

February 2024

TRUSTEES

TRS Board of Trustees Meeting



**Teacher Retirement System of
Texas**

1000 Red River Street
Austin, Texas
78701-2698

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

AGENDA

February 15, 2024 – 8:00 a.m.

February 16, 2024 – 8:00 a.m.

TRS East Building, 5th Floor, Boardroom

*All or part of the February 15-16, 2024, meeting of the TRS Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have 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 15, 2024.

NOTE: The Board may take up any item posted on the agenda during its meeting on Thursday, February 15, 2024, or during the meeting on the following day, February 16, 2024, beginning at the time and place specified on this agenda.

The open portions of the February 15-16, 2024, 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. Consider the following administrative matters – Jarvis V. Hollingsworth:
 - A. Approval of the December 2023 proposed meeting minutes; and
 - B. Setting, rescheduling, or canceling future Board meetings including considering dates for May 2024.
3. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
 - A. Administrative operational matters, including updates on financial, audit, legal, staff services, special projects, strategic planning, legislative personnel matters, and Moving Forward Together Update;
 - B. Board operational matters, including a review of draft agendas for upcoming meetings; and

- C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.
- 4. Receive a Benefit Services Overview regarding the Members Journey – Barbie Pearson, Adam Fambrough and Mark Chi.
- 5. Receive an update on TRS-Care and TRS-ActiveCare health plans including a review of annual performance with benchmark comparisons as well as updates on data analytics enhancements and new pharmacy benefit manager installation – Katrina Daniel, Meaghan Bludau and Kyle McKay.
- 6. Consider authorizing for publication in the Texas Register notice of the following proposed new rules in Subchapter A of Chapter 31 of Title 34, Part 3 of the Texas Administrative Code, related to Retiree Health Care Benefits (TRS-Care) – Heather Traeger, Roberto Cortes-Moreno and Katrina Daniel:
 - A. [NEW] §41.15 Optional Dental Benefits Plan; and
 - B. [NEW] §41.16 Optional Vision Benefits Plan.
- 7. Receive the Ombudsman’s Annual Report – Lori LaBrie.
- 8. Receive report on investment practices and performance evaluation and consider resolution directing submission of the report to the Pension Review Board as required by Texas Gov’t Code § 802.109 – Kate Rhoden, Mike McCormick and Benita Harper, Aon.
- 9. Review and discuss the CIO Update including Talent Management; Accomplishments; Notices, Key Dates and Upcoming Events – Jase Auby.
- 10. Receive the Strategic Asset Allocation Study Education Session - James Nield, Mike Simmons and Dr. Keith Brown.
- 11. Receive the Annual Review of the Emerging Manager Program – Kirk Sims.
- 12. Receive an update from the Board’s Compensation Consultant – Josh Wilson and Susan Lemke, Mercer Consulting.
- 13. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline or dismissal of the Executive Director and Chief Audit Executive – Jarvis V. Hollingsworth.
- 14. 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.

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

15. Provide opportunity for public comment – Jarvis V. Hollingsworth.
16. Receive an update on proposed changes to the Fiscal Year 2025 – 2029 Strategic Plan Goals, Objectives and Strategies – Don Green and Michelle Pagan.
17. Receive an Overview of Social Security and TRS Benefits – Andrew Roth.
18. Receive annual ethics and fiduciary training – Heather Traeger and Suzanne Dugan.
19. Receive a Data Management and Protection Update – Martin Cano, Heather Traeger and Frank Williams.

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.

Minutes of the Board of Trustees

December 7, 2023

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, December 7, 2023, 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. Hollingworth, Chair
Nanette Sissney
Brittney Allred
Michael Ball
David Corpus
John Elliott
James D. Nance
Robert H. Walls, Jr.
Elvis Williams

Others present:

Brian Guthrie, TRS
Andrew Roth, TRS
Heather Traeger, TRS
Jase Auby, TRS
Don Green, TRS
Barbie Pearson, TRS
Katrina Daniel, TRS
Amanda Jenami, TRS
Shannon Gosewehr, TRS
Lori LaBrie, TRS
Kathy Bridgeman, TRS
Blender Hill, TRS
Katherine Farrell, TRS
Suzanne Dugan, Cohen Milstein

Keith Brown, Investment Advisor
Steve Voss, AON
Michael McCormick, AON
Grace Mueller, Chair RAC
Mary McKenzie, UHC
Pamela McPeters, TCTA
Steve Alexander, BCBS TX
Karen Heywood, BCBS TX
Rene Paulson, Elite Research
Kathy MacVener, State Street
Michael Knaling, State Street
Dan Delaney, State Street
Josh Wilson, Mercer
Susan Lemke, Mercer
Karen Suith
Hillary Eckford, SAO
Bill Hunter, SAO

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

1. Call roll of Board members.

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

Mr. Hollingsworth took a moment of personal privilege to recognize Mr. Brian Guthrie as recently being awarded the Top Workplaces Leadership Award for Large Businesses.

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

a. **Approval of the September 2023 proposed meeting minutes; and**

On a motion by Mr. Williams, seconded by Mr. Corpus, the Board unanimously voted to approve the September 2023 proposed meeting minutes as presented.

b. **Excusing Board Member Absences from the September 2023 meeting.**

On a motion by Mr. Walls, seconded by Ms. Sissney, the Board unanimously voted to excuse Mr. Elliott's absence from the September 15, 2023 board meeting.

3. **Resolution recognizing the service of Grace Mueller as Chair of the Retiree Advisory Committee – Jarvis V. Hollingsworth.**

Mr. Hollingsworth read the following resolution into the record:

Resolution

Whereas, Grace Mueller, has devoted 10 years of her life as a member of the Retirees Advisory Committee for TRS-Care; and

Whereas, she has served as an active and retired teacher on the committee in addition to currently acting as chair for two terms; and

Whereas, in her role as chair, on numerous occasions she provided an update on the committee's meetings to the board; and

Whereas, she was committed to offering participants quality health care coverage that provided comprehensive benefits for medical and prescription drug needs as well as programs to achieve optimal health; and

Whereas, she has spent her entire 30-year career in Texas public education in middle schools in San Marcos Consolidated Independent School District – teaching inclusion special education followed by eighth grade English Language Arts; and

Whereas, while teaching, Mrs. Mueller was an active member of the Texas Classroom Teachers Association serving in many leadership positions including state president;

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 Grace Mueller and express appreciation on behalf of TRS participants both present and future,

And be it further resolved, that a copy of this resolution be presented to Grace Mueller and entered into the record of the board for Dec. 7, 2023.

On a motion by Mr. Corpus, seconded by Mr. Nance, the board unanimously approved the proposed resolution.

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

Mr. Brian Guthrie reviewed upcoming and past conferences and meetings. He provided a legislative update noting the fourth special session recently ended. He gave an update on the progress of Alpha/Bravo. He reported IT and Internal Audit teams have moved to Alpha since last meeting which completed the final phase of the Alpha move-in. He shared the shell for Bravo was completed with the inside build out just beginning. He then recognized the Executive Director's Award of Excellence recipient, the Regional Office Project team for their work on opening the El Paso Office and the Shining Example Award recipient, the ActiveCare engagement and enrollment team in the Health Division. He also announced TRS as winning Top Workplaces Award for the twelfth time in the last 13 years. Mr. Guthrie concluded by reviewing items for February and April Board meetings.

5. **Consider the purchase of directors' and officers' liability insurance, fiduciary liability insurance and employment practices liability insurance – Brian Guthrie.**

Mr. Guthrie reviewed how the Board had previously authorized the Executive Director to annually negotiate the purchase of directors' and officers' liability insurance, fiduciary liability insurance and employment practices liability insurance at a certain level per year for the policies. He reported that the practice had stopped for a few years but, in light of a shift in the market, he thought it was appropriate to get the Board's consideration and approval as to the appropriate level of insurance. Ms. Heather Traeger reviewed how unique TRS was, especially as a government agency, with its three different lines of business, health care, pension and investments, combined with the numerous office locations. She also emphasized the growth in the size, sophistication and complexity of TRS operations. She said together these factors increase potential risk and recommended maintaining the insurance levels at no greater than the \$25 million level previously authorized.

On a motion by Mr. Ball, seconded by Mr. Elliott, the Board unanimously voted to adopt the following resolution regarding the purchase of directors' and officers' liability insurance, fiduciary liability insurance, and employment practices liability insurance through the State Office of Risk Management, as presented by staff, including a three-year delegation to the staff for such insurance, unless TRS' risk profile or the insurance markets materiality change.

TEACHER RETIREMENT SYSTEM OF TEXAS BOARD OF TRUSTEES
RESOLUTION REGARDING THE PURCHASE OF DIRECTORS' AND
OFFICERS' LIABILITY INSURANCE, FIDUCIARY LIABILITY INSURANCE, AND

EMPLOYMENT PRACTICES LIABILITY INSURANCE THROUGH THE STATE
OFFICE OF RISK MANAGEMENT

December 8, 2023

WHEREAS, Texas Government Code Section 825.112 provides that notwithstanding any other law, the Board of Trustees (Board) may self-insure or purchase any insurance, including fiduciary and liability coverage for trust assets or for the trustees, employees and agents of the board of trustees, in amounts the Board considers reasonable and prudent;

WHEREAS, Article 1.7(g)(1)(bb of) the Bylaws of the Board of Trustees of TRS provides that the Board may delegate to the Executive Director the responsibility for all administrative functions;

WHEREAS, Article 5.6 of the Bylaws of the Board of Trustees of TRS provides that the Board delegates authority for contracts for the purchase of goods and services to the Executive Director or his designee in accordance with the budget, subject to applicable actions of the Board;

WHEREAS, the Board has historically delegated and continues to wish to delegate to the Executive Director for a period not to exceed three years the authority to purchase directors' and officers' liability insurance, fiduciary liability insurance, and employment practices liability insurance through the State Office of Risk Management or other entity in the best interest of TRS with coverage limits not to exceed \$25 million under each policy;

NOW THEREFORE, BE IT RESOLVED, the Executive Director or his designee is authorized to continue to purchase directors' and officers' insurance coverage, including fiduciary liability and employment practices liability insurance with coverage limits of up to \$25 million at a cost to be determined by the Executive Director, to negotiate and agree to such terms and conditions of coverage as the Executive Director or his designee may deem in his or her discretion to be in the best interest of TRS, and to execute and deliver any authorizations to bind coverage and such other documents, applications, contracts, amendments, extensions, agreements, certificates, or affidavits, or modifications as may be necessary or desirable in connection with acquiring and maintaining such insurance;

RESOLVED, that notwithstanding the authority delegated to the Executive Director or his designee to purchase directors' and officers' liability insurance, fiduciary liability insurance, and employment practices liability insurance, Board consideration and approval are required in the event of a material shift in the TRS risk profile or market, or when coverage limits exceed \$25 million under each policy;

RESOLVED, that the delegation authority provided to the Executive Director or his designee will be reviewed, at a minimum, on a scheduled three-year cycle to assess market and TRS needs; and

RESOLVED, that the Board hereby ratifies the previous purchase of directors' and officers' insurance coverage, including fiduciary liability and employment practices

liability insurance, made by the Executive Director in order to maintain necessary and appropriate insurance coverage.

6. Receive TRS Quarterly Complaint Report – Lori LaBrie.

Ms. Lori LaBrie provided a summary of the activity for the months of January through October with a focus on August through October. She reported year to date the Office had received a total of 583 communications. She reviewed the social media top three topics for August through October. Ms. LaBrie concluded by reviewing the agency's point in time complaints.

7. Review and consider procurements and contracts, including the following – Shannon Gosewehr, Blender Hill, and Kathy Bridgeman:

- A. Receive Procurement and Contracts Update;**
- B. Consider Procurement and Contracting Report; and**
- C. Discuss Board Contract Management Process.**

Ms. Shannon Gosewehr provided an update on the impact of procurement process improvements implemented over the past two years and planned improvements moving forward. She reviewed the framework for a pilot program that will further streamline TRS contracting processes and give legal more authority to be flexible with standard terms and conditions.

Mr. Gosewehr reviewed the Contract Procurement report.

Ms. Gosewehr then introduced Ms. Blender Hill as the new HUB coordinator. Ms. Hill reviewed outreach activities and assist in identifying opportunities and leveraging partnerships.

Ms. Kathy Bridgeman provided an update on the contract monitoring program within the contract management office (CMO). For fiscal year 2023, she reported, CMO completed 23 monitoring reviews and have 48 contract reviews for fiscal year 2024. She concluded by providing an update on how Board authorized contracts will be reviewed and evaluated.

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

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

Mr. Andrew Roth reviewed member communication and member engagement activities that occurred over the past year. He noted this was an area that Sunset identified as an opportunity for TRS. He shared member publications that were sent to both active and retired members. He also shared the supporting videos developed to help members better understand information being shared. He concluded with reporting the redesign of TRS external-facing website had started and expect to go live in approximately one year.

At 9:35 a.m., Mr. Hollingsworth announced the Board would recess into executive session for agenda items 26 under Sections 551.071 to consult with legal counsel as needed.

At 10:43 a.m., Mr. Hollingsworth reconvened the Board meeting.

At 10:45 a.m., Mr. Hollingsworth announced the Board would recess to take up the scheduled committees and would reconvene later today at the conclusion of the committee meetings.

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

At 4:52 p.m., Mr. Hollingsworth reconvened the Board meeting and announced the Board would recess into executive session for agenda item 9 under Sections 551.074 and 551.071 to discuss personnel matters and consult with legal counsel as needed.

At 5:58 p.m., Mr. Hollingsworth reconvened the Board meeting and announced the Board would recess until 8:00 a.m. tomorrow morning.

