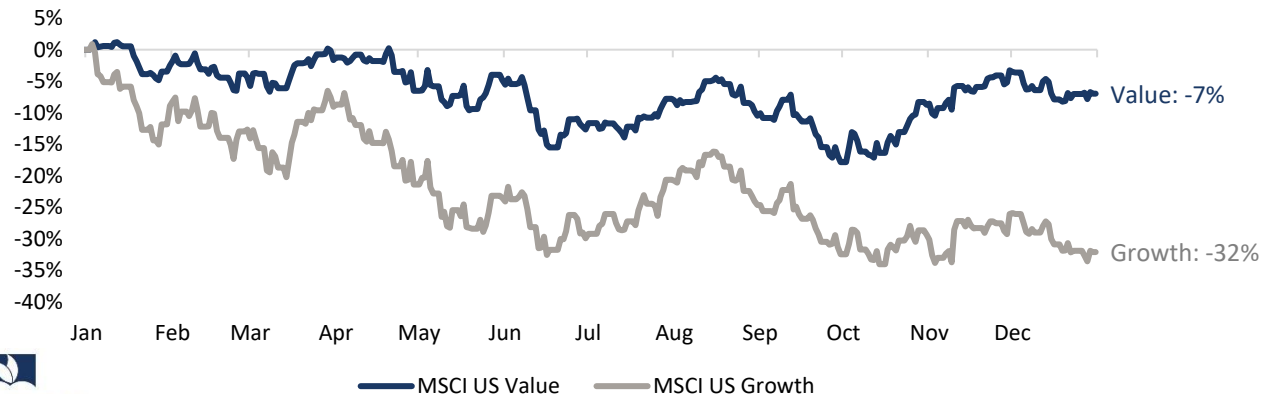
Update on Growth Special Topic



Update on Value Special Topic

As of 12/31

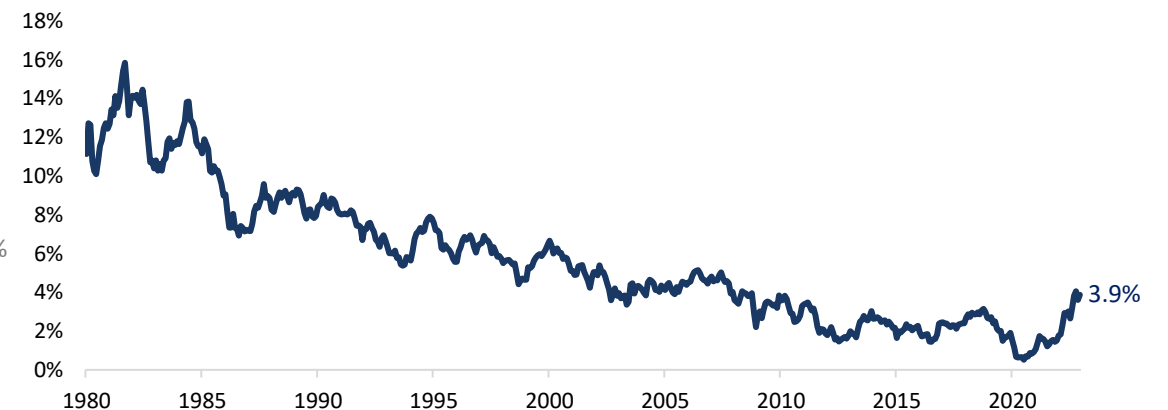
MSCI US Value vs. MSCI US Growth



Update on Interest Rates Special Topic

As of 12/31

US 10 Year Bond Yield

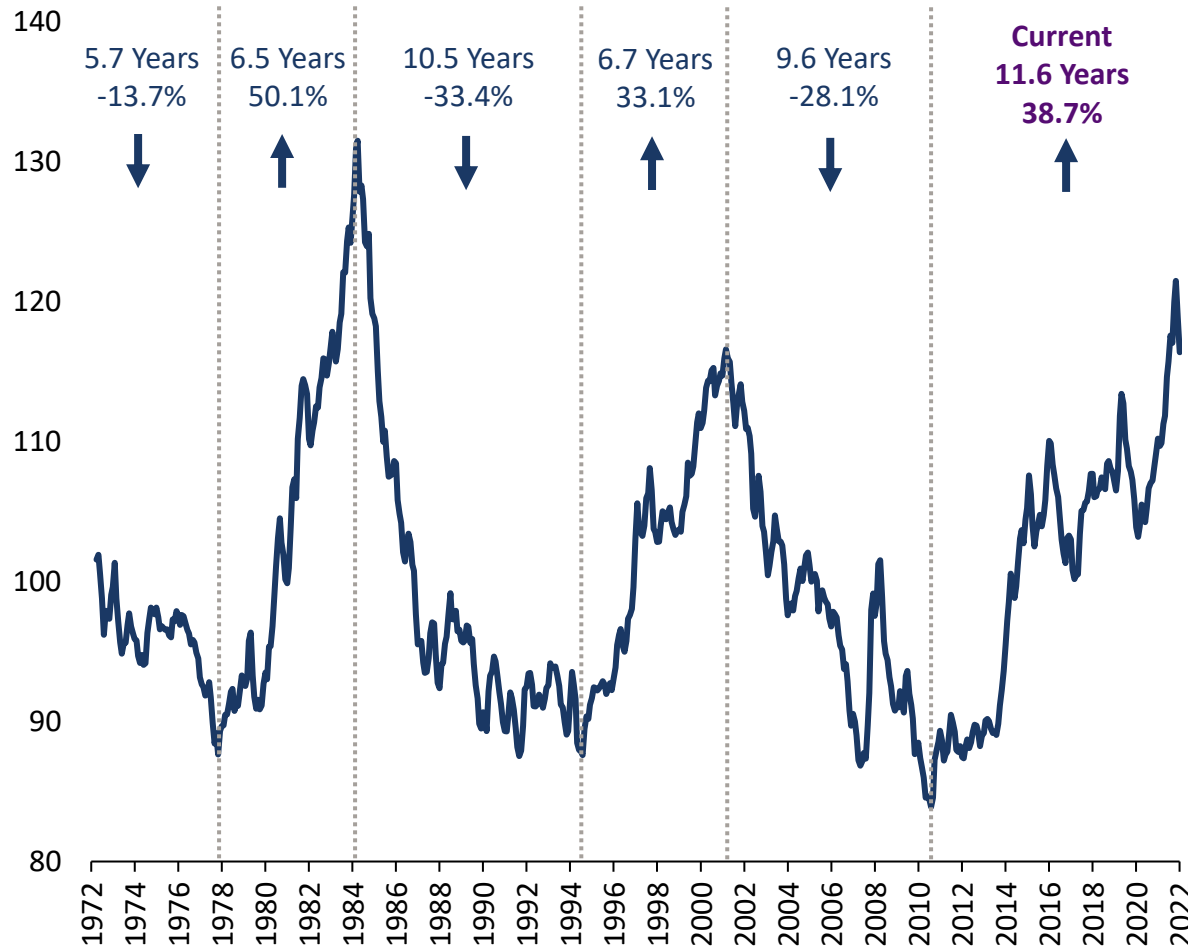


Source: US Bureau of Economic Analysis (BEA), Federal Reserve Economic Data (FRED), Goldman Sachs, Bloomberg
 Note: Adjusted S&P 500 EPS calculated as twelve trailing months on a quarterly basis

Special Topic: Foreign Currency

US Dollar strength moves in cycles and is driven by economic fundamentals and investor behaviors

Real Trade Weighted US Dollar Index (1973 – 2022)



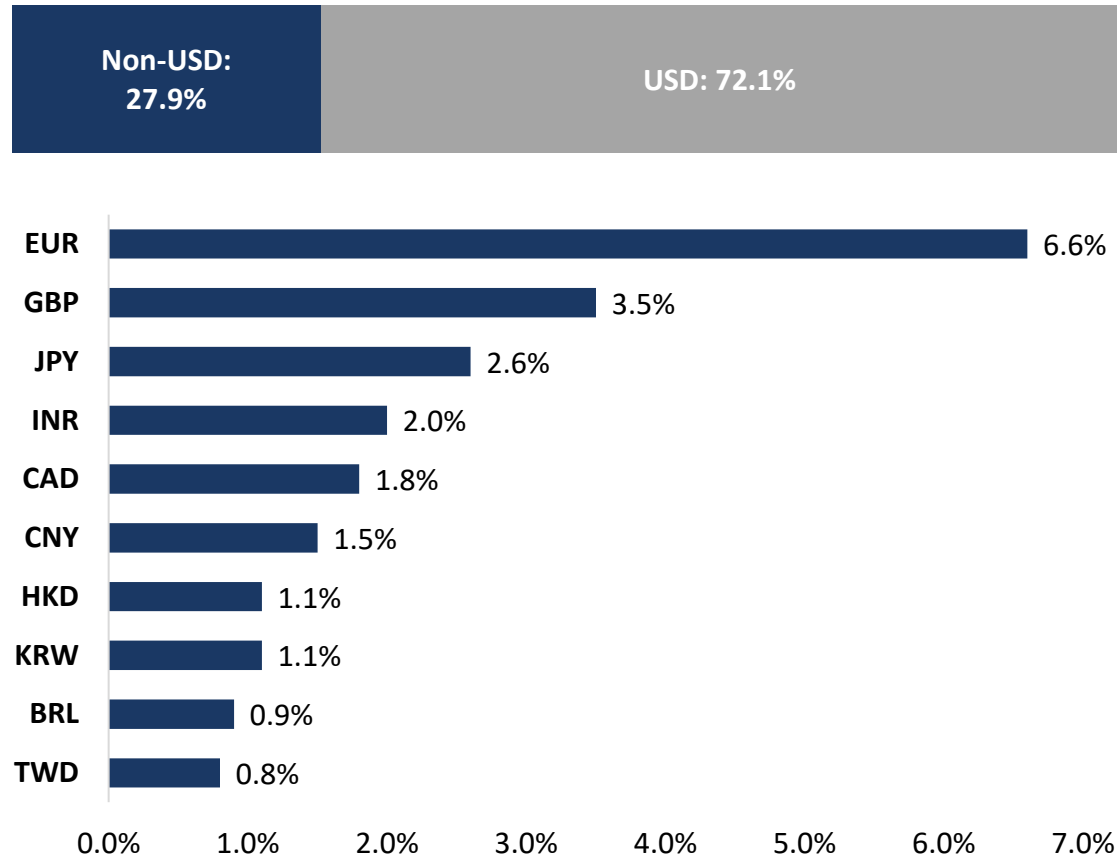
Source: Federal Reserve

- **Currency exchange rates depend on conditions in one country relative to another:**
 - Current account influences
 - Capital mobility
 - Interest rates
 - Economic growth
 - Inflation
- **The US Dollar has been strengthening for over 11 years, the longest cycle in history**
 - Beginning in 2015, sharp increase resulted from diverging monetary policies in advanced economies (higher US interest rates)
 - Post-COVID, dollar has benefitted from relative strength of US economy, aggressive Fed policy decisions, and role as a safe-haven currency
 - **As a result, for the past 11 years it would have been best to hedge**

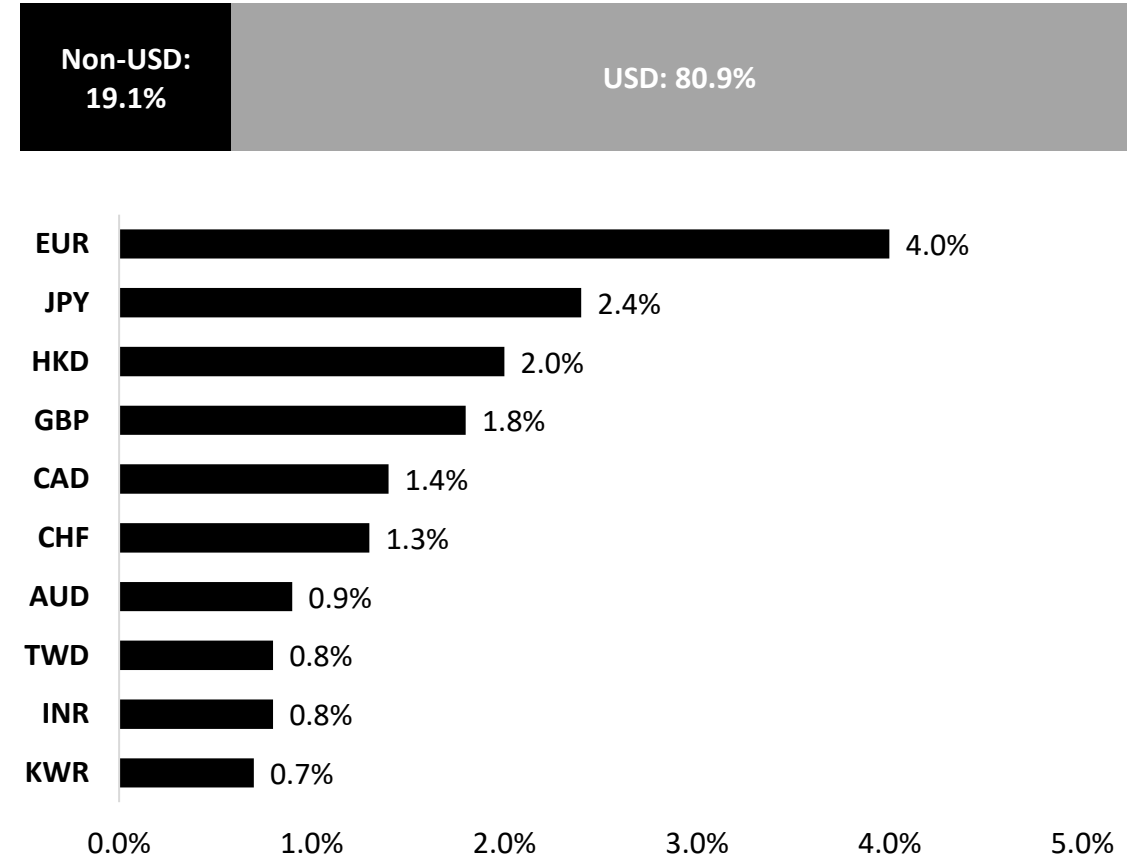
Special Topic: Foreign Currency

The Trust has more exposure to foreign currencies than the typical pension fund due to asset allocation

Trust Currency Exposure
As of 12/31/2022



Average US Pension Currency Exposure



Special Topic: Foreign Currency

Valuations in currency exchange rates are linked by interest rates and inflation

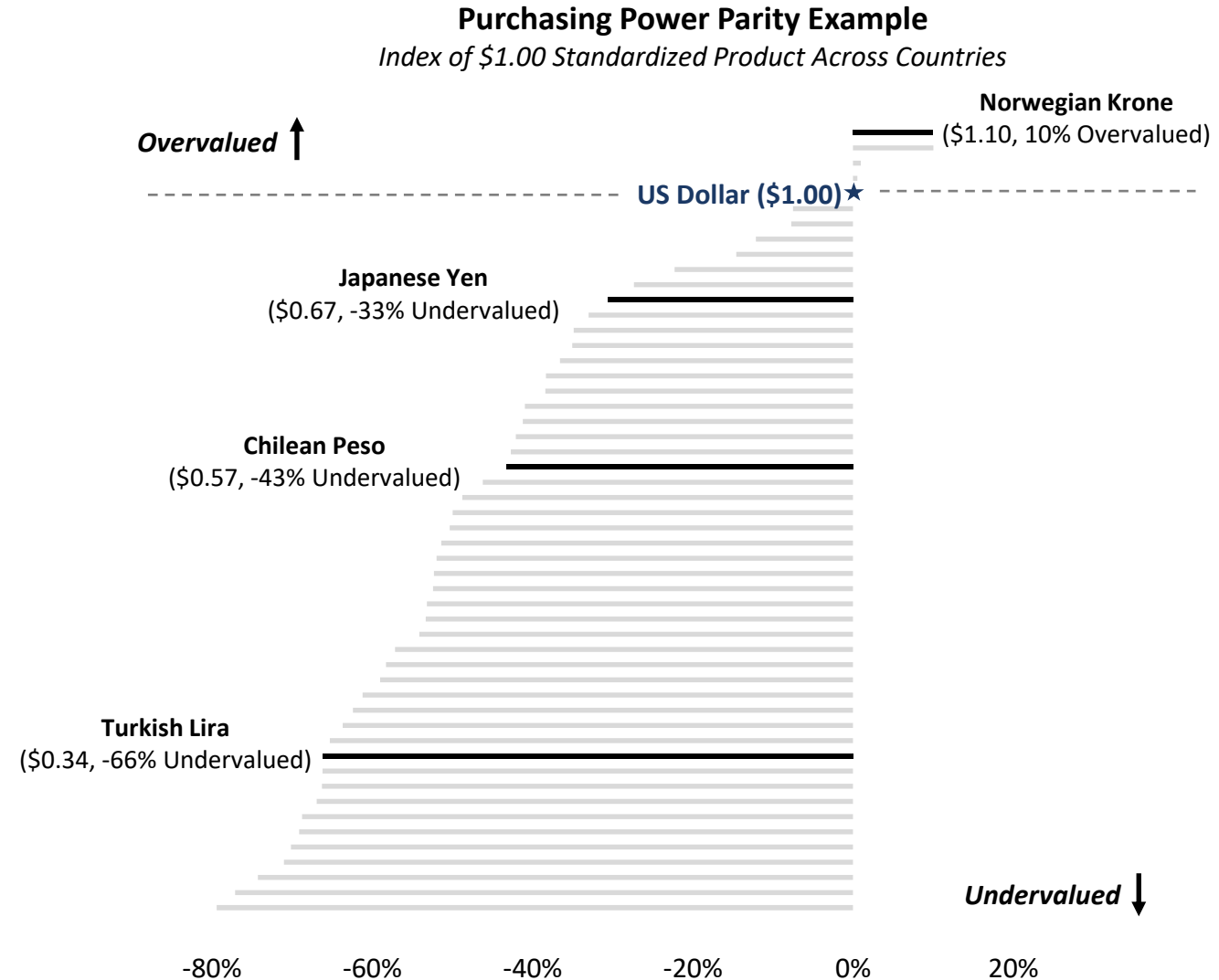
- Currency exchange rate movements are theoretically connected to relative interest rates between two countries
- Over the long-term, inflation differentials between two countries are linked to changes in currency rates by Purchasing Power Parity (PPP)
 - The 'law of one price' states that identical goods should have the same price in all locations

$$\% \Delta \text{Spot}(A/B) = \text{Inflation}(A) - \text{Inflation}(B)$$

A = Country A (Base Currency)

B = Country B (Quote Currency)

- The USD is currently very strong on a PPP basis



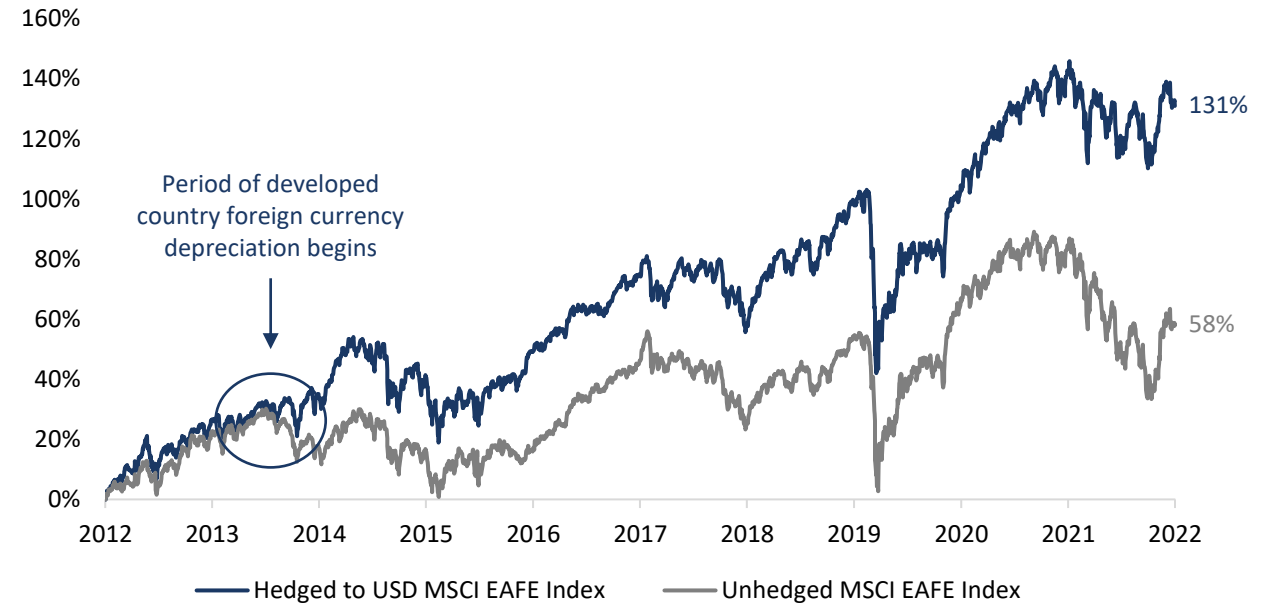
Special Topic: Foreign Currency

Hedging currency risk can reduce volatility and increase risk-adjusted returns

- Changes in exchange rates can impact the performance and volatility of global portfolios
- The decision to hedge is complex and rests on different factors:
 - Investment time horizon
 - Passive vs. active management style
 - Transaction and rebalancing costs
 - Liquidity needs
 - Foreign currency bond exposure
 - Risk aversion

MSCI EAFE Index Returns (Hedged vs. Unhedged)

Last 10 Years, as of December 31, 2022



	Annualized Returns (%)			Annualized Volatility (%)			Sharpe Ratio		
	3 Year	5 Year	10 Year	3 Year	5 Year	10 Year	3 Year	5 Year	10 Year
Hedged to USD MSCI EAFE Index	5.3	5.8	8.7	16.3	14.4	12.5	0.35	0.37	0.67
Unhedged MSCI EAFE Index	0.9	1.5	4.7	20.3	17.5	14.8	0.11	0.10	0.32

Return Higher

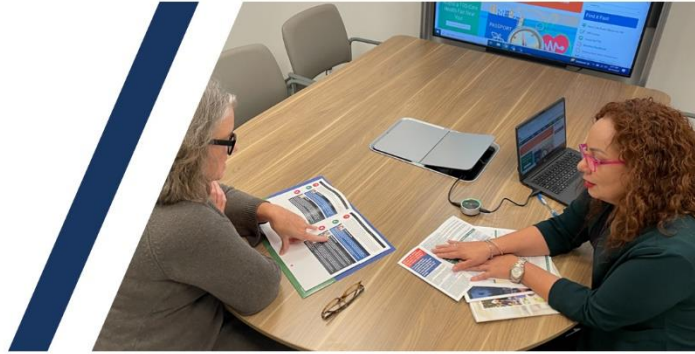
Risk Lower

Special Topic: Foreign Currency

Trust-wide view on currency risk and management

- The Trust's Strategic Asset Allocation (SAA) introduces currency risk primarily through exposure to Non-US Developed and Emerging Markets equities
- While TRS does not hedge currency risk at the total Trust level, we do in certain instances at the portfolio level
- The dollar is now more overvalued than at any time in nominal terms since the 1980's (since 2002 in real terms). On a nominal trade-weighted basis, the dollar is now forecasted to depreciate annually over the next business cycle
- With the US dollar at cycle highs, foreign currency translation effects will need to be heavily considered in the 2024 SAA study as it will be a meaningful component of forecasted returns

TAB 6



Emerging Manager Program

Kirk Sims, Emerging Manager Program Director

February 2023

*Earning your trust every day... by
investing now for member's
tomorrow.*

Executive Summary

Key Objectives

Performance

- The Emerging Manager Program has outperformed the benchmark by 324 bp over the past 1-yr
- Private equity was the primary driver of outperformance
- The public markets portfolio underperformed in 2022

Commitment to Diversity

- 53% of total capital allocated since inception, and 44% of capital allocated in 2022 was to diverse managers

Manager Graduation

- The public markets group selected its first EMP Graduate
- Four additional managers have graduated the program, bringing the total to 11 since inception
- Trust-level commitments to EM Program graduates is \$4.6 billion

Key Accomplishments

EM Select

- Two Private Equity and three Real Estate managers received EM Select allocations totaling \$330 million since 2019
- Implementation of EM Select continues to be successful with 4 managers graduating into the main portfolio

Program Activity

- 46% of private markets capital allocated to Innovation
- Conducted 143 introductory meetings and 175 update calls
- EMP Team participated in 36 engagement activities including investor conferences and publications across media outlets
- TRS / ERS is hosting the third annual virtual Emerging Manager Conference on February 22, 2023

TRS Emerging Manager Program Team



Kirk Sims, CFA
Senior Director

EM Program Team

Key Partners

Private Markets

Public Markets



Tommy Heitz, CAIA
Associate



Shylee Turner
Administrative Support



GROSVENOR



Charles Phippen
Dedicated GCM Secondee
(Onsite at TRS in Austin)

EM Program Advisors



Jase Aubrey, CFA
Chief Investment Officer



Carolyn Hansard
Senior Director
Energy, Infrastructure,
& Natural Resources



Scott Ramsower
Director
Private Equity



Matt Halstead
Director
Real Estate



Michael Ijeh, CAIA
Associate
Public Markets

Emerging Manager Program Highlights



17
Years Program History



\$5.9 bn
Program Size



218
Managers Backed



11
TRS Graduates
*\$4.6 bn committed to
Graduates at the Trust
Level*



5
EM Select Commitments
*\$330 mm committed EM
Select Managers at the
Trust Level*



371
Investments



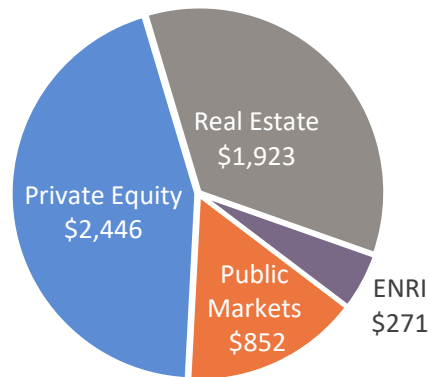
53%
Diverse Manager
Commitments

Performance and Commitments

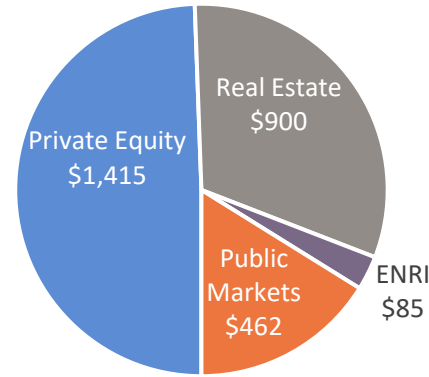
As of September 30, 2022

Emerging Manager Program			
Total Time Weighted Returns			
	1-Yr	3-Yr	5-Yr
Returns	12.7%	11.7%	11.3%
Benchmark	9.4%	14.3%	12.1%
Alpha (bp)	324	-261	-75

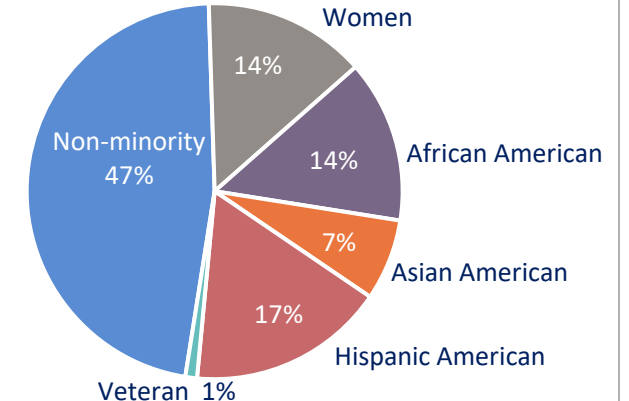
Underlying Allocations: \$5,492 MM



Net Asset Value: \$2,862 MM



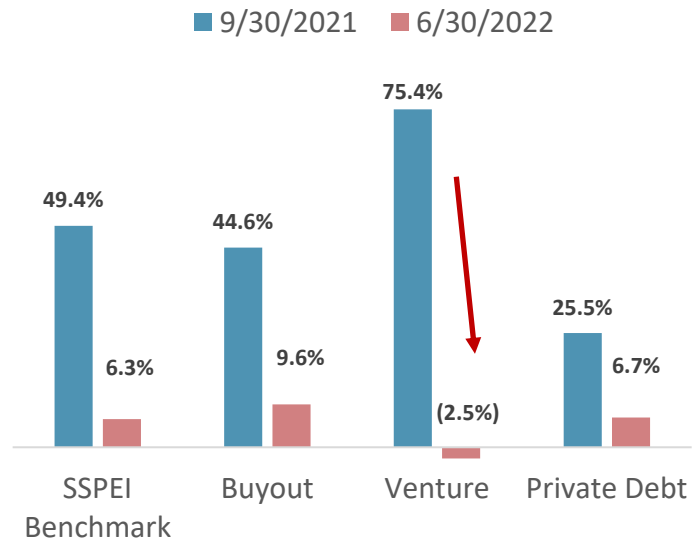
Commitments by Diversity Type



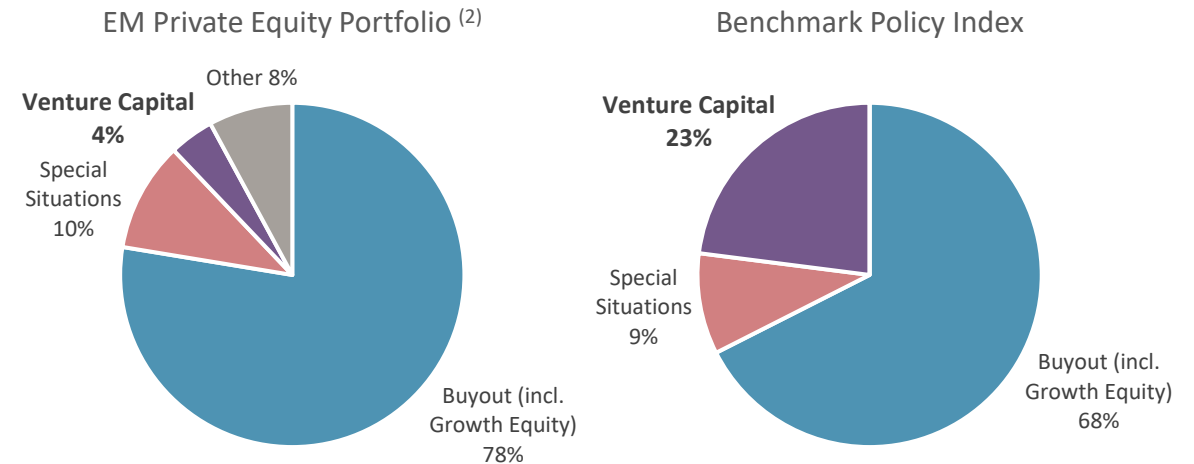
Private Equity: Benchmark Analysis

- As of June 30, 2022, the EM PE portfolio returned 22.1% net IRR on a 1-Yr basis
- One of the drivers of the portfolio's outperformance was the downturn in venture capital returns in the benchmark
- Furthering these results, the benchmark composition has more than 5.0x the amount of venture capital exposure compared to the EM Private Equity portfolio

Benchmark Component IRR (1-Yr)



EM Benchmark Composition has 5.4x Venture Capital vs. EM Portfolio



Emerging Manager Program Experience

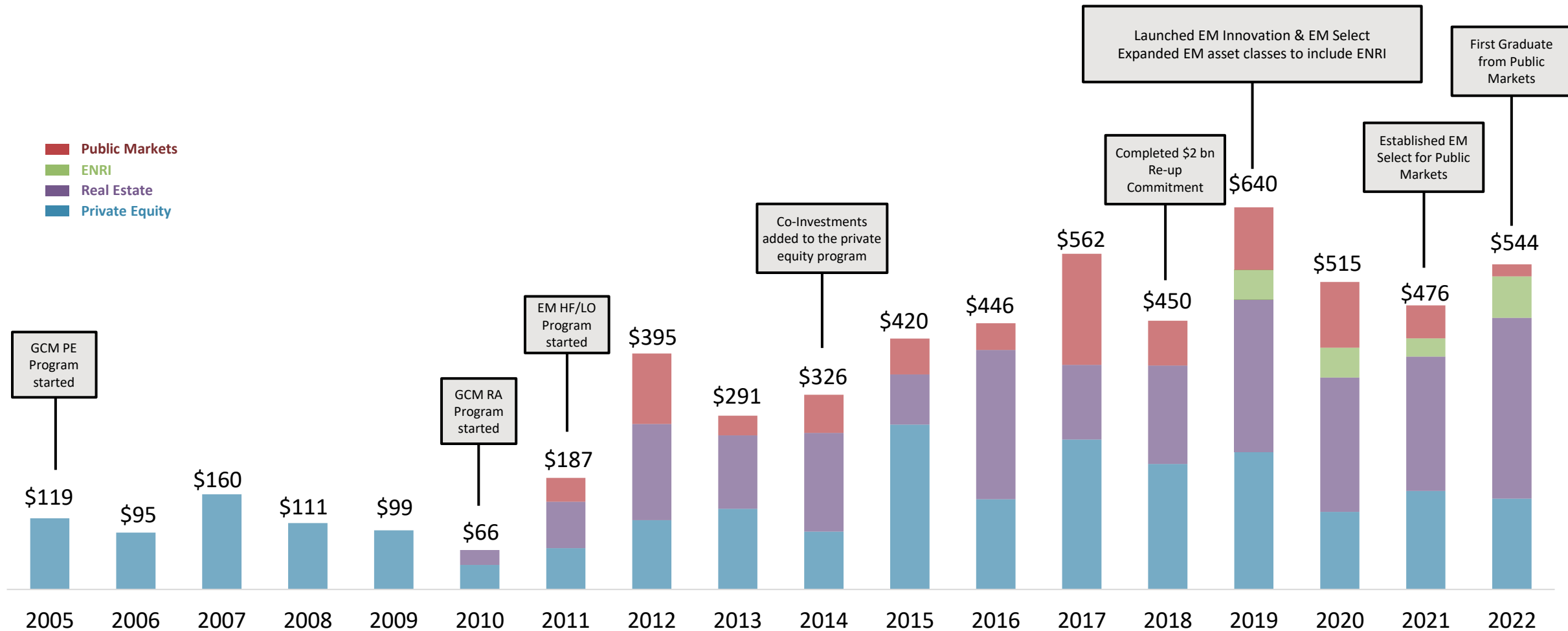
- The purpose of the Emerging Manager Program (EMP) is to generate alpha for the Trust while building new relationships
 - Managers graduate out of the Program and invest capital for the broader Trust
 - With the introduction of EM Select, an additional co-hort of managers have transitioned from the EMP and are managing larger pools of capital for the Trust
- The EMP Experience has produced positive alpha for the Trust over three and five years

		Returns			Alpha		
Asset Class	NAV (\$ Millions)	1-Year	3-Year	5-Year	1-Year	3-Year	5-Year
Emerging Managers Private Markets	\$2,399.9	20.6%	14.4%	13.9%	612 bp	-213 bp	-2 bp
Emerging Managers Public Markets	\$462.2	-14.6%	1.6%	2.3%	-494 bp	-378 bp	-263 bp
Emerging Managers Select	\$186.2	25.1%			151 bp		
Emerging Managers Graduates	\$3,507.0	25.5%	25.6%	22.3%	914 bp	865 bp	784 bp
Emerging Manager Program Experience	\$6,555.3	19.3%	18.3%	16.2%	594 bp	264 bp	308 bp

This slide was intentionally left blank.