December 8, 2023

The Board of Trustees of the Teacher Retirement System of Texas met on December 8, 2023 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. Hollingworth, Chair
Nanette Sissney
Brittney Allred
Michael Ball
David Corpus
John Elliott
James D. Nance
Elvis Williams

Others present:

Brian Guthrie, TRS	Dr. Barbara J. Washington, Retiree
Andrew Roth, TRS	Dr. Craig Campbell, Austin Retired Teacher Association
Don Green, TRS	Joe Newton, GRS
Heather Traeger, TRS	Lewis Ward, GRS
Jase Auby, TRS	Elizabeth Wiley, Cheiron
Barbie Pearson, TRS	Bill Hallmark, Cheiron
Katrina Daniel, TRS	Ryan Falls, Milliman
Amanda Jenami, TRS	Matt Larabee, Milliman
Frank Williams, TRS	Laurie Patton, EY
Janice Ehlert, TRS	Chris Gibson, EY
Nicholas Gonzalez, TRS	Gordon Lee, EY
Katherine Farrell, TRS	Eli Melendrez, TX AFT
Adam Fambrough, TRS	Mary McKenzie, UHC
Billy Lowe, TRS	Brock Gregg, TRTA
Jennifer Whitman, TRS	
Suzanne Dugan, Cohen Milstein	

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, Mr. Walls was absent.

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

Dr. Craig Campbell, Austin Retired Teachers Association, expressed appreciation for all involved in this year's cost of living adjustment (COLA). He expressed concern about how Texas retirees benefit ranked 49th in benefits compared with other states.

11. Consider the administrative appeal of Barbara Washington – Heather Traeger and Nicholas Gonzalez.

Mr. Hollingsworth introduced the appeal of Dr. Barbara Washington in *Barbara J. Washington v. The Teacher Retirement system of Texas*, SOAH Docket No. 323-22-1839. Dr. Washington appeals the decision of TRS Executive Director Brian Guthrie. Mr. Guthrie's decision denied Dr. Washington's appeal and adopted without changes the findings of fact and conclusions of law from the proposal for decision issued by the administrative law judge for the State Office of Administrative Hearings. He said the primary issue in the appeal is whether Dr. Washington, a retiree under the system, should be allowed to verify additional years of service credit which were not reported prior to her retirement.

Dr. Barbara Washington stated she has 39 years of service credit rather than the 37 years of service credit based on all of her employment, including the Fort Bend Independent School District 1985-86 and 1991 – 92 school years. She stated when purchasing her 20 years of withdrawal service credit at the time of retirement those years were supposed to be part of the purchase. She said when she bought the service, she was not told those years were not included, it was not written anywhere, noting it was the school districts mistake. She said she should not be penalized because the district employee made mistakes that cost her two years of service credit.

Mr. Nicholas Gonzalez, representing TRS staff, stated the staff recommendation was to adopt the executive director's decision without changes to any of the findings of fact or conclusions of law and deny Dr. Washington's appeal. He noted TRS did not dispute whether Dr. Washington worked the two school years at issue. However, he said those years are not at issue, but rather whether the time to remedy the error of not being credited those years had passed. Dr. Washington retired, May 31, 2009 with 37 years of service credit and only after a year and a half passed after retirement did she dispute the years of service credit. He said TRS Rule 25.45 prevents TRS from accepting verification of unreported service once the member received their first annuity payment, which Dr. Washington did on August 6, 2009. He said this rule has been in effect since 2003 and provides no discretion to TRS.

Dr. Washington in her rebuttal noted she should have received documentation when purchasing her service the years worked and that not all the parties involved followed the rules.

Mr. Hollingsworth announced prior to recessing to receive advice from counsel the Board would take up agenda item 12.

12. Consider selecting a firm to conduct the statutorily required actuarial audit 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 – Andrew Roth and Janice Ehlert.

Mr. Andrew Roth reported the actuarial audit of the TRS system auditor, GRS, is required every five years by statute. He said the review of the actuarial valuation will include the following four items: the assumptions, the methodology, the verification of data, and confirmation of results. He said three responses were received to the RFP and the top two respondents were to present to the board.

Ms. Elizabeth Wiley and Mr. Bill Hallmark presented on behalf of Cheiron reviewing their firm, the proposed team's qualifications, experience and the proposed work.

Mr. Ryan Falls and Mr. Matt Larabee presented on behalf of Milliman reviewing their firm, the proposed team's qualifications, experience and the proposed work.

On a motion by Mr. Ball, seconded by Mr. Elliott, the Board unanimously voted to find that under Texas Government Code Section 82511(e) conferring or discussing Agenda Item 12 in a public session would have a detrimental effect on the position of the retirement system in negotiations with a third party.

At 9:02 a.m., Mr. Hollingsworth announced the Board would recess into executive session for the following agenda items and sections of the Government Code: item 11 under Section 551.071 to discuss the administrative appeal of Barbara Washington and consult with legal counsel as needed, also under item 12, Sections 825.115(e) and 551.071 to discuss selecting a firm to conduct the statutorily required actuarial audit.

At 9:55 a.m., Mr. Hollingsworth reconvened the Board in open meeting.

On a motion by Mr. Corpus, seconded by Mr. Elliott, the Board unanimously voted to adopt the proposed order denying the administrative appeal of Barbara J. Washington v. Teacher Retirement System of Texas, SOAH Docket No. 323-22-1839, and affirming the Executive Director's decision adopting the findings of fact and conclusions of law of the SOAH ALJ without changes and authorizing the chair to sign the order reflecting the action of the Board.

On a motion by Mr. Nance, seconded by Mr. Corpus, the Board voted to adopt the following resolution selecting Milliman to serve as the actuarial auditor.

**Resolution of Board of Trustees December 8, 2023
Relating to Selection of a Firm to Conduct the Statutorily Required Actuarial Audit**

WHEREAS, Section 825.101, Government Code, states that the Board of Trustees of the Teacher Retirement System of Texas (the "Board") is responsible for the general administration and operation of the retirement system, and Section 825.103, Government Code, states that the Board has exclusive authority over the purchase of goods and services using trust funds, including without limitation professional services;

WHEREAS, Section 825.206(f), Government Code, requires the Board to engage an actuarial audit at least once every five years, or in conjunction with an actuarial experience study;

WHEREAS, TRS Bylaws subsections 5.6(b) and 5.6(e) authorize the Executive Director to contract for the purchase of services and the execution of vouchers for payments, in accordance with actions of the Board;

WHEREAS, TRS issued a Request for Proposals (“RFP”) to interested entities for Actuarial Audit Services, which was posted on June 30, 2023 (Solicitation No. TRS000407);

WHEREAS, The purpose of the RFP is to procure comprehensive audit services to evaluate the actuarial cost projections performed by TRS’s actuary of record based on TRS’s Annual valuation for the State of Texas Fiscal Year 2023, and to verify that the results presented are actuarially sound, reasonable, and consistent with industry standards;

WHEREAS, TRS received and the evaluation committee for this RFP evaluated the submitted proposals;

WHEREAS, TRS staff provided relevant information related to the RFP to the Board, and TRS staff presented an evaluation to the Board concerning the selection of the two top-ranking respondents;

WHEREAS, TRS staff recommended Cheiron, Inc. for Board consideration and selection as the contractor to provide actuarial audit services to TRS as representing the best overall value for TRS;

WHEREAS, on December 8, 2023, the two top-ranking respondents gave presentations to the Board in open session and the Board convened in closed session to deliberate;

WHEREAS, The Board has considered the evaluation, presentations, and recommendations made by TRS staff related to selecting the candidates for actuarial audit services;

Now, therefore be it RESOLVED, That the Board hereby selects Milliman to provide actuarial audit services for a one-year term with no renewals, subject to successful negotiation and execution of a final agreement for the implementation and provision of actuarial audit services on the same or better terms as presented to the Board;

RESOLVED, That the Board authorizes the Executive Director of the Teacher Retirement System of Texas (“TRS”) to negotiate, with the assistance and advice of legal counsel, an agreement for actuarial audit services with Milliman and, if negotiations are deemed in his discretion to be successful, then the Executive Director is hereby authorized to execute an agreement on such terms and conditions as such officer may deem, in his discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including all future extensions or amendments to the contract, that such officer may deem

necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of documents, and to incur, approve, and pay any budgeted expenses or costs reasonably necessary or advisable with respect to such contract or amendments.

RESOLVED, That nothing in this resolution creates or forms a contract, an offer to contract, or a power of acceptance to form a contract, it being the intention for the Board that TRS shall not be legally bound unless and until the Executive Director executes and delivers a definitive agreement for the services to be provided by the entity named above.

- 13. Receive the report of the Benefits Committee on its December 7, 2023 meeting and consider the following – Committee Chair:**
- A. Approve resolution directing staff to prepare for and issue a cost-of-living adjustment consistent with the provisions of Senate Bill 10 as passed by the 88th Texas Legislature and authorized by the passage of the constitutional amendment (HJR 2);**
 - B. Acceptance of the Medical Board Meeting minutes of the July and September 2023 meetings; and**
 - C. Approval of the Benefit Payments for September to November 2023.**

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

The Benefits Committee met on December 7, 2023. The committee approved the proposed minutes of the Benefits Committee for the September 14, 2023 meeting.

Ms. Barbie Pearson, chief benefits 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 2023.

Ms. Pearson provided an update on the benefits payments for the first quarter of the fiscal year 2024. The committee recommends to the Board the approval of benefit payments for September through November of 2023.

The committee received an update from Ms. Pearson, Adam Fambrough, Jennifer Gasior, Mark Chi, Tony Peña, and Deanna DeGraw on Benefit Services operations for fiscal year 2023.

The report included annual reporting for all functions of the Benefit Services. In addition, Mr. Fambrough provided the annual update on inactive accounts. Mr. Chi provided an update on stipends paid in September and timelines related to the upcoming COLA to be applied beginning with the January 2024 annuity payment. Mr. Peña provided the annual report on the El Paso Regional Office.

Next, the committee received an update from Ms. Katrina Daniel, chief health care officer, who introduced Ms. Grace Mueller to provide her final Retirees Advisory Committee meeting report to the Board.

Next, Ms. Daniel provided an update to the trustees on the status of TRS-ActiveCare enrollment for the 2024 plan year, followed by a general update on health plans.

The committee concluded with Ms. Pearson 3 providing information regarding the cost of living adjustment that was passed by the 88th Texas Legislature and approved by voters in November.

Ms. Pearson recommended to the committee to consider adoption of the resolution by the Board, directing staff to prepare for and apply the COLA to eligible annuitants beginning with the January 2024 1annuity payment.

Mr. Williams concluded the report with the following motions:

On a motion by Mr. Williams, the Board unanimously voted to accept the Medical Board's meeting minutes for July and September 2023 meetings, as recommended by the Benefits Committee.

On a motion by Mr. Williams, the Board unanimously voted to approve the benefit payments for September through November 2023, as recommended by the committee.

On a motion by Mr. Williams, the Board unanimously voted to approve the following resolution directing staff to prepare for and apply the COLA to eligible annuitants, as recommended by the committee.

**TEACHER RETIREMENT SYSTEM OF TEXAS BOARD RESOLUTION
DIRECTING STAFF TO PAY COLA UNDER TEX. GOV'T CODE 824.703**

WHEREAS, The 88th Texas Legislature passed Senate Bill 10, which provides a onetime cost-of-living adjustment (COLA) payable to eligible annuitants receiving a retirement annuity or monthly death benefit. To be eligible, a TRS retiree must have retired on or before August 31, 2020. SB 10 made the COLA contingent on Texas voters approving a constitutional amendment (Proposition 9) authorizing the COLA. Section 1 of Senate Bill 10 is codified as new section 824.703 of the Texas Government Code; and

WHEREAS, voters approved Proposition 9 on November 7, 2023.

WHEREAS, Section 824.703 requires the COLA to be applied beginning with the annuity payment payable for the month of January 2024. Section 824.703 also requires that the TRS Board of Trustees determine the eligibility for and the amount of the adjustment in monthly annuities under Section 824.703; now, therefore, be it

RESOLVED, that the TRS Board of Trustees directs the Executive Director and his designees to determine the annuitants eligible for a COLA and the amount of the adjustment and, upon certification of the election on Proposition 9 and receipt of the funding authorized by Proposition 9 for the COLA from the comptroller of public accounts, to take all necessary action to timely apply the COLA in accordance with Section 824.703.

14. **Receive the report of the Policy Committee on its December 7, 2023 meeting and consider adoption of the following – Committee Chair:**
 - A. **Consider proposed amendments to the Bylaws of the Board of Trustees;**
 - B. **Consider proposed amendments to the Designation of Key Employees Policy;**
 - C. **Consider proposed amendments to the TRS Rules in Chapter 31 of Title 34, Part 3 of the Texas Administrative Code;**
 1. **§31.5 Notice and Forfeiture Requirements for Certain Service Retirees**
 2. **§31.6 Second EAR Warning Payments.**

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

The Policy Committee met on December 7, 2023.

The committee approved the proposed minutes of its September 2023 meeting.

The committee recommended to the Board adoption of the proposed amendments to the bylaws of the Board of Trustees.

The committee recommended to the Board adoption of the proposed amendments to the resolution of TRS key employee determinations.

The committee recommended to the Board adoption of the proposed amendments to TRS Rules Section 31.5 and 31.6 in Subchapter A of Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, relating to employment after retirement.

The committee authorized for publication in the Texas Register notice of the following proposed new and proposed repeal of TRS Rule 51.2 in Chapter 31 of Title 34, Part 3 of the Texas Administrative Code, relating to vendor protests.

Mr. Elliott concluded his report with the following motions:

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments to the bylaws of the Board of Trustees, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed resolution amending the TRS key employee determinations, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments to TRS Rules 31.5 and 31.6 in Subchapter A of Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, as recommended by the Policy Committee.

15. Receive the report of the Budget Committee on its December 7, 2023 meeting – Committee Chair:

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

The Budget Committee met Tuesday, December 7th. The first item of business was approval of the minutes of the July 2023 Budget Committee meeting.

Mr. Green introduced the Annual Comprehensive Financial Report (ACFR) for fiscal year ending August 31, 2023. Mr. Green informed the Board of TRS being named a 2021 Triple Crown winner by the Government Finance Officers Association of the United States and Canada. Mr. Green provided an overview of the ACFR introductory section and provided an update on membership data.

Ms. Patti Roano provided a high-level overview of the 2023 ACFR which showed a net position for the pension trust fund of \$187.2 billion. Overviews of the TRS-Care and TRS-ActiveCare funds were also presented.

Mr. Eddie Chan provided an overview of the investment asset allocation. Ms. Roano concluded the presentation with an overview of the statistical and benefits section of the ACFR.

Then Mr. Don Green presented a high-level overview of the fiscal year 2023 year-end budget and addressed unexpended balances. He then provided an overview of the fiscal year 2023 full-time equivalents of employees. Mr. Green concluded the presentation with an update of the fiscal year 2024 budget and the fiscal year 2024 incentive compensation payout.

16. Receive the report of the Strategic Planning Committee on its December 7, 2023 meeting – Committee Chair.

Ms. Allred, Committee Chair, provided the following report of the Strategic Planning Committee:

The Strategic Planning Committee met on December 7, 2023. The committee approved the minutes proposed for its September 14, 2023 meeting.

Mr. Don Green, chief financial officer, reviewed the Results Forum information for the 2023 through 2027 TRS strategic plan objectives. The objectives included: attract, retain and develop a diverse and highly competent staff; execute on TRS facility needs; improve strategic communications with a customer-centric focus; and evaluate automation and technology solutions to enhance existing processes.

Ms. Michelle Pagan, director of enterprise risk and strategy and performance, then provided an overview of the enterprise stoplight report and highlighted changes to the risk levels and trending.

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

17. Receive the report of the Compensation Committee on its December 7, 2023 meeting – Committee Chair.

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

The Compensation Committee met on December 7, 2023. The committee approved the proposed minutes of its September 2023 meeting.

The committee received an update on talent management and the TRS workforce from Michelle Gray, deputy chief organizational excellence officer, and Monica Durham, talent manager.

The committee received an update from the Board's compensation consultant, Josh Wilson, and Susan Lemke, from Mercer Consulting.

18. Receive the report of the Investment Management Committee on its December 7, 2023 meeting – Committee Chair.

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

The Investment Management Committee met on December 7, 2023. The committee approved the proposed minutes of the Investment Management Committee for the September 14, 2023 meeting.

Jase Auby began with his CIO Update. The Third Quarter 2023 Performance Review was then presented by Steve Voss and Mike McCormick of Aon.

Following, Kendall Courtney then provided a review of investment operations.

James Nield, Mark Telschow and Mike Simmons then presented the Annual Update of Risk and Portfolio Management and discussed the strategic asset allocation.

Concluding the Investment Management Committee, Steve Voss, Mike McCormick of Aon provided a review of strategic asset allocation best practices and key elements of an effective asset allocation process.

19. Receive the report of the Audit, Compliance, and Ethics Committee on its December 7, 2023 meeting – Committee Chair.

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

The Audit, Compliance and Ethics Committee met on Tuesday, December 7, 2023. The Committee approved the minutes of the September 15, 2023, Audit Compliance and Ethics Committee meeting.

Crowe, LLP, Auditors presented the results of the financial audit of the TRS investment Company of Texas, TRICOT, for the fiscal year 2023. The General Counsel and Chief Compliance Officer presented routine compliance reports.

The chief audit executive and the Internal Audit staff presented the following reports: review of investment trading operations; review of insulin cost-sharing benefits; Internal Audit quality assurance improvement program self-assessment.

Internal Audit staff also presented the Internal Audit annual report for fiscal year 2023 and provided a status update on prior audit recommendations and various administrative matters. Mr. Hollingsworth announced without objection taking up agendas 20 and 21 together.

- 20. Receive the TRS Pension Trust Fund Actuarial Valuation for the fiscal year ending August 31, 2023 – Joe Newton and Lewis Ward, GRS.**
- 21. Receive the TRS-Care Actuarial Valuation and Other Post-Employment Benefits (OPEB) reports for the fiscal year ending August 31, 2023 – Joe Newton and Lewis Ward, GRS.**

Mr. Lewis Ward presented the valuation update for this year, as of August 31, 2023. He said the \$5 billion in benefit enhancements paid to retirees have already been made and occurred after the fiscal year impacting 177,000 retirees. He said the constitutional amendment for the cost-of-living adjustment passed and will be paid early 2024 impacting over 400,000 retirees. He reported neither impacted the valuation as both occurred after the end of the fiscal year. He noted for the COLA, liabilities will be added to the system but the lump sum payment equal to the liabilities was received resulting in no impact on the unfunded actuarial accrued liability for TRS. He reported for fiscal year 2023 the fund returned to 3.8 percent return on a market value basis which followed a negative 2022 year. He said over the last five years the return has been about 6.4 percent but over the last 20 years the return has been 7.4 percent.

Mr. Ward reported the unfunded accrued liability increased from \$51.7 billion to \$57.9 billion and the funded ratio decreased from 79 percent to 77.5 percent and the funding period increased from 26 to 29 years. Mr. Joe Newton explained the adverse experience is from a liability growing faster than anticipated. He reported this liability is driven by salary increases over the last two to four years for school district employees and teachers driven by local government. He said with the increase in salaries coupled with not meeting the assumed rate of 7 percent increases the unfunded liability. He said the unfunded liability had previously been projected to grow to approximately \$55.5 billion in 2028, then begin the process of coming down; instead, the unfunded liability has grown, so is now projected to take longer to address. He concluded by reviewing the new disclosure requirements in the valuation report for this year.

Mr. Newton then reviewed the retired TRS-Care and OPEB value. He noted the actual numbers over the last few years were volatile due to the discount rate moving with the municipal bond yield. He reported the claims have been lower than projected due to managements efforts.

- 22. Receive an evaluation of Gabriel, Roeder, Smith & Co. as the provider of pension actuarial and consulting services and discuss upcoming pension actuarial items – Janice Ehlert.**

Ms. Janice Ehlert presented the evaluation of the actuary which is annually required by statute. She reported for FY 2023, Gabriel Roeder Smith & Company, GRS, provided timely professional advice and technical support for pension-related activities. She stated a trustee survey reflected positively on GRS.

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

Ms. Jennifer Whitman provided an overview noting the final release, annuity payroll and tax reporting was shown on the timeline. She noted defects were being identified which was expected and contingency was built into the schedule to mitigate the time necessary to remedy those defects. She said regression testing for the release will begin July 2024 and the blackout period would start August 2024. She said the health line of business system releases would not be affected by the blackout.

Mr. Billy Lowe reviewed risks. He reported new features and enhancements continue to be released and want to get as many out prior to the blackout period. He said Health also has major initiatives to deploy over the next two years, including enhancing the MyTRS portal to allow members to leverage the one entry point for the pension and health side self-service features for a seamless experience. He said in addition to Health and Benefits there is a long-term fraud project.

Mr. Adam Fambrough said the business units are engaged and concerned about the blackout period but understand the need for it. He reported the reassessment of enhancement tickets to determine which will be done, prioritize within the four remaining releases.

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

Ms. Laurie Patton and Mr. Chris Gibson reported the project was entering an environment with a lot of risk resulting in zeroing in on measurement. Ms. Patton stated the recommendation is for the measurements and metrics to continue to be in place so the team can continue to operate and have indicators in place to alert when veering too much or accumulating too much technical debt.

25. Receive Quarterly Information Security Update- Frank Williams.

Mr. Frank Williams stated there was nothing to report at this time.

At 11:19 a.m., Ms. Sissney announced with 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 2024.

ATTESTED BY:

Katherine H. Farrell
Secretary to the TRS Board of Trustees

Date

Setting Future Board Meeting Dates

Calendar Year 2024

- February 15 – 16, 2024
- ~~April 25 – 26, 2024~~ May 2 – 3, 2024
- July 18 – 19, 2024
- September 19 – 20, 2024
- December 5 – 6, 2024

TAB 3




Executive Director Report

Presentation Date: February 2024

Presented By:
Brian Guthrie





General Updates
TRS Pension Status
TRS Workforce Demographics
Building Bench Strength
Moving Forward Together Update
Special Honors and Acknowledgments
Future Meeting Agendas
Overview of February Meeting



General Updates



Upcoming Conferences and Meetings:

- February 24 - 26, 2024: NASRA/NCTR Winter Meeting, Washington, D.C.
- February 28, 2024: TRS/ERS Emerging Manager Conference, Virtual
- March 4 – 6, 2024: CII's 2024 Spring Conference "Governance as a Guidepost," Washington, D.C.
- May 19 – 22, 2024: NCPERS Annual Conference, Seattle, WA

Past Meetings and Updates:

- December 13 – 14, 2023: NCTR 2023 Customer Service Workshop, Virtual
- January 16, 2024: EC Retreat at Alpha, Austin, TX



TRS Pension Status



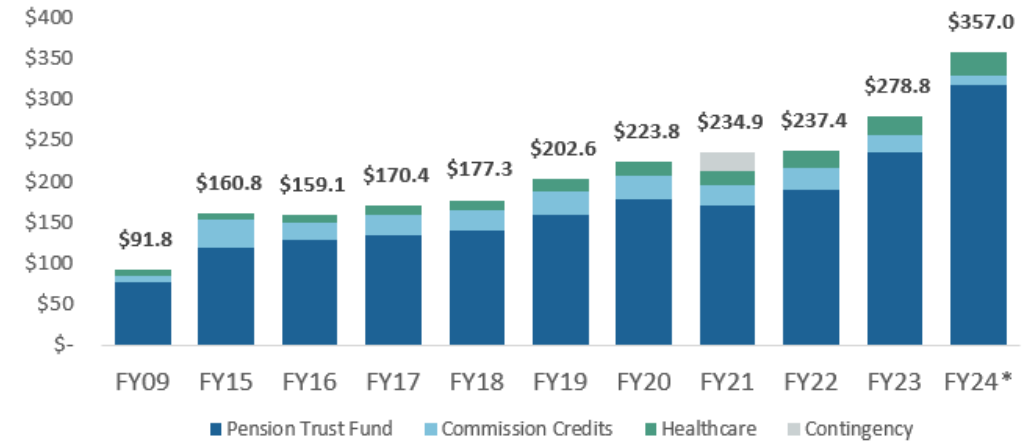
Pension Trust Fund Balance

\$ in Billions



*2024 preliminary amount as of January 31st, 2024.

Administrative Operating Budget

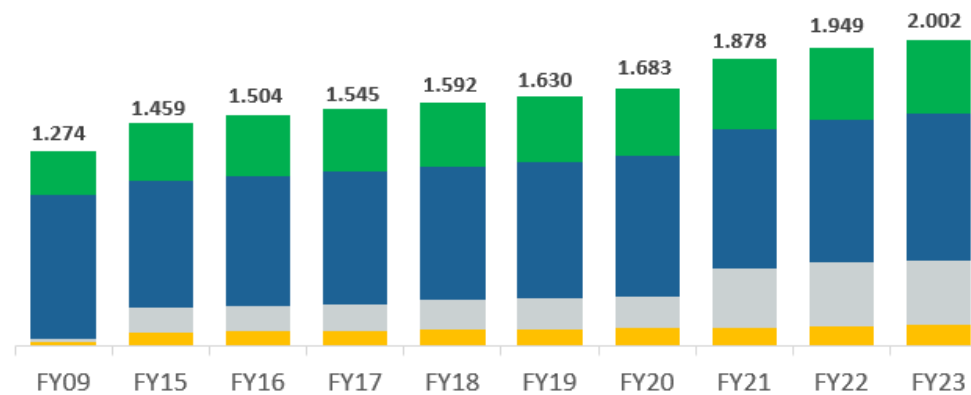


*FY24 preliminary mid-year estimates

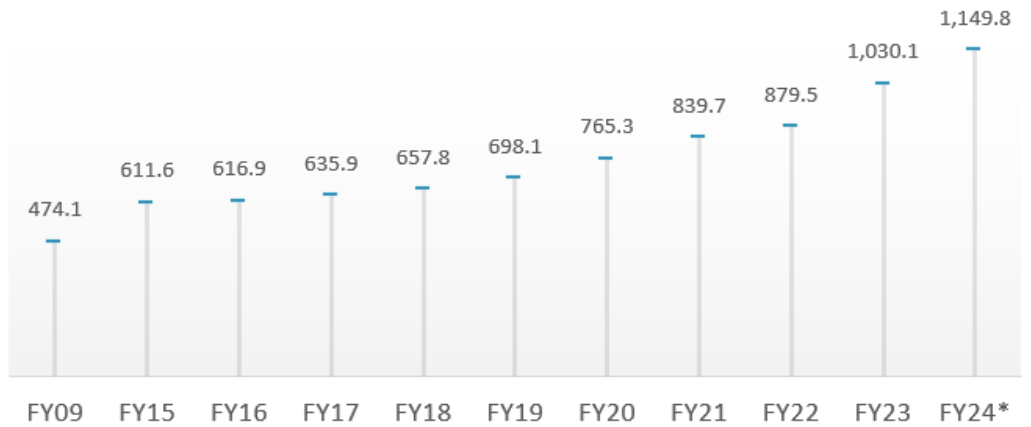
Pension Membership Growth

Amount in Millions

Inactive Vested Inactive Non-vested Active Retirees



Actual FTEs



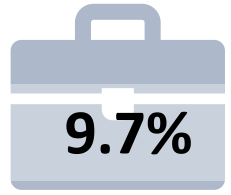

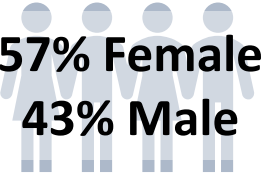

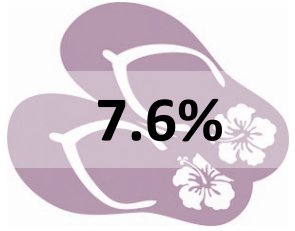


*FY24 Actual FTE as of February 1st, 2024.