This slide was intentionally left blank.

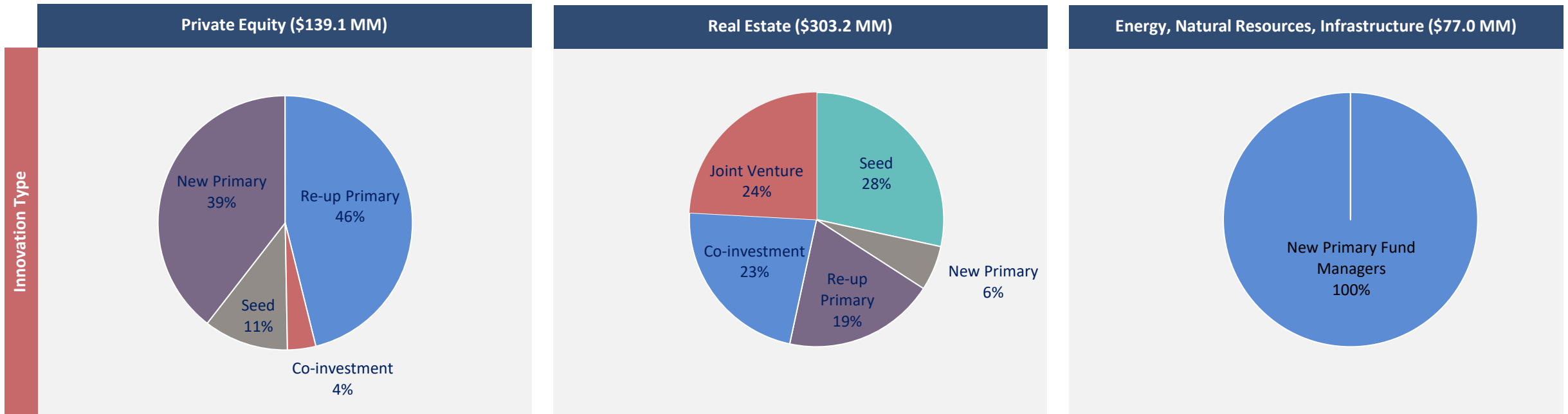
History of Emerging Manager Program Allocations



APPENDIX

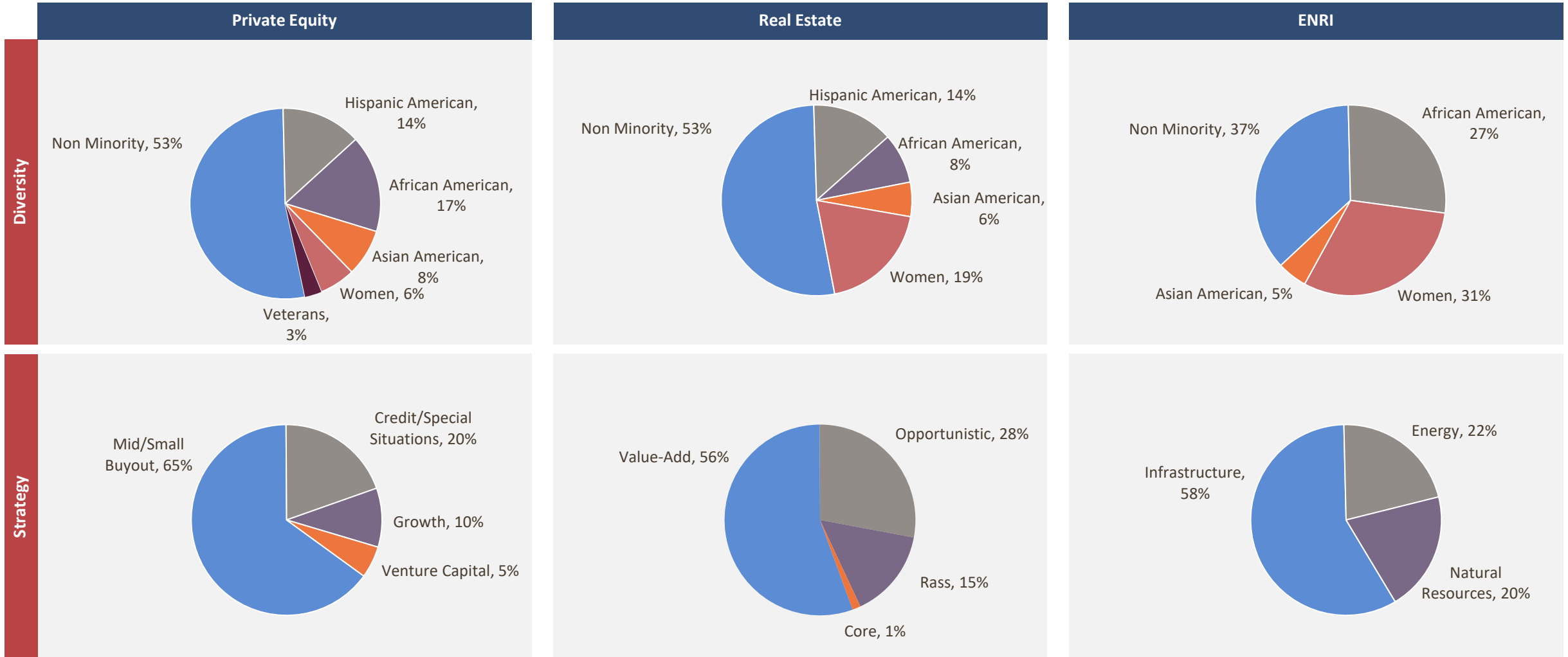
Portfolio Diversification – Investment Type

Private market investments in calendar year 2022



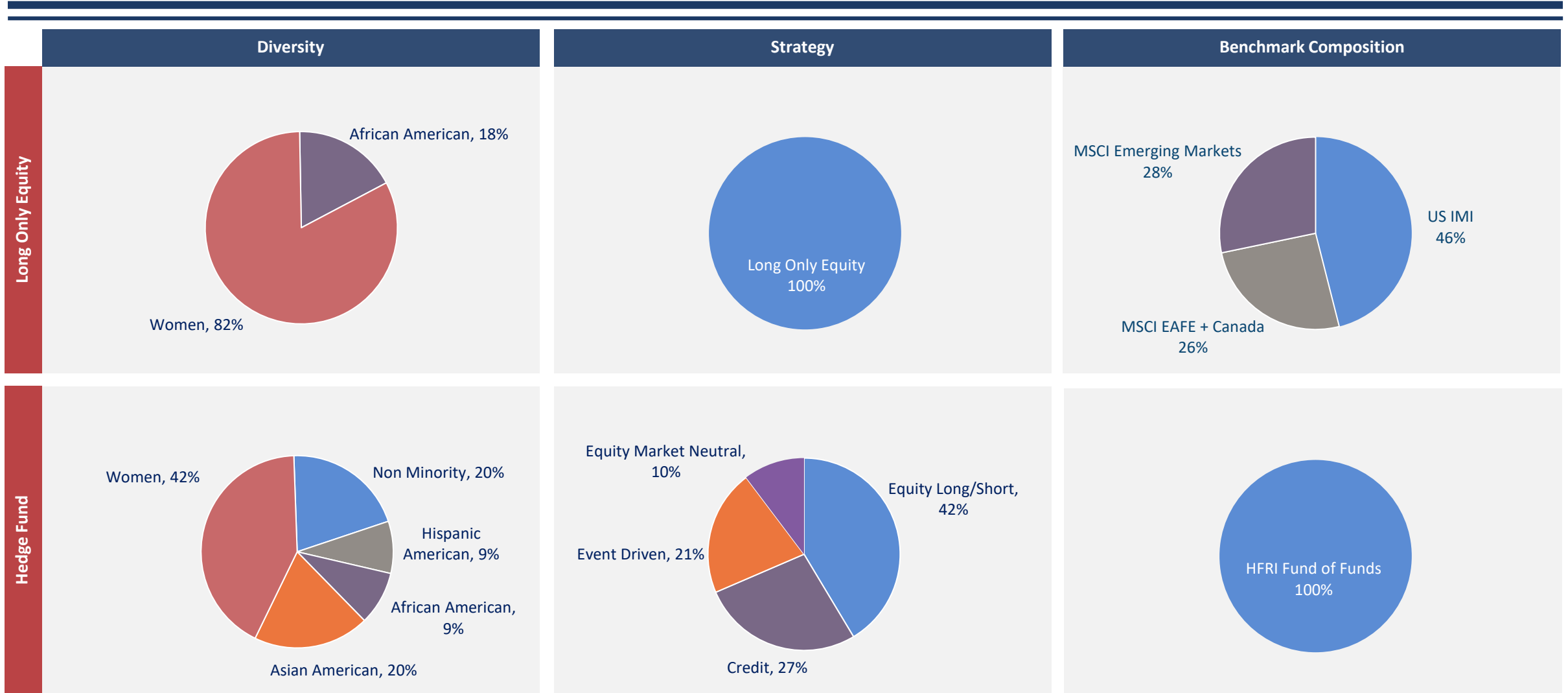
Portfolio Diversification

NAV as of June 30, 2022



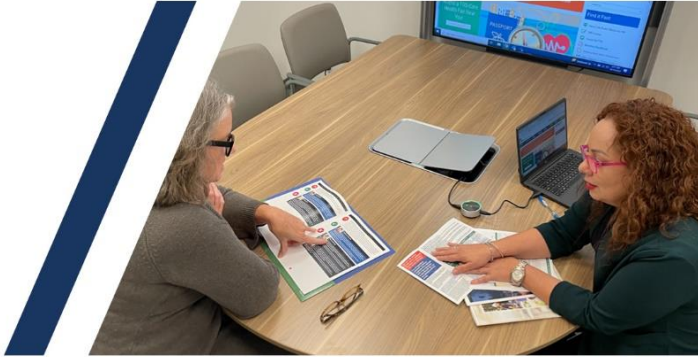
Portfolio Diversification

NAV as of September 30, 2022



This slide was intentionally left blank.

TAB 7



Internal Audit: Governance & Risk Management Training

Amanda Jenami, CPA, CIA, CISA, CIDA, CFE, CRMA

February 16, 2023

*Earning your trust every day... by
providing independent, objective
assurance and consulting services
to improve TRS operations on
behalf of members.*



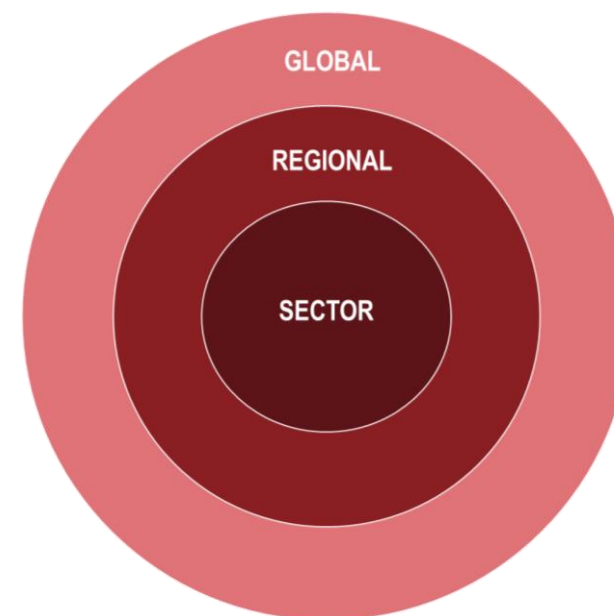
Agenda

Section 1: Governance & Risk Oversight

- a) Governance Roles
- b) Board's Risk Oversight Responsibilities

Section 2: Key Issues Being Discussed in the Boardroom and C-suite

- a) Protiviti's Executive Perspectives on Top Risks (Global)
- b) AuditBoard Risk Studies (North America Region)
- c) Public Pension Fund Risks (Sector)





Governance



Governance: The Definition

Governance is the **overarching set of policies, procedures, and relationships** that enables an organization to:



Establish objectives



Reward successful achievements



Set ethical boundaries to the acceptable means with which those objectives will be met



Discipline inappropriate attempts to meet objectives



Monitor the achievement of objectives



Align with the needs and interests of its primary stakeholders



Governance Key Roles & Responsibilities

Board	Executive Management	Internal Audit
Sets risk appetite and ethical boundaries	Sets policies and procedures and articulates objectives	Has a CAE that reports to the Board
Provides strategic oversight	Executes strategies and delegates responsibilities	Provides risk-based and objective assurance, advice, and insight
Provides oversight of activities	Monitors the achievement of goals; rewards performance	Improves operations through an objective and systematic approach
Ensures Internal Audit is independent from management	Keeps the board informed on status of goals, objectives and risks	Brings an enterprise-wide perspective to evaluation of risk management

Should maintain a collegial relationship that facilitates frank and vigorous disclosure and enhances the Board's role as a strategic partner, evaluator, and monitor.

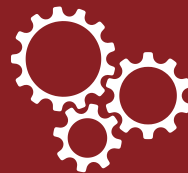


Effective Risk Management (RM)

An effective risk management system will:



Identify key risks



Integrate risk management into strategy



Transmit information to executives and the Board



Review the effectiveness of risk management efforts



Implement RM strategies in line with the risk profile and risk tolerance thresholds



Document RM protocols and Board-level engagement



Risk Management Oversight: Best Practice Recommendations

As part of its risk management oversight, the Board should review:



The categories of risk, the likelihood and potential impact



The risk culture; the “tone from the top”



Risk monitoring and reporting processes



Employee incentive programs



Risk appetite and risk tolerance

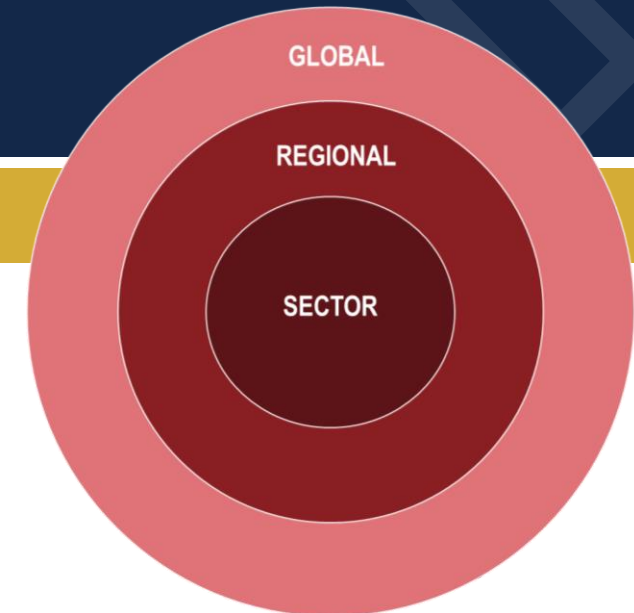


Effectiveness of the risk management system

Section 2: Key Issues Being Discussed in the Boardroom and C-suite

Key Risks of 2023 and Beyond:

- a) Protiviti's Executive Perspective on Top Risks (**Global**)
- b) AuditBoard's Top Risks Survey (**North America Region**)
- c) Public Pension Fund Risks (**Sector**)





Protiviti's Executive Perspectives on Top Risks: Methodology

Quantitative Survey of:

- Board Members and Executives
- **1,304** Respondents
- **47%** of respondents - North America
- **13%** - Europe
- **11%** - Asia
- **9%** - Latin America
- **8%** - Australia/ New Zealand
- Diverse group of industries/perspectives
- **Online: September – October 2022**

Respondents asked to:

- Rate 38 individual risks in terms of relative impact to their organization

3 Risk Categories:

- Macroeconomic Risks
- Strategic Risks
- Operational Risks



Protiviti's Top Risks of 2022 & 2023

2022

1. Pandemic-related government regulations
- 2. Ability to attract and retain talent
3. Pandemic-related market conditions
- ⚙️ 4. New digital technologies/ new skills
- 5. Economic conditions, inflation
6. Increasing labor costs
- 7. Resistance to change
8. Inability to utilize data analytics
9. Cyber threats
10. Shifts in expectations about social issues

2023

- ↑ ● 1. Ability to attract and retain talent
- ↑ ● 2. Economic conditions, inflation
- ↑ ● 3. Anticipated increases in labor costs
- ↑ ● 4. Resistance to change
- ↑ ● 5. Uncertainty in core supply chain
- 6. Changes in work environment, culture and the conduct of business
- ↓ ⚙️ ● 7. New digital technologies require new skills
8. Timely identification & escalation of risks
- 9. Workforce expectation to work remotely
- 10. Organizational resilience in a crisis

a) The risk landscape is changing but resistance to change persists. b) People and culture are once again at the top of the agenda.
c) The economy continues to be top of mind (at #2). d) The pandemic becomes an endemic.



Protiviti's Top Risks: Results for 2023 & 2032

CAUTION: DISRUPTIVE TIMES AHEAD!

2023

- 1. Ability to attract and retain talent
- 2. Economic conditions
- 3. Anticipated increases in labor costs
- 4. Resistance to change
- 5. **Uncertainty in core supply chain**
- 6. Changes in work environment, culture and the conduct of business
- 7. New digital technologies require new skills
- 8. Timely identification & escalation of risks
- 9. Workforce expectation to work remotely
- 10. Organizational resilience in a crisis

2032

- 1. Ability to attract and retain talent
- 2. Adoption of technologies/ new skills
- 3. Rapid speed of disruptive innovations
- 4. Resistance to change
- 5. Compliance with data privacy
- 6. Legacy IT Infrastructure
- 7. Inability to utilize data analytics
- 8. Negative economic conditions
- 9. Increased regulation
- 10. Anticipated increases in labor costs

a) A disruptive and volatile decade lies ahead, as resistance to change persists. b) For 2032, an overarching intersection of disruptive innovation, advancing technologies and talent challenges. c) The economy is expected to continue to be an issue.



AuditBoard's Focus on the Future Risk Survey Methodology

Quantitative Survey of CAEs:

- Chief Audit Executives (CAEs)
- Top five risks
- **188** Respondents
- Primarily in North America
- Diverse group of industries
- **September – October 2022**

Risk:

- Top five current risks at your organization



AuditBoard's Top Risks of 2022 & 2023 (North America)

2022

1. Cybersecurity
- 2. Talent Management
3. Organizational Governance
4. Data Privacy
- 5. Culture
- 6. Economic and Political Volatility
7. Change in Regulatory Environment
- 8. Supplier and Vendor Management
- 9. Disruptive Innovation
10. Social Sustainability
11. Supply Chain Disruption
12. Environmental Sustainability

2023

1. Cyber and Data Security
- 2. Talent Management
- ↑ ● 3. Macroeconomic Conditions
- ↑ ● 4. Supply Chain, Reliance on Third Parties
- ↑ 5. Regulatory Changes
6. Business Continuity & Crisis Mgt.
- 7. Business Disruption
- ↓ 8. Governance
- ↓ 9. Culture
10. Fraud
- ↑ 11. Environmental Sustainability
- 12. Org's Use of Advanced Technology

a) Cybersecurity and talent management maintain their places at the top, followed by macroeconomic conditions.

b) Geopolitical uncertainty has increased concerns with supply chains. Increased reliance on cloud service providers has enhanced third party risks.



Considering all Perspectives:

Protiviti

- 1. Ability to attract and retain talent
- 2. Economic conditions, inflation
- 3. Anticipated increases in labor costs
- 4. Resistance to change
- 5. Uncertainty in core supply chain
- 6. Changes in work environment, culture
- 7. New digital technologies/ new skills
- 8. Identification & escalation of risks
- 9. Employees expect to work remotely
- 10. Organizational resilience in a crisis

AuditBoard

- 1. Cyber and Data Security
- 2. Talent Management
- 3. Macroeconomic Conditions
- 4. Supply Chain; Third Parties
- 5. Regulatory Changes
- 6. Business Continuity & Crisis Mgt.
- 7. Business Disruption
- 8. Governance
- 9. Culture
- 10. Fraud
- 11. Environmental Sustainability
- 12. Org's Use of Advanced Technology

Public Pension Funds Risks (ERM Peers)

- 1. Asset management & strategic implications
- 2. Blockchain Technology
- 3. Business continuity
- 4. Business resilience
- 5. Climate Risk
- 6. Covid-19 Pandemic Impacts
- 7. Forced divestment
- 8. Inflationary pressures
- 9. Insurability
- 10. IT security (Cyber)
- 11. Mobile payments
- 12. Organizational culture
- 13. Privacy, Ransomware
- 14. Economic outlook & challenges
- 15. Supply chain disruption
- 16. Terrorism
- 17. Return to office & talent challenges
- 18. Third-Party Risk management



Cybersecurity and Data Security



Digital Dependencies and Cyber Vulnerabilities



435%

Increase in ransomware in 2020

3 million

Gap in cyber professionals needed worldwide

46%

The US was the target of 46 percent of cyberattacks in 2020

95%

Cybersecurity issues traced to human error



IBM Security: The Cost of a Data Breach (2022)

83% Organizations have had more than one data breach.

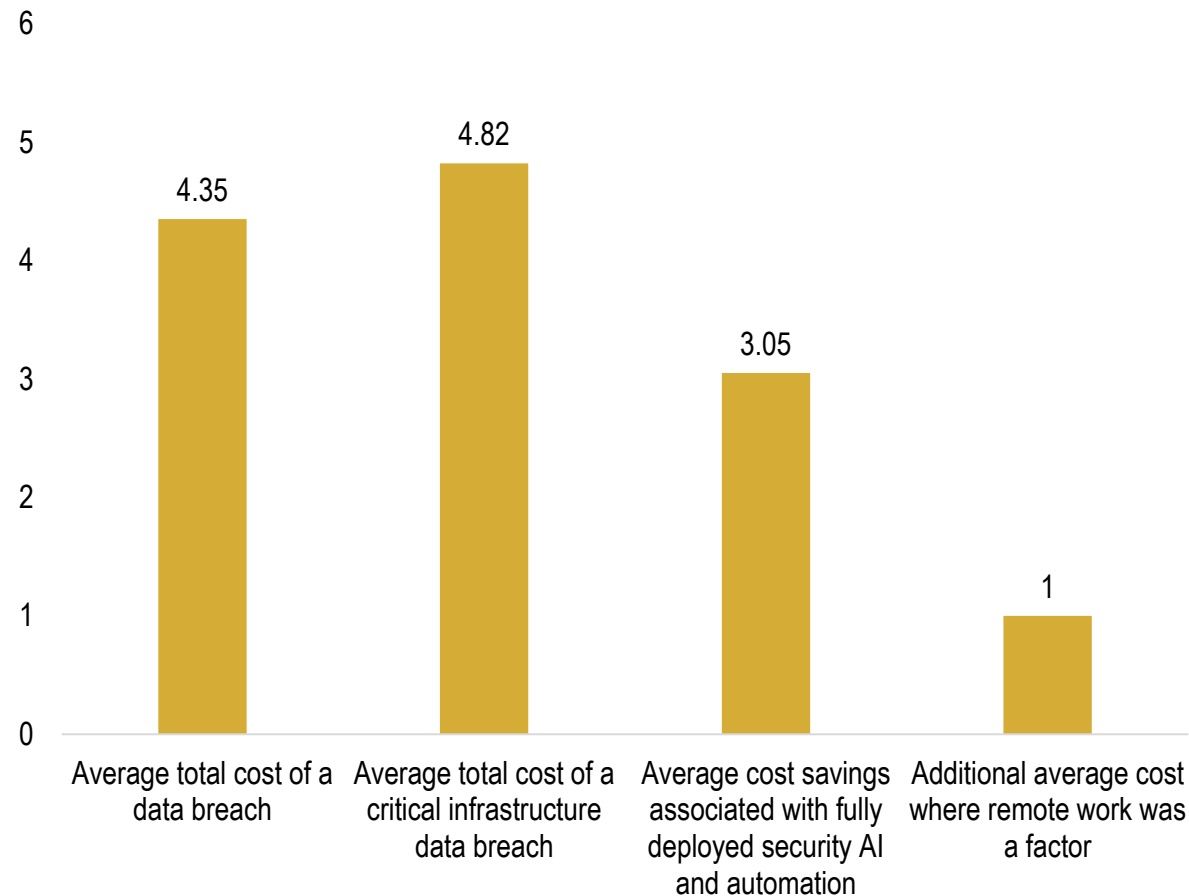
79% Critical infrastructure organizations didn't deploy a zero-trust architecture.

19% Of breaches occurred at a third party

45% Of the breaches were cloud-based

235/68 days Average time to identify/contain a supply chain compromise

Cost of Data Breach (US\$ million)





Why Cybersecurity is the Top Risk

- Geopolitical tensions have augmented cyber risks
- Remote work has weakened organizations' cyber defenses
- Shifting to targeting third-party suppliers
- Cyber insurance is now more difficult to secure
- Calculating potential cost is difficult



Remote work has moved digital exchanges from office networks to residential ones.



This slide was intentionally left blank.



Internal Sources of Cyber Risk at a Public Pension Fund



Remote workers



Headquarters



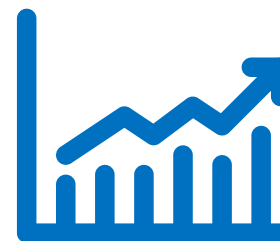
1,300 Reporting Employers and their remote workers



Third parties, their contractors and remote workers



Custodial Bank and its remote workers



Investment Managers and their remote workers



Actuary and its remote workers



Board Oversight of Cyber Risk



Oversight Mechanism

- Cybersecurity should be a recurring Board agenda item



Procedural Guidance

- Ensure written policies and procedures for each of the National Institute of Standards and Technology (NIST) elements



Risk Assessment

- Ensure the cyber risk assessment and mitigation system leverages the latest intelligence and best practices



Protection and Detection Strategies

Ensure:

- Timely remediation of cyber risks
- Timely patching of critical systems
- Attention to industry bulletins



Response Strategy and Disclosure

Ensure the response plan covers:

- Notification and response
- Escalation procedures
- Service interruption scenarios
- Communications with regulators & stakeholders



Documentation of Board Oversight

- Ensure Board oversight activities are adequately documented



Human Capital & Talent Management



Workforce Fatigue and Cultural Erosion:

- Struggling with workers who want more flexible working conditions
- Fewer people want to work
- **Younger** people are staying in education longer
- Personnel **shortages** are increasing **burnout**
- Psychological safety is a key player in team effectiveness and retention
- **Younger** people interested in organizations whose social purpose is aligned with their own goals and beliefs
- Social media has made failure to connect an organization's values to changes happening in society untenable



Organizations must tackle wage inflation, skill shortages and the need to offer better psychological support to staff.



Talent Management Oversight: The New Board Imperative

C-Suite

Set objectives related to:

- Succession Plan
- “Tone at the top”
- Culture

Up-and-comers

Ensure a robust talent pipeline for C-suite functions:

- Presentations to the Board

Middle management

Provide oversight by reviewing:

- Talent needs; culture
- Retention strategies & compensation
- Performance metrics alignment
- Plans to address skills gaps

The ability to attract, develop and retain the best talent has become a critical business differentiator.



Board's Talent Management Oversight Tools

Data

- Turnover rates
- Positions unfilled for long periods
- Low employee engagement
- Whistleblower complaints and lawsuits

First-hand information

- Get a sense of the tone at the top
- Observe team dynamics
- Interact with employees below the C-suite
- Review engagement surveys

Accountability

- Incorporate talent into strategy discussions
- Receive a talent review at least once a year
- Set talent management KPIs
- Ensure culture is embedded within the organization



Key Takeaways



Key Takeaways



- 1. The fast-changing risk landscape calls for increased business resilience.**
- 2. Consider risks in the short, medium, and long-term.**
- 3. Be familiar with the key risks for “mission critical” areas for the organization.**
- 4. Cybersecurity risk requires special attention – it affects all aspects of the business.**
- 5. Tackle skill shortages and offer employees psychological support.**
- 6. Receive regular risk management plan updates on cybersecurity and talent management.**



Questions?



APPENDIX : Talent Questions the Board Can Ask Management

Overall strategy

1. Do we have a workforce plan that forecasts our talent needs now and three to five years in the future?
2. Does the plan incorporate changes spurred by COVID-19 that we wish to keep for the medium and long term?
3. Do we need to recruit any new kinds of talent, given those changes?
4. What's our strategy for acquiring or developing talent?
5. What are the challenges to executing our people strategy?
6. Are we adequately investing in skill development, reskilling, upskilling, job redesign, and alternate workforce models to address the workforce implications of COVID-19, as well as rapid technology advancements?
7. Does senior leadership recognize the strategic importance of human capital?



Thank You!

TAB 8



Teacher Retirement System of Texas Fiduciary Responsibility & Governance Training Session

February 16, 2023

Benita Harper, Associate Partner
Fiduciary Services Practice, Aon

Reproduction is not permitted without the express approval of Aon.
Fiduciary services provided by Aon Consulting, Inc.



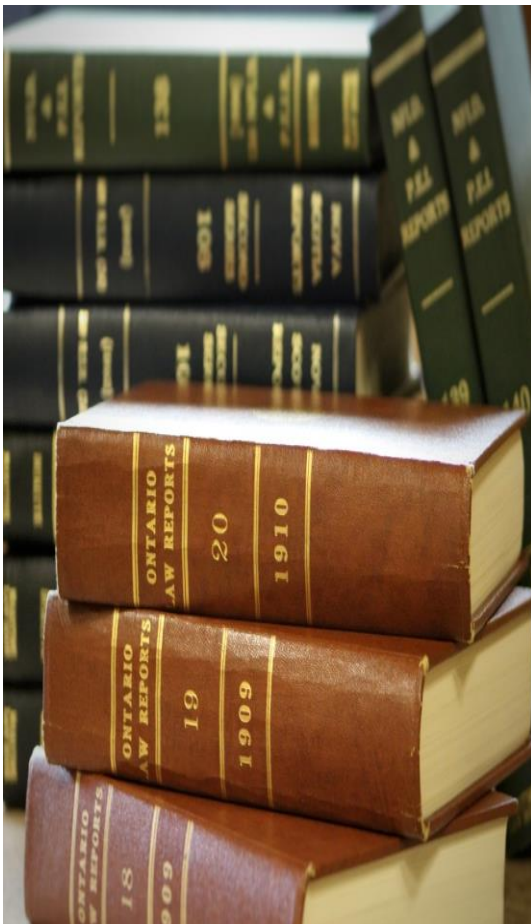


Introduction

Why Fiduciary Training Is Important?