TRS Workforce Demographics



 <p>44 Years</p> <p>Average Age</p>	 <p>6.2 Years</p> <p>Average TRS Tenure</p>	 <p>9.7%</p> <p>FY 2023 Turnover Rate</p>	 <ul style="list-style-type: none">White (47%)Hispanic (28%)Black (14%)Asian (6%)Other (5%) <p>Ethnicity</p>
 <p>57% Female 43% Male</p> <p>Gender</p>	 <p>9.0 Years</p> <p>Average State Tenure</p>	 <p>7.6%</p> <p>Employees Eligible to Retire*</p>	

Based on 1/31/2024 data.

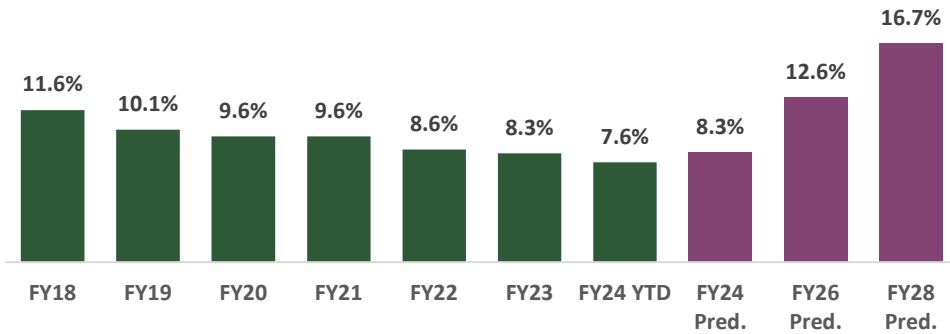
*Note: Based on rule of 80



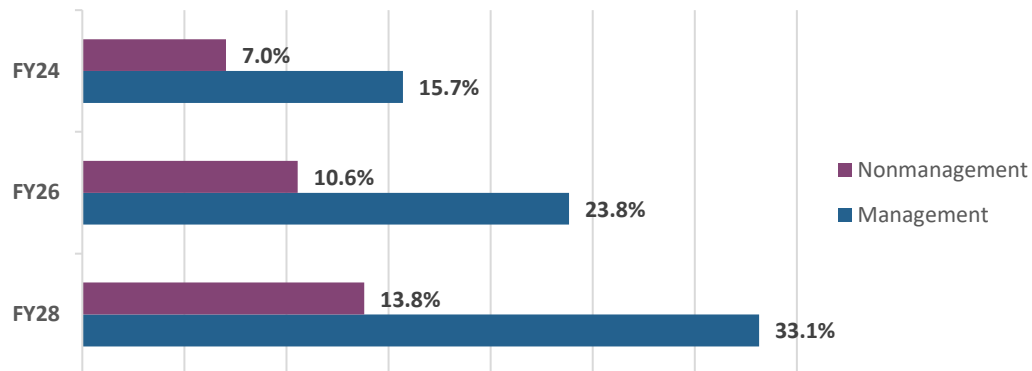
TRS Workforce Demographics: Retirement Eligibility



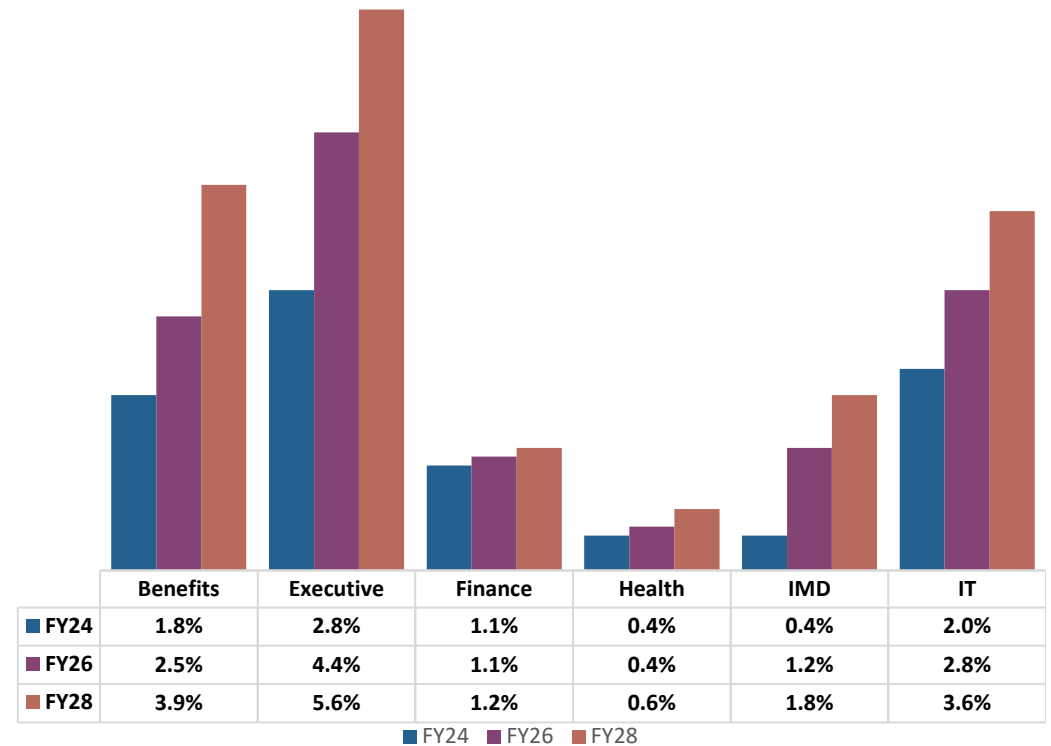
Percent of TRS Employees Eligible for Retirement



Management Vs Nonmanagement Positions



Percent of Eligibility by Division



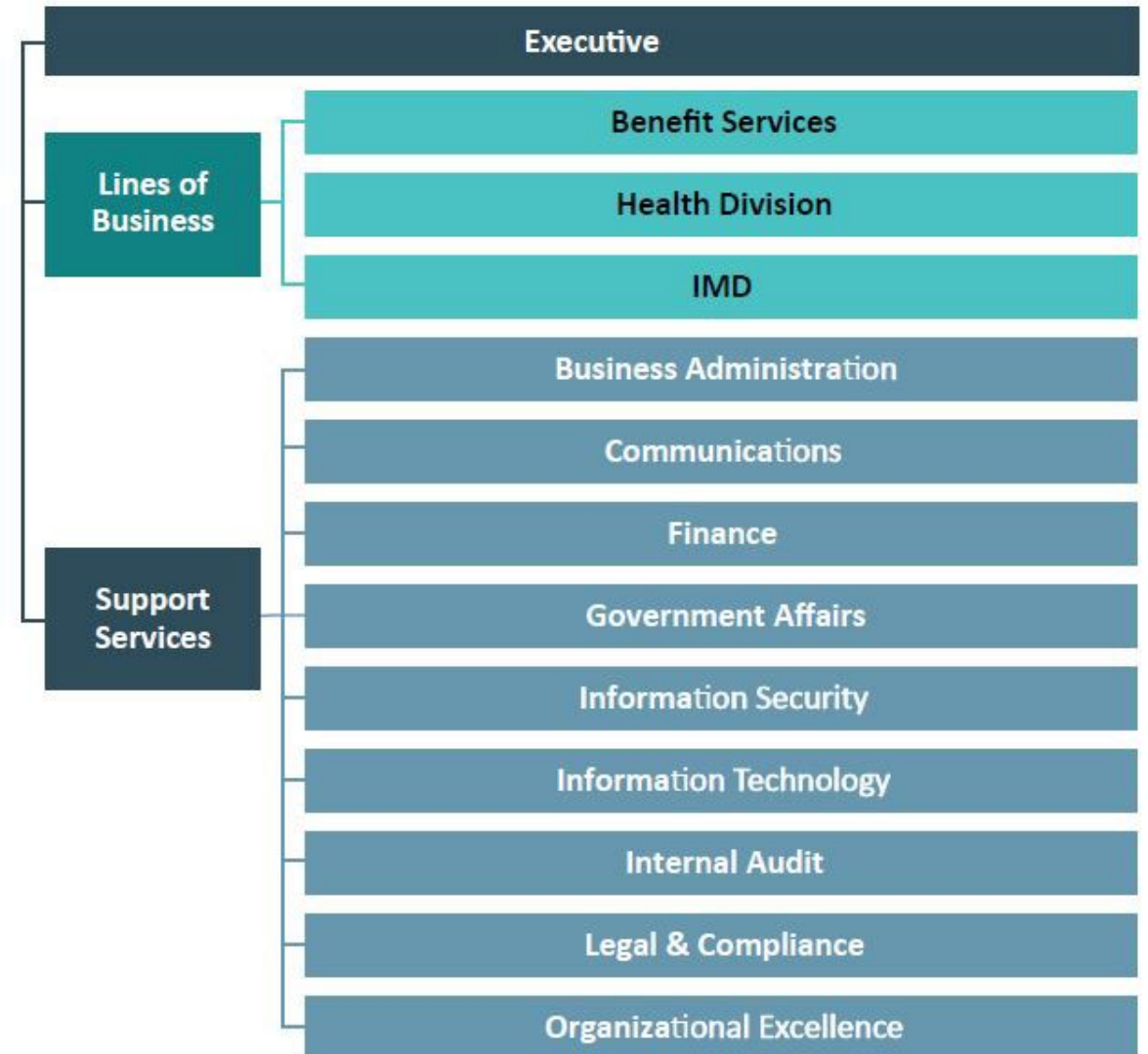
*Estimates are based on active employees as of 01/31/2024. Estimates for FY 2024, 2026, and FY 2028 are made using the rule of 80



Building Bench Strength - Leadership

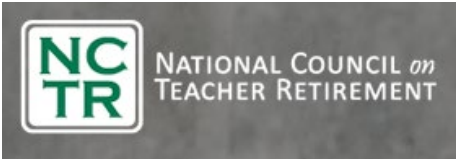


- Updated Executive Council (EC) to 13 divisions
 - Added Government Affairs and Communications
 - Meets monthly in person
 - Chiefs of each division attend
- Expanded weekly EC meetings with new **Enterprise Leadership Team** touchpoint:
 - +EC, includes deputies, asst/senior directors and managers with enterprise leadership functions
 - Meets 3 out of 4 weeks per month with rotating chair
 - Opportunity for continued leadership development and succession planning





Special Honors and Acknowledgments



2024 Committee Assignments

- Trustee Michael Ball – Legislative Committee
- Trustee Nanette Sissney – Trustee Education Committee
- Trustee Elvis Williams – Resolutions Committee



Brian Guthrie – First Vice President, Chair of Special Programs Committee



Heather Traeger – Chair FINRA National Adjudicatory Council (NAC)



One TRS: Moving Forward Together



BRAVO SHELL CONSTRUCTION STATUS

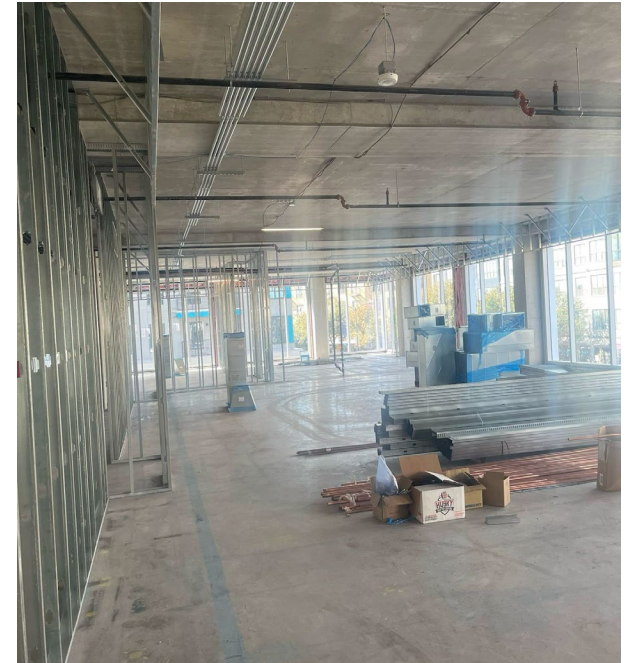
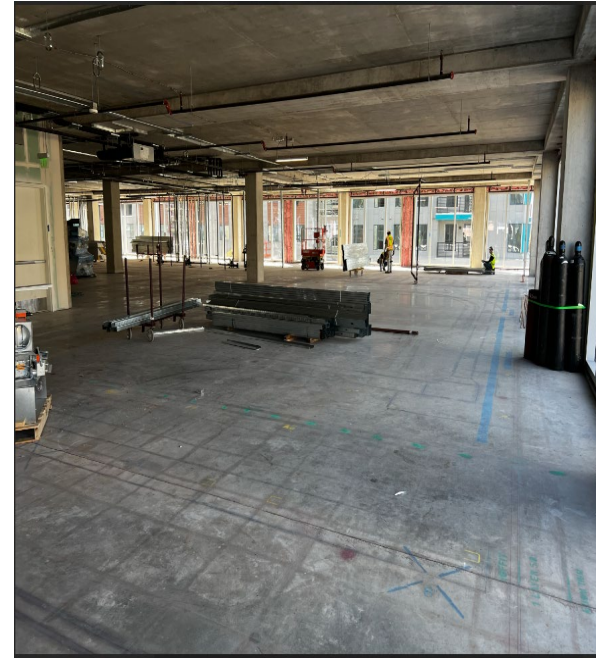
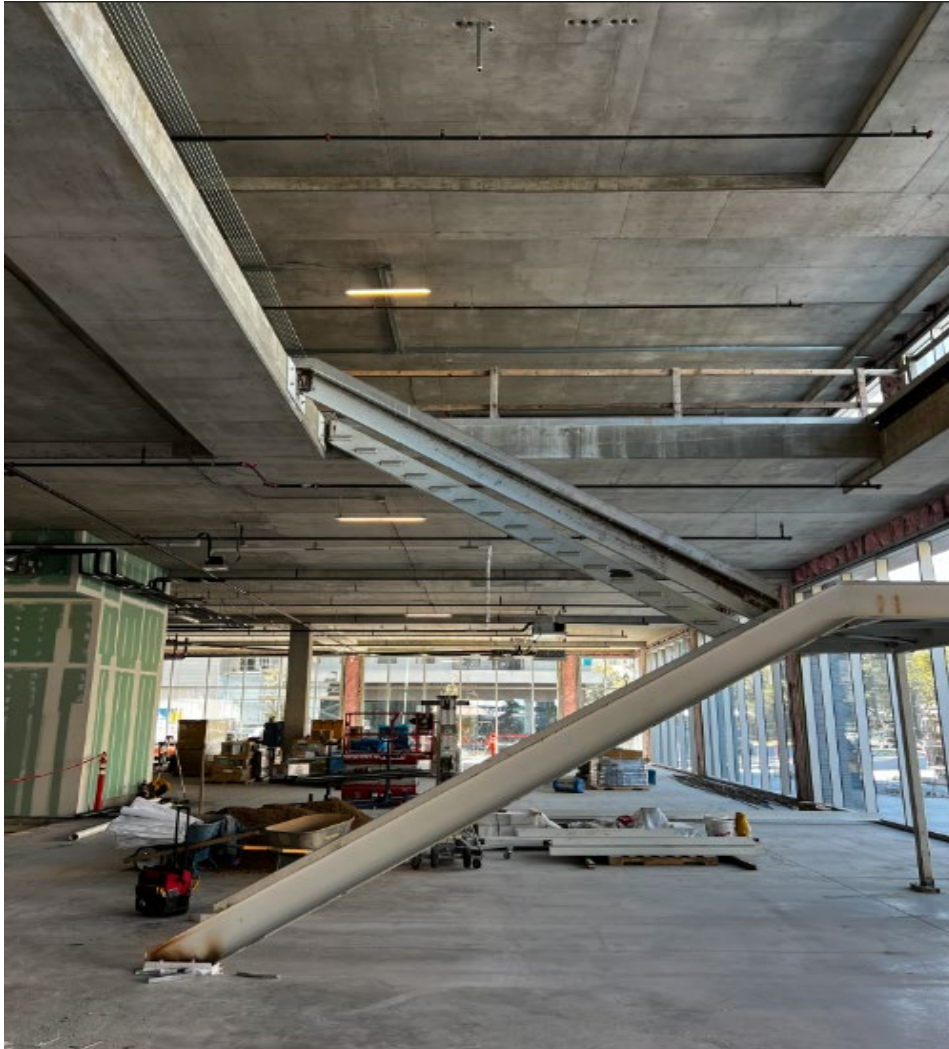




One TRS: Moving Forward Together



BRAVO T.I. CONSTRUCTION STATUS





One TRS: Moving Forward Together



KEY UPCOMING MILESTONES

Milestone	Target Date
Bravo Office Shell Construction Complete	February 2024
Bravo Tenant Improvement Construction Start	December 2023
Bravo Tenant Improvement Construction Complete	December 2024
Bravo Move In	Early-Mid 2025

Bravo Office Shell

- The construction team finalizing remaining work across the site with expected completion at the end of February.

Bravo Tenant Improvement Construction

- Construction is underway across all floors of the building and is progressing on schedule.



Upcoming Board Agenda



April 27 or May 2, 2024

Benefits Committee

- Operational Updates
- Approval of Benefits
- Medical Board Minutes

Investment Management Committee

- CIO Update
- 4th Quarter Performance Review
- Annual Review of Public Mkts
- Semi-Annual Risk Report
- Strategic Asset Allocation Overview

Budget Committee

- FY 2024 mid year and FTE Report

Compensation Committee

- Staffing, turnover and TRS Classification Plan Update
- Mercer Update

Policy Committee

- Litigation Policy
- Trustee External Communication Policy
- Dental & Vision Rule Adoption

Strategic Planning Committee

- Results Forum Report Out
- Update Strategic Plan

ACE Committee

- Internal Audit and Compliance Reports

April 28 or May 3, 2024

Committee Reports

ED Report

Ombuds Report

Procurement Report

Deputy Director Report

Information Security Update



Upcoming Board Agenda



July 18, 2024

Benefits Committee

- Operational Updates
- Approval of Benefits
- Medical Board Minutes

Investment Management Committee

- CIO Update
- 1st Quarter Performance Review
- Annual Review of External Private Markets
- Review of IPS Modifications
- Strategic Asset Allocation Recommendation

Budget Committee

- Proposed Adoption of FY 2024 Budget

Compensation Committee

- Staffing, turnover and TRS Classification Plan Update
- Mercer Update

Policy Committee

- Procurement Policy

Strategic Planning Committee

- Results Forum Report Out

ACE Committee

- Internal Audit and Compliance Reports

July 19, 2024

Committee Reports

ED Report

Ombuds Report

Procurement Report

Deputy Director Report

Information Security Update



Overview of February Meeting



High Level Overview of February Educational Meeting	
Exec Dir Report	Proposed Strategic Plan
Three Lines of Business <ul style="list-style-type: none">• Benefit Services• Health• Investments	Social Security
Proposed Dental & Vision Rules	Ethics Training
Ombuds Annual Report	Data Management & Protection



Appendix



Budget Update



	Current Budget	Expended/ Encumbered	Projected Spend	Available Budget	% of Budget Available
Administrative Budget					
Pension Trust Fund	299,739,351	168,570,268	116,496,845	14,672,238	5%
Capital Projects	18,710,800.00	5,380,986	13,329,813	-	0%
Commission Credits	10,984,500	1,620,441	7,000,000	2,364,059	22%
TRS-Care	22,164,500	10,716,041	9,735,865	1,712,594	8%
TRS-ActiveCare	5,410,500	2,959,111	1,334,647	1,116,742	21%
Total Administrative Budget*	\$ 357,009,651	\$ 189,246,847	\$ 147,897,170	\$ 19,865,634	6%
Budget Category					
Salaries & Wages	149,582,744	58,242,218	84,622,028	6,718,498	4%
Fringe Benefits	49,497,120	17,413,066	23,229,347	8,854,707	18%
Incentive Compensation	55,427,651	55,427,651	-	-	0%
Pro Fees & Services	53,428,266	38,032,179	15,039,339	356,748	1%
Travel	2,993,040	561,494	1,472,000	959,546	32%
Operating	5,571,988	3,346,736	2,167,388	57,864	1%
Support Costs	38,152,842	15,840,702	19,394,074	2,918,066	8%
Capital Expenditures	2,356,000	382,802	1,972,994	204	0%
Total Budget Category*	\$ 357,009,651	\$ 189,246,847	\$ 147,897,170	\$ 19,865,634	6%

**Preliminary mid-year estimates*

TAB 4



Pension Benefits

Presentation Date: Feb. 15, 2024

Presented By:

Barbie Pearson, Adam Fambrough and Mark Chi



Member Journeys



One Retirement Plan
Multiple Journeys



Member Journeys



Employment



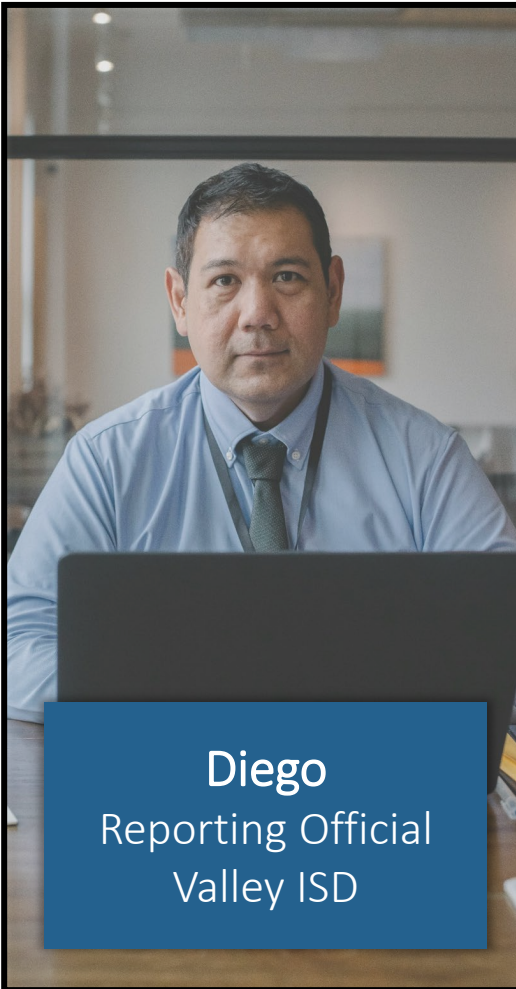
Membership



Earn Service Credit

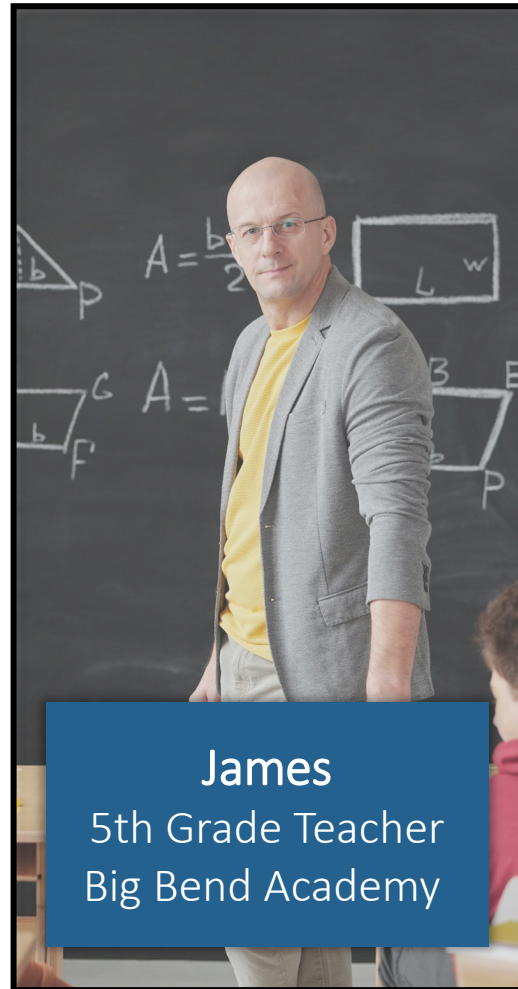


Termination



Diego

Reporting Official
Valley ISD



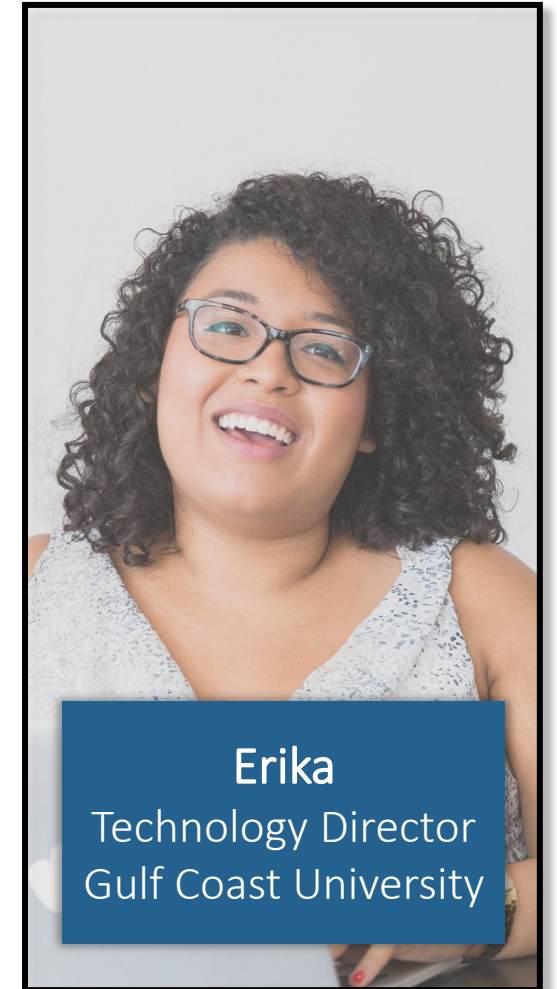
James

5th Grade Teacher
Big Bend Academy



Nicole

11th Grade Teacher
Hill Country ISD



Erika

Technology Director
Gulf Coast University



Reporting Contact

Diego



Employment



Membership



Earn Service Credit



Termination



TRS Reporting Entity Portal

Fri, Jan 19, 2024 3:30:14 PM CST | [FAQ](#) | [My Profile](#) | [Contact Us](#) | [Log Off](#)

WELCOME **DIEGO** – VALLEY ISD, 1234

HOME | WAGE & CONTRIBUTION REPORTING | EMPLOYEES | MY WORKLIST | ADMINISTRATION | EMPLOYER CONTACTS | RESOURCES

Messages for Reporting Entity: 3 new messages

[Start Live Chat](#)

[Employer Home](#)
[Create and Maintain Reports](#)
[View RE Ledger](#)
[View Employee Information](#)

Reporting Entity Home Page

RP Report and TEXNET Deposit Due Date	ER Report and TEXNET Deposit Due Date	RE Coach	RE Coach Phone	TRS-ActiveCare
01/05/2024	01/10/2024			No

Organization Profile

Organization Name:	VALLEY ISD	ESC Region:	13
Address:	123 RE WAY VALLEY	RE Type:	Public School
County:	227-TRAVIS	Agency Code:	
		TEA Number:	123-456

Contacts

Name	Preferred Name	Position Title	Role	Phone Type	Ph
DIEGO			Web Administrator		

- Timely and Accurate Reporting
- TRS Membership Eligibility
- Employee Demographic Information
- Employment Dates and Positions
- Payroll- Salary and Contributions
- Certifications
- Employment After Retirement



Employer Resources

Diego



Life Event Resource Kit/Employer Toolkit

Personal Events

TRS members experience various personal changes in life. Here you will find many helpful links and resources to inform and guide you through any necessary actions.