- As a member of the Teacher Retirement System of Texas (TRS) Board of Trustees, you are a Fiduciary.
- Even though fiduciary standards are the “**highest known to law**”, fiduciary duties are a frequently misunderstood concept. *Donovan v. Bierwirth*, 680 F.2d 263 (2nd Cir. 1982), *Tatum v. RJR Pension Investment Committee*, 761 F.3d 346, 356 (4th Cir. 2014).
- Appreciating the rationale behind the strict fiduciary standards helps with understanding the concept.
- Engaging in ongoing education is consistent with “good governance” and a best practice.
- The Bylaws for the Board encourage Trustees to attend workshops and training sessions on matters including fiduciary duties. Additionally, Board members must also comply with the Texas Pension Review Board’s Minimum Education Training requirements. New Board members must complete seven hours of training on assigned core topics within the first year of service, including fiduciary matters and governance. After the first year, Board members are required to complete at least four credit hours of continuing education every two years. These four hours can be in either the core topics, or in non-core topics of compliance, legal and regulatory matters, pension accounting, custodial issues, plan administration, Texas Open Meetings Act, and Texas Public Information Act.
- Ongoing education is critical to the ability of the Board members to successfully discharge of their duties.
- Helps to understand what it means to be a fiduciary and what standards apply.

Sources of Fiduciary Duties



Sources

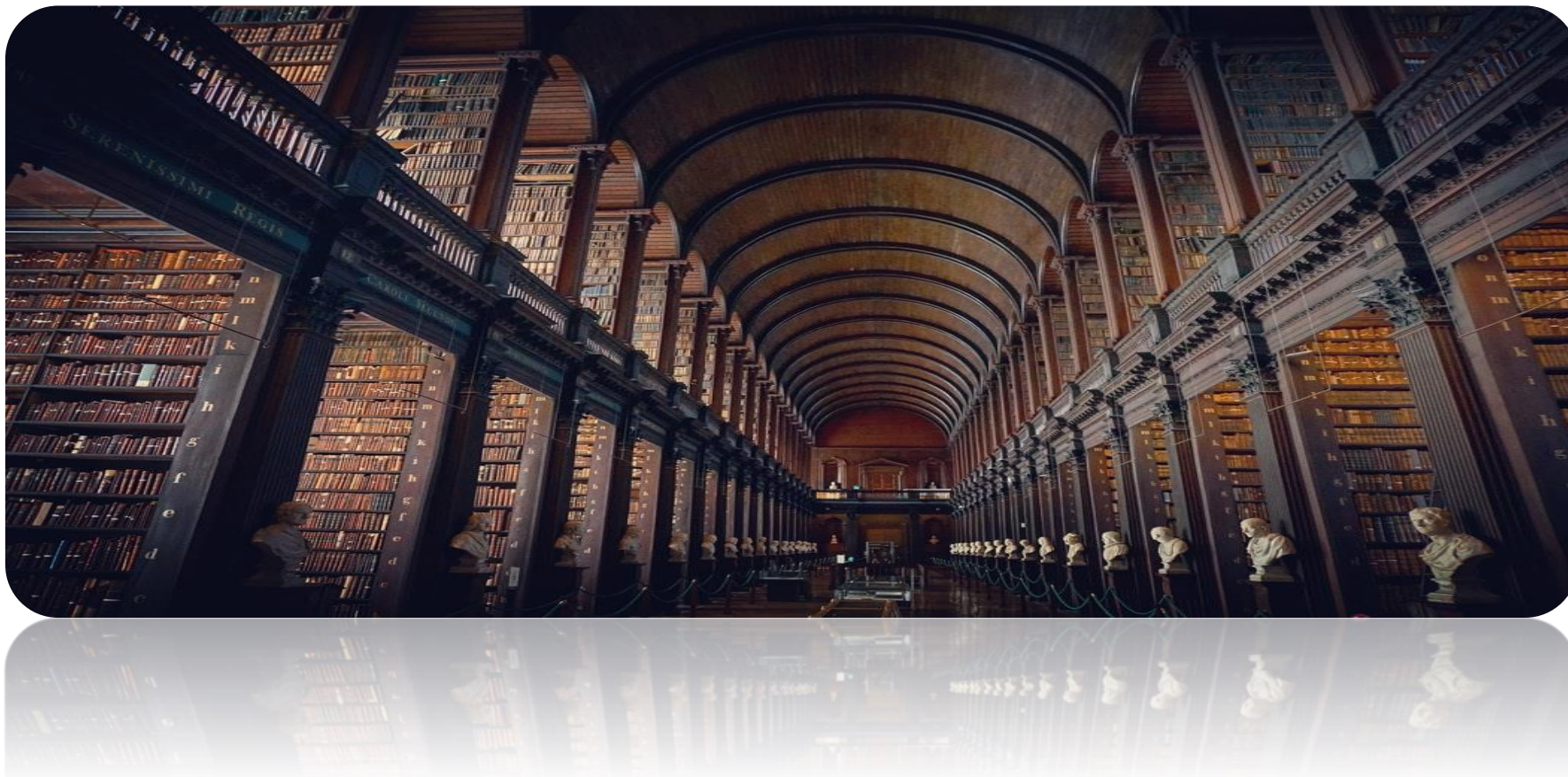
- Common law of Trusts
- Restatement of Trusts 3d: Prudent Investor Rule (1992)
- Case law
- Attorney General Opinions
- Employee Retirement Income Security Act of 1974 (ERISA)
- Uniform Prudent Investor Act (UPIA)
- Uniform Management of Public Employee Retirement Systems Act (UMPERSA)

Applicable Laws

- Texas Constitution- Article 16, Section 67
- Texas Government Code
- Internal Revenue Code—tax qualification—exclusive benefit

Why ERISA Matters for Public Funds

- State and/or local laws and regulations govern public funds
- ERISA does not apply to state and local public pension plans
 - ERISA is the Federal law that governs the operations and administration of private pension plans and welfare benefit plans.
 - ERISA reflects relevant trust law and its “spirit” is typically followed by the courts in the absence of a stated standard.
 - ERISA is very influential in providing guidance about how fiduciaries should act. Significant body of decisions interpreting the application of fiduciary standards.
 - Fiduciary standards of state and local public plans are typically modeled (often verbatim) after ERISA.
 - So, we reference ERISA to enhance your understanding.
- ERISA standards are the **highest standards under the law**. *A fiduciary shall discharge his duties with respect to a plan “with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.”* ERISA § 404(a)(1)



Who is a Fiduciary?

Reproduction is not permitted without the express approval of Aon.
Fiduciary services provided by Aon Consulting, Inc.

Who is a Fiduciary?

- There are two ways in which one is a fiduciary under the law:
 - The “designation” approach where the law or plan documents specifically designate a person as a fiduciary, or
 - The “functional” approach, where a person is deemed to be a fiduciary by virtue of their discretionary authority and control over plan assets.
- Trustees are the ultimate fiduciaries with the broadest fiduciary responsibility.
- A person’s fiduciary duty is limited to the scope of responsibility delegated to them.
- A fiduciary may not avoid fiduciary status through documentation stating they are not a fiduciary.
- Usually those performing ministerial tasks are not fiduciaries.
- Senior staff are fiduciaries, including much of the IMD and legal teams.

You don’t have to be identified as a fiduciary or accept fiduciary status to be a fiduciary.



Key Fiduciary Standards

Reproduction is not permitted without the express approval of Aon.
Fiduciary services provided by Aon Consulting, Inc.

Fiduciary Standards Overview

Fiduciary Standards

Exclusive Benefit Rule

- Act solely in best interests of participants and beneficiaries
- Reasonable fees/expenses

Prudence Standard

- Judgment and care
- Prevailing circumstances
- Focus on prudent process

Diversification

- Diversify to minimize risk unless imprudent to do so

Follow Plan Document

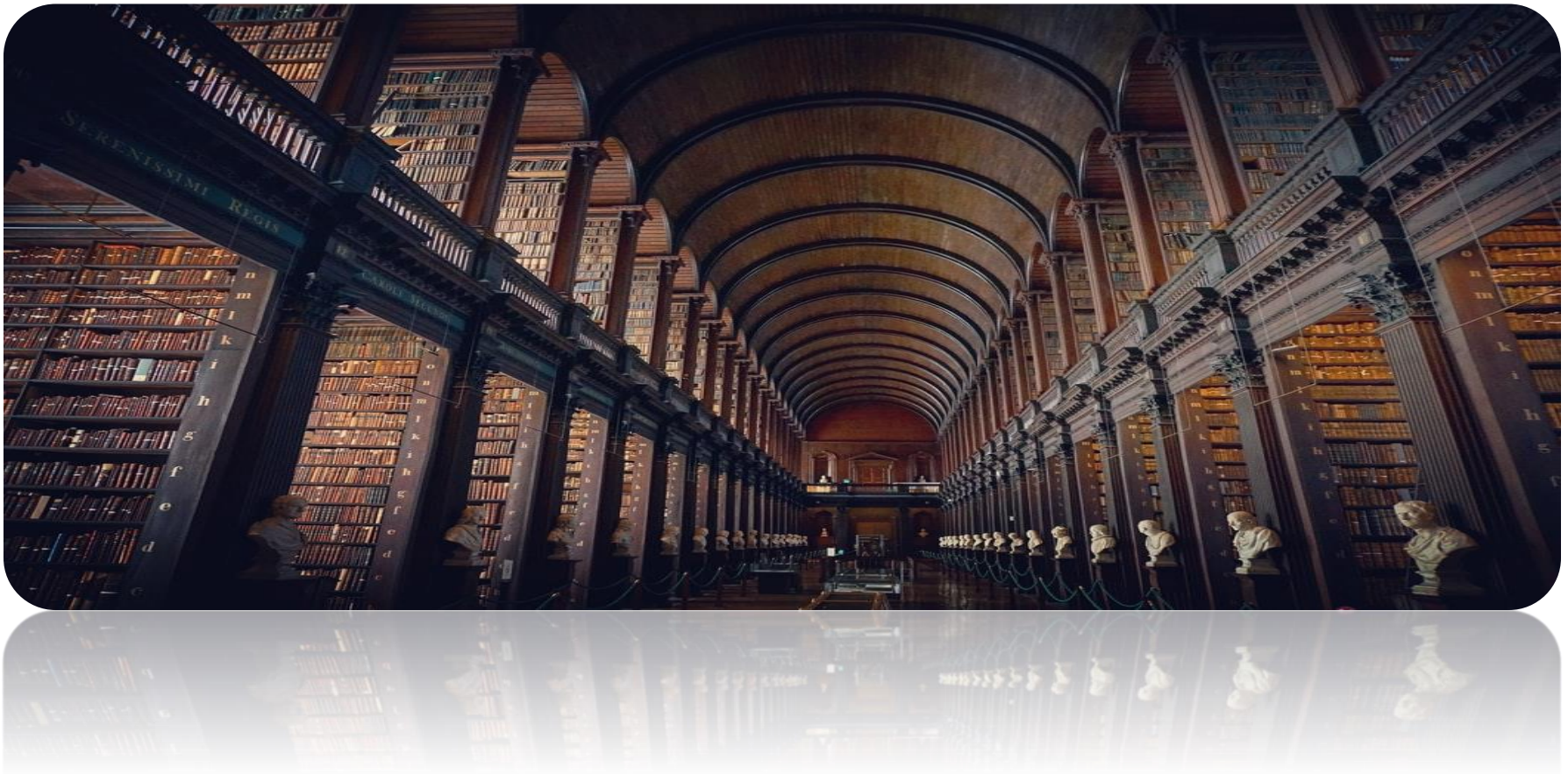
- To the extent consistent with applicable law

Conflicts of Interest

- No self-dealing
- No acting against plan interests

Fiduciary Standards—Applicable Texas Laws

- The assets of a system are held in trust for the benefit of members and may not be diverted. Texas Constitution, Article 16, Section 67(a)(1).
- The board of trustees is responsible for the general administration and operation of the retirement system. Notwithstanding any other law, the board of trustees has exclusive control over all assets held in trust by the retirement system and all operations funded by trust assets and shall administer the retirement system for the sole and exclusive benefit of the members and participants. Texas Government Code Section 825.101. See also Texas Government Code Section 825.506.
- Each statewide benefit system must have a board of trustees to administer the system and to invest the funds of the system in such securities as the board may consider prudent investments. In making investments, a board shall exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital. Texas Constitution, Article 16, Section 67(a)(3).



Duty of Loyalty

Reproduction is not permitted without the express approval of Aon.
Fiduciary services provided by Aon Consulting, Inc.

Duty of Loyalty/Exclusive Benefit Rule

*The Board...shall administer the retirement system for the sole and exclusive benefit of the members and participants.
Language applicable to TRS*

ERISA Exclusive Benefit Rule—ERISA § 404(a)(1)

- *A fiduciary shall discharge his duties with respect to a plan **solely in the interest of the participants and beneficiaries** and—*

*For the **exclusive purpose** of:*

- *Providing benefits to participants and their beneficiaries*
- *Defraying reasonable expenses of administering the plan*

Duty of Loyalty

- The easiest duty to remember and the hardest to live up to.
- While a Board member may have more than one hat, the duty of loyalty requires wearing “**only one hat**”—*the Court has determined that a fiduciary may not, at the same time, wear a second hat as a representative of the entity that appointed them.*
- You may not balance interest—“solely” in the interest.....
- Keep in mind the “**exclusive benefit rule**” in all decision-making.
- The fiduciary “duty of loyalty” is very narrow and well defined.
- The duty to pay only reasonable plan expenses stems from the duty of loyalty.
 - Paying expenses from plan assets is a fiduciary decision.
 - Reasonable does not mean the least expensive, compare to fees charged by providers of similar services.

Loyalty to Whom?

- **Each** trustee has a fiduciary duty that is owed to **all** the members and beneficiaries of the trust.
- There will be those who expect you to represent them and be their advocates when you serve on the Board, but—remember—
 - No fiduciary duty is owed to **the entity/constituency that appointed you**
 - No fiduciary duty is owed to **taxpayers**
 - No fiduciary duty is owed to the **Legislature or Executive Branch**
 - No fiduciary duty is owed to **employers** who contribute to the plan
 - No fiduciary duty is owed to the **local business community**
 - No fiduciary duty is owed to **an association or union**
 - No different fiduciary duty is owed to a **subset of the membership** who elected you

Regardless of how one comes to serve on the Board, the fiduciary duty is the same for all trustees.

- If not fiduciary duty, what duty is owed to these “stakeholders?”
 - Duty to employ “good governance”
 - Transparency and accountability
 - Abide by open meetings provisions
 - Communicate effectively

Duty of Loyalty in Practice



Avoid conflicts; disclose to ED, GC, fiduciary counsel, recuse, and leave the room. Trustee Ethics Policy Section 9



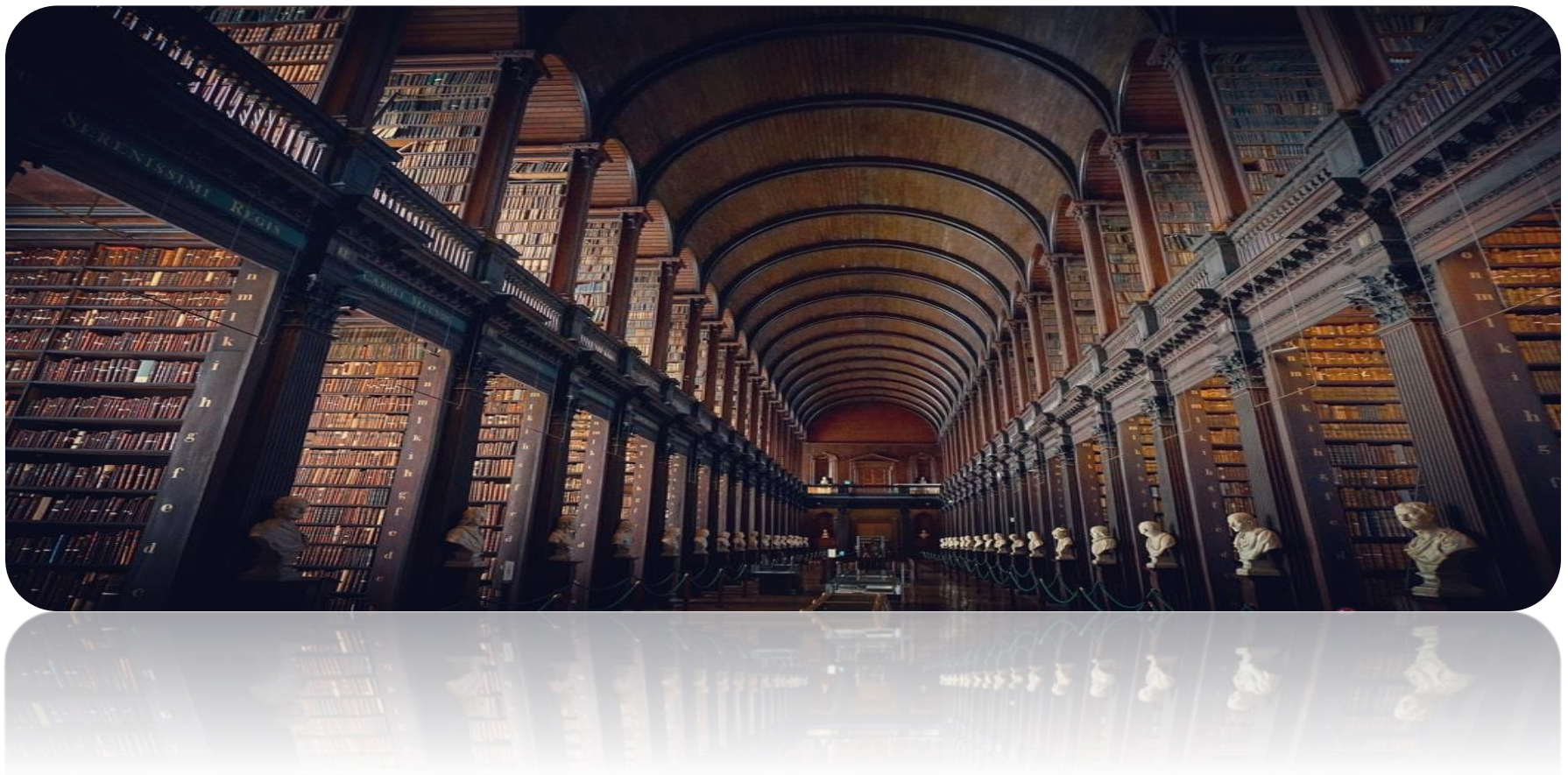
When making decisions, fiduciaries may not balance interests



When acting as a fiduciary, you may not put others' interests ahead of the fund's interests



The duty of loyalty has not evolved – courts strictly interpret

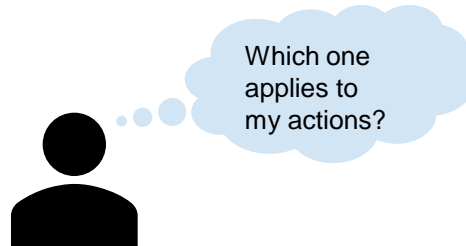


Duty of Prudence

Reproduction is not permitted without the express approval of Aon.
Fiduciary services provided by Aon Consulting, Inc.

Important to Understand What Standard of Prudence Applies

- Some confusion exists regarding the various prudence standards.
- Different prudence standards have emerged and evolved over time.
 - Prudent “reasonable” man
 - Prudent investor
 - Prudent expert



Duty of Prudence

In making investments, a board shall exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital.

Language applicable to TRS.

ERISA Duty of Prudence/Prudent Expert—ERISA § 404(a)(1)

- *A fiduciary shall discharge his duties with respect to a plan "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims".*

Duty of Prudence

- The “duty of prudence” requires more than a good faith attempt to do the right thing.
- It requires pure, thorough, and scrupulous processes in all decision-making.
 - Understand the facts
 - Investigate the options
 - Seek expert advice if you are not an expert
- Fiduciaries are judged by the prudence of their process.
 - If a fiduciary is accused of imprudent behavior, a good process is more important than a good outcome and is the best defense to potential liability.
 - In order to demonstrate you acted prudently, written documentation is critical.
- The duty of prudence evolves over time (Duty of loyalty is steadfast.)
- All fiduciary decisions are subject to this standard.

Examples of Areas Where Duty of Prudence Usually Comes into Play



Setting the asset
allocation



Documenting
policies/processes



Retaining expert
assistance



Reviewing
performance



Managing
Risk



Delegation of
authority

Duty of Prudence



Fiduciaries are judged by the prudence of their process.

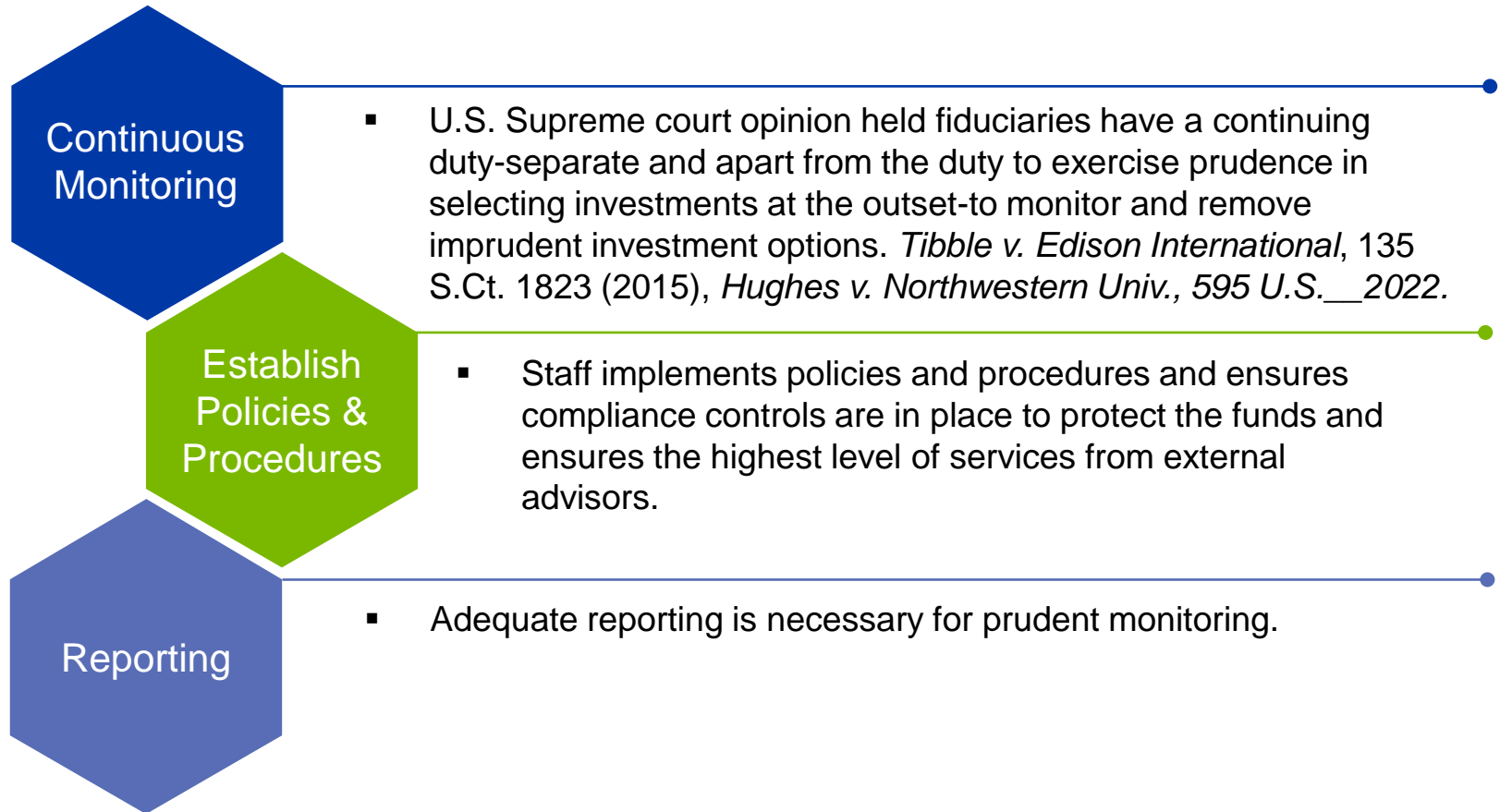
- “The test of prudence is one of conduct, and not a test of the result of performance of the investment. The focus of the inquiry is how the fiduciary acted in his selection of the investment, and not whether his investment succeeded or failed.”
- Donovan v. Cunningham, 716 F.2d 1455, 1467 (5th Cir.1983)

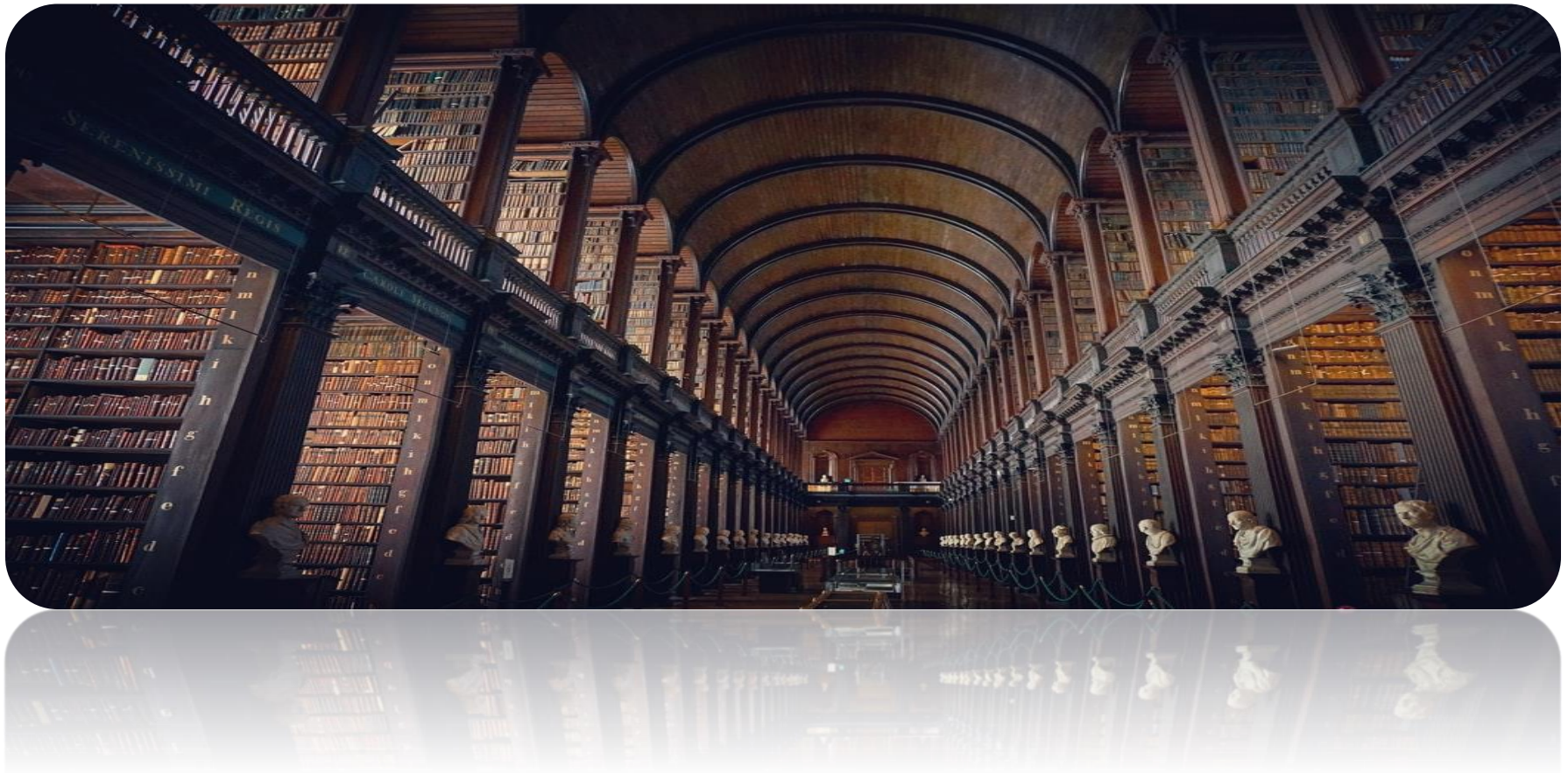
Is there a Duty of Delegation?

*A trustee has a duty personally to perform the responsibilities of trustee **except as a prudent person might delegate those responsibilities to others**. In deciding whether, to whom, and in what manner to delegate fiduciary authority in the administration of a trust, and thereafter in supervising agents, the trustee is under a duty to the beneficiaries [**duty of loyalty**] to **exercise fiduciary discretion and to act as a prudent person would act in similar circumstances** [**duty of prudence**].* Restatement of Trusts 3rd

- Delegation is allowed and even encouraged by the Prudent Investor Act and ERISA.
- If you do not have the expertise, then failure to obtain expert advice and/or delegate may be a fiduciary breach. Delegation is a fiduciary decision.
- To be prudent, when delegating the following generally applies:
 - Duty of prudence in selecting qualified professionals.
 - Duty to specify the scope of the delegation.
- Board members may delegate; but they cannot not abdicate their fiduciary responsibility.
 - Duty to monitor to ensure the delegation is carried out in a manner consistent with the delegation, and the delegation continues to be prudent.

Duty to Monitor





Duty to Diversify

Reproduction is not permitted without the express approval of Aon.
Fiduciary services provided by Aon Consulting, Inc.

Duty to Diversify

Duty to Diversity

- “A fiduciary shall discharge his duties with respect to a plan solely in the interest of participants and their beneficiaries...by diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly not prudent to do so.”





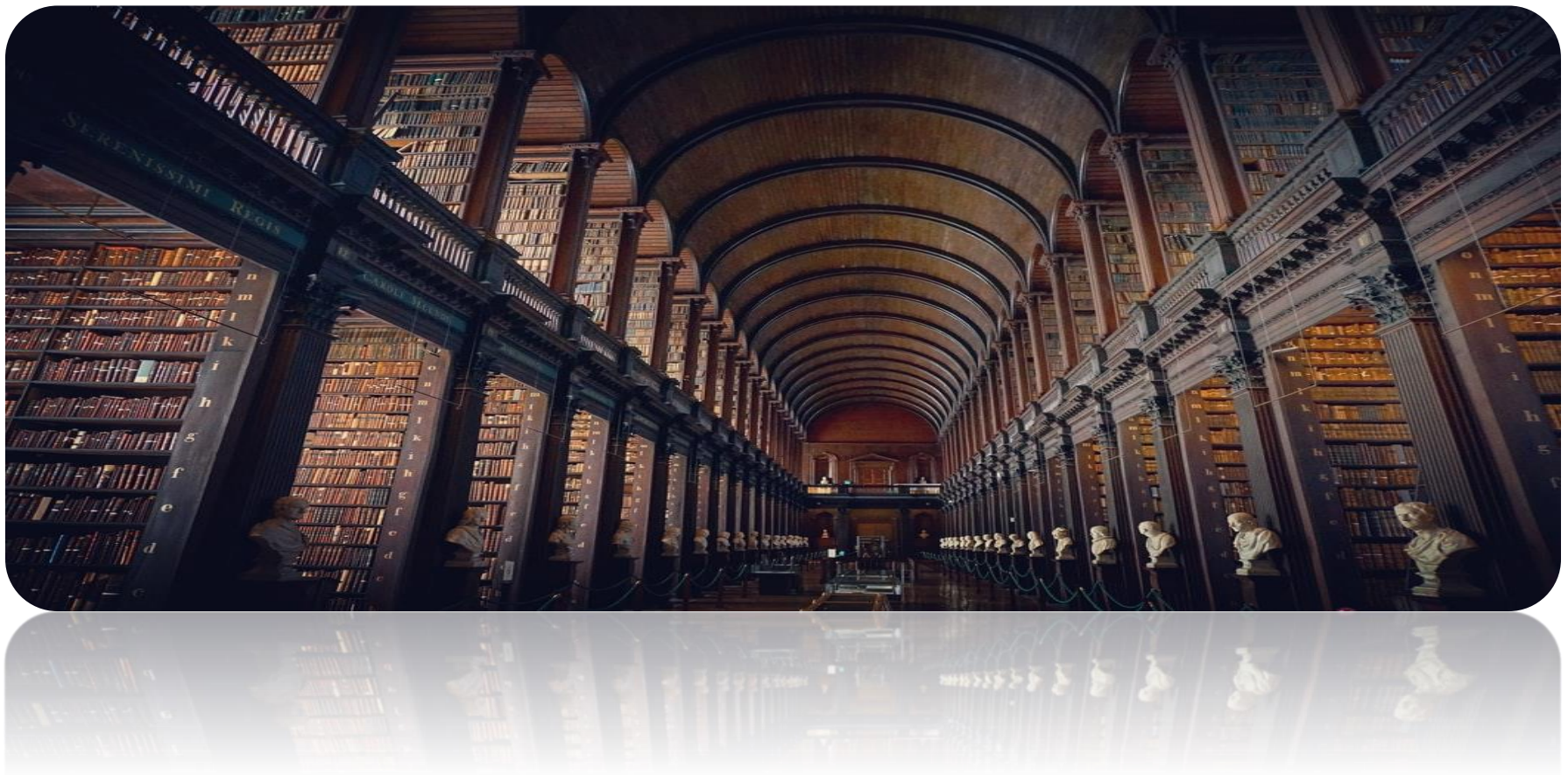
Duty to Follow Plan Documents

Reproduction is not permitted without the express approval of Aon.
Fiduciary services provided by Aon Consulting, Inc.