- Marriage
- Starting a Family
- Purchasing a Home
- Divorce
- Death
- Disability
- Change of Address/Phone
- Turning 65

Career Events

Many career changes will require TRS members to update their account or take action. Here you will find many helpful links and resources to inform and guide you through this process.

- New Hire
- Nearing Retirement
- Ready to Retire
- Terminating Employment
- Returning to Employment After Separation
- Turning 65
- Retired
- Employment After Retirement



DECEMBER 2023


TEACHER RETIREMENT SYSTEM of TEXAS

UPDATE

Have a Suggestion to Improve the Update? Take the Survey

TRS Values YOUR feedback

New Reporting Employer Training Surveys



TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Home About TRS Active Members Retirees and Beneficiaries Reporting Employers Investments Pension Benefits Health Care Benefits

MyTRS RE Portal PAVES Careers Subscribe! Contact Us

I want to...

Reporting Employers

General Resources

The following procedure guides, legal requirements, rates and limits are provided for reporting employers to help meet reporting requirements.

- General Information
- Creditable Compensation
- Employment Eligible for TRS Membership
- Contribution Rates
- Employment after Retirement Limits Chart
- State Minimum Salary Schedules

RE Portal




RE Portal is a web interface for employee data and payroll reporting. These reference tools and training videos assist you with learning how to use the RE Portal.

- RE Portal Training
- RE Portal Resources
- Payroll Manual - Public Schools
- Payroll Manual - Higher Education
- Definition of Terms
- Error and Warning List
- Error Resolution Guide

RE Accounting & Audit

The Governmental Accounting Standards Board (GASB) establishes financial reporting guidelines and standards for TRS and most of TRS employers.

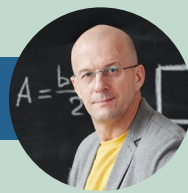
- GASB Statement Information
- GASB Statement No. 24
- GASB Statement No. 45
- GASB Statement No. 67 and 68
- GASB Statement 74 and 75
- Employer Audits





TRS Membership

James



Nicole



Erika



Employment



Membership



Earn Service Credit



Termination



Membership

- Begins on first day of employment
- Required if eligible
- TRS mails a *Welcome to Membership* letter



Contributions

- Member Contributions
 - 8.25% monthly member contribution
 - 0.65% TRS-Care contribution
- Employer/State Contributions



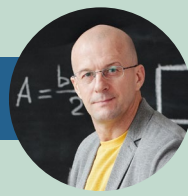
Annual Statements

- Annual statements are produced each fall
- 2% annual interest
- Includes salaries, service credit, retirement estimate, and account balance.



Membership Tiers

James



Nicole



Erika



1

2

Tier 1 (GF)

Tier 2

- Current membership began prior to Sept. 1, 2007; and
- Had at least five years of service on Aug. 31, 2014

3

4

Tier 3

Tier 4 (GF)

- Current membership began between Sept. 1, 2007 and Aug. 31, 2014; and
- Had at least five years of service on Aug. 31, 2014

5

6

Tier 5

Tier 6 (GF)

- Current membership began on or after Sept. 1, 2014; or
- Did not have five years on Sept. 1, 2014

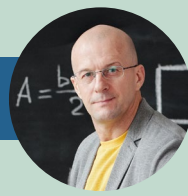
Tier 5
74% of
current
membership

*GF = Grandfathered



Member Journeys

James



Nicole



Erika



Employment



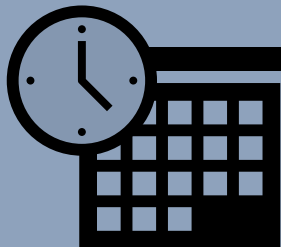
Membership



Earn Service Credit



Termination



Five Years Later

All three members have earned five years of service credit

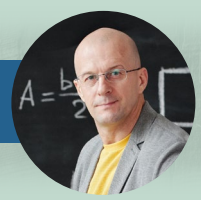
All are vested for future benefits

Receive yearly *Annual Statements*



James Leaves Employment

James



Employment



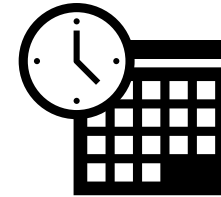
Membership



Earn Service Credit



Termination



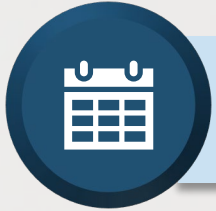
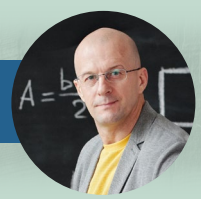
Five Service Credit Years

What options does James have with his TRS retirement account if he quits working?

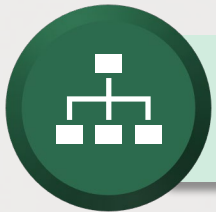


Refund Considerations

James



Years of service reset to zero



Loss of membership tier



Possible tax penalties

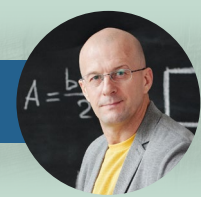


No longer vested



Online Resources

James



TRS
1000 Red River Street
Austin, TX 78701-2698
(800) 223-8778
www.trstexas.gov

Application for Refund

Section 1 - Member Information

Name
Address
Street Address or PO Box Number Social Security Number
Phone Number City State
To be completed if your refund will be sent to a foreign address: Date of Birth Employment end date
If you are not a U.S. citizen, are you a resident alien of the U.S.? ☐ Yes ☐ No
If you answered no to both questions above, see page 2 of the *Requesting a Refund Instructions (TRS6IN)* for additional information regarding required federal income tax withholding.

Section 2 - Refund Election (select refund or rollover)

☐ **Refund** I elect to have my TRS accumulated contributions paid directly to me. I understand that 20% of the taxable amount of my refund will be withheld for federal income taxes (provided the amount is greater than \$200.00). See page 2 of the *Requesting a Refund Instructions (TRS6IN)* for information on tax withholding if you are not a U.S. citizen or resident alien of the U.S.

☐ **Direct Rollover** I elect to have all or a portion of my TRS accumulated contributions rolled over into an eligible retirement plan. I understand that TRS will provide me with an additional form if this option is selected. A *Refund Rollover Election form (TRS6A)* must be completed and returned to TRS.

Section 3 - Payment Method for Portion Not Being Rolled Over (select Check or Direct Deposit)

☐ **Check** I elect to have the portion of my refund being paid directly to me sent to my mailing address as a paper treasury warrant.

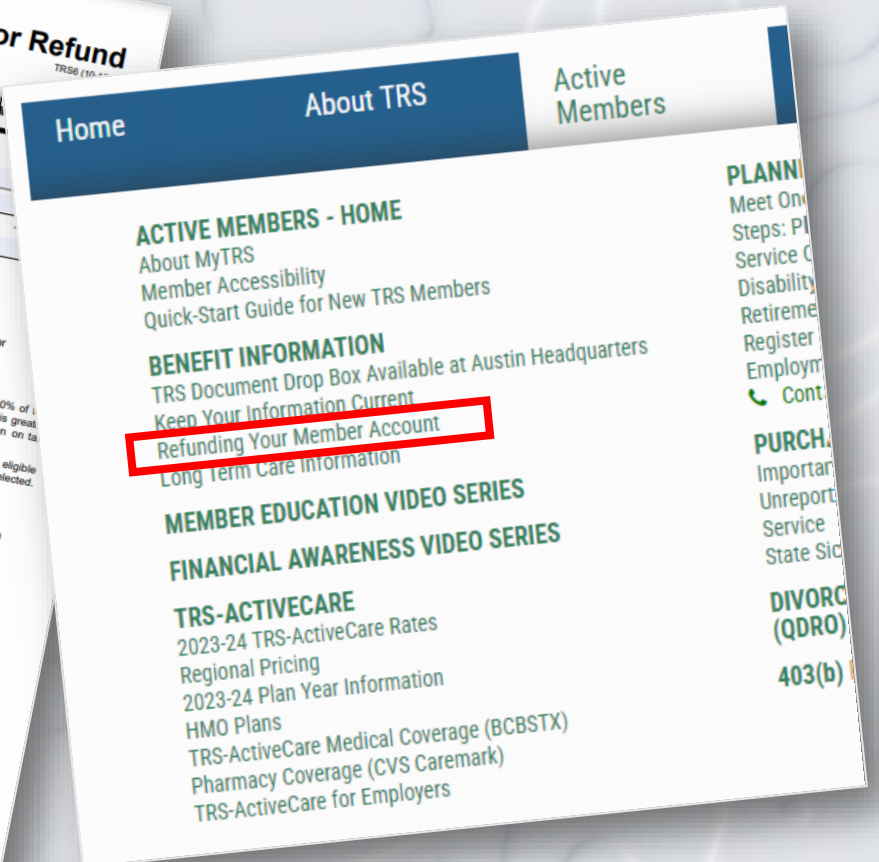
☐ **Direct Deposit** I elect to have the portion of my refund being paid directly to me sent electronically to the financial institution listed below. A paper treasury warrant will be issued if any information is missing.

Name of Financial Institution
Bank Routing Number
Account Type (must select one) ☐ Checking ☐ Savings
Account Number

The following declaration **MUST** be completed if you are requesting direct deposit. (select a, b, or c)
(a) ☐ These payments **WILL** be forwarded to a country outside the United States.
(b) ☐ These payments **WILL NOT** be forwarded to a country outside the United States.
(c) ☐ These payments **WILL** be forwarded, but less than 100%, to a country outside the United States.
Specify the name of the country where 100% of payment(s) will be forwarded:

Be sure to include your name and Social Security Number on both pages.

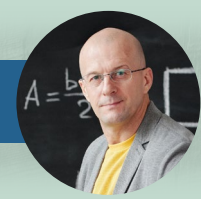
Teacher Retirement System of Texas
Page 1 of 2





Refund Process

James



The screenshot shows the MyTRS website interface. At the top, there are tabs for 'Accounts', 'Planning Tools', and 'Benefits'. Below these, there's a section for 'Account Summary' with a 'Membership Tier' dropdown. To the right, there are two buttons: 'Apply for a Refund' and 'Apply for Retirement'.

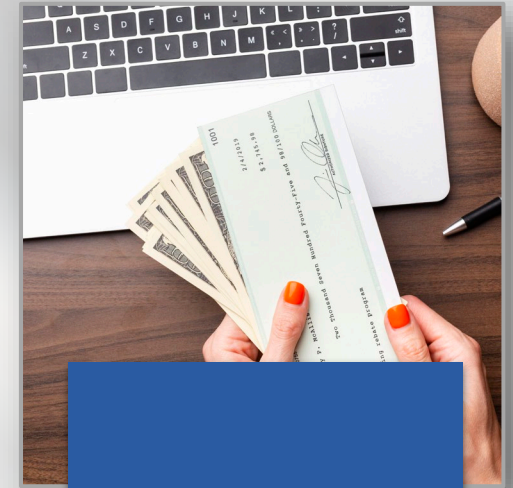
James applies for a Refund through *MyTRS* or by completing a *Refund Application*

The screenshot shows the 'Refund Certification' form. It includes fields for 'Name', 'SSN', and 'Employment Terminated'. Below these, there's a section for 'Certification Details' with a 'Date of Termination' field and a 'Final Report Month for TRS' field. There are also checkboxes for 'No Substitute Position' and 'Yes'.

Confirmation of Final Deposit from the Employer

The screenshot shows two forms. The top form is 'Additional Federal Tax Withholding' with radio buttons for 'Flat Amount' and 'Percentage'. The bottom form is 'Payment Detail' with fields for 'Tax Sheltered Balance' (\$ 4,516.29) and 'Non-Tax Sheltered Balance' (\$ 0.00).