Duty to Follow Plan Documents

- A fiduciary shall discharge his or her duties with respect to the plan in accordance with the documents and instruments governing the plan insofar as such documents and instruments are consistent with the provisions of the law.
 - Plan document can include multiple documents (the Law, Regulations, Investment Policy Statement, policies adopted by the Board and Staff, etc.).
- Fiduciaries cannot be arbitrary and capricious in their application of applicable law(s) or plan documents.
- Familiarity with applicable documents is essential.





Fiduciary Liability

Reproduction is not permitted without the express approval of Aon.
Fiduciary services provided by Aon Consulting, Inc.

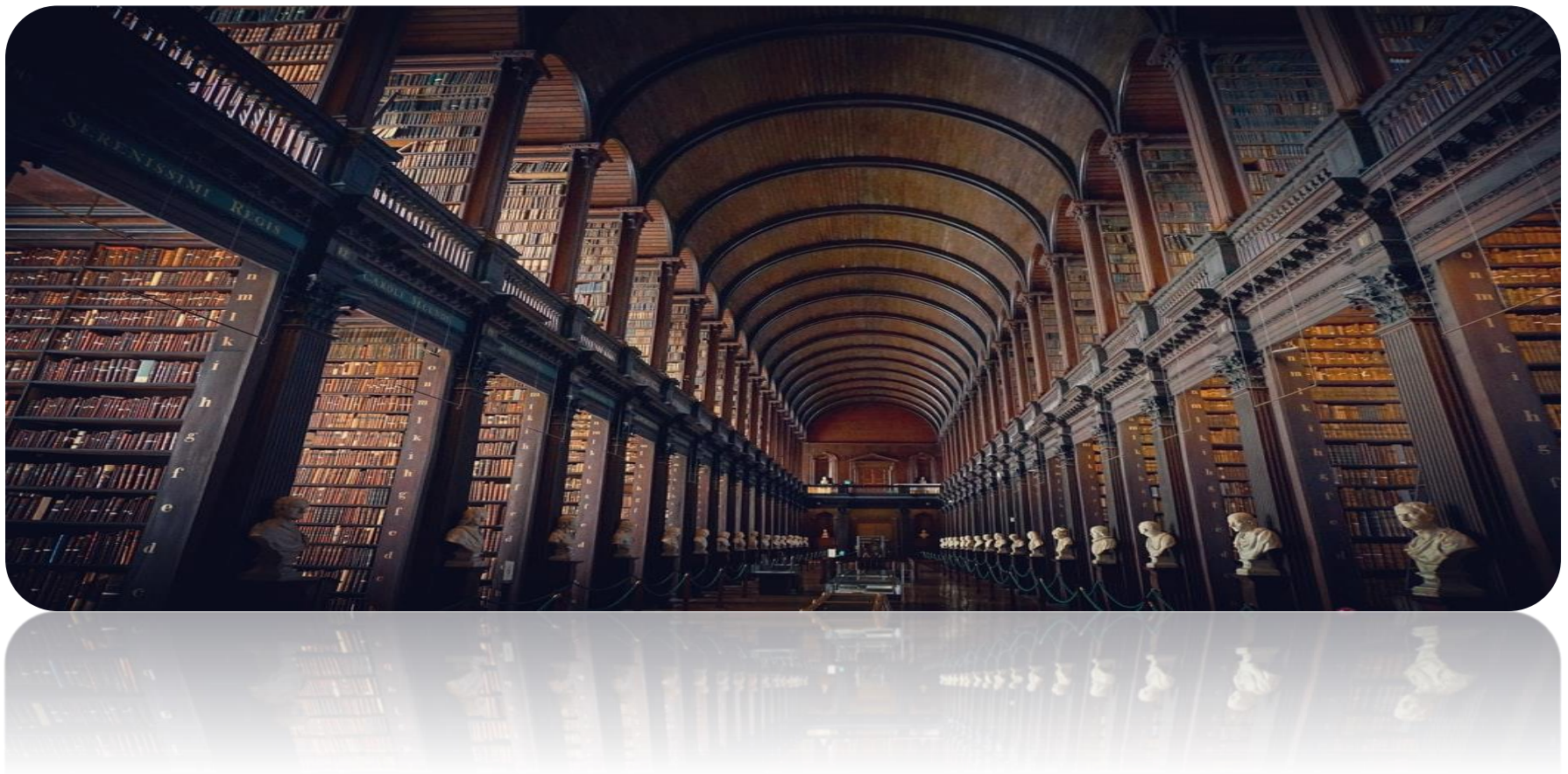
Fiduciary Liability

- Texas Constitution provides that the assets of a system are held in trust for the benefit of members. They may not be diverted. Texas Constitution, Article 16, Section 67(a)(1).
- A fiduciary can incur personal liability if fail to discharge any of their responsibilities.
- Attorney-client privilege may run to the plan rather than the fiduciary.

Co-Fiduciary Liability

- Co-fiduciary liability means “you are your brother’s keeper.”
- There could be co-fiduciary liability on any fiduciary who participates “knowingly in, or knowingly undertakes to conceal. . . [a breach] knowing [it] is a breach”.
 - A fiduciary is liable for a co-fiduciary’s breach of their duties if the fiduciary knowingly participates in, conceals, or enables the co-fiduciary’s breach.
 - If you know of another’s fiduciary breach and you do nothing about it, you are breaching your fiduciary duty.
 - A fiduciary’s inaction or failure to act promptly to halt another fiduciary’s breach can give rise to co-fiduciary liability.
 - For liability to attach you must have actual knowledge of an action you know to be a breach.
- The courts have said that fiduciaries have a duty to speak up and take reasonable steps to prevent or remedy the breach-should advise Executive Director, General Counsel, Fiduciary Counsel or Chair (unless concern includes Chair)
 - Resignation from your position is typically not sufficient.
 - Steps might include obtaining an injunction.





Conflicts of Interest

Reproduction is not permitted without the express approval of Aon.
Fiduciary services provided by Aon Consulting, Inc.

Conflicts of Interest



Conflicts of interest can arise if personal gain impairs objective decision-making. This includes not only financial gain, but enrichment of family or friends.



Texas Government Code and Texas Attorney General Opinions set forth guidelines on conflicts of interest, as well as the Trustee Ethics Policy.

Conflicts of Interest

- Fiduciaries are barred from “self-dealing”
- The board of trustees is responsible for the general administration and operation of the retirement system. Notwithstanding any other law, the board of trustees has exclusive control over all assets held in trust by the retirement system and all operations funded by trust assets and shall administer the retirement system for the sole and exclusive benefit of the members and participants. Texas Government Code Section 825.101. See also Texas Government Code Section 825.506.
- Trustees may not:
 - Use the plan’s assets in their own interest;
 - Act on both sides of a transaction involving the plan; or
 - Receive anything of value for their personal account from any party doing business with the plan related to that business.



Common Fiduciary Pitfalls

Reproduction is not permitted without the express approval of Aon.
Fiduciary services provided by Aon Consulting, Inc.

Examples of Fiduciary Pitfalls

Failing to operate
the System
prudently and for the
exclusive benefit of
participants

Failure to document
decisions

Failure to
periodically review
policies

Failure to engage in
ongoing education

Failure to engage in
succession planning

Inconsistent actions

Failure to identify
conflicts or fiduciary
concerns and act
when needed

Examples of Fiduciary Pitfalls

Failure to follow the
plan documents
(unless inconsistent
with law)

Failure to have a
strategic plan
and/or follow it

Failure to properly
select and monitor
Board service
providers

Operating in a
vacuum, not
knowing what the
industry and your
peers are doing

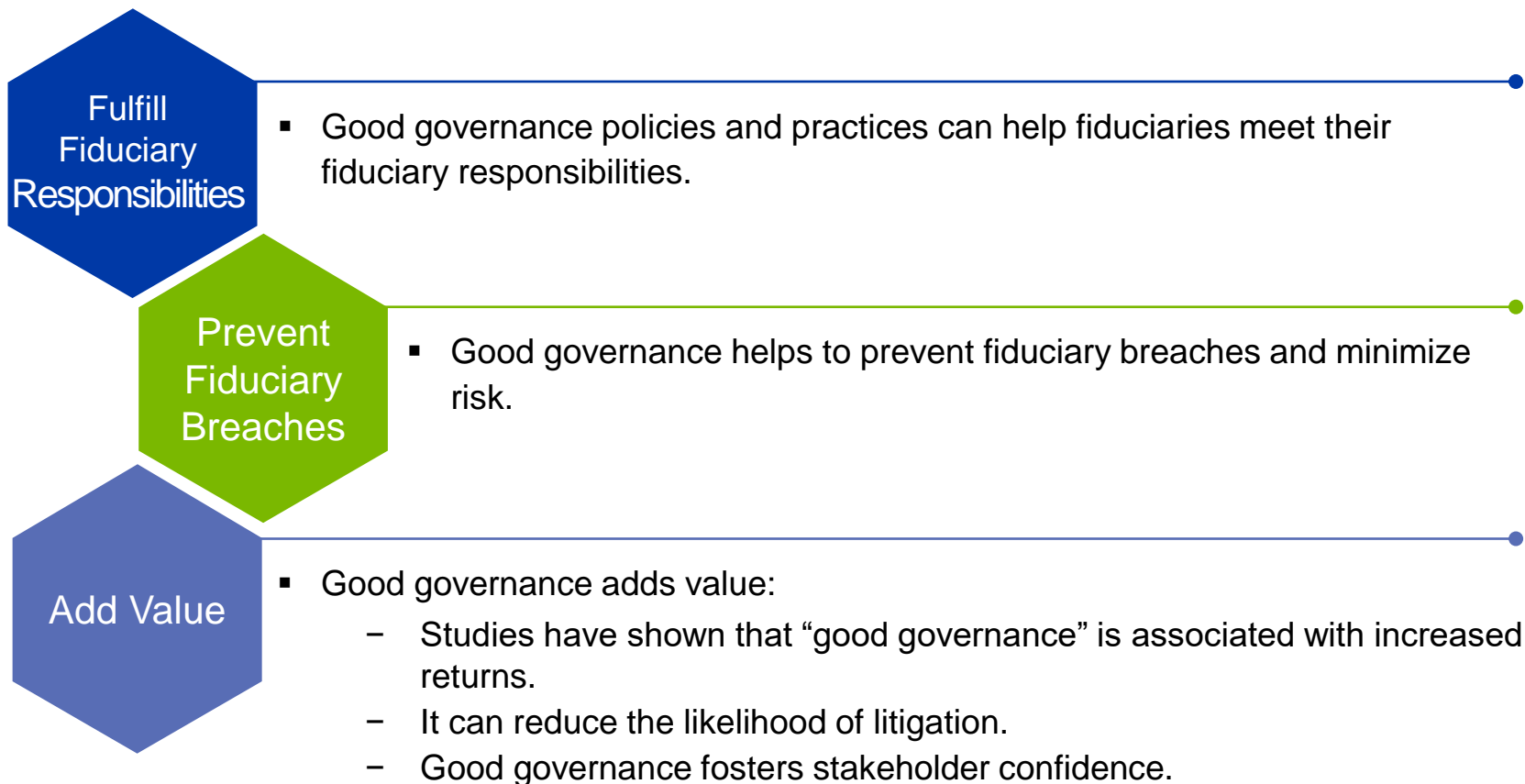
Ways to Mitigate Fiduciary Liability

- A thorough orientation and continuing education on fiduciary responsibility
- A good understanding of common scenarios where fiduciary duties come into play
- A thorough decision-making process with clear documentation of actions and rationale
- Obtain and maintain expert advice from the staff, legal counsel, and others when needed
- Prudent delegation and diligent oversight—understand what authority has been delegated and what authority has been retained
- Good governance policies including clear accountability and a commitment to ongoing oversight activities



Governance

Why is Good Governance Important?



Elements of Good Governance



Common & Best Practices for Boards

- Set mission & vision.
- Establish IPS and performance benchmarks, monitor risks and returns.
- Ensure effective organizational planning.
- Participate in new board member orientation.
- Provide continuing board member education.
- Annually assess board's performance.
- Consult experts and counsel when needed.
- Ensure adherence to legal standards and ethical norms.
- Provide proper financial oversight and ensure that TRS has sufficient resources and staff to further the System's goals.

Common & Best Practices for Individual Board Members

- Be informed about mission and policies.
- Attend and be prepared for meetings.
- Serve on committees.
- Keep up to date on developments in pension and public fund arena.
- Follow conflict of interest, disclosure & confidentiality policies.
- Focus on what you must do, what you may do, and what you cannot do.
- Act in good faith.



Hot Topic

HOT TOPIC: Cybersecurity

Cybersecurity



- Retirement plans hold assets and participant data that are attractive to cybercriminals.
- Retirement plan fiduciaries have a duty to protect the data and assets from a cyber breach.
- There has been an increase in litigation involving data breaches and plan data. The most prominent cases focus on whether the fiduciary had a prudent process to protect plan data and participant data and whether that process was followed.
- Cybersecurity best practices apply to anyone handling at-risk participant data (HR, benefits, and payroll staff, recordkeepers, and other third parties).

HOT TOPIC: Cybersecurity

Cybersecurity



- The Department of Labor (DOL) has indicated that responsible plan fiduciaries have an obligation to ensure proper mitigation of cybersecurity risks.
- On April 14, 2021, DOL issued guidance on: (1) cybersecurity program best practices, (2) tips on hiring a service provider with strong cybersecurity practices, and (3) tips aimed at participants and beneficiaries to help reduce the risk of fraud and loss.
- DOL guidance provides that plan sponsors and fiduciaries should undertake focused inquiries in selecting and monitoring service providers, understand the practices that service providers have in place to avoid data breaches and compare them to the best practices identified by the DOL, and educate plan participants about how to protect their personal information.
- The DOL has been performing audits, requesting employers to provide documentation supporting their fiduciary processes as they apply to plan-related data security and to describe what efforts they have made to reach out to the plan's third-party service providers.

HOT TOPIC: Assess Cybersecurity Processes

Cyber threats evolve rapidly and can quickly endanger a company that can't keep pace.

Commit to a **continuous process of evaluation and improvement** – DOL guidance confirms fiduciaries should have a process to mitigate cybersecurity risks.

Regular assessments, testing, refinement, and responsiveness are essential to **keeping critical assets protected** and **ensuring strong governance** and compliance.

Organizations need to be constantly focused on **limiting** the **economic** and **reputational damage** from incidents.

Data breaches can expose plan fiduciaries to:

- ! Litigation risk
- ! Adverse publicity
- ! Costs relating to participant credit protection and notification
- ! Other regulatory and compliance related fines and implications

Legal Disclosures and Disclaimers

Consulting services provided by Aon Consulting, Inc. (“ACI”). The information contained herein is given as of the date hereof and does not purport to give information as of any other date. The delivery at any time shall not, under any circumstances, create any implication that there has been a change in the information set forth herein since the date hereof or any obligation to update or provide amendments hereto.

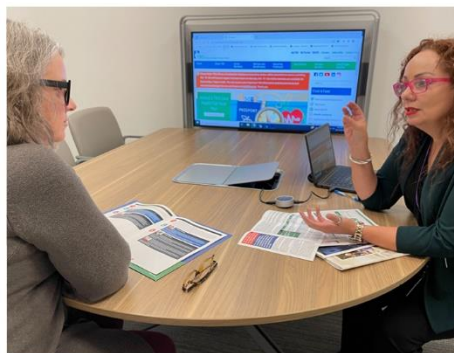
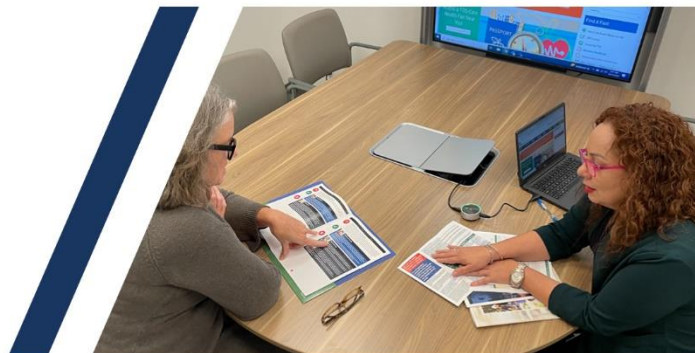
This document is not intended to provide, and shall not be relied upon for, accounting, legal or tax advice or investment recommendations. Any accounting, legal, or taxation position described in this presentation is a general statement and shall only be used as a guide. It does not constitute accounting, legal, investment, and/or tax advice and is based on ACI’s understanding of current laws and interpretation.

This document is intended for general information purposes only and should not be construed as advice or opinions on any specific facts or circumstances. The comments in this summary are based upon ACI’s preliminary analysis of publicly available information unless otherwise noted. The content of this document is made available on an “as is” basis, without warranty of any kind. ACI disclaims any legal liability to any person or organization for loss or damage caused by or resulting from any reliance placed on that content. ACI reserves all rights to the content of this document. No part of this document may be reproduced, stored, or transmitted by any means without the express written consent of ACI.

Aon Consulting, Inc.
200 E. Randolph Street
Suite 700
Chicago, IL 60601

© Aon plc 2023. All rights reserved.

TAB 9



Organizational Excellence

Succession Planning: Talent Continuity

Shunne Powell, Chief Organizational Excellence Officer
Michelle Gray, Deputy Chief, Organizational Excellence
Alisha Barnebey, Manager, Learning and Development

February 16, 2023

*Earning your trust every day ... by
attracting, developing, and retaining
talent to serve our members.*

Alignment: Strategic Plan and Key Accountabilities

Strategic Plan

GOAL 4

Ensure that people, processes, and technology align to achieve excellence in the delivery of services to members.

OBJECTIVE 1

Attract, retain, and develop a diverse and highly competent staff.

Strategy 4

Expand learning and development opportunities.

Strategy 5

Develop and implement a comprehensive workforce strategy that includes remote work, onsite facility needs, appropriate compensation and staffing levels, and the technological tools necessary to support appropriate workforce strategies.

Key Accountabilities



Why succession planning and employee development?



Business Continuity

Succession planning limits disruption to member services and minimizes recruitment costs.

- 40% of the EC and 16% of managers are currently eligible to retire.
- In FY22, turnover ended at 18% total.
- Knowledge transfer available to provide an extra layer of continuity and mitigation.



Engagement and Retention

Effective succession planning is a tool for engaging, developing, and retaining employees.

2022 Energage survey responses:

- 78% of employees feel: "I get the formal training I want for my career"
- 78% "TRS enables me to work at my full potential."



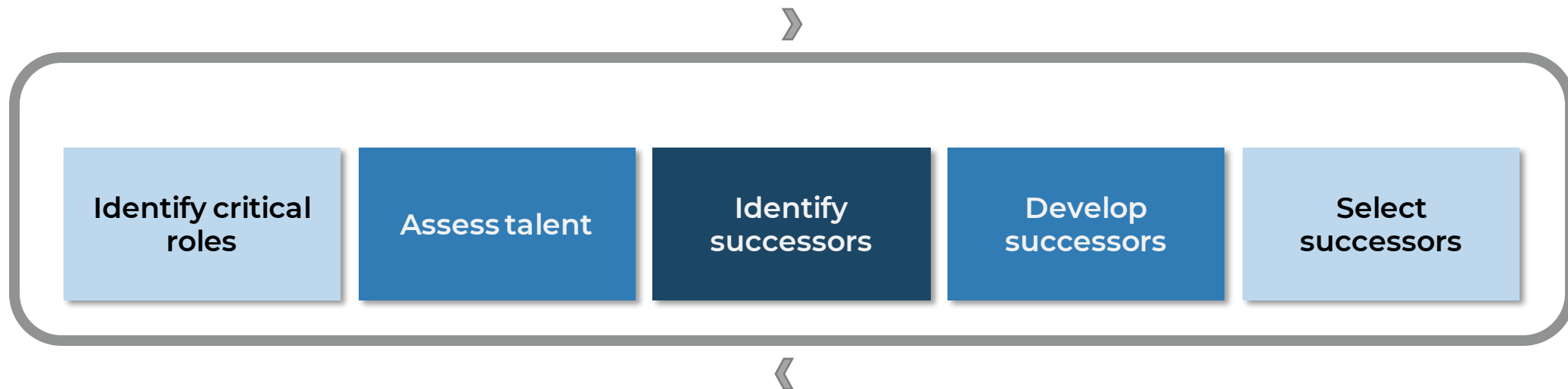
Innovation and Growth

Knowledge is a strategic asset, and succession planning can help retain, grow, and capitalize on it.

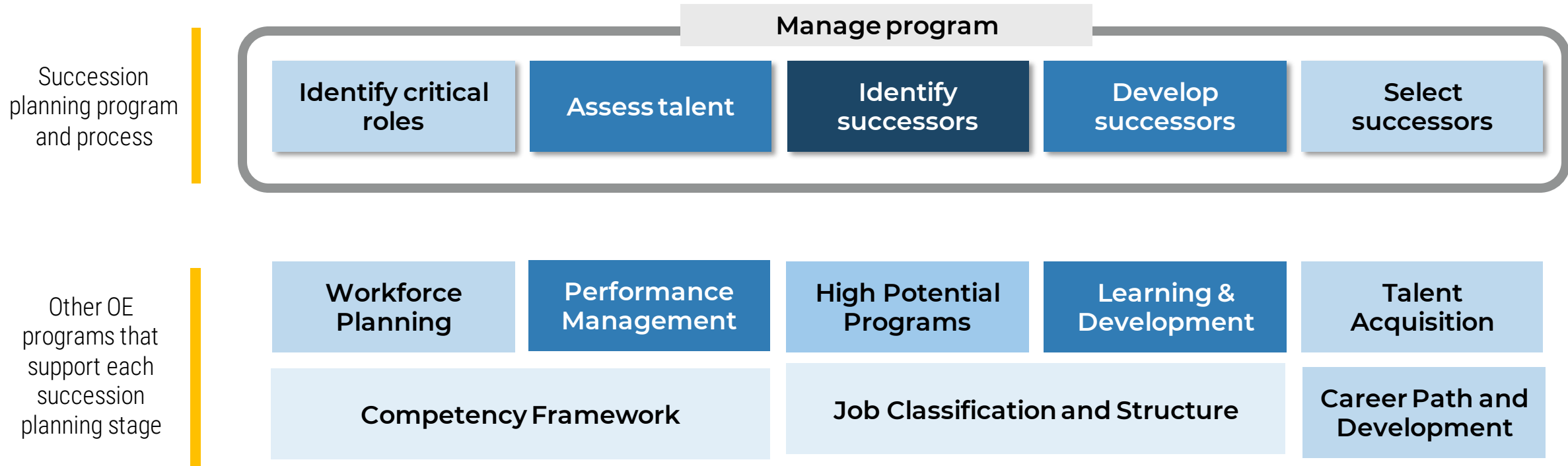
- 71 verbatim comments in the Energage engagement surveys show employees want growth through formal learning and development opportunities and career paths.
- Since 2012, 43 out of 68 LDP program participants have been promoted to higher level positions.



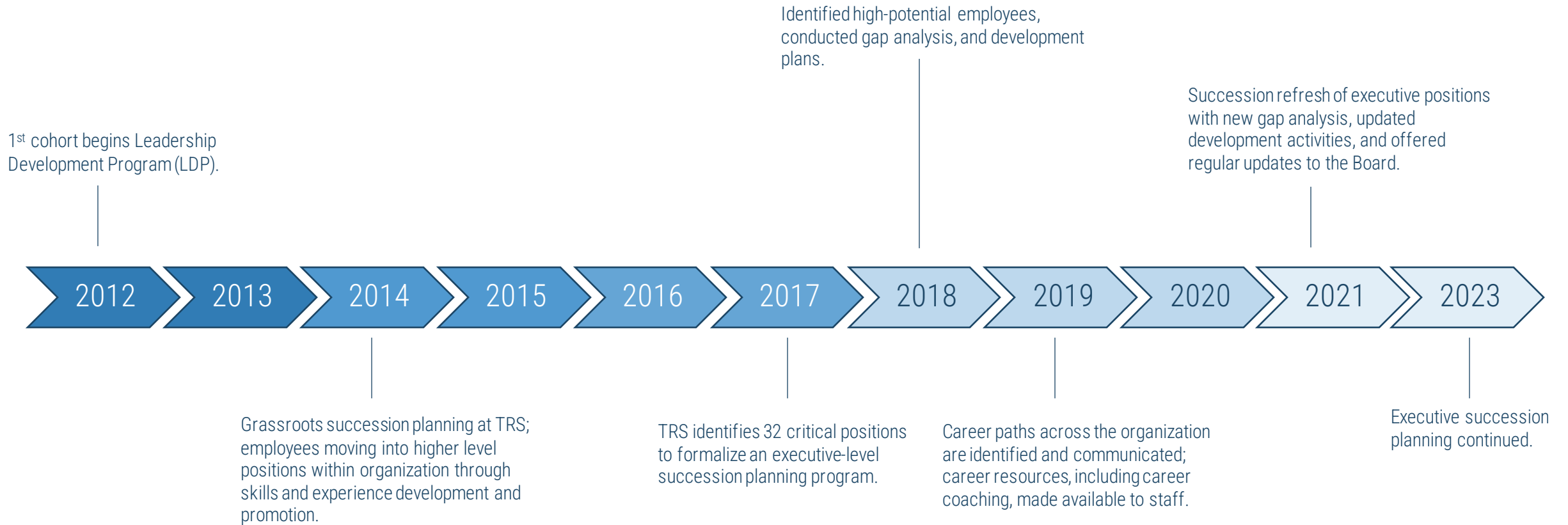
Succession Planning: identifying, developing, and placing the right talent in critical roles to ensure the continued performance of the organization. It requires ongoing program management to deliver the expected results.



Succession Process and OE Programs



Background: Timeline



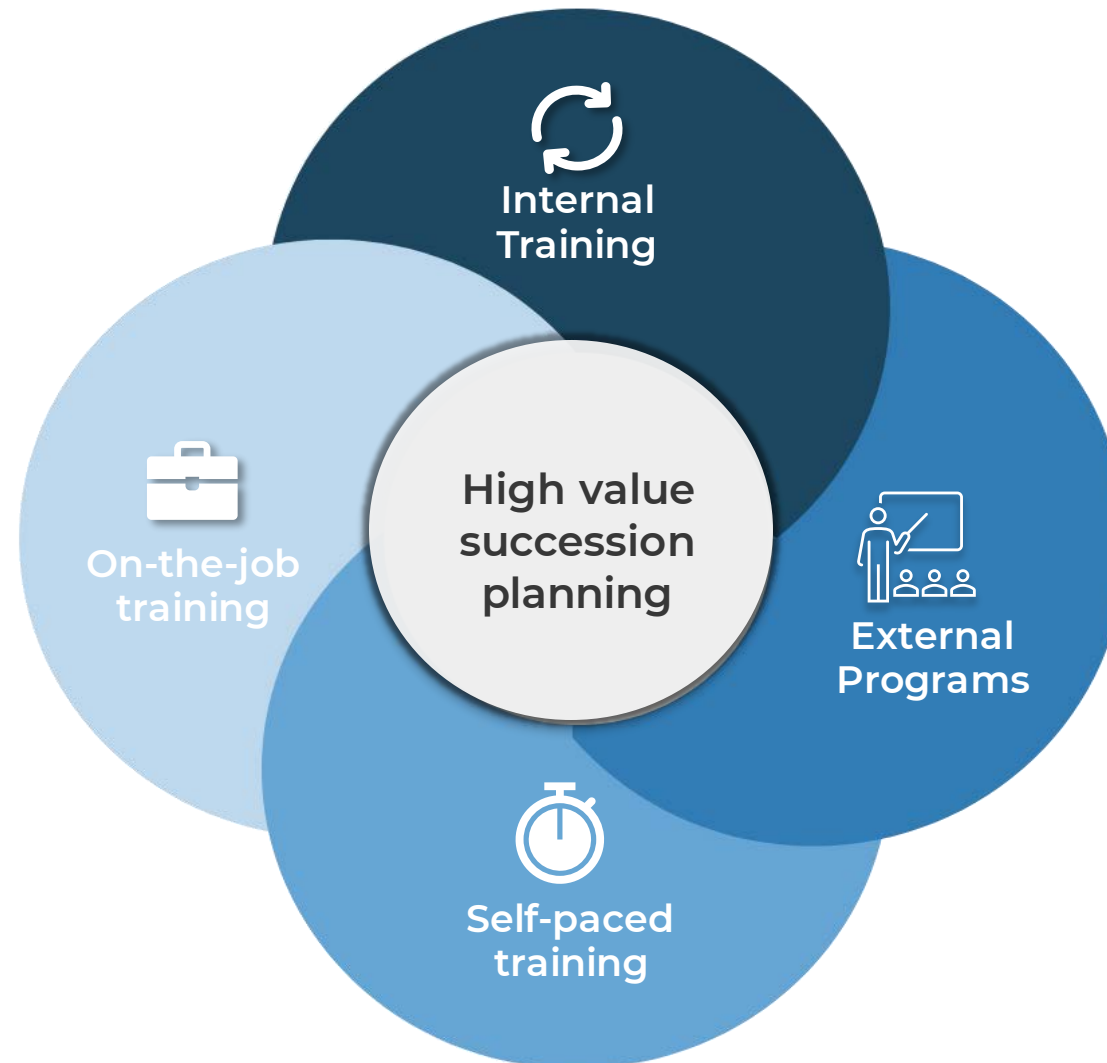


Internal Training

Specific to TRS, able to reinforce TRS Core Values, and provide specific and relevant training topics.

On-the-job Training

Allows employee the ability to shadow their manager or participate in stretch assignments with feedback.



External Programs

Partner with external vendors and establish training programs to meet agency needs.

Self-Paced Training

Provide opportunities for employees to participate in training when it fits their own schedule.