Validate the Refund Process



Issue Payment

Payment Options

Lump Sum

Rollover

Combination



Nicole Passes Away

Nicole



Employment



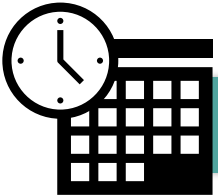
Membership



Earn Service Credit



Termination



10 Service Credit Years

What active member death benefits are payable to Nicole's named beneficiary?





Active Member Death Benefits

Nicole



Plan 1

Twice annual compensation; max \$80,000 payable

Plan 2

60 monthly payments of standard annuity without reduction for age; must have five or more years of service

Plan 3

Lifetime annuity equal to Option One; must have five or more years of service and have only one beneficiary named

Plan 4

Accumulated contributions in account

Plan 5

Survivor benefits; \$2,500 lump sum payment plus eligible monthly benefit



Report of Death

Nicole

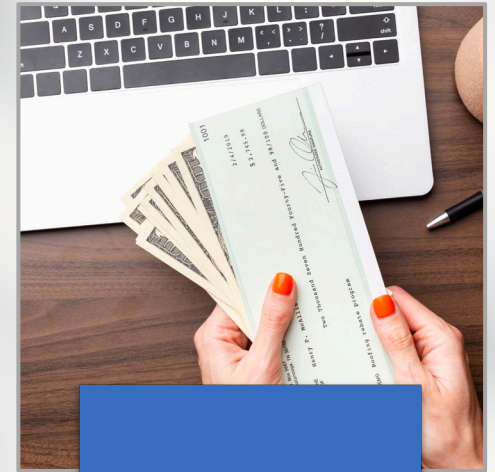


Nicole's sister called TRS to report her passing.

TRS will contact her employer and notify beneficiary(ies) of benefits available.

Employer certification will confirm termination date and salary information.

Forms and Death Certificate

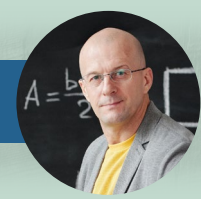


Issue Payment



James Returns to Work

James



Employment



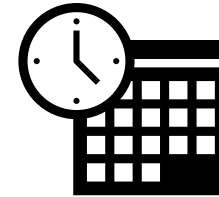
Membership



Earn Service Credit



Termination



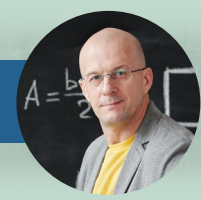
Zero Service Credit Years

Can James
repurchase his
previously
withdrawn service?



Service Credit Purchase

James



Withdrawn Service

Developmental Leave*

Military Service

USERRA Service

Out-of-State Service*

State Sick and/or Personal Leave*

Unreported Service and/or Compensation*

Work Experience (Career or Tech Teacher)*

Substitute Service*

Membership Waiting Period*

* Actuarial cost

Payment Options

Lump Sum

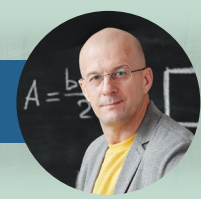
Installments

Rollover



Online Resources

James



Service Credit

Years of Service Credit *

State Sick and/or Personal Leave * ☐ No ☒ Yes

Are you interested in seeing the estimated cost to purchase a year of state sick and/or personal leave?

Cost to Purchase State Sick and/or Personal Leave Service		Estimated Total Cost	
Annuity With Purchase	\$ 5,599.22	Actuarial Factor	115.3097
Annuity Without Purchase	\$ 5,462.65	Number of months to recover the cost	116
Annuity Difference	\$ 136.57		





Erika Becomes Disabled

Erika



Employment



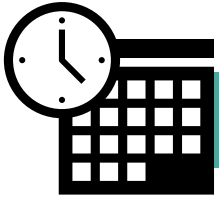
Membership



Earn Service Credit



Termination



20 Service Credit Years

Can Erika apply for
disability
retirement?



Online Resources

Erika



APPLYING for DISABILITY RETIREMENT

STEP 1 Prior to retirement:

- Form TRS 18 – Request for Estimate of Retirement Benefits. Complete and submit.
- TRS will mail retirement packet within 60 days.
- Watch Disability Retirement video.
- Review retirement options.
- Purchase service credit or transfer credit.
- TRS will provide a service credit purchase statement for eligible purchases.
- Optional: Schedule an appointment with a Benefits Counselor.
- TRS counselor will meet with you one-on-one to review your retirement estimate and guide you through the paperwork.

STEP 2 After receiving your retirement packet, submit:

- Form TRS 90A – Statement of Member in Claim for Disability Retirement.
- Form TRS 58 – Statement of Attending Physician in Claim for Disability Retirement.
- Form TRS 59 – Application for Disability Retirement.
- Form TRS 30 – Application for Service Retirement. Complete ONLY if eligible and wish to apply for service retirement in the event your disability retirement is not approved.
- Form TRS 278 – Direct Deposit Request.
- TRS processes request to ensure your annuity payment is delivered directly to your account.
- IRS Form W-4P – Withholding Certificate for Periodic Pension or Annuity Payments.
- TRS will use this to determine annuity payment Federal Income Tax Withholding.
- Driver's license or birth certificate for age verification.

STEP 3 Finalizing retirement:

- If you are currently employed by a TRS-covered entity, notify your employer of your intent to retire/terminate all employment with TRS-covered entities.
- TRS will contact your employer(s) near your retirement date to confirm your termination date and final salary information.
- TRS certifies retirement and annuity payment information. TRS sends a

This timeline is meant to be a general example of the disability retirement process.

TEACHER RETIREMENT SYSTEM

TRS BENEFITS HANDBOOK
A Member's Right to Know

October 2022

Disability Retirement

As a member, regardless of your age or years of service credit, you may apply for disability retirement if you are mentally or physically disabled from the further performance of your duty, and your disability is probably permanent. The TRS Medical Board must certify your disability. To certify a disability, the Medical Board reviews information provided by the member and the member's physician, along with clinical evidence such as medical history, diagnostic tests, and laboratory results.

- If you qualify for disability retirement and have at least 10 years of service credit, you are entitled to a monthly annuity that is not reduced due to early age.
- If you have less than 10 years of service credit, TRS provides a monthly disability retirement benefit of \$150 that is payable for the lesser of the number of months you have been covered by TRS, the duration of your disability, or your lifetime.

Applying for Disability Retirement

Prior to Retirement:

After Receiving Your Retirement Packet, Submit:

Finalizing Retirement:

Watch Video: Disability Retirement

DISABILITY RETIREMENT

Benefit Calculator

1 Instructions 2 Basic Information 3 Service Credit & Salaries 4 Calculation Results

Required Fields *

Basic Information

Benefit Type: Disability Retirement

Retirement Date:

Beneficiary Information

Whom do you plan to name as beneficiary at retirement?

Multiple Beneficiaries: ☐ Yes ☐ No

Beneficiary Relationship:

Beneficiary Date of Birth:

Beneficiary Gender:

[Tell me more about the Basic Information screen.](#)



Disability Retirement Eligibility

- Mentally or physically disabled from the further performance of duties; and
- Disability is probably permanent
- No age and years of service credit requirement

Less than 10 years of service

Monthly benefit of \$150 per month for the lesser of the number of months covered by TRS, duration of disability, or duration of life.

10 years of service or more

Monthly annuity not reduced due to early age. Optional annuity payments are available.



Disability Retirement Process

Erika



Medical Documentation Submitted to TRS

- Member statement
- Doctor statement



TRS Sends Documentation to TRS Medical Board

- Reviewed by board of three doctors
- Independent decisions



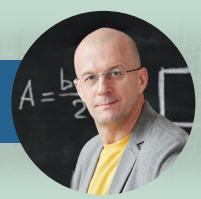
Medical Board Decisions Returned to TRS

- TRS updates internal systems
- Notifies member of decision



James Retires

James



Employment



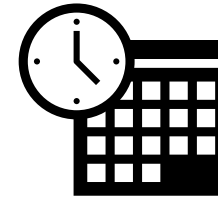
Membership



Earn Service Credit



Termination



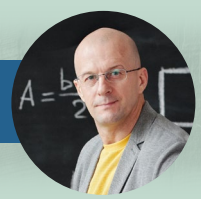
30 Service Credit Years

What options does
James have for
retirement from
TRS?



Retirement Considerations

James



How much income will James need to retire?



What health care plans are available?



What benefits will he elect for his beneficiary?

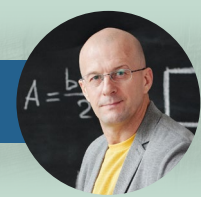


What are the Employment After Retirement guidelines?



Online Resources

James



Retirees and Beneficiaries

Pension Benefits

It's the reward you've been working toward. Your TRS membership provides lifetime payments at retirement or after 10 years of service credit for disability. Not many retirees can say that anymore. TRS explains the benefits, payment schedule, and death claims.

- 2023 Retiree Benefit Enhancements
- TRS Forms
- Pension Benefits - Home
- Benefits Handbook
- Intro to TRS Presentation (Video)
- Keep Your Information Current
- Annuity Payment Schedule

Employment After Retirement

Coming back to TRS-member employment after you retire through TRS could change your annuity payments. Whether you consider returning to your former employer or a different TRS employer, use this booklet to help you make the decision that is right for you and avoid any unexpected loss of annuity payments.

- Employment After Retirement
- Employment after Retirement Limits Chart

Retiree Health

At TRS, we're committed to providing quality health care. Comprehensive benefits include prescription drug coverage and more.

- TRS-Care for Non-Medical
- TRS-Care for Medical

Benefit Calculator

- Instructions
- Basic Information
- Service Credit & Salaries
- Calculation Results

Calculation Results

Retirement Date	01/31/2035
Beneficiary Relationship	Spouse
Beneficiary Age	51
Highest Average Salary	\$60,250.00
Years of Total Service	8
Total Service	$8 \times 2.300 = 18.40\%$ $\$60,250.00 \times 18.40\% = \$11,086.00$ Standard Annuity per Year (gross) $\$11,086.00 \div 12 = \923.83 Standard Annuity per Month (gross) Your annuity has been reduced to \$854.55 due to early age retirement. Your annuity would be \$923.83 if not reduced for early age.

Option Results

	Payment Option	12 Months-PLSO	24 Months-PLSO	36 Months-PLSO
Partial Lump Sum Option (PLSO)	N/A	N/A	N/A	N/A
Standard Annuity	\$854.55	N/A	N/A	N/A
Option 1	\$729.79	N/A	N/A	N/A
Option 2	\$787.21	N/A	N/A	N/A
Option 3	\$851.05	N/A	N/A	N/A
Option 4	\$840.88	N/A	N/A	N/A
Option 5	\$757.47	N/A	N/A	N/A

Request An Estimate

- Instructions
- Request An Estimate

Request An Estimate Instructions

View a Previous Estimate Request

No Estimates Found

Create a New Estimate

This activity will allow you to request an estimate of benefits from TRS. All requested information is required to provide you with accurate estimates. Be aware that no information is saved until you click the Submit button. Clicking the Submit saves your information and sends it electronically to TRS. To begin, choose the Benefit Type and click Start, otherwise click Cancel.

To ensure timely and quality service to our members, one estimate request per Benefit Type is allowed per fiscal year. For additional estimates or if you do not plan to retire in the current or the following school year, use the Benefit Calculator to estimate your future benefits.

Benefit Type *

Service Retirement

Start Cancel

TRS Member Education Videos

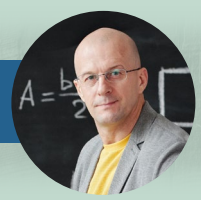
Welcome to the Member Education video series. These videos are intended to provide answers and information to the most commonly asked questions about TRS member pension benefits. If you are a new, mid-career, late career or a retired member, you'll find something useful in each video. During the course of your career and into retirement, it's important to know your benefits. Staying in touch with TRS and understanding your benefits will pay off in the long run.





Counseling Resources

James



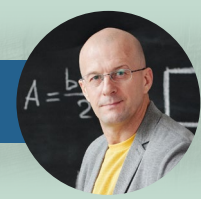
- Austin HQ ★
- El Paso Regional Office ★
- Field Office Visits 📍
- Telephone Counseling Center
- Virtual Visits
- Presentations





Retirement Eligibility

James



Service Retirement Eligibility

- Five years of service credit
- Meet age and service eligibility requirements
- Terminate employment

Membership Tier Importance

- Early-Age Retirement Eligibility
- Early-Age Reductions
- Normal-Age Retirement Eligibility
- Partial Lump Sum Option Eligibility

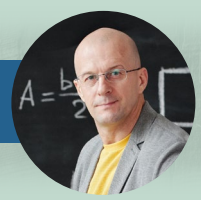
Tier Is Determined By

- TRS membership start date
- Amount of service credit on or by Aug. 31, 2014
- “Grandfathered” status



Retirement Formula

James



Years of
Service



2.3%



Highest
Average
Salary



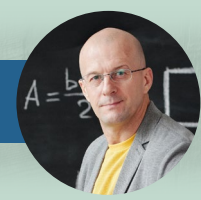
Monthly
Standard
Annuity

12 Months



Annuity Options

James



Standard Annuity

No Annuity Payment to Beneficiary

Option 1

100% Joint and Survivor Annuity

Option 2

50% Joint and Survivor annuity

Option 3

Guaranteed Period – 60 Monthly Payments

Option 4

Guaranteed Period – 120 Monthly Payments

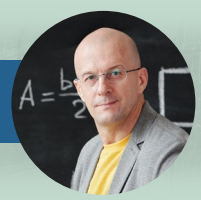
Option 5

75% Joint and Survivor Annuity



Partial Lump Sum Option (PLSO)

James



Partial lump payment at retirement for a permanently reduced monthly benefit

12-Month PLSO

Choice of one annual payment

24-Month PLSO

Choice of one or two annual payments

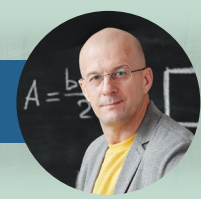
36-Month PLSO

Choice of one, two, or three annual payments



Retirement Process

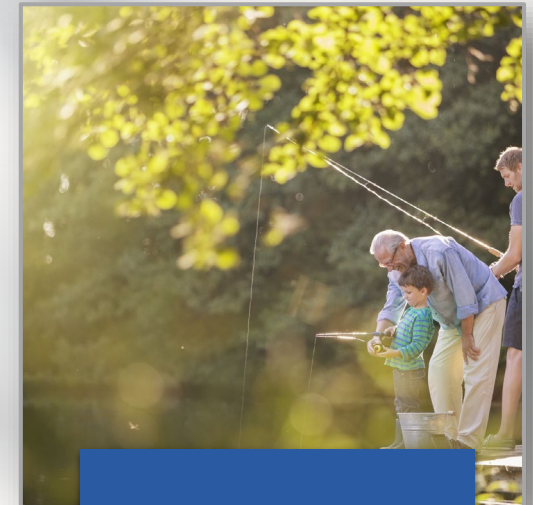
James



James goes online to *MyTRS* to request a retirement estimate and schedule an Office Visit appointment at the El Paso office.