Development at each level

Training is provided to meet the needs of each level of leadership

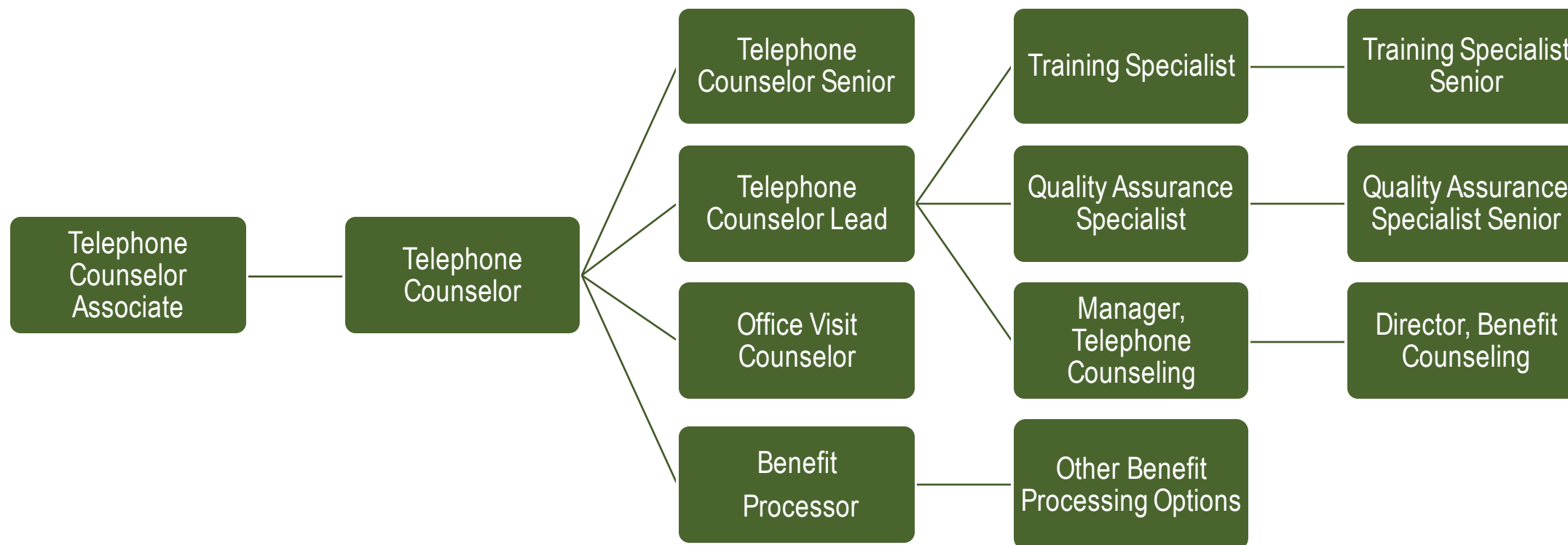
Customized Training

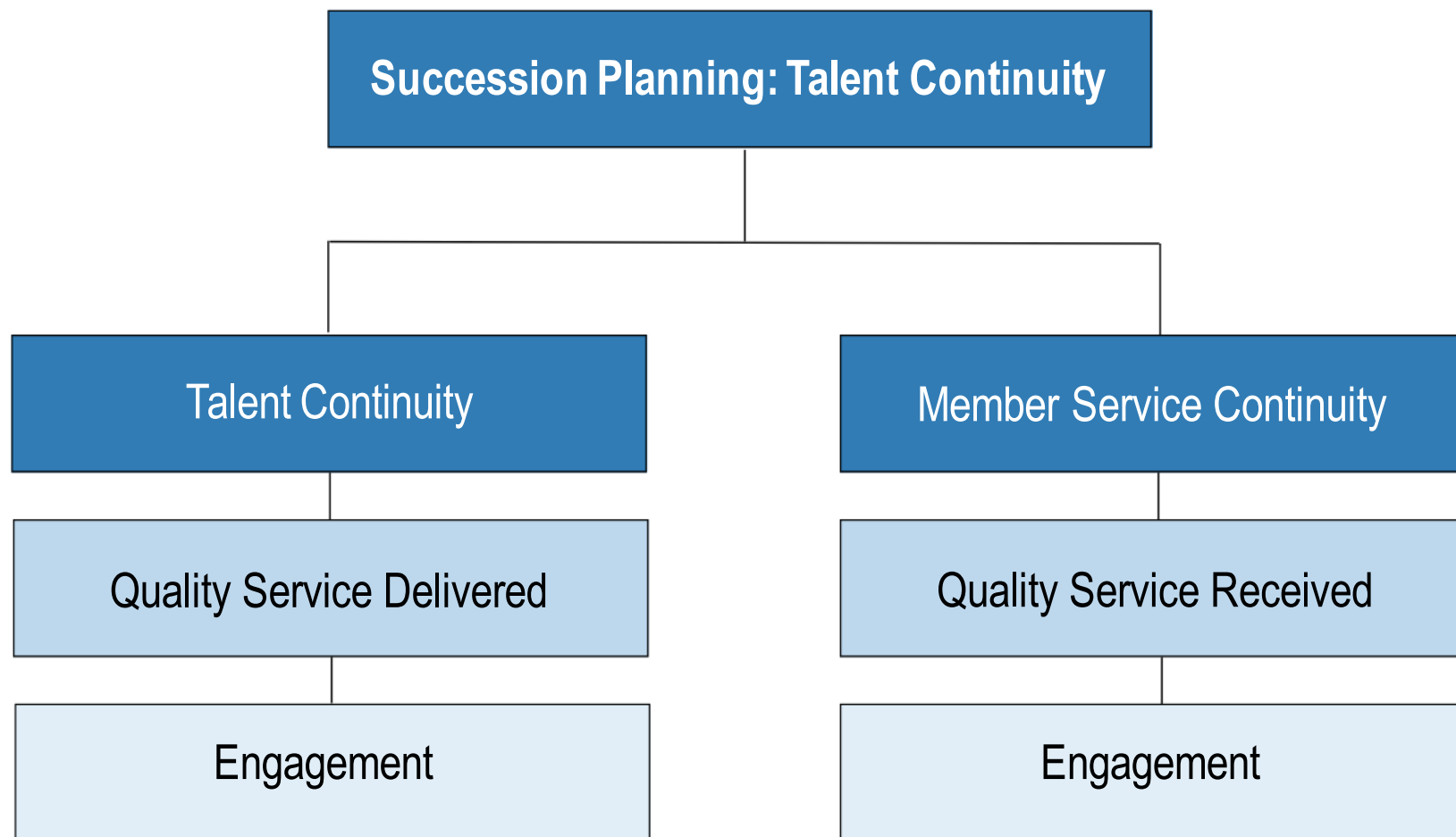
Offering custom training options ensures we are connecting with the performance competencies and agency Core Values

Partner with Purpose

L&D strives to partner with relevant TRS stakeholders to ensure training needs are met

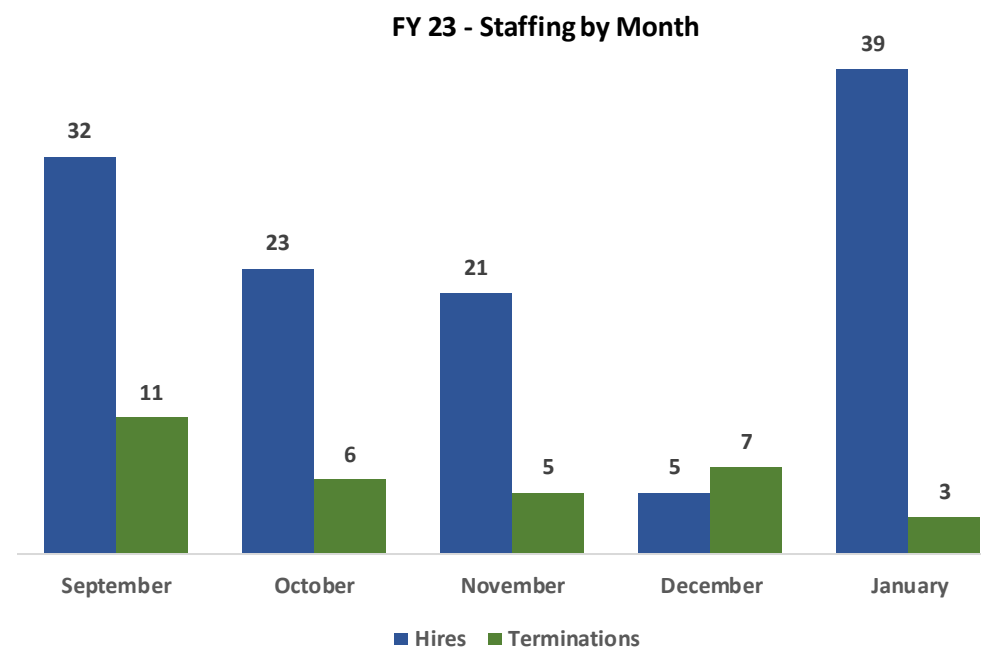
Career Path: Sample

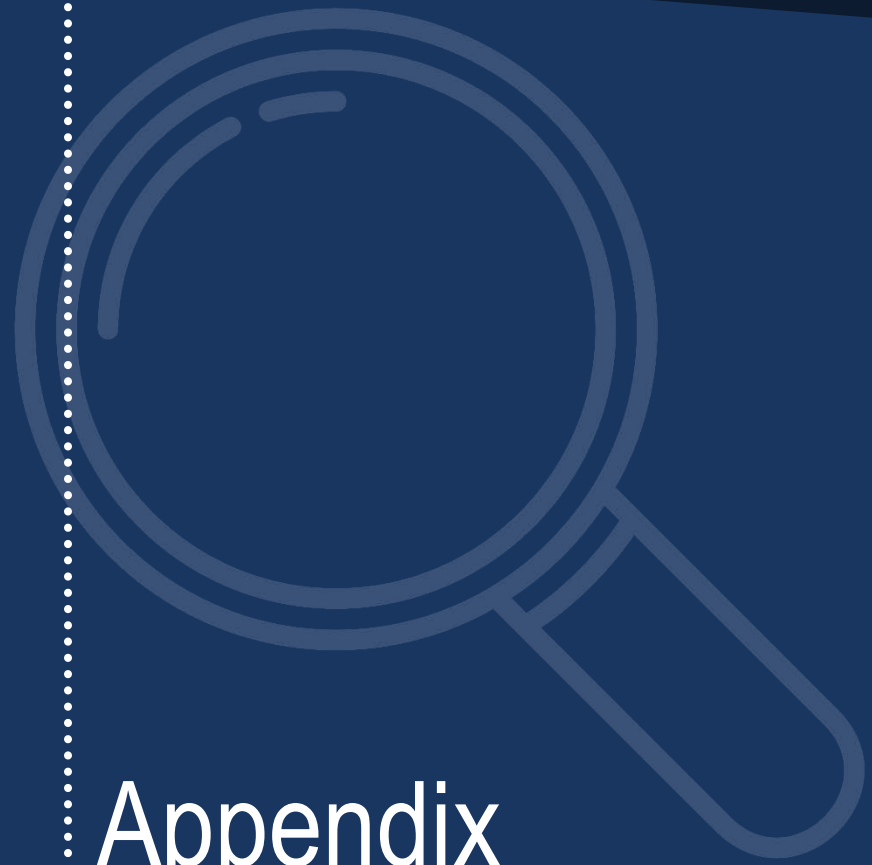




Staffing: Recruiting is Improving Overall

- As of January 1st, 2023, TRS has received 4,700 applications in FY23. In FY22 we received 7,100 applications in the entire year. At this rate we are on par with recruitment total of FY20 (pre-pandemic), which is closer to 9,500 applications per year.
- TRS has received 1,100 applications for IT vacancies in FY23 to date. In FY22 the total number of IT applications received was 1,000 for the entire FY.
- TRS has a **net** gain of 90 new employees in FY23 (5 months), compared to a **net** gain of 99 employees for FY22.





Appendix

Leadership Development Program Components

PROGRAM COMPONENTS



The TRS Leadership Development Program includes the following components:

- 1. Assessments:** After admittance, each participant will begin by taking the CliftonStrengths Assessment to gain an understanding of their own talents. Participants will also participate in a 360 assessment where feedback on performance will be provided by their immediate supervisor, direct reports, and peers. This information will be used in one-on-one coaching sessions.
- 2. Individualized Development Plan:** Data from assessments are the basis for a detailed individual development plan that spells out the specific areas to improve while in the program. Each participant will be assigned a leadership coach. The leadership coach will help each participant to create the individualized development plan.
- 3. Classroom Sessions:** New knowledge, skills and insights will be provided through practical classroom sessions (in-person or virtual). Examples of the topics that might be addressed in these classes include:
- 4. Leadership Coaching:** Professional coaching is a key element in the program. The leadership coach will help participants create development plans and will also be available to provide coaching for continuous development of leadership skills.
- 5. Projects:** Action learning is a proven method of professional development. Participants are assigned to an action learning project team. Each team studies a critical area of agency performance and builds a solid business case for conducting the study. A member of the executive staff serves as sponsor for each project team.

Team Lead Training Opportunity Examples



Team Lead Training Opportunities: FY2023

Fully Virtual, Instructor-Led Trainings

The Leadership Lab (LinkedIn Learning Together Series)

L&D's LinkedIn Learning Together (LILT) series is something like an interactive book club. Using a cohort-based learning approach, participants watch videos in a curated learning path independently and then gather for bi-weekly interactive discussions. Topics covered:

- Leadership Styles Overview
- Leadership Skills & Traits
- Leadership within a Team

Dates: Wednesdays @ 10:00 am (CT)

Wednesday, 08 March 2023
Wednesday, 22 March 2023
Wednesday, 05 April 2023
Wednesday, 19 April 2023

Fully Virtual, Instructor-Led Sessions
20 seats available



Note: This series includes four bi-weekly meetings.
Please discuss with your manager before registering.

Management Fundamentals (McLean & Company)

This multi-week course is a practical and interactive blended program grounded in extensive research into what makes leaders successful in today's changing world. Topics covered:

- Team Management
- People Development
- A Case Study

Four required fully virtual, instructor-led sessions are paired with two kinds of asynchronous, independent work: self-paced learning modules and learning community activities.

Required Live Session Dates:

Friday, 16 June 2023
Friday, 07 July 2023
Friday, 28 July 2023
Friday, 18 August 2023

Required Live Session Time:

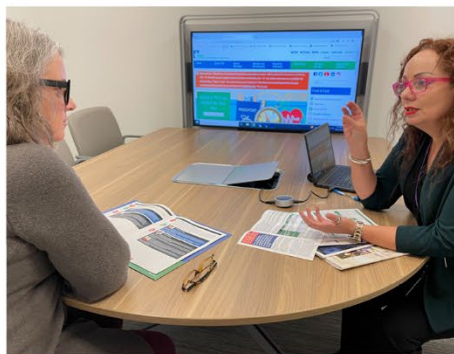
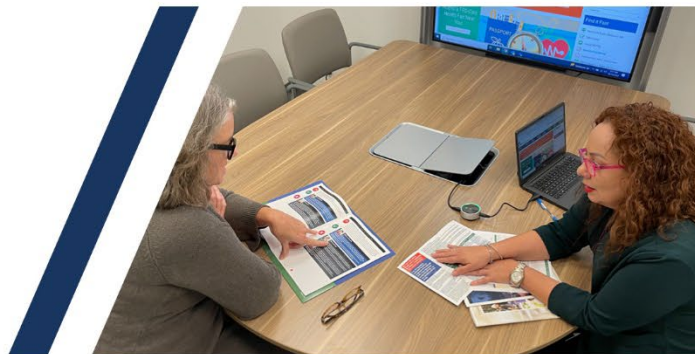
9:00 am to 10:30 am (CT)

Fully Virtual, Instructor-Led Sessions
15 seats available in semi-private cohort



Note: This is a multi-week course that requires asynchronous, independent work between sessions.

Please review the schedule and live-session dates with your manager before registering.



Organizational Excellence

Succession Planning: Talent Continuity

Shunne Powell, Chief Organizational Excellence Officer
Michelle Gray, Deputy Chief, Organizational Excellence
Alisha Barnebey, Manager, Learning and Development

February 16, 2023

*Earning your trust every day ... by
attracting, developing, and retaining
talent to serve our members.*

Alignment: Strategic Plan and Key Accountabilities

Strategic Plan

GOAL 4

Ensure that people, processes, and technology align to achieve excellence in the delivery of services to members.

OBJECTIVE 1

Attract, retain, and develop a diverse and highly competent staff.

Strategy 4

Expand learning and development opportunities.

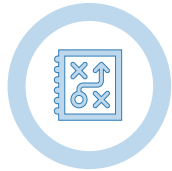
Strategy 5

Develop and implement a comprehensive workforce strategy that includes remote work, onsite facility needs, appropriate compensation and staffing levels, and the technological tools necessary to support appropriate workforce strategies.

Key Accountabilities



Why succession planning and employee development?



Business Continuity

Succession planning limits disruption to member services and minimizes recruitment costs.

- 40% of the EC and 16% of managers are currently eligible to retire.
- In FY22, turnover ended at 18% total.
- Knowledge transfer available to provide an extra layer of continuity and mitigation.



Engagement and Retention

Effective succession planning is a tool for engaging, developing, and retaining employees.

2022 Energage survey responses:

- 78% of employees feel: "I get the formal training I want for my career"
- 78% "TRS enables me to work at my full potential."



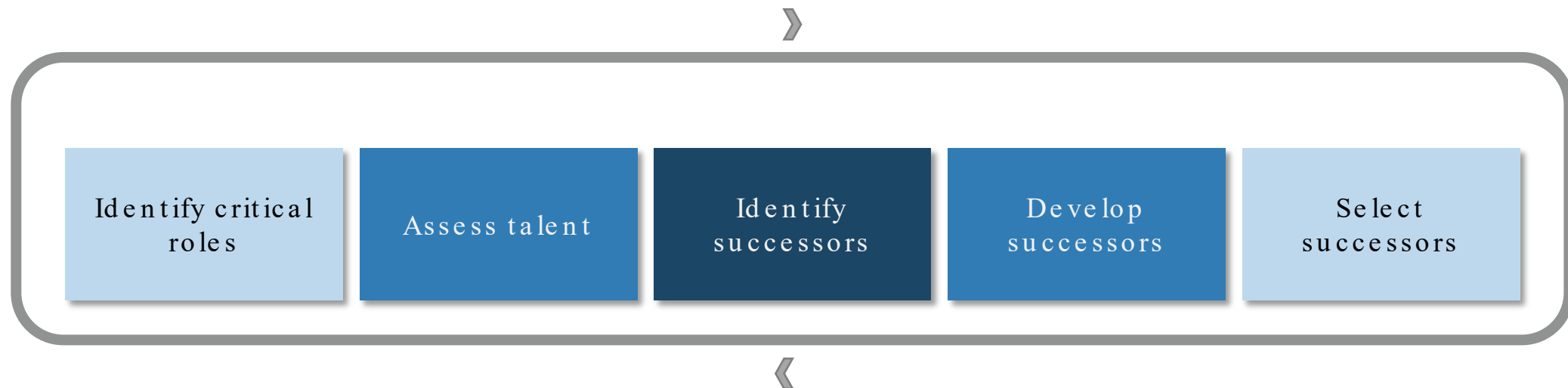
Innovation and Growth

Knowledge is a strategic asset, and succession planning can help retain, grow, and capitalize on it.

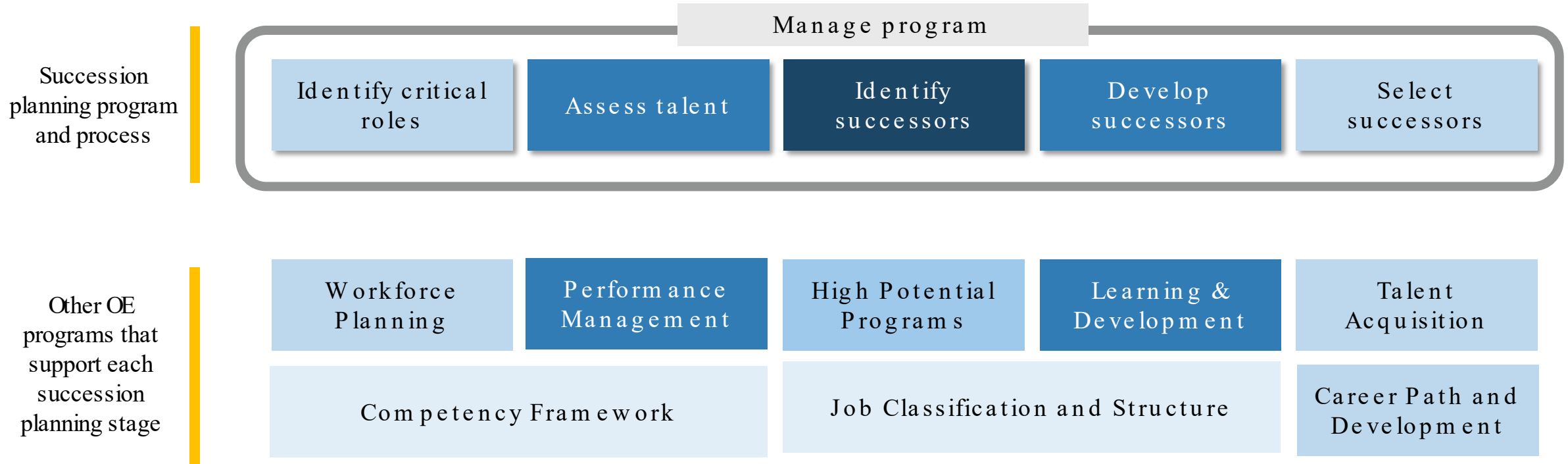
- 71 verbatim comments in the Energage engagement surveys show employees want growth through formal learning and development opportunities and career paths.
- Since 2012, 43 out of 68 LDP program participants have been promoted to higher level positions.



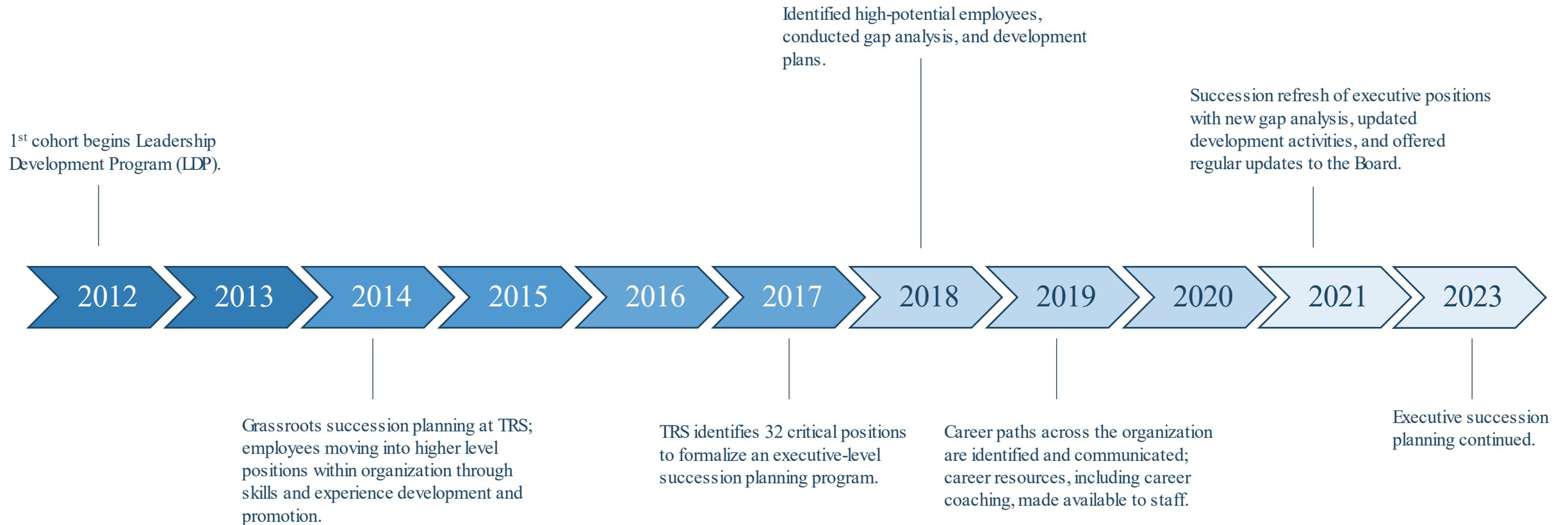
Succession Planning: identifying, developing, and placing the right talent in critical roles to ensure the continued performance of the organization. It requires ongoing program management to deliver the expected results.



Succession Process and OE Programs



Background: Timeline



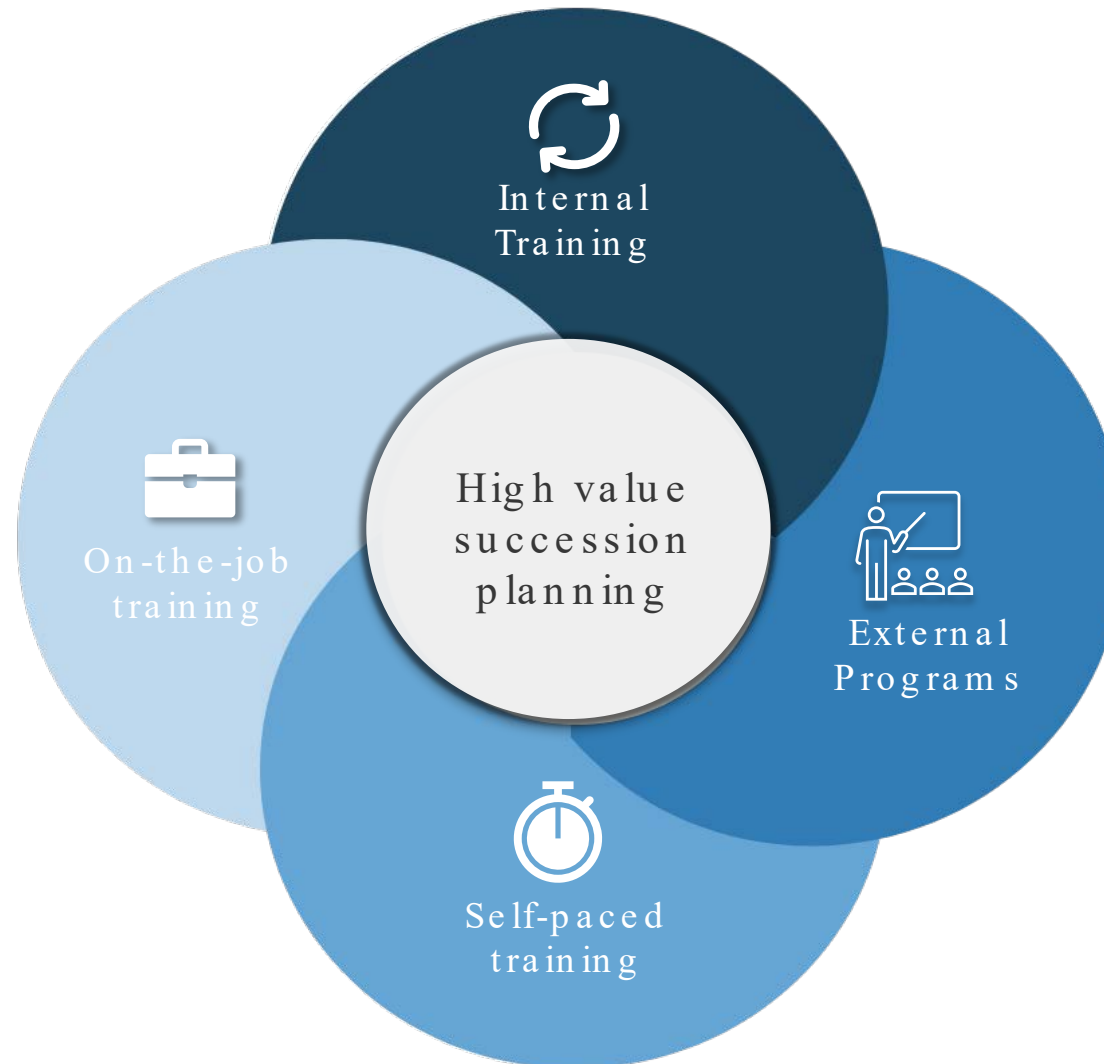


Internal Training

Specific to TRS, able to reinforce TRS Core Values, and provide specific and relevant training topics.

On-the-job Training

Allows employee the ability to shadow their manager or participate in stretch assignments with feedback.



External Programs

Partner with external vendors and establish training programs to meet agency needs.

Self-Paced Training

Provide opportunities for employees to participate in training when it fits their own schedule.

Levels of Leadership



Development at each level

Training is provided to meet the needs of each level of leadership

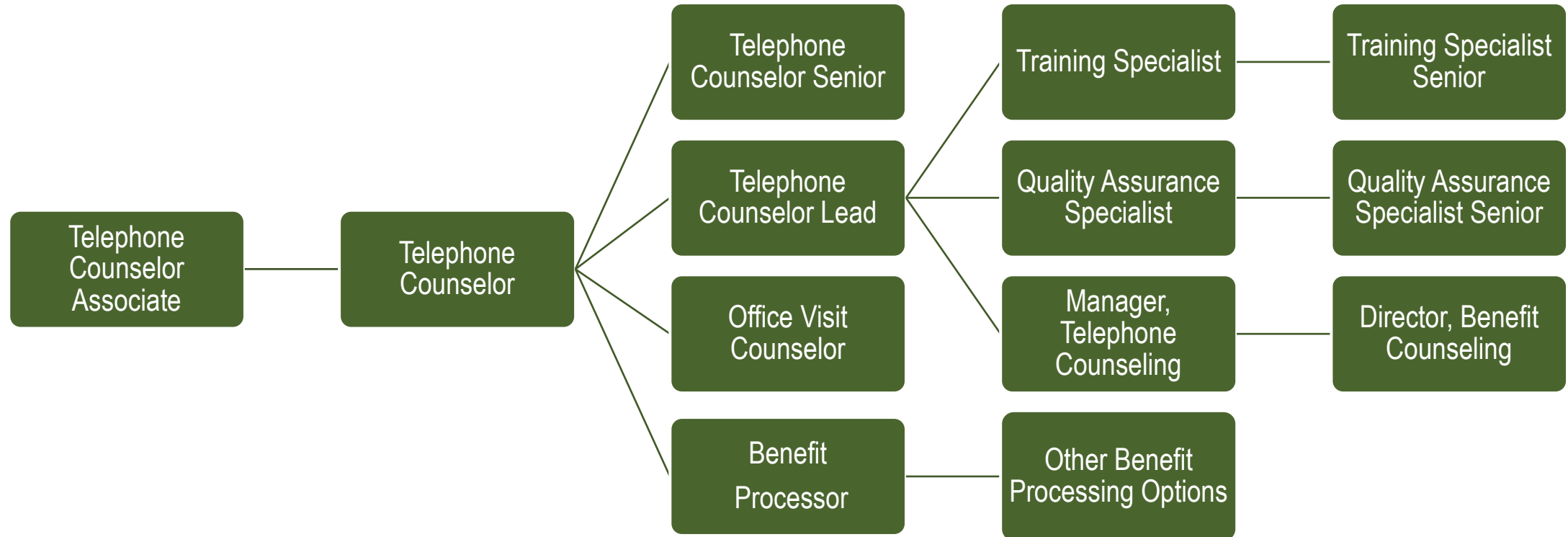
Customized Training

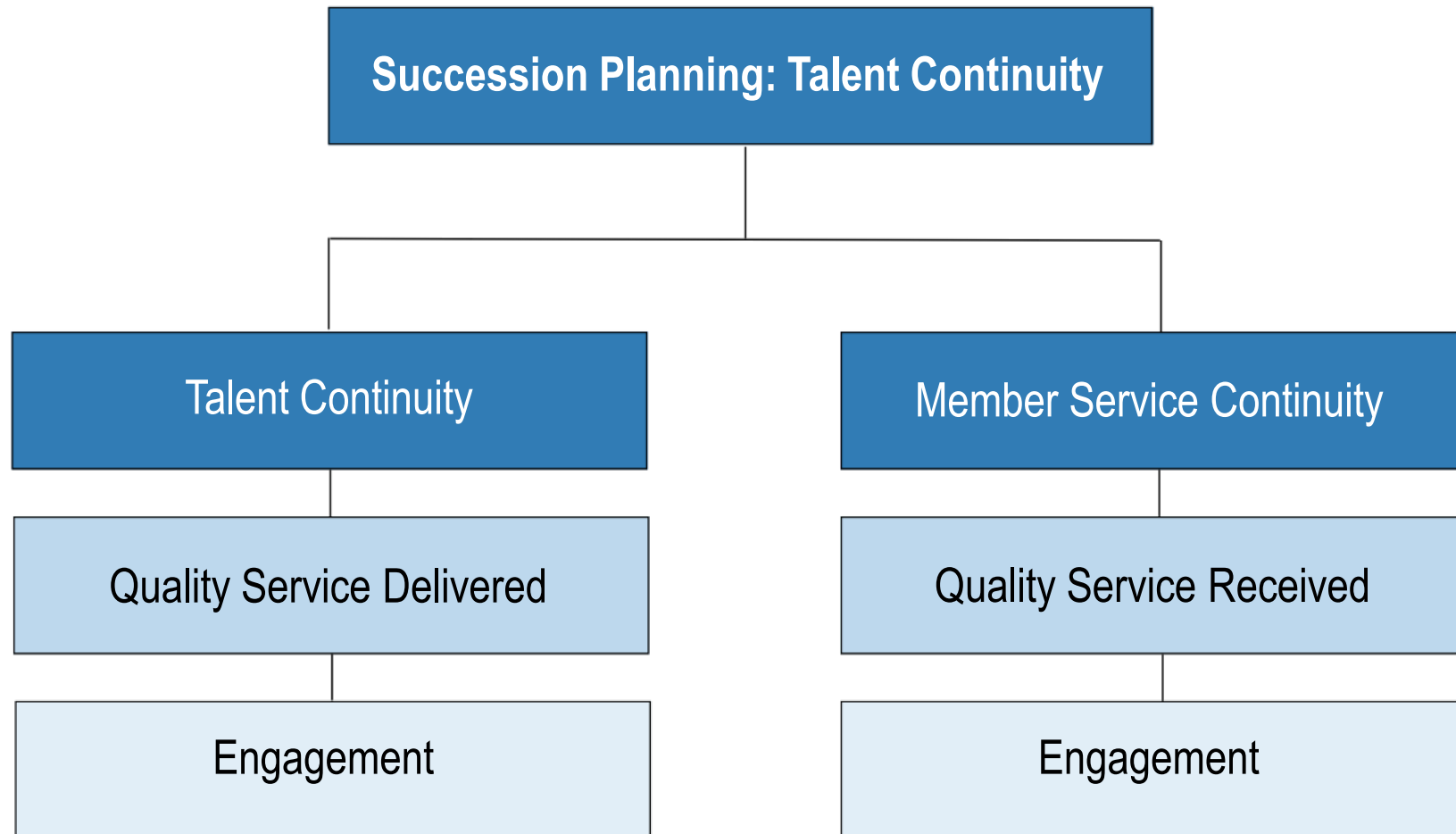
Offering custom training options ensures we are connecting with the performance competencies and agency Core Values

Partner with Purpose

L&D strives to partner with relevant TRS stakeholders to ensure training needs are met

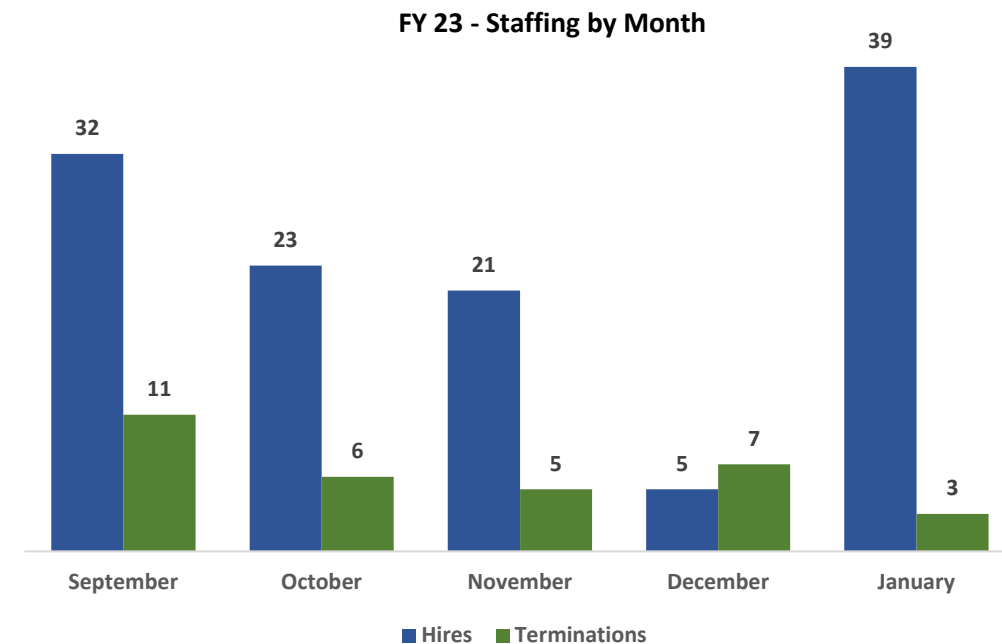
Career Path: Sample

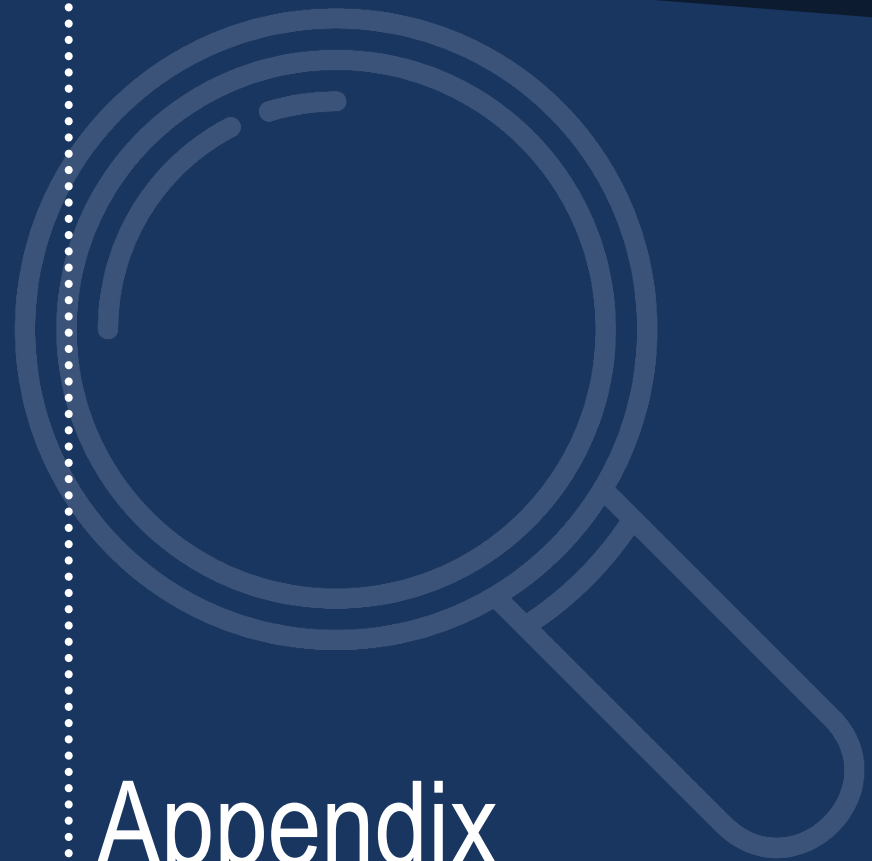




Staffing: Recruiting is Improving Overall

- As of January 1st, 2023, TRS has received 4,700 applications in FY23. In FY22 we received 7,100 applications in the entire year. At this rate we are on par with recruitment total of FY20 (pre-pandemic), which is closer to 9,500 applications per year.
- TRS has received 1,100 applications for IT vacancies in FY23 to date. In FY22 the total number of IT applications received was 1,000 for the entire FY.
- TRS has a **net** gain of 90 new employees in FY23 (5 months), compared to a **net** gain of 99 employees for FY22.





Appendix

Leadership Development Program Components

PROGRAM COMPONENTS



The TRS Leadership Development Program includes the following components:

- 1. Assessments:** After admittance, each participant will begin by taking the CliftonStrengths Assessment to gain an understanding of their own talents. Participants will also participate in a 360 assessment where feedback on performance will be provided by their immediate supervisor, direct reports, and peers. This information will be used in one-on-one coaching sessions.
- 2. Individualized Development Plan:** Data from assessments are the basis for a detailed individual development plan that spells out the specific areas to improve while in the program. Each participant will be assigned a leadership coach. The leadership coach will help each participant to create the individualized development plan.
- 3. Classroom Sessions:** New knowledge, skills and insights will be provided through practical classroom sessions (in-person or virtual). Examples of the topics that might be addressed in these classes include:
- 4. Leadership Coaching:** Professional coaching is a key element in the program. The leadership coach will help participants create development plans and will also be available to provide coaching for continuous development of leadership skills.
- 5. Projects:** Action learning is a proven method of professional development. Participants are assigned to an action learning project team. Each team studies a critical area of agency performance and builds a solid business case for conducting the study. A member of the executive staff serves as sponsor for each project team.

Team Lead Training Opportunity Examples



Team Lead Training Opportunities: FY2023

Fully Virtual, Instructor-Led Trainings

The Leadership Lab (LinkedIn Learning Together Series)

L&D's LinkedIn Learning Together (LILT) series is something like an interactive book club. Using a cohort-based learning approach, participants watch videos in a curated learning path independently and then gather for bi-weekly interactive discussions. Topics covered:

- Leadership Styles Overview
- Leadership Skills & Traits
- Leadership within a Team

Dates: Wednesdays @ 10:00 am (CT)

Wednesday, 08 March 2023
Wednesday, 22 March 2023
Wednesday, 05 April 2023
Wednesday, 19 April 2023

Fully Virtual, Instructor-Led Sessions
20 seats available



Note: This series includes four bi-weekly meetings.
Please discuss with your manager before registering.

Management Fundamentals (McLean & Company)

This multi-week course is a practical and interactive blended program grounded in extensive research into what makes leaders successful in today's changing world. Topics covered:

- Team Management
- People Development
- A Case Study

Four required fully virtual, instructor-led sessions are paired with two kinds of asynchronous, independent work: self-paced learning modules and learning community activities.

Required Live Session Dates:

Friday, 16 June 2023
Friday, 07 July 2023
Friday, 28 July 2023
Friday, 18 August 2023

Required Live Session Time:

9:00 am to 10:30 am (CT)

Fully Virtual, Instructor-Led Sessions
15 seats available in semi-private cohort



Note: This is a multi-week course that requires asynchronous, independent work between sessions.

Please review the schedule and live-session dates with your manager before registering.

TAB 10

Minutes of the Board of Trustees

December 8, 2022

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, December 8, 2022, 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
David Corpus
John Elliott
Chris Moss
James Nance
Robert H. Walls, Jr.

The following Board member attended virtually:

Michael Ball

Others present:

Brian Guthrie, TRS	Suzanne Dugan, Cohen Millstein
Andrew Roth, TRS	Keith Robinson, Focus Consulting
Heather Traeger, TRS	Keith Brown, Investment Advisor
Jase Auby, TRS	Steve Voss, AON
Don Green, TRS	Michael McCormick, AON
Barbie Pearson, TRS	Grace Mueller, RAC
Katrina Daniel, TRS	Mary Melanzu, UHC
Amanda Jenami, TRS	Rene Paulson, Elite Research
Janet Bray, TRS	Karen Haywood, BCBS
Martin Cano, TRS	Hillary Eckford, SAO
Lori LaBrie, TRS	Bill Hunger, SAO
J.R. Morgan, TRS	
Michelle Gray, TRS	
Katherine Farrell, TRS	

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.

2. Consider the following administrative matters:

a. Approval of the September 2022 proposed meeting minutes; and

On a motion by Mr. Walls, seconded by Mr. Elliott, the Board voted to approve the September 2022 proposed meeting minutes as presented.

b. Consider excusing Trustee's absences from the September 2022 meeting.

On a motion by Ms. Sissney, seconded by Mr. Nance, the Board voted to excuse Mr. Moss' absence from the September 16, 2022 board meeting.

c. Setting, rescheduling or canceling future Board meetings including considering dates for June 2023 meeting.

On a motion by Mr. Corpus, seconded by Mr. Nance, the Board voted to add June 6, 2023 to the board meetings dates for calendar year 2023.

- February 16 - 17, 2023
- April 27 – 28, 2023
- June 6, 2023
- July 13 – 14, 2023
- September 14 – 15, 2023
- December 7 – 8, 2023

3. Resolution recognizing the service of Janet Bray – Jarvis V. Hollingsworth.

Mr. Hollingsworth read the following resolution into the record:

Resolution

Whereas, Janet Bray joined the Human Resources Department of the Teacher Retirement System of Texas (TRS) in May 2012, after working almost 19 years at the Texas Comptroller of Public Accounts. She began her career at the Comptroller's office as an attorney in the Hearings Division and then moved to the General Counsel's Office. After leaving for five years of civil litigation in the private sector, she returned to the Comptroller's Office and transitioned into Human Resources - eventually, overseeing that department in 2005; and

Whereas, Janet, a Michigan native, received her B.A. in Advertising from Michigan State University. She relocated to Texas and worked for Samsonite Corporation. She became a licensed attorney, receiving her J.D. from The University of Texas School of Law where she was President of the Thurgood Marshall Legal Society; and

Whereas, she earned a Senior Professional in Human Resources Certification (SPHR), an SHRM Senior Certified Professional (SHRM-SCP), and is a Proscicertified Change Manager. She completed the Transformative Leadership Program through The University of Texas at Austin and the University of Adelaide; and

Whereas, Janet was named as one of the National Diversity Council's 2016 Most Powerful Business Women in Texas in 2016 and serves on the Executive Planning Committee for the Annual Public Pension Human Resources Roundtable for IPMA-HR; and

Whereas, she was an active member of the Executive Council who maintained the highest standards of professionalism and played an invaluable role for TRS; and

Whereas, Janet's 10 years at TRS have been highlighted by exceptional growth, extraordinary engagement, and stellar leadership related to serving members through talent resources. She elevated the Human Resources function to a department focused on driving excellence through our employees; and

Whereas, Janet was a trailblazing executive who brought impeccable credentials with best practices, turning what had been "Human Resources" into true Organizational Excellence. She has led the team to modernize HR systems, digitize records and training, utilize technology to help streamline processes and create a better employee experience for TRS staff; and

Whereas, she created and built a change management function that offers individual employees a personalized feedback experience, expanded learning and development agencywide, and championed a move to a new TRS classification system; and

Whereas, Janet was a caring leader who modeled the way for her leadership team as well as for the agency as a whole. She has led with humility and accountability, and is welcoming and approachable with a charismatic smile that puts you at ease; and

Whereas, since joining TRS, Janet has supported the hiring of many employees. TRS had a total workforce of 548 employees when she started employment with TRS and has grown to over 1,000 employees today; and

Whereas, being a daughter of two educators, Janet kept the TRS membership front and center of her thinking and was proud to work for an organization dedicated to serving teachers; and

Whereas, Janet will be remembered for her dedication to TRS, her wit, and her vision for leading TRS into a destination employer that received "Top Workplace" almost every single year of her tenure as Chief Organizational Excellence Officer; and

Whereas, she will also be remembered for her top level dedication as a senior executive and for her careful consideration of issues affecting employees as individuals with an eye toward compassion, fairness and the best possible balance of consideration between people and the organization;

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 Janet Bray at TRS during her 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 Janet Bray and entered into the record of the board for Dec. 8, 2022.

On a motion by Mr. Nance, seconded by Mr. Walls, the Board unanimously approved the proposed resolution.

Ms. Bray expressed her appreciation and stated it was a privilege to serve the educators of the State of Texas.

4. 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 and past conferences and meetings. He reviewed the five key accountabilities relating to his areas of focus that relate to the agency's strategic plan. He noted that staff's presentations will have a visual reminder of the key accountability that is being addressed in the presentation. He noted the opening of the El Paso Regional Office as of November 14th and that Trustees Ball and Sissney were in attendance for the opening. He provided an update on the progress of the new headquarters. Mr. Guthrie recognized the Finance Division receiving the Triple Crown Award from the Government Finance Officers Association and TRS for being awarded Top Workplace again. He concluded by reviewing items for February and April Board meetings.

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

Ms. Lori LaBrie provided the Ombudsman's quarterly report. She noted for the time period from January to October the office had received 561 communications. She reported the top issues of interest on social media were Social Security and the Windfall Elimination Provision (WEP), annuity payments and health care.

6. Review and consider procurement and contracts including the following:

- A. Receive Procurement and Contracts Update;**
- B. Consider an extension of Board Executive Assessment contract with Focus Consulting Group, Inc., 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; and**
- C. Consider accepting the Procurement and Contracting Report.**

Mr. Martin Cano presented a status update regarding the Procurement and Vendor e-Systems (PAVES) enhancements. Ms. Shannon Gosewehr provided an update on the Contract Management Office. She reported that the move of contract management administration out of the business units and into the Contracts Management Office was proceeding according to plan.

Mr. Cano stated that the contract extension related to the executive assessment was up for consideration. He noted the recommended extension allows the vendor, Focus Consulting, appropriate time to conduct a full cycle review using the new time frames. He said the extension

allows TRS time to implement a new contract which is now in the RFP process, without disrupting the current process.

On a motion by Mr. Corpus, seconded by Mr. Elliott, the Board unanimously voted to extend the Focus Consulting contract, that currently expires August 31, through the end of December 31, 2023.

Mr. Cano reviewed the quarterly contracts report noting there are currently 25 executed contracts which meet the value of \$1 million or more a year, along with an additional nine executed health care contracts, and four FY 23 current solicitations.

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

7. Receive the Deputy Director's update – Andrew Roth.

Mr. Andrew Roth provided an overview of how resource needs, such as operating budget and FTEs, for fiscal year 2024 were ascertained. He noted the budget development process will kick off next month in January and go through June of 2023. He then reviewed on a preliminary basis that the main requests will come from both Benefits and Information Technology, both focusing on ongoing improvements to customer services.

At 9:30 a.m., Mr. Hollingsworth announced without objection that the board meeting would recess to take up the posted committee meetings and would reconvene later in the day.

At 4:56 p.m., Mr. Hollingsworth reconvened the board meeting. He announced agenda items 8,9 and 10 would be taken up with only 9 and 10 having public presentations.

8. 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.

There was no public discussion for this item.

9. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Audit Executive and Chief Investment Officer, and Ombudsman and consider the salary limits of the Executive Director and Chief Investment Officer listed in the schedule of exempt positions in the General Appropriations Act of the 2022 and 2023 Biennium – Jarvis V. Hollingsworth.

Ms. Janet Bray noted the Board contracts currently in the solicitation process for the following services: executive assessment, executive coaching and compensation consultant. She then

provided a high level overview of the evaluation process for this year and what to expect for next year when the evaluation process occurs on a different timeline.

Ms Bray introduced Mr. Keith Robinson who reviewed the steps taken for the evaluations which began in August. He said an online competency rating as well as a performance rating with all of the Trustees and variety of direct reports, peers and others within the agency. He reported once the data was collected Focus would generate reports and reviewed them with each executive.

At 5:04 p.m., Mr. Hollingsworth announced the board would recess for agenda items 8 under Section 551.071, to consult with legal counsel as needed; agenda item 9 under Section 551.074 and 551.071, to discuss personnel matters and consult with legal counsel, as needed; and agenda item 10 under Section 551.074, to discuss personnel matters.

At 8:39 p.m., Mr. Hollingsworth reconvened the Board meeting.

On a motion by Mr. Corpus, seconded by Mr. Moss, the Board unanimously voted to adopt the following resolution regarding the Executive Director's compensation, effective January 1, 2023:

Resolution Increasing the Base Salary of and Awarding a One-Time Merit Payment to 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(g)(1) 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(i) 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(c) 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 compensation for that position, and the

Board wishes to increase the Executive Director's base salary above the not-to-exceed amount and award the Executive Director a one-time merit payment; now, therefore be it

Resolved, That effective January 1, 2023, 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 to \$ 543,000 ;

Resolved, That the Board hereby increases the base salary of the Executive Director and authorizes a one-time merit payment as follows:

Executive Director's salary (the incumbent is Brian K. Guthrie):

Increase the base salary amount effective January 1, 2023 by \$ _____; or

Increase the base salary amount effective January 1, 2023 by 25 %; and

One-time merit payment to the Executive Director (the incumbent is Brian K. Guthrie):

Award a one-time merit payment effective January 1, 2023 in the amount of \$ 43,000 ; 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.

On a motion by Mr. Moss, seconded by Mr. Walls, the Board unanimously voted to adopt the following resolution regarding the Chief Audit Executive's compensation, effective January 1, 2023:

Resolution Increasing the Base Salary of and Awarding a One-Time Merit Payment to the Chief Audit Executive

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(g)(2) of the Board's bylaws provides that the Board shall be responsible for the selection, replacement, dismissal, performance evaluation, and compensation of the Chief Audit Executive in consultation with the Audit Committee and the Executive Director;

Whereas, Subsection 1.7(c) 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; and

Whereas, The Board wishes to increase the base salary of the Chief Audit Executive; now, therefore be it

Resolved, That the Board hereby increases the base salary of the Chief Audit Executive and authorizes a one-time merit payment as follows:

Chief Audit Executive's base salary (the incumbent is Amanda Jenami):

Increase the base salary amount effective January 1, 2023 by 19.93 %; or

Increase the base salary amount effective January 1, 2023 by \$_____;

and

One-time merit payment to the Chief Audit Executive (the incumbent is Amanda Jenami):

Award a one-time merit payment effective January 1, 2023 in the amount of \$ 20,000 ; 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 Audit Executive or any other employee.

On a motion by Ms. Sissney, seconded by Mr. Corpus, the Board unanimously voted to adopt the following resolution regarding the Chief Investment Officer's compensation, effective January 1, 2023:

Resolution Increasing the Base Salary of and Awarding a One-Time Merit Payment to 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(g)(4) of the Board's bylaws provides that the Board shall be responsible for the compensation of the Chief Investment Officer in consultation with the Executive Director;

Whereas, Subsection 1.7(i) 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(c) 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 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 GAA not-to-exceed amount for the Chief Investment Officer is not sufficient for the Board to exercise its discretion in setting the compensation for that position, and the Board wishes to increase the Chief Investment Officer's base salary above the not-to-exceed amount and award the Executive Director a one-time merit payment; now, therefore be it

Resolved, That effective January 1, 2023 the Board hereby adopts the following GAA not-to-exceed amount for the Chief Investment Officer:

Chief Investment Officer: Increase the not-to-exceed amount listed in the GAA to \$ 762,000 ;

Resolved, That the Board hereby increases the base salary of the Chief Investment Officer and authorizes a one-time merit payment as follows:

Chief Investment Officer's salary (the incumbent is Jase Auby):

Increase the base salary amount effective January 1, 2023 by \$ _____; or

Increase the base salary amount effective January 1, 2023 by 18.18 %, and

One-time merit payment to the Chief Investment Officer (the incumbent is Jase Auby):

Award a one-time merit payment effective January 1, 2023 in the amount of \$ 112,000 ; 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. Nance, seconded by Mr. Elliott, the Board voted to adopt the following resolution regarding the Ombudsman's compensation, effective January 1, 2023:

Resolution Awarding a One-Time Merit Payment to the Ombuds

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(g)(3) of the Board's bylaws provides that the Board shall be responsible for the selection, replacement, dismissal, performance evaluation, and compensation of the Ombuds in consultation with the Audit Committee and the Executive Director;

Whereas, Subsection 1.7(c) 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; and

Whereas, The Board wishes to amend the compensation of the Ombuds; now, therefore be it

Resolved, That the Board hereby authorizes a one-time merit payment as follows:

One-time merit payment to the Ombuds (the incumbent is Lori LaBrie):

Award a one-time merit payment effective January 1, 2023 in the amount of \$ 5,000 ; 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.

10. Receive an update from Organizational Excellence regarding Executive Succession Planning for members of the Executive Committee, including the Chief Information Officer, Deputy Director and Chief Organizational Excellence Officer – Janet Bray and Michelle Gray.

There was no discussion for this item.

At 8:45 p.m., Mr. Hollingsworth recessed the meeting until 8:00 a.m. tomorrow morning, December 9, 2022.

December 9, 2022

The Board of Trustees of the Teacher Retirement System of Texas met on December 9, 2022 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
David Corpus
John Elliott
James Nance
Robert H. Walls, Jr.

The following Board member attended virtually:

Michael Ball
Chris Moss

Others present:

Brian Guthrie, TRS	Suzanne Dugan, Cohen Millstein
Andrew Roth, TRS	Keith Brown, Investment Advisor
Don Green, TRS	Joe Newton, GRS
Heather Traeger, TRS	Dana Woolfrey, GRS
Jase Auby, TRS	Chris Gibson, EY
Barbie Pearson, TRS	Laura Patton, EY
Katrina Daniel, TRS	Greg Thistlewaithe, EY
Amanda Jenami, TRS	Joni Lozaon, CVS Health
Caasi Lamb, TRS	Eli Melendrez, Texas AFT
Martin Cano, TRS	Rita Runnels, TX AFT Retiree Plus
Katherine Farrell, TRS	Phyllis Ruffin, TX AFT Retiree Plus

At 8:00 am the Chair reconvened the board meeting.

1. Call roll of Board members.

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

12. Receive the report of the Strategic Planning Committee on its December 8, 2022 meeting – Committee Chair.

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

The Strategic Planning Committee met on December 8, 2022. The committee approved the proposed minutes from the September 15, 2022 meeting.

Ms. Sunitha Downing and a representative from Elite Research provided survey results from the member satisfaction survey.

Ms. Caasi 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: attract, retain, and develop a diverse and highly competent staff; identify appropriate solutions for TRS facilities and space requirements; and improve strategic communications; and evaluate automation and technology solutions to enhance existing processes.

Ms. Lamb also provided an overview of the Enterprise Stoplight Report and highlighted changes to the risk levels and trending risks.

13. Receive the report of the Benefits Committee on its December 8, 2022 meeting and consider the following – Committee Chair:

- A. Acceptance of the Medical Board Meeting minutes of the July and September 2022 meetings; and**
- B. Approval of the Benefit Payments for September to November 2022.**

Ms. Sissney, committee member, provided the following report of the Benefits Committee:

The Benefits Committee met on December 8, 2022. The committee approved the proposed minutes of the Benefits Committee for the September 15, 2022 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 July and September 2022.

Ms. Barbie Pearson also provided an update on benefit payments for the first quarter of fiscal year 2023. The committee recommends to the Board the approval of benefit payments for September through November 2022.

The Committee received an update from Ms. Pearson on Benefit Services operations for the first quarter of fiscal year 2023. The report also included updates on the progress of the customer service improvement initiatives, improved service levels in Benefit Services, staffing update, and an update on the activities to date for the El Paso Regional Office. In addition, Ms. Pearson provided the annual report on the inactive accounts project.

Next the Committee received an update from Ms. Katrina Daniel, chief health care officer. First, Grace Mueller, chair of the Retirees Advisory Committee (RAC) Chair provided an update to the committee on the most recent RAC meeting. Then Ms. Daniel provided an update on TRS-ActiveCare enrollment, TRS-Care engagement, and fund balance projections.

Ms. Sissney concluded the report with the following motions:

On a motion by Ms. Sissney, the Board unanimously voted to accept the Medical Board's meeting minutes for July and September 2022 meetings, as recommended by the Benefits Committee.

On a motion by Ms. Sissney, the Board unanimously voted to approve the benefit payments for September through November 2022, as recommended by the committee.

14. Receive the report of the Budget Committee on its December 8, 2022 meeting – Committee Chair:

Ms. Sissney, Committee Chair, provided the following report of the Budget Committee:

The Budget Committee met Tuesday, December 8th. The first item of business was approval of the minutes of the July 2022 Budget Committee meeting.

Ms. Janie Duarte introduced the Annual Comprehensive Financial Report (ACFR) for fiscal year 2022 and provided an update on membership data. Ms. Duarte then passed on the presentation to Ms. Ann Zigmond who provided a high-level overview of the 2022 ACFR which showed a net position for the Pension Trust Fund of \$184.2 billion.

Overviews of the TRS-Care and TRS-ActiveCare funds were also presented. Mr. Eddie Chan concluded the presentation with an overview of the investment asset allocation.

Mr. Green presented a high-level overview of the FY 2022 year-end budget and addressed unexpended balances. He concluded the presentation with an overview of fiscal year 2022 FTEs.

15. Receive the report of the Compensation Committee on its December 8, 2022 meeting – Committee Chair.

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

The Compensation Committee met on December 8, 2022. The committee approved the proposed minutes of its September 2022 meeting.

The committee received an update on staffing, turnover, and implementation of the TRS classification plan from Janet Bray, our chief organizational excellence officer.

16. Receive the report of the Policy Committee on its December 8, 2022 meeting and consider adoption of the following – Committee Chair:

- a. Consider proposed amendments to the Commission Credit Policy;**
- b. Consider proposed amendments to the Proxy Voting Policy;**
- c. Consider proposed amendments to the Securities Lending Policy;**
- d. Consider proposed amendments to the Member and Employer Outreach Plan;**
- and**
- e. Consider proposed amendments to the Board Training Policy.**

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

The Policy Committee met on December 8, 2022.

The committee approved the proposed minutes of its September 2022 meeting.

The committee recommended to the Board readoption of the commission credit policy without any changes.

The committee recommended to the Board continuation and adoption of the proxy voting policy, including any necessary amendments.

The committee recommended to the Board continuation and adoption of the securities lending policy, including any necessary amendments.

The committee recommended to the Board continuation and adoption of the members and employer outreach plan, including any necessary amendments.

The committee recommended to the Board continuation and adoption of the Board training policy, including any necessary amendments.

And finally, the committee authorized for publication in the Texas Register notice of the proposed amendments of the TRS rules in Chapter 25 of Title 34, Part 3 of the Texas Administrative Code as listed in the agenda.

Mr. Elliott concluded his report with the following motions:

On a motion by Mr. Elliott, the Board voted to readopt the commission credit policy without changes, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments to the proxy voting policy, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments to the securities lending policy, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments to the member and employer outreach plan, as recommended by the Policy Committee.

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

17. Receive the report of the Investment Management Committee on its December 8, 2022 meeting – Committee Chair.

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

The Investment Management Committee met on December 8, 2022. The committee approved the proposed minutes of the September 2022 meeting.

Jase Auby began with his CIO Update. Next, the Third Quarter 2022 Performance Review was then presented by Steve Voss and Mike McCormick of AON. Jaime Llano followed with an annual update of the trading group. Concluding the Investment Management Committee, the Annual Update of the Risk Portfolio Management was presented by James Nield and Mark Telschow.

18. Receive the report of the Audit, Compliance, and Ethics Committee on its December 8, 2022 meeting – Committee Chair.

Mr. Elliott, committee member, provided the following report of the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met on Thursday, December 8, 2022. The meeting started at 3:18 p.m. and was chaired by Trustee Moss.

The committee approved the minutes of the September 15, 2022, Audit Compliance and Ethics Committee meeting.

SAO auditors presented the results of the final audit of TRS ACFR for fiscal year 2022.

Crowe, LLP, Auditors presented the results of the financial audit of the TRS investment Company of Texas, TRICOT, for the fiscal year 2022. The General Counsel and Chief Compliance Officer presented routine compliance reports.

Internal Audit staff presented the following reports: analysis of free-standing emergency room providers billing patterns; review of internal fundamental public equity portfolio operations; follow-up of procurement; reporting employer testing. Internal audit staff also presented the internal audit annual report for fiscal year 2022, the status of prior audit recommendations and various administrative reports.

The committee went into executive session at 4:30p.m. to discuss results of an audit on information systems inventory and data classification. The executive session ended at 4:53 p.m., after which the committee reconvened the meeting in open session. The meeting then adjourned at 4:55 p.m.

Ms. Sissney announced taking up agenda items 12 and 13 together.

19. Receive the TRS Pension Trust Fund Actuarial Valuation for the fiscal year ending August 31, 2022 – Joe Newton and Dana Woolfrey, Gabriel Roeder, Smith & Co.

Mr. Joe Newton introduced Ms. Dana Woolfrey, who presented the valuation update for this year, as of August 31, 2022. She said the report takes in the financial data, demographic data and the current benefit provisions and contribution provisions to determine the health of the fund. She reported the market value returns over the past year were around negative 6.7 percent. She noted for the last five years the average return was 7.3 percent, which is close to the 7 percent assumed rate of return. Ms. Woolfrey reported the unfunded liability increased to \$52 billion. She said that

the increase was due to two key reasons. One being that pay increases were more than expected and the other as related to poor asset returns during fiscal year 2022. She reported the funded ratio, the ratio of assets to liabilities was 79 percent and the funding period is at 26 years.

Mr. Newton reviewed what would be necessary for the unfunded liability decline, using a compound saving analogy. He gave the example that a one percent more of pay in contributions equaling a \$560 million a year in cost, would lower the funding period by five years and save \$18 billion. Mr. Newton concluded with a discussion on various approaches to a possible cost-of-living adjustments.

20. Receive the TRS-Care Actuarial Valuation and Other Post-Employment Benefits (OPEB) reports for the fiscal year ending August 31, 2022 –Joe Newton, Gabriel Roeder, Smith & Co.

Mr. Newton then reviewed the retired TRS-Care and OPEB value. He reported the net OPEB liability was \$27.1 billion. He noted the interest rates going up and the continued favorable claims experience have an impact. He said the fund was 12 percent funded.

Mr. Hollingsworth announced without objection taking up agenda item 11 to allow for public comment. He noted two retirees had signed up but were delayed due to traffic.

11. Provide an opportunity for public comment.

Ms. Rita Carden Runnels, Texas AFT Retiree Plus member, expressed reasons why a cost-of-living adjustment (COLA) was important to retirees who have not gotten a COLA since '04.

Ms. Phyllis Ruffin, Texas AFT retiree, expressed how a COLA is very important to the support staff, bus drivers, cafeteria workers where some are working three jobs and taking payday loans to make ends meet.

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

Ms. Caasi Lamb provided the statutorily required annual evaluation of the Board's actuary. This year she noted a trustee survey questionnaire on the performance of GRS was incorporated in the evaluation. She reviewed the types of work that GRS provided for TRS in the past fiscal year, including Mr. Newton providing subject matter expertise, acting and narrating for the actuarial video series. She stated based on the survey results, the Board unanimously agreed that GRS provided information in a clear and informative manner and in sufficient detail. She said from a staff perspective, GRS continues to be responsive to all requested information and has met all contractual requirements laid out in the contract.

22. Receive an update on the TEAM Program – Andrew Roth, Billy Lowe, Jennifer Whitman and Adam Fambrough.

Ms. Jennifer Whitman reviewed the total programs roadmap noting two remaining roadmap releases were on schedule. She said the retirement application and death claims processing release remains on schedule for go-live this coming spring 2023. The other release for annuity payroll and tax reporting also remains on schedule. She reported that as for the customer service improvement initiative the final deployment was the coming Sunday. For budget, Ms. Whitman noted the TEAM project was under budget for FY 2021, 2022 and currently had encumbered \$6.5 million of the \$15.1 million budget for FY 2023.

Mr. Billy Lowe reported on resource needs. He said that due to the current job market shift, all of the fourth quarter positions, which were critical, have been filled and that he feels positively about additional hires slated for the next two quarters. He also stated the team was prepared for potential system changes as a result of the current legislative session; however, if the changes are more extensive and complex than anticipated it may cause an impact to the projects.

Mr. Adam Fambrough reviewed activity that has occurred in MyTRS since going live in April 25, 2022. He said the most frequent transactions were secure messaging, appointment scheduling and document viewing. He said the team continues to look for ways to encourage members to register and use MyTRS. He then reviewed the features that are coming soon: the income tax changes related to the new IRS W-4P, beneficiary designations and a refund tracker which will show members what stage of the process a refund request is in the process.

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

Ms. Laurie Patton reported that EY's assessment continues to show a strong and continued improvement in bringing on functionalities. She discussed needed enhancements to the CRM (customer relationship management) application, and that the necessary functionality will be added in the February release. She said though this was not causing any risk to the overall schedule and delivery, EY was monitoring the work as CRM is an important workflow management tool for benefits staff. She then reviewed the scope, schedule and cost for the overall program. She said for scope everything was performing well in that area. For schedule, even with CRM, she said everything is tracking. From a cost perspective, she said the project continues to run under cost. She reported moving forward, EY would focus on the largest and most complex implementation to date, the retirement application and death claims release.

At 9:45 a.m., Mr. Hollingworth noting there was no more scheduled business before the Board adjourned the meeting.

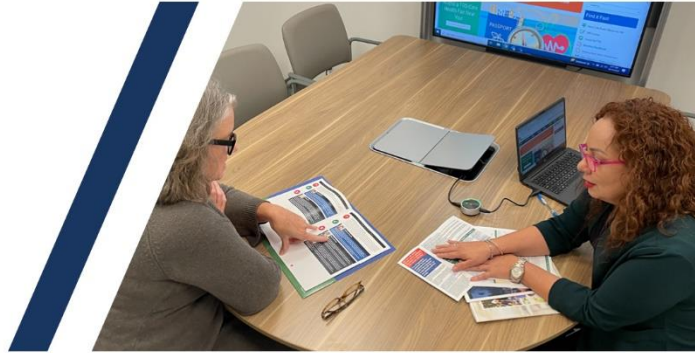
APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM
OF TEXAS ON THE ___ DAY OF FEBRUARY 2023.

ATTESTED BY:

Katherine H. Farrell
Secretary to the TRS Board of Trustees

Date

TAB 12



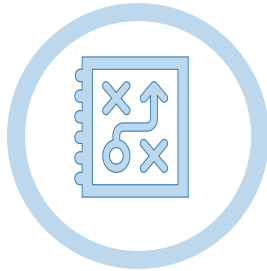
Organizational Excellence

Compensation Consulting Services

Shunne Powell, Chief Organizational Excellence Officer
LaTresa Stroud, Director, Procurements and Contracts

*Earning your trust every day by
attracting, developing, and retaining
talent to serve our members.*

February 17, 2023



TRS seeks to support its Board of Directors, Compensation Committee Members, and Executive Management with a contracted partner who can provide compensation consulting services.

OBJECTIVES

- Provision of independent expertise on total compensation (base and incentive) for the Board Direct Reports.
- Provision of consultation, education, and advice regarding TRS' overall compensation strategies and incentive plan design.
- Coordination and collaboration with TRS's Organizational Excellence (OE) staff and Compensation Team to provide these services.

Request for Proposal Schedule of Events	
November 11, 2022	Issuance of RFP
December 9, 2022	Deadline for submission of RFP
January 13, 2023	Presentations provided by top-ranked respondents.

The Finalists



The top two respondents will provide a 10-minute presentation.

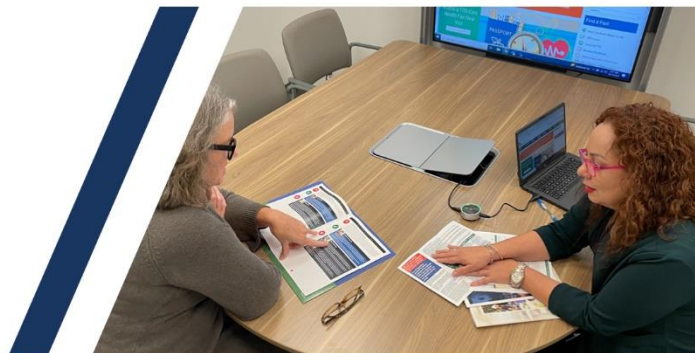


Vendors presenting in alphabetical order include:

Vendor 1 - Global Governance Advisors

Vendor 2 - Mercer Consulting

TAB 13



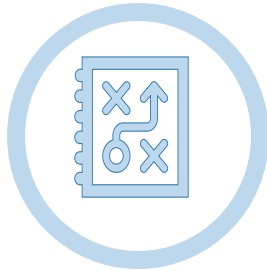
Organizational Excellence

C-Suite Executive Coaching

Shunne Powell, Chief Organizational Excellence Officer
LaTresa Stroud, Director, Procurements and Contracts

*Earning your trust every day by
attracting, developing, and retaining
talent to serve our members.*

February 17, 2023



TRS seeks to support its Board of Trustees and Board direct reports by partnering with contracted vendor(s) who can provide executive coaching sessions to the TRS Executive Director, Chief Investment Officer, Chief Audit Executive, Ombuds, and other executive council positions.

OBJECTIVES

- Build out strategy and leadership legacy.
- Use feedback from key stakeholders to foster development.
- Become more adept at crafting and influencing TRS' culture.
- Learn tools and have a sounding board to deal with diverse, complex situations.
- Role model importance of professional development to all Executive Leaders.

Request for Qualifications Schedule of Events	
October 2, 2022	Issuance of RFQ
November 7, 2022	Deadline for submissions of RFQ
February 17, 2023	Presentations submitted to TRS Board of Trustees provided by top-ranked respondents.

The Finalists



The top two respondents will provide a 10-minute presentation.

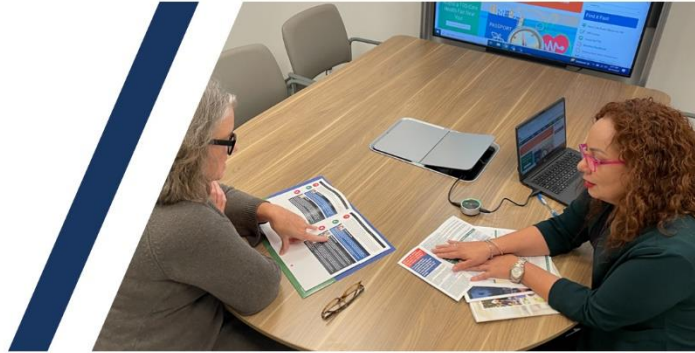


Vendors presenting in alphabetical order include:

Vendor 1 - Coleman and Associates Consultants

Vendor 2 - Excel Global Partners

TAB 14



Organizational Excellence

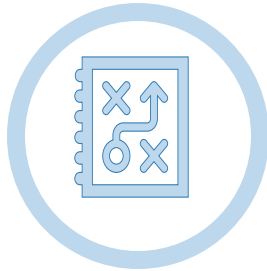
Executive Performance Assessment Services

Shunne Powell, Chief Organizational Excellence Officer
LaTresa Stroud, Director, Procurements and Contracts

February 17, 2023

*Earning your trust every day by
attracting, developing, and retaining
talent to serve our members.*

Executive Performance Assessment Services



TRS seeks to support its Board of Trustees and Board direct reports by partnering with contracted vendor(s) who can provide executive performance assessment services for the TRS Executive Director, Chief Investment Officer, Chief Audit Executive, and Ombuds positions.

OBJECTIVES

- Develop competencies based on feedback and prior executive assessments.
- Create and implement a software evaluation tool.
- Administer executive evaluations, including post evaluation data-analysis.
- Conduct interviews with each Board member.
- Facilitate 360 assessments.
- Create evaluation documentation.
- Facilitate feedback sessions for each Executive Leader.

Executive Performance Assessment Services

Request for Qualifications Schedule of Events	
October 19, 2022	Issuance of RFQ
December 16, 2022	Deadline for submission of RFQ
February 17 th , 2023	Presentations submitted to TRS Board of Trustees provided by top-ranked respondents.

The Finalists



The top two respondents will provide a 10-minute presentation.

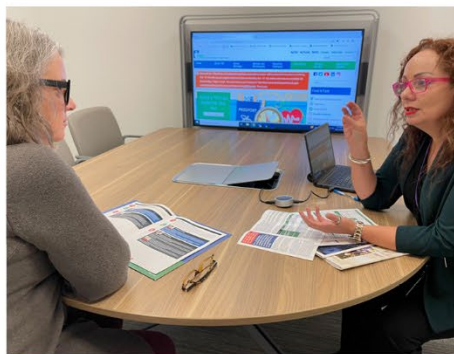
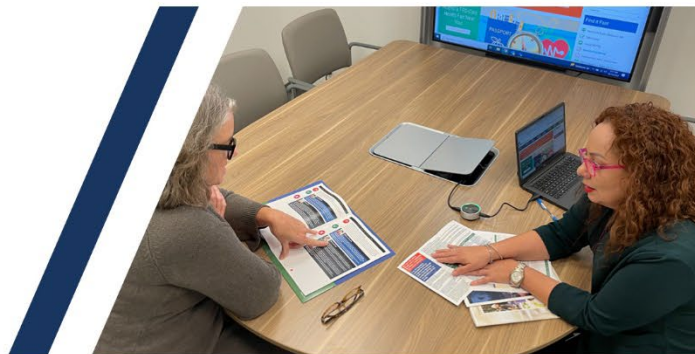


Vendors presenting in alphabetical order include:

Vendor 1 - Focus Consulting Group, Inc.

Vendor 2 - Global Governance Advisors

TAB 15



Health Insurance and Benefits – TRS PBM RFP 2023

Katrina Daniel and Yimei Zhao
Milliman Consulting

February 17, 2023

*Earning your trust every day ... by
delivering high-quality, cost-efficient
health care services to over 670,000
active and retired Texas public
educators.*



TRS PBM Contract Status



Plan	New Contract Beginning Date	Total Covered Lives	Annual Gross Spend
TRS-ActiveCare	September 1, 2023	417,000	PY22 - \$607,000,000
TRS-Care Standard	January 1, 2024	62,000	PY21 - \$207,000,000
TRS-Care Medicare Part D	January 1, 2024	158,000	PY21 - \$914,000,000

Rebates and subsidies are not considered and Annual Gross Spend includes member cost sharing.



TRS PBM RFP Procurement Team – Over 60 Years of Health Care Purchasing Experience

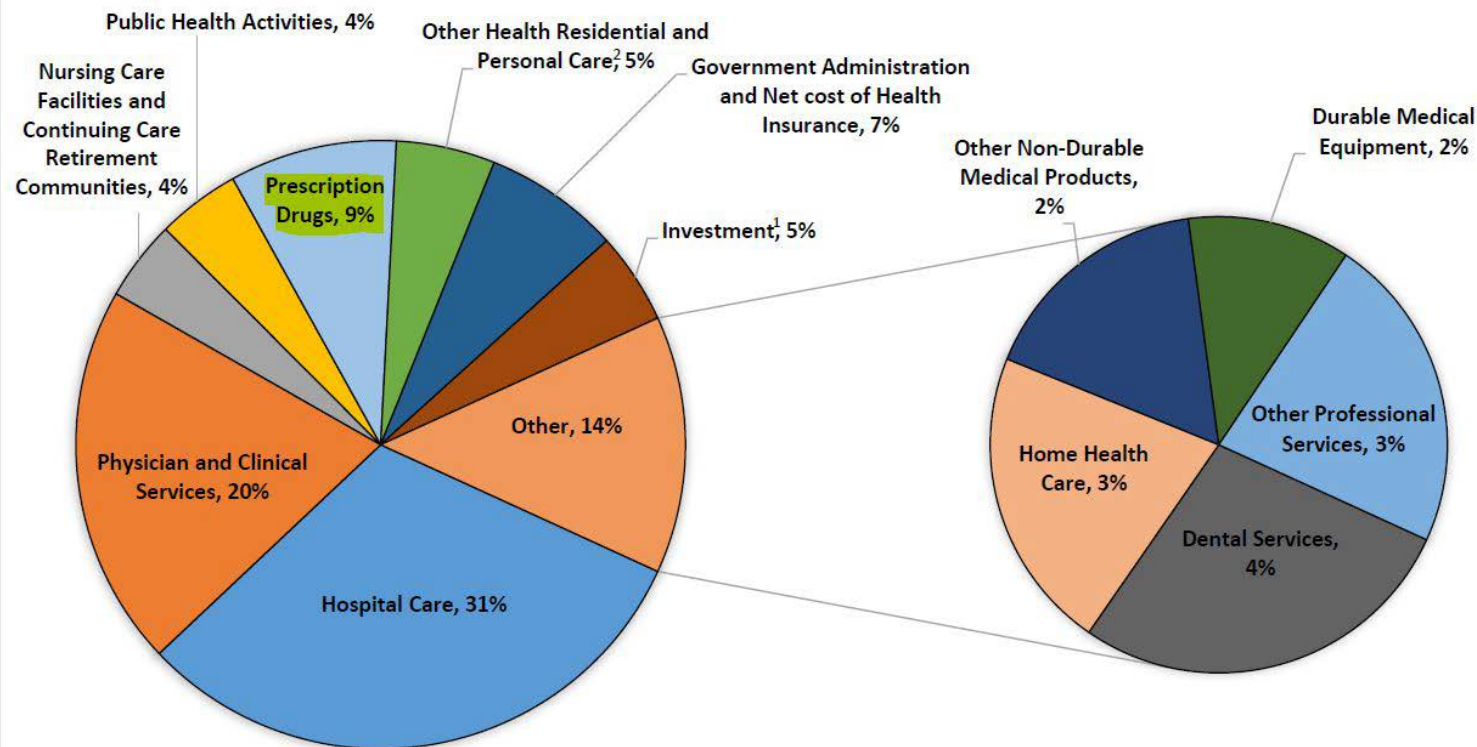
- TRS Health Insurance and Benefits (HIB) Contract team
- TRS Purchasing and Contract Monitoring (P&C)
- TRS Legal and Compliance (L&C)
- TRS HIB Operations Team
- TRS HIB Engagement and Communication Team

Qualification of TRS Team

- Credentials include RN, CPA, MAcc, CTCM, CTCD, CEBS, and CFE
- Experiences include insurance regulation, group health plan management, finance, health care consulting, governmental purchasing, and contract negotiation



THE NATION'S HEALTH DOLLAR (\$4.3 TRILLION), CALENDAR YEAR 2021: WHERE IT WENT



¹ Includes Noncommercial Research and Structures and Equipment.

² Includes expenditures for residential care facilities, ambulance providers, medical care delivered in non-traditional settings (such as community centers, senior citizens centers, schools, and military field stations), and expenditures for Home and Community Waiver programs under Medicaid.
Note: Sum of pieces may not equal 100% due to rounding.

SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

PBM Landscape Continued



CONTINUOUS
Improvement



MEMBER
Focused



OPERATIONAL
Effectiveness

Vertical Business Relationships Among Insurers, PBMs, Specialty Pharmacies, and Providers, 2022



1. In September 2022, CVS Health announced its acquisition of Signify Health. The transaction is expected to close in 2023.

2. Since January 2021, Prime's Blue Cross and Blue Shield plans have had the option to use Express Scripts or AllianceRx Walgreens Prime for mail and specialty pharmacy services. On Dec. 31, 2021, Walgreens purchased Prime Therapeutics' 45% ownership interest in AllianceRx Walgreens Prime, so this business has no PBM ownership in 2022. Effective June 2022, the company has been known as AllianceRx Walgreens Pharmacy.

3. In 2021, Centene has announced its intention to consolidate all PBM operations onto a single platform and outsource its PBM operations to an external company.

4. In 2021, Centene sold a majority stake in its U.S. Medical Management to a group of private equity firms.

5. Since 2020, Prime has sourced formulary rebates via Ascent Health Services. In 2021, Humana began sourcing formulary rebates via Ascent Health Services for its commercial plans.

6. Cigna also partners with providers via its Cigna Collaborative Care program.

7. In 2022, Humana announced an agreement to divest its majority interest in Kindred at Home's Hospice and Personal Care Divisions to Clayton, Dubilier & Rice. In 2022, Kindred at Home was rebranded as CenterWell Home Health.

Source: *The 2022 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Exhibit 212. Companies are listed alphabetically by insurer name. Published on Drug Channels (www.DrugChannels.net) on October 13, 2022.



“Big Three” PBMs:



Mid-Market PBMs:



PBM Function and Background



CONTINUOUS
Improvement



MEMBER
Focused



OPERATIONAL
Effectiveness

The Role of PBMs

PBMs provide pharmacy benefit administrative services to self-insured programs like TRS', including:

- Contracting with a network of pharmacies
- Operating mail-order and specialty pharmacies.
- Negotiating rebates and discounts from drug manufacturers
- Managing formularies, preferred drug lists, and utilization management programs.
- Processing prescription drug claims
- Maintaining patient compliance programs.

Pharmacy Network

A pharmacy network includes all pharmacies that the PBM has contracted with for members to fill prescriptions. Types of pharmacy networks include:

- Broad: a wide list of pharmacies where members can fill prescriptions.
- Narrow/Limited: a preferred set of pharmacies that the PBM has negotiated terms with (discounted pricing) in exchange for customer volume.

Formulary

A selection of generic and brand drugs covered by a PBM. Within a formulary, drugs are divided into tiers based on the type and cost. Types of formularies may include:

- Broad: covering a wide range of prescription drugs.
- Custom: covering prescription drugs that more closely align with the need of a plan, allowing plans to add or remove drugs.
- Low Net Cost: covering medications at the lowest net cost, while excluding medications with low efficacy and replacing high-cost medications with lower-cost clinically effective medications.
- Closed: covering a restricted list of medications with little flexibility for changes

Pass-Through vs Traditional PBM Contract

- Pass-through contract: the PBM charges administrative fees for their service and passes all medication cost (without markup) and all rebates to client.
- Traditional contract: the PBM sets a price for every prescription with the client and pays a different amount to the pharmacy (generally lower). The PBM sets a rebate amount with the client and receives a different amount from drug manufacturers (generally higher). There are no administrative fees, but the difference, or spread, is the source of revenue to the PBM.



CONTINUOUS
Improvement



MEMBER
Focused



OPERATIONAL
Effectiveness

Milliman

Background

- Milliman has over one-hundred years of experience with Pharmacy Benefit Managers (PBMs), pharmacy plans, and pharmaceutical companies.
- Extensive experience around the economics of pharmacy benefits to effectively manage pharmacy benefit programs and the PBMs.

Experience, Credentials, and Quality of Work

- Extensive knowledge of PBM RFPs, market checks, contracting, formulary management, clinical analysis, claims and rebate audits, and management of commercial and Medicare plans.
- Experience from presenting at pharmacy benefits conferences, publishing external papers on the ins-and-outs of the industry, and having previously worked at major PBMs.
- Team includes actuaries, pharmacists, auditors, data experts, and PBM contract experts with many years of the pharmacy benefits industry, separating Milliman from other firms.
- Credentials include MBA, PharmD, RPhT, ASA, MAAA, FSA, FCA, PMP, MSIS, among others.

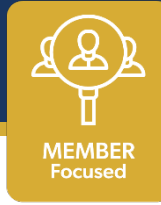
Financial Modeling Tool

- Extracted factors from contract definitions, exclusions, and drug lists and applied cost and utilization trends to TRS's claims data.
- Used proprietary financial modeling tool for the quantitative part of the proposal analysis to compare all proposals, considering all financial factors.
- Produced a comparison of projected costs of each PBM proposal against TRS's current terms over the life of the proposed contract period.

Management of Pharmacy Benefit Services



CONTINUOUS
Improvement



MEMBER
Focused



OPERATIONAL
Effectiveness



PBM Support

Annually support over 200 PBM negotiations consisting of:

- RFPs
- Market Checks
- Renewals



PBM Contracting

Negotiate over 200 PBM contracts a year



PBM Audits

Rebate audits

PBM Pricing
Audits/Validation



Management Support

Direct management support to 500+ clients

Largest client: Ten million lives

Three clients with one Million+ lives and six with 500k+ lives



Implementation & Oversight

Hired staff from all the big PBMs

100+ years of direct PBM experience on the TRS team



Plan Design

Experts in the nuances of the PBM industry:

- Formulary
- Utilization Management
- Member satisfaction
- Plan savings



Solicitation Milestone Dates:

- Posted solicitation on 7/6/2022
- Deadline for questions from Respondents was 8/26/2022
- Responses were due on 9/12/2022
- Best and Final Offer (BAFO) on 11/23/2022



CONTINUOUS
Improvement



MEMBER
Focused



OPERATIONAL
Effectiveness

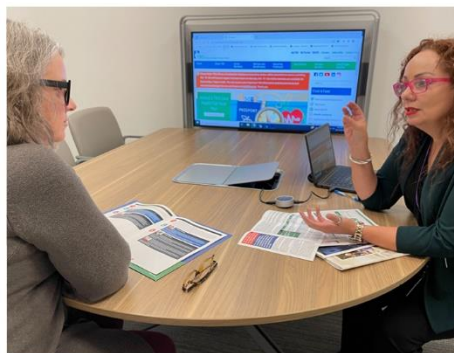
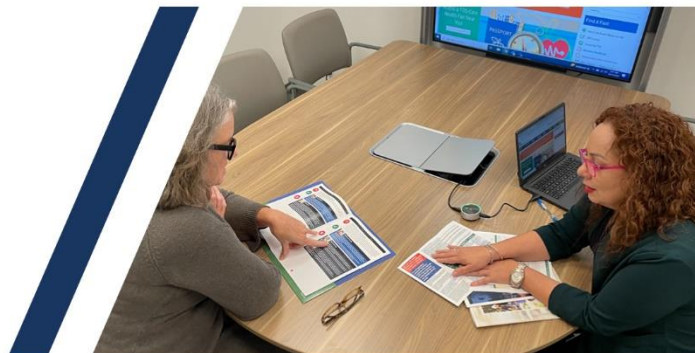
Lowering Cost, Maintaining Plan Value, and Retaining Member Service Level

- Manage formulary to reduce payment for low value drugs
- Request pharmacy spend trend guarantees from respondents
- Focus on specialty drugs to optimize coverage and clinical management
- Maximize external financial assistance for eligible members
- Continue TRS's pursuit for financial transparency with demand for reporting accuracy
- Enhance customer service requests, including meeting the need of TRS-ActiveCare participating districts



End of Open Session

TAB 16



Strategy Office

2023-2027 Strategic Plan Proposed Updates

Caasi Lamb

February 17, 2023

*Earning your trust every day...by
aligning TRS strategically to better
serve our members.*

Agenda

- Background
- Process
- Proposed Updates

Background



Develop a new 5-year plan
every even-numbered year



Submit plan to LBB and
Governor's Office every
even-numbered year



Update plan, if needed,
every odd-numbered year



Present results forum report
to Strategic Planning
Committee quarterly

Background

TRS Mission

Improving the retirement security of our members by prudently investing and managing the Trust assets and delivering benefits that make a positive difference in their lives.



Benefits

- ✓ Intentional
- ✓ Aligned
- ✓ Focused
- ✓ Accountable

Current Strategic Plan



- 01.** Sustain a financially sound pension system.
- 02.** Continuously improve our benefit delivery.
- 03.** Facilitate access to competitive, reliable health care benefits for our members.
- 04.** Ensure that people, processes, and technology align to achieve excellence in the delivery of services to members.

Example: G2.O1.S6

3 PERSPECTIVES

- Trustee
- EC Member
- Leadership Teams

4 QUESTIONS

- What are the top **opportunities** for TRS?
- What are the top **threats** facing TRS?
- What are the most important **customer service** needs?
- What are the most important **internal operational** needs?

276 COMMENTS

- 81 Opportunities
- 75 Threats
- 57 Customer Service Needs
- 63 Internal Operational Needs

Proposed Updates

Member Focused	G2.01.S6	Provide a seamless member experience. <i>(NEW)</i>
	G4.07	Improve strategic communications <u>with a customer-centric focus</u> . <i>(AMEND)</i>
	G4.07.S1	Ensure that member-facing content is easily understandable, <u>findable</u> and accessible to readers, <u>and fully meets members' needs</u> . <i>(AMEND)</i>
	G4.07.S2	Map and verify the information needs of members and employers and how they interconnect so informational content can be delivered more seamlessly. <i>(NEW)</i>
	G4.07.S3	Implement and monitor the Member and Employer Outreach Plan to better help members and employers <u>fully know and utilize benefits, engage with TRS, plan for retirement, and remain informed post-retirement</u> . <i>(AMEND)</i>
Workforce Planning	G4.01.S5	Develop and implement a workforce planning strategy that includes expanded remote work, <u>succession planning, and knowledge transfer</u> . <i>(AMEND)</i>
Clean-up	G1.02	Increase identification of underpayments and collection of future contributions to TRS. <i>(DELETE)</i>
	G1.02.S1	Increase testing coverage of high-risk reporting employers. <i>(DELETE)</i>
	G4.04.S2	Identify best value to the pension trust fund for the disposition of existing headquarters. <i>(DELETE)</i>



Appendix

TRS 2023-27 Strategic Plan Updates

TRS 2023-27 Strategic Plan Updates

GOAL 1 | Sustain a financially sound pension system.

Objective 1: Improve communication regarding pension funding needs.

Strategy 1: Serve as a trusted resource and engage with policymakers on pension funding.

~~**Objective 2:** Increase identification of underpayments and collection of future contributions to TRS.~~

~~**Strategy 1:** Increase testing coverage of high-risk reporting employers.~~

Objective 23: Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods.

Strategy 1: Maintain an effective investment governance structure.

Strategy 2: Enhance current competitive advantages and total returns.

Strategy 3: Manage cost structures to increase net alpha generated.

Objective 34: Improve communication regarding the impact of changing pension plan design.

Strategy 1: Serve as a trusted resource and engage with policymakers on pension plan design.

GOAL 2 | Continuously improve our benefit delivery.

Objective 1: Improve the customer service experience for members and employers.

Strategy 1: Increase capacity to serve members.

Strategy 2: Improve response time to reporting employers.

Strategy 3: Provide additional online functionality.

Strategy 4: Build and define operational support for Benefit Services.

Strategy 5: Execute on the Customer Service Improvement Initiative.

Strategy 6: Provide a seamless member experience.

Objective 2: Improve timeliness and accuracy in employer-reported data.

Strategy 1: Improve and enhance the reporting employer portal.

GOAL 3 | Facilitate access to competitive, reliable health care benefits for our members.

Objective 1: Improve communication efforts regarding health care funding needs.

Strategy 1: Serve as a trusted resource and engage with policymakers on health care funding.

Objective 2: Increase the value of health care benefits.

Strategy 1: Engage the best health care vendors through competitive procurement to ensure our members have the highest value health care.

Strategy 2: Re-engineer TRS-ActiveCare to better meet employer needs.

Strategy 3: Use data analytics tools to provide assurance on health care claims compliance.

Objective 3: Improve the health of our members.

Strategy 1: Improve engagement of plan participants with an initial focus on population with high impact conditions, such as diabetes.

Strategy 2: Optimize disease management for high-risk populations.

GOAL 4 | Ensure that people, processes, and technology align to achieve excellence in the delivery of services to members.

Objective 1: Attract, retain, and develop a diverse and highly competent staff.

Strategy 1: Position TRS as an employer of choice to meet the needs of our current and future workforce.

Strategy 2: Promote a strong workplace culture that is inclusive and fosters creativity and innovation.

Strategy 3: Improve diversity representation at all levels of the organization.

Strategy 4: Expand learning and development opportunities.

Strategy 5: Develop and implement a ~~comprehensive~~ workforce planning strategy that includes expanded remote work, ~~onsite facility needs, appropriate compensation and staffing levels succession planning,~~ and knowledge transfer ~~the technological tools necessary to support appropriate workforce strategies.~~

Objective 2: Advance and enhance IT systems and services.

Strategy 1: Develop, maintain, and enhance IT systems and infrastructure in support of TRS business needs.

Strategy 2: Expand and evolve from an office-centric design to a hybrid remote work environment that provides greater fluidity, flexibility, and security.

Strategy 3: Provide advanced data analytics tools and data management practices to gain business intelligence and improve decision-making.

Strategy 4: Implement modern information systems across all lines of business with priority on modernization of legacy systems and strategic digital transformation.

Strategy 5: Improve digital operating technology models to enhance continuous business process improvement and provide operational efficiencies.

GOAL 4 | Ensure that people, processes, and technology align to achieve excellence in the delivery of services to members.

Objective 3: Enhance the information security program to effectively counter current and emerging threats and risks facing TRS.

Strategy 1: Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities.

Strategy 2: Develop a comprehensive governance, risk, and compliance program to include security and privacy management, risk/fraud forecasting, and education.

Objective 4: Execute on TRS facilities needs.

Strategy 1: Complete build-out and move-in activities for the new TRS headquarters buildings.

~~**Strategy 2:** Identify best value to the pension trust fund for the disposition of existing headquarters.~~

Strategy ~~2~~3: Identify resource needs and develop project plans associated with opening additional regional offices.

Objective 5: Foster a culture of fiduciary responsibility and ethical conduct.

Strategy 1: Embed/Integrate culture of ethics and compliance within the business process.

Strategy 2: Enhance visibility of, and accessibility to, Legal & Compliance throughout TRS.

GOAL 4 | Ensure that people, processes, and technology align to achieve excellence in the delivery of services to members.

Objective 6: Improve and maintain effective procurement and contract management practices.

Strategy 1: Implement significant program recommendations related to the Purchasing & Contracts Enhancement Plan.

Strategy 2: Increase the number of utilized Historically Underutilized Businesses (HUBs).

Strategy 3: Mature third-party risk management processes.

Objective 7: Improve strategic communications with a customer-centric focus.

Strategy 1: Ensure that member-facing content is easily understandable, findable and accessible to readers, and fully meets members' needs.

Strategy 2: Map and verify the information needs of members and employers and how they interconnect so informational content can be delivered more seamlessly.

Strategy 3: Implement and monitor the Member and Employer Outreach Plan to better help members and employers fully know and utilize benefits, engage with TRS, plan for retirement, and remain informed post-retirement.

GOAL 4 | Ensure that people, processes, and technology align to achieve excellence in the delivery of services to members.

Objective 8: Evaluate automation and technology solutions to enhance existing processes.

Strategy 1: Investigate best practices and feasibility of incorporating artificial intelligence into organizational processes.

Strategy 2: Identify opportunities for improved productivity, process efficiencies, and performance monitoring.

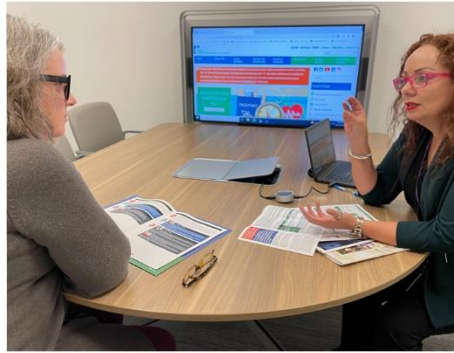
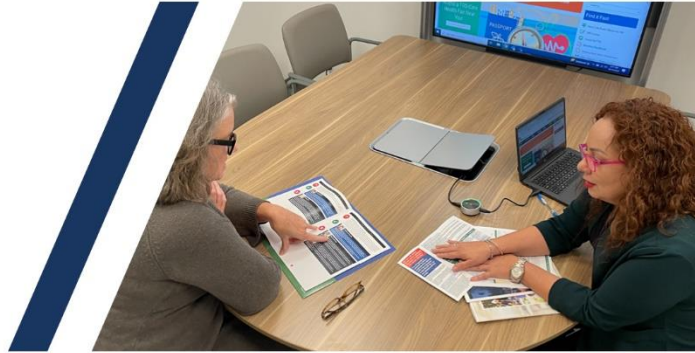
Strategy 3: Enhance oversight of custodian bank's reporting on fair value of investment assets and investment-related activities.

Objective 9: Develop a centralized data management framework for digital and physical data.

Strategy 1: Establish a cross-functional data governance body to develop methods, responsibilities, and processes to standardize, integrate, protect, and store organizational data.

Strategy 2: Analyze the current state of data governance and operationalize the review and assessment of proposed projects in accordance with the data management framework.

TAB 17



Strategy Office

ERM Program Overview

Caasi Lamb and Michelle Pagán
February 17, 2023

*Earning your trust every day...by
aligning TRS strategically to better
serve our members.*

Agenda

- Background
- History
- Process

➤ Enterprise Risk Management (ERM)

Definition

A strategic business discipline that supports the achievement of an organization's objectives by addressing the full spectrum of its risks and managing the combined impact of those risks as an interrelated risk portfolio.

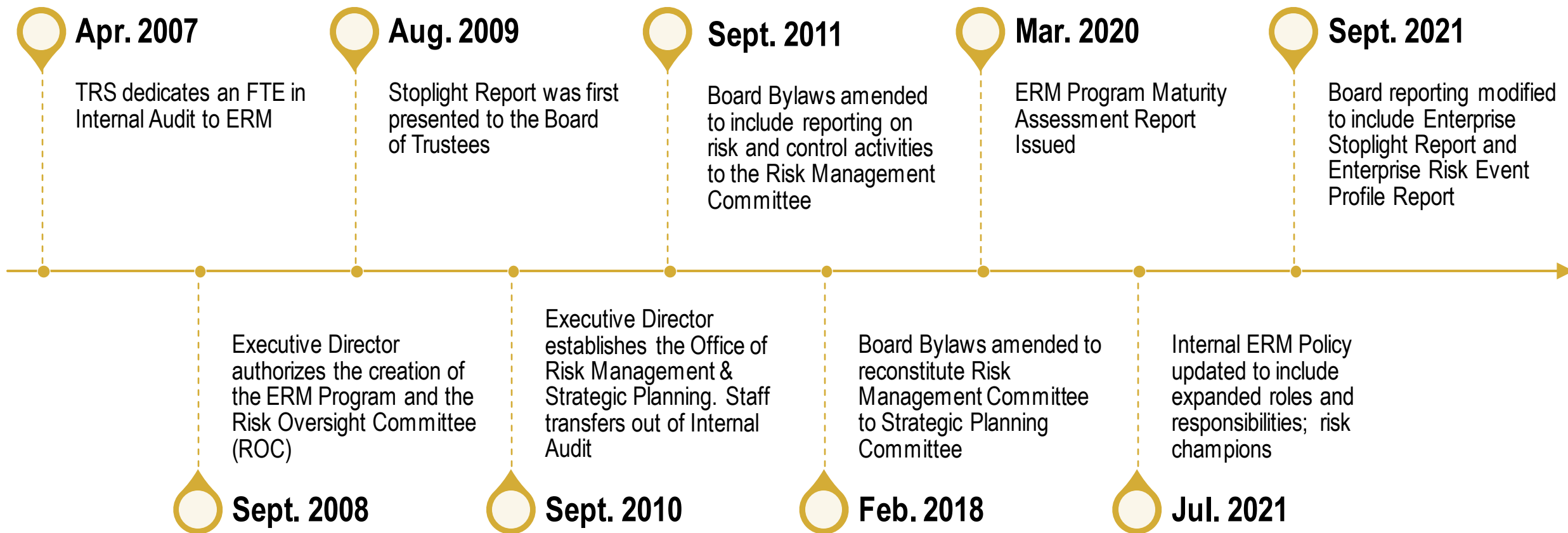
Source: The Risk Management Society

Alignment

Integral part of all TRS activities and seeks to align with existing processes such as strategic planning, budgeting, business continuity, and project governance

Source: TRS Enterprise Risk Management Policy

History



➤ Risk Oversight Committee (ROC)



Purpose

Oversee the process by which management and staff identify, assess, and manage enterprise risks and report on strategic plan execution

Membership

Executive Management Team

Roles & Responsibilities

Shared responsibility at every level of the organization

Approach

Meet monthly to discuss results of risk assessments, ensure that existing and emerging risks are identified and prioritized, discuss mitigations and identify any gaps, and review Strategic Plan progress



Environmental Scanning

- Risk Organizations
- Public Pension Fund Peer Group
- Strategic Plan Retreats
- Risk Oversight Committee (ROC) Meetings
- Other Lines of Defense Coordination



Risk Identification & Risk Analysis

- Risk Categories
- Risk Assessments
- Cross-Functional Participants
- Risk Assessment Methodology
- Priority Monitoring Criteria



























Risk Mitigation & Monitoring

- Mitigation Identification & Planning
- Risk Matrix Updates & Review
- Quarterly Risk Updates to ROC
- Risk Reporting to Board
- Other Lines of Defense Coordination

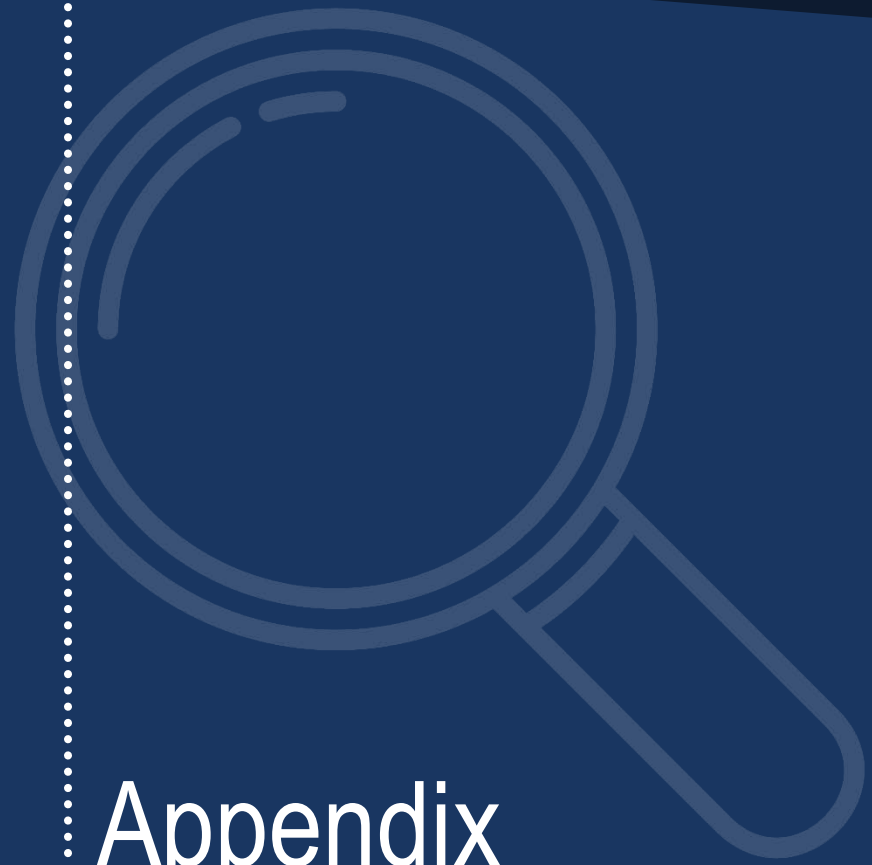
This slide was intentionally left blank.

Risk Reporting – Enterprise Stoplight Report

 Budget	 Business Continuity	 Communications & External Relations	 Cybersecurity	 Data Privacy & Confidentiality
 Employer Reporting	 Enterprise Information Systems	 Ethics & Fraud Prevention	 Facilities Management & Planning	 Global Operations
 Headquarters Project	 Health Care Plans Administration	 Market	 Open Government	 Pension Benefit Services
 Pension Funding	 Procurement & Contracts	 Records & Information Management	 Regulatory, Compliance & Litigation	 Sunset/Legislative Implementation
 Supply Chain Disruption	 Talent Continuity	 TRS-ActiveCare Affordability	 TRS-Care Funding	

RISK CATEGORY LEVEL - Threat to Achieving TRS Goals & Objectives									
HIGH		ELEVATED		CAUTION		GUARDED		LOW	

EXPECTED RISK CATEGORY TREND - NEXT 12-24 MONTHS					
INCREASE	↑	DECREASE	↓	NO CHANGE	↔



Appendix

ERM Risk Assessment Methodology

RISK HEAT MAP					
IMPACT (I) How bad will risk hurt?	5 Major	Guarded 5	Caution 10	Elevated 15	High 20
	4 Significant	Low 4	Guarded 8	Caution 12	Elevated 16
	3 Moderate	Low 3	Guarded 6	Caution 9	Elevated 15
	2 Minor	Low 2	Low 4	Guarded 6	Guarded 8
	1 Not Significant	Low 1	Low 2	Low 3	Low 4
LIKELIHOOD (L) Chance of risk happening?		1 Not Likely (~10%)	2 Slight (~30%)	3 Probable (~50%)	4 Highly Likely (~70%)
RISK EVENT FREQUENCY How often might it occur?		15+ years	10-15 years	5-10 years	2-5 years

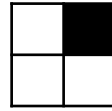
RISK SCORE (I x L)		ASSURANCE Mitigation Effectiveness		VELOCITY* Speed of Impact	
17-25	High	1	Effective	5	< 1 Month
13-16	Elevated	2	Good	4	1-6 Months
09-12	Caution	3	Could Be Improved	3	6-12 Months
05-08	Guarded	4	Poor	2	1-3 Years
01-04	Low	5	Ineffective	1	3+ Years
EXPECTED RISK LEVEL TREND (Next 12-24 Months)					
Increase		Decrease		No Change	
↑		↓		↔	

IMPACT STATEMENTS (I)		Operational	Financial	Strategic	Legal/Compliance	Reputational
	5 Major	Termination of TRS services for foreseeable future; Wide-spread data loss; Possible loss of life	Major impact on trust funding, cash flow, costs or revenue.	Failure to meet TRS goals and objectives.	Loss of tax qualified status; Monetary penalties or interest due to IRS.	Irreparable damage to TRS' reputation and credibility; Scrutiny by oversight entities increased.
	4 Significant	Widespread disruption to service levels or TRS functions; Demands great attention/concern.	Significant impact on trust funding, cash flow, costs or revenue.	Significant delays or reductions in scope of TRS goals and objectives.	Significant penalties, fines, or violations; Fraud; Breach of confidential or HIPAA data.	Negative headlines in several media publications; Increased scrutiny by oversight entities.
	3 Moderate	Impacts service levels or creates moderate TRS disruptions; Not excessive or extreme.	Moderate impact on trust funding, cash flow, costs or revenue.	Delays or requires modifications to TRS goals and objectives.	Moderate violations lead to increased scrutiny by oversight entities.	TRS is subject to criticism from several media sources.
	2 Minor	Minor impact to service levels and TRS activities.	Minor impact on trust funding, cash flow, costs or revenue.	Minor delays/ modifications to TRS goals and objectives.	Minor legal/ compliance violations.	Minimal criticism from a few media sources.
	1 Not Significant	No impact to service levels and TRS activities.	No impact on trust funding, cash flow, costs or revenue.	No impact to achievement of TRS goals and objectives.	No legal/ compliance violations.	No impact to TRS' reputation.

*Velocity – if the risk did occur, when might TRS experience the negative impact?

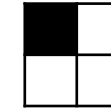
Enterprise Risks Priority 1 & 2

Priority 1



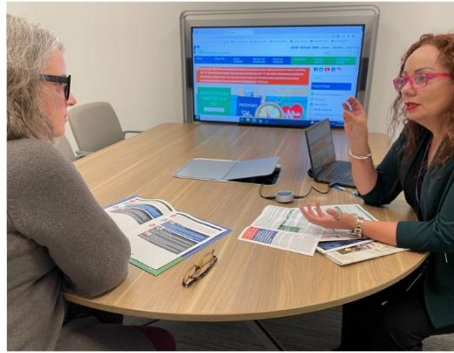
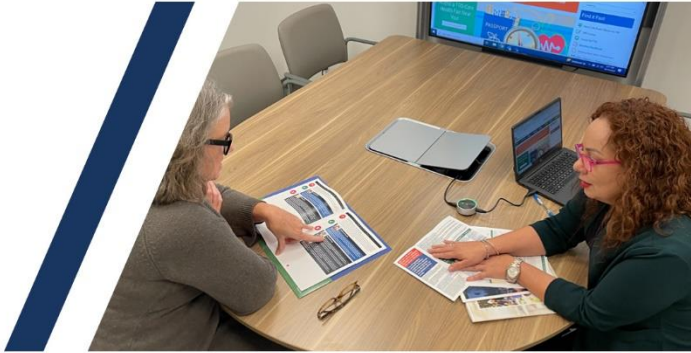
Risk Event	Risk Category
1 Destabilization of TRS-ActiveCare	TRS-ActiveCare Affordability
2 Decreased plan value or perceived plan value	TRS-ActiveCare Affordability
3 Digital data breach	Cybersecurity
4 Support for Enterprise IT systems is inadequate or unattainable (e.g., hardware, software, personnel resources)	Enterprise Information Systems
5 TRS not fulfilling its fiduciary obligation in complying with TRS procurement practices	Procurement & Contracts
6 TRS fails to achieve contract management best practices	Procurement & Contracts
7 Over/Under retention of information	Records & Information Management
8 Inability to obtain goods and services when needed	Supply Chain Disruption
9 Inability to meet business modernization goals	Enterprise Information Systems
10 External fraud	Ethics & Fraud Prevention
11 Delay in initial benefit payments	Pension Benefit Services
12 Service levels decline for participants	Supply Chain Disruption
13 Lack of information governance maturity	Records & Information Management
14 Inability to deliver health care benefits that are valued by Participants	Health Care Plans Administrations
15 Delay in benefit information or incorrect benefit information	Pension Benefit Services
16 Decreased plan value or perceived plan value	TRS-Care Funding

Priority 2



Risk Event	Risk Category
1 Insufficient staffing levels	Talent Continuity
2 Permanent digital data loss	Cybersecurity
3 Digital data inaccessible	Cybersecurity
4 TRS confidential information is accidentally or intentionally exposed or disclosed to unauthorized parties	Data Privacy & Confidentiality
5 Inaccurate, insufficient, or misleading information is released (external or internal)	Communications & External Relations
6 Due to unanticipated problems, TRS is unable to timely execute on the new headquarters project	Headquarters Project
7 Health care cost growth exceeds revenue growth	TRS-ActiveCare Affordability
8 TRS cannot recover critical information systems	Business Continuity
9 TRS cannot resume critical business operations	Business Continuity
10 Pension trust fund is not financially sound	Pension Funding
11 Fraud	Pension Benefit Services
12 Integrity and availability of critical information maintained by TRS is compromised	Data Privacy & Confidentiality
13 Inaccurate Reporting	Employer Reporting

TAB 18



TRS OMBUDS OFFICE

Lori LaBrie

February 17, 2023

*Earning your trust every day... by
gaining the confidence of our
members, focusing on accountability,
and delivering excellence.*



- TRS Board of Trustees established the Ombud office in 2021.
- Publicizing the Office's services and educating the membership was a top priority.

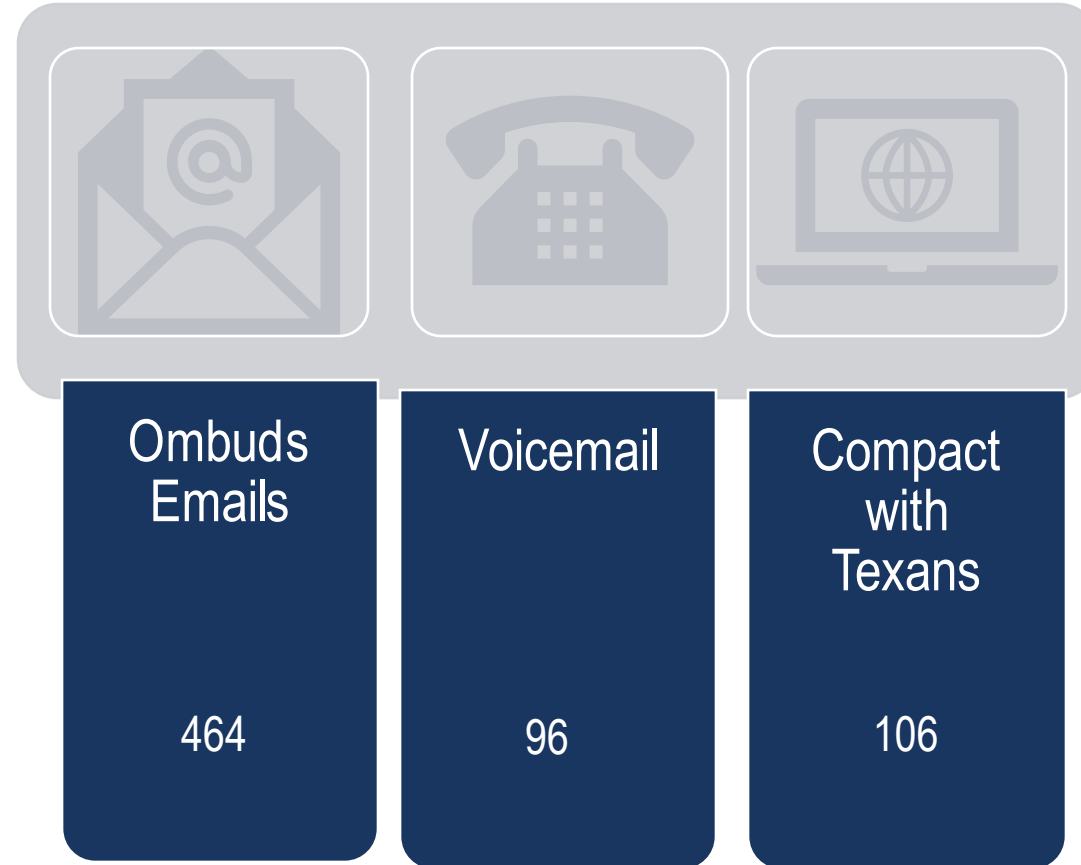


- Opportunities to educate and inform about the Office increased its visibility and constituents' understanding of its role and function.
- The Ombuds supported the business units in their efforts to address the concerns of its active members, retirees, and other stakeholders.



- The business units did a stellar job resolving and responding to all matters presented to the Office.
- In continued collaboration with the business units, the Office continues to improve customer service, perform outreach, and make strides to provide trusted advocacy for our active members and retirees.

Ombuds Communications CY 2022



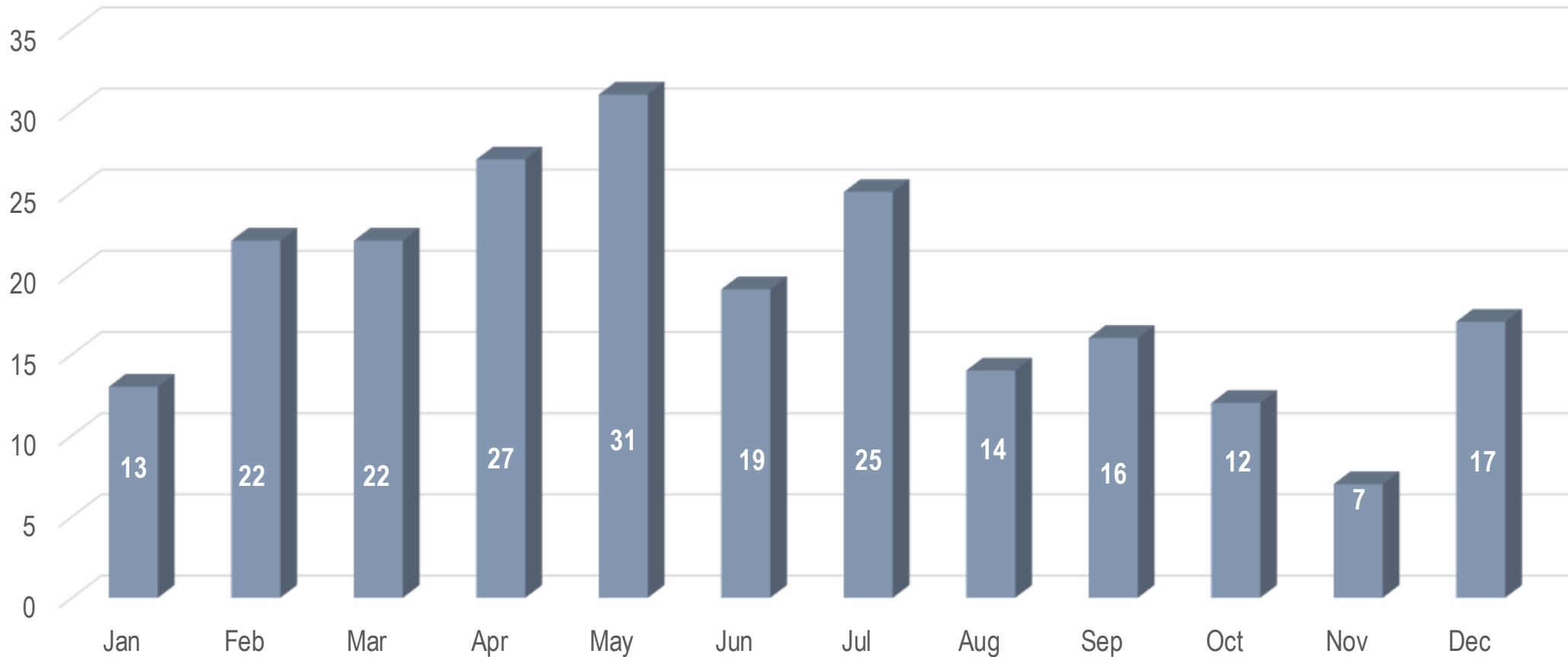
Total Ombuds Communication: 666

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



Jan-22	Feb-22	Mar-22	Apr-22	May-22	June-22	July-22	Aug-22	Sept-22	Oct-22	Nov-22	Dec-22
Supplemental Payments (185)	TRS Care Payment (47)	Russia Holdings (18)	Health Care Regional Pricing (77)	MyTRS Launch (102)	COLA (15)	COLA (6)	Social Security/WEP (35)	Social Security/WEP (22)	COLA (43)	El Paso Opening (31)	COLA (101)
Health Care (35)	Beware of Imposters (4)	TRS Care Payment/Health Care (35)	MyTRS Launch (41)	Health Care Regional Pricing (3)	MyTRS Launch (10)	New Headquarters (4)	COLA (23)	Annuity Payment (17)	Social Security/WEP (11)	COLA (22)	Social Security (24)
New Headquarters (2)	Steps to Retirement (2)	COLA (4)	COLA (16)	COLA (3)	Employment after Retirement/Teacher shortage (10)	IRA (3)	Health Care (18)	Health Care (16)	Health Care (8)	Health Care (6)	MyTRS/Beneficiary Missing (22)

Point-in-Time Complaints CY 2022



Total Point-in-Time Complaints received: 225

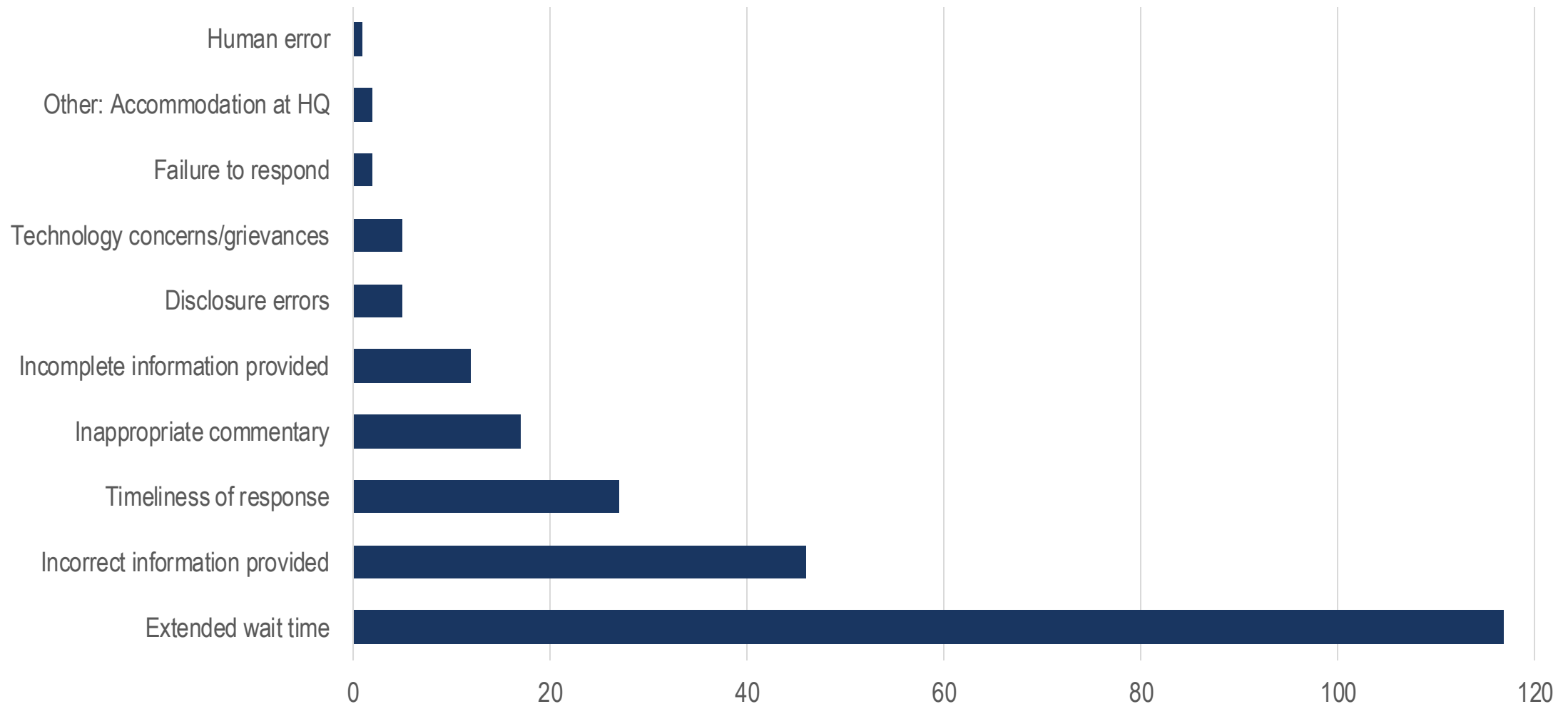
Outstanding: 0

Complaints Received by Month Trend CY 2022



Point-in-Time Complaints by Category

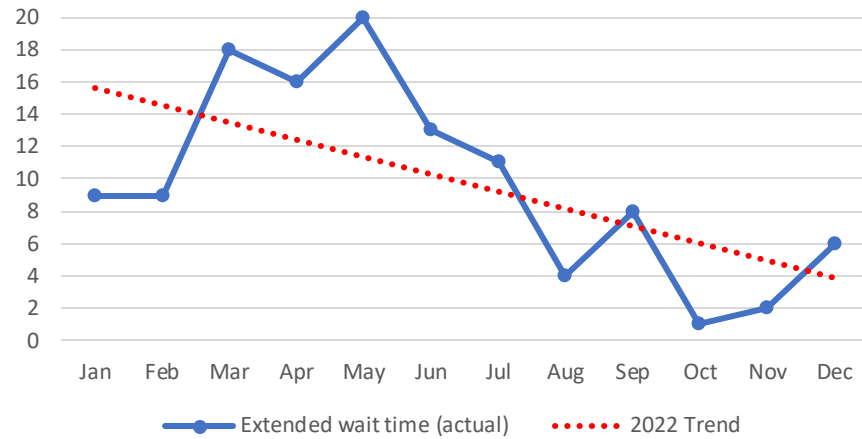
CY 2022



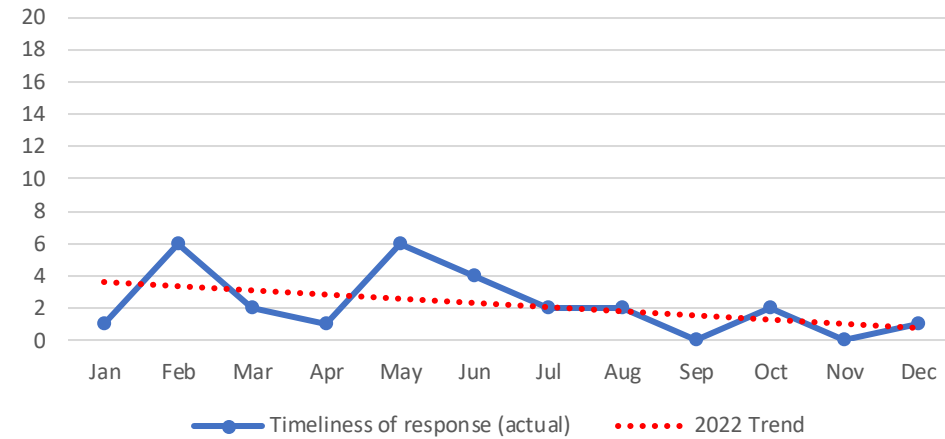
Top 3 Complaints Categories Trends CY 2022



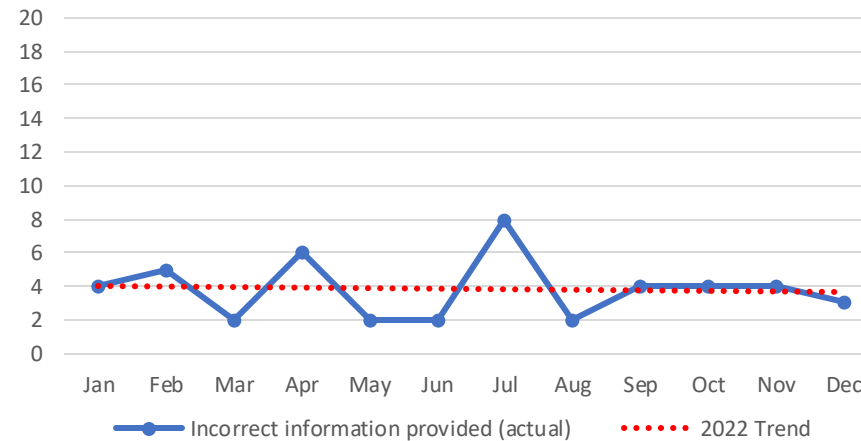
Extended wait time



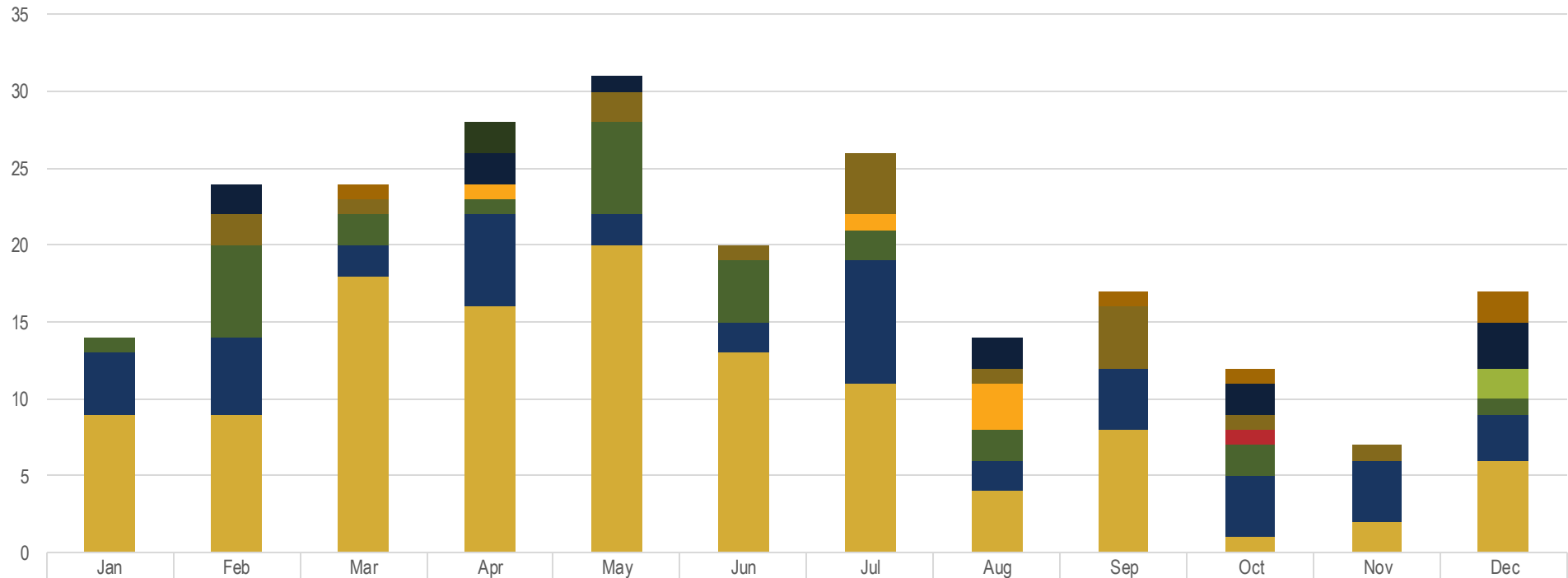
Timeliness of response



Incorrect information provided



Point-in-Time Complaints by Category CY 2022



Technology concerns/grievances			1						1	1		2
Other: Accommodation at HQ				2								
Incomplete information provided		2		2	1			2		2		3
Inappropriate commentary		2	1		2	1	4	1	4	1	1	
Human error										1		
Failure to respond												2
Disclosure errors				1			1	3				
Timeliness of response	1	6	2	1	6	4	2	2		2		1
Incorrect information provided	4	5	2	6	2	2	8	2	4	4	4	3
Extended wait time	9	9	18	16	20	13	11	4	8	1	2	6

Ombuds Office Highlights



1,327 Total Communications
Since Office's Inception



SharePoint Site/Intake Form
Developed for Tracking Gen Stats



Zero "0" Outstanding
Complaints



Collaborated with Business Units to
Streamline Complaint Categories



Average response time:
1-2 days



Est. Membership w/The
International Ombuds Assoc. (IOA)



1st Official Ombuds Annual
Report



17 Teacher associations in 17 cities with 400+ members for Ombuds office outreach in conjunction with the Benefits, Health and Insurance, Investments, and leadership team members.



Maintain regular meetings and trainings with business units to enhance knowledge of TRS business and member-related processes.

Observations and Conclusions

2022 - 2023



Continue community outreach to educate about the office as an additional resource for members and spread awareness of its existence.



Strengthen relationship and build collaborative partnerships with the Benefits and Health and Insurance divisions.



Add a customer service satisfaction survey to the Ombuds webpage to gauge the effectiveness of its services.



Participate in trainings, continuing education, and networking opportunities for the benefit of the Office and to enhance services provided.

TRS
Service
impartial
aid
benefit
guidance
advice
independent
listener
Reliable
Resolve
Informal
Concern
Transparency
Justice
Collaboration
fairness
support
dependable
Quality
empathy
Assist
Trust
Communication
Honor
Encourage
altruistic
respect
cooperation
Neutral