During the appointment, James submits his application for service retirement, which sets his retirement date.

Employment is terminated and retirement certification confirms termination date and salary information.

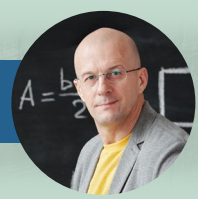


Retirement Annuity Begins



James Passes Away

James



Employment



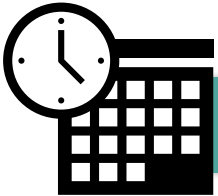
Membership



Earn Service Credit

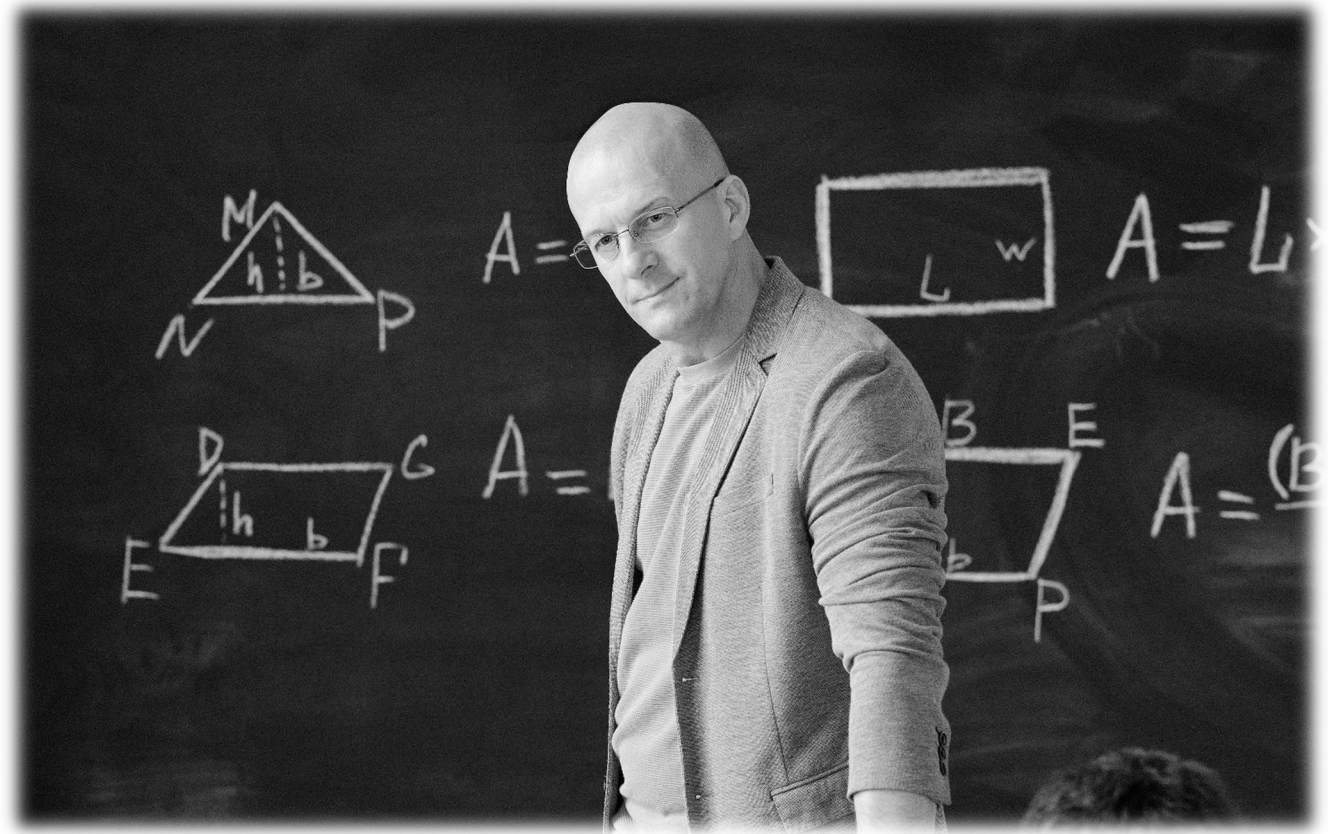


Termination



20 Years Later

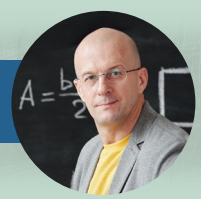
What is payable to James' beneficiary?





Survivor Benefits

James



Survivor benefits
are payable in
addition to any
optional
retirement
annuity payment

- \$10,000 lump sum payment; or
- \$2,500 lump sum payment plus a monthly payment (if beneficiary is a spouse or dependent parent)

- TRS survivor benefits are not life insurance payments and are taxable payments.

- A designation of a former spouse as beneficiary of the lump sum survivor benefits that was made before the date of divorce is revoked when TRS receives a certified copy of the divorce decree.



Recap of Member Journeys



Diego



James



Nicole



Erika





Questions



Questions?

TAB 5



TRS Health

Feb. 15, 2024

Presented By:

Katrina Daniel, Chief Health Care Officer

Meaghan Bludau, Chief of Staff, Health

Kyle McKay, Health Analytics Manager

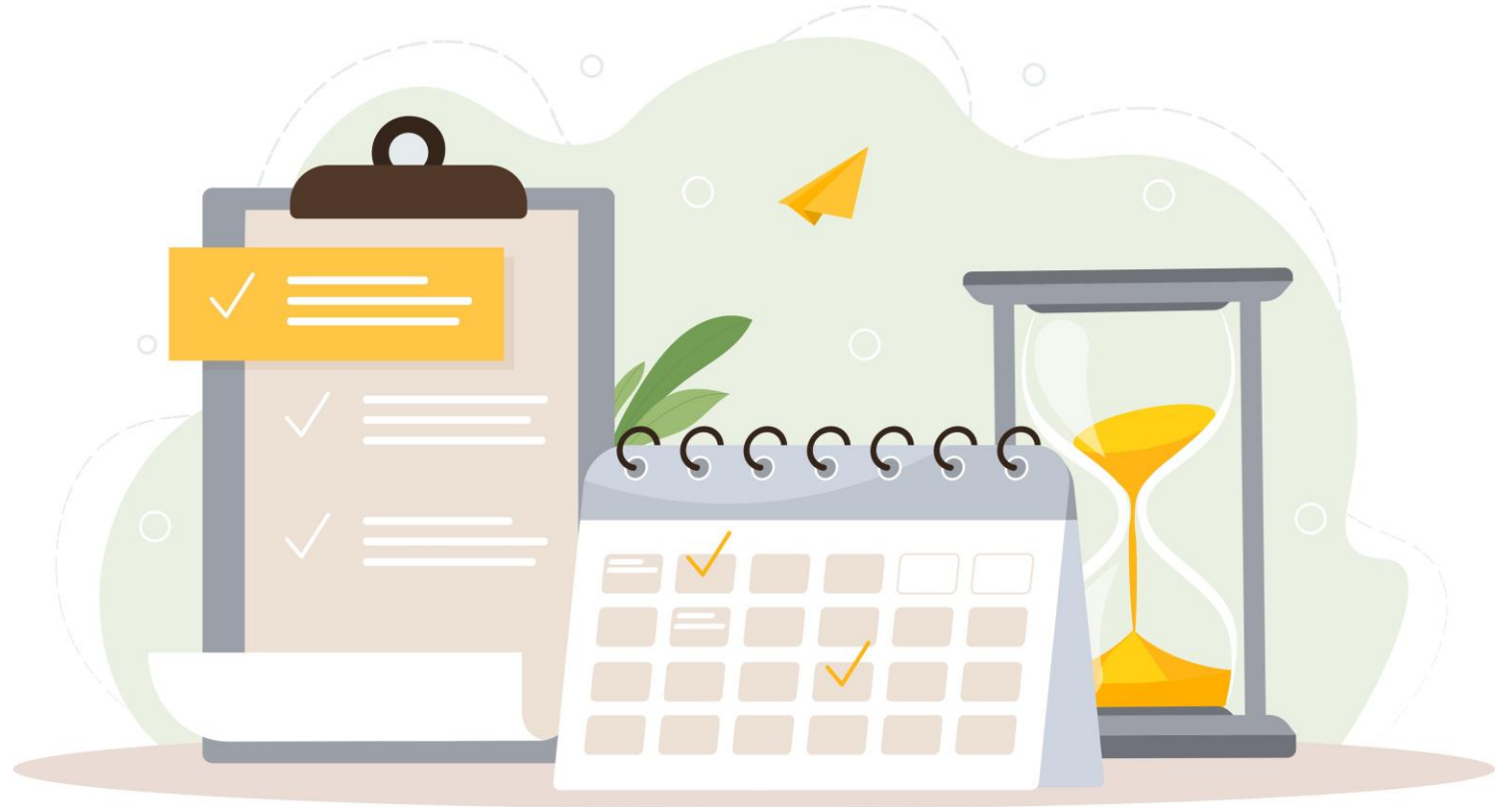




Agenda



- Highlights from the 2023 TRS Health Benefits Annual Report
- TRS-Care Dental and Vision Benefits Update
- Health Engagement Touchpoints and Key Milestones
- TRS Health Data Analytics



Welcome to the Next Generation of TRS Health

Quality Care. Exceptional Service. The Clear Choice for Texas Educators.





2023 Annual Report Highlights



TRS-ActiveCare

 **14%
LESS**

Most popular and affordable plan, TRS-ActiveCare Primary, is **14% lower cost** than comparable plans, before supplemental funds

 **99%
STAYED**

99% of participating **employers chose TRS-ActiveCare as their health plan**, despite the option to leave; for the 2024-25 plan year, the plan will see growth of **10 new employers**

 **1/2
OF PEERS**

We kept our **cost growth** at **half that** of our peers

TRS-Care

 **STAYED
THE COURSE**

TRS-Care **premiums remained steady** for the seventh plan year in a row

21 **IN-PERSON
HEALTH FAIRS**

Hosted **21 in-person health fairs** over seven weeks across **21 cities** with about **3.5K attendees**—three times more than 2022

14 **ONLINE
EVENTS**

Hosted **14 live, online events** with about **3K attendees**, two times more than 2022

 **21
PER PARTICIPANT**

4.2M engagement touchpoints, equating to **21 touchpoints per participant**



Providing High-Value Benefits Tailored to Educators



ACTIVE POPULATION

Gender Demographics: *2/3 enrolled are females*

- Average age of 44
- Difficulty getting away for care during the day
- Likely to have children on plans



Tailored Benefits

- Telemedicine
- Back & Joint Pain Therapy
- Mental Health
- Prenatal Care
- Family Coverage



Providing High-Value Benefits Tailored to Educators — Continued

RETIRED POPULATION

Demographics of Policy Holders: 2/3 of policy holders are female with an average age of 72.

- Greater reliance on health benefits
- Need a large network of providers



Tailored Benefits:

- Member Outreach
- Preventive Health Education
- Telemedicine
- House Calls Program
- Broad Network Access



TRS High-Value Benefits Update (FY 2024)



KEY ENHANCEMENTS INCLUDE:

- **Express Scripts** new pharmacy benefits manager
- **Accredo Specialty Pharmacy** for chronic or genetic conditions
- **Smart90 Pharmacy** for free delivery of maintenance medications

TRS-ActiveCare

Primary Plans Cost Reductions
of out-of-pocket expenses

Teladoc \$0 virtual mental
health visits

4 New Rx District Ambassadors
for Express Scripts

TRS-ActiveCare and TRS-Care Standard

Headway Platform to find mental
health providers at no extra cost

Ovia Health expanded support for
menopause

SaveOnSP copay assistance for
specialty medications

TRS-Care

Senate Bill 1854 (SB 1854)
allows TRS to offer optional
vision and dental benefits to
eligible TRS retirees starting
Jan. 1, 2025

**Let's Move by
UnitedHealthcare** encourages
physical exercise and whole
health for TRS-Care Medicare



Increasing Value by Managing Costs



**KEEPING LOW
ADMINISTRATIVE
COSTS**

< 3%

of funds went to administrative costs.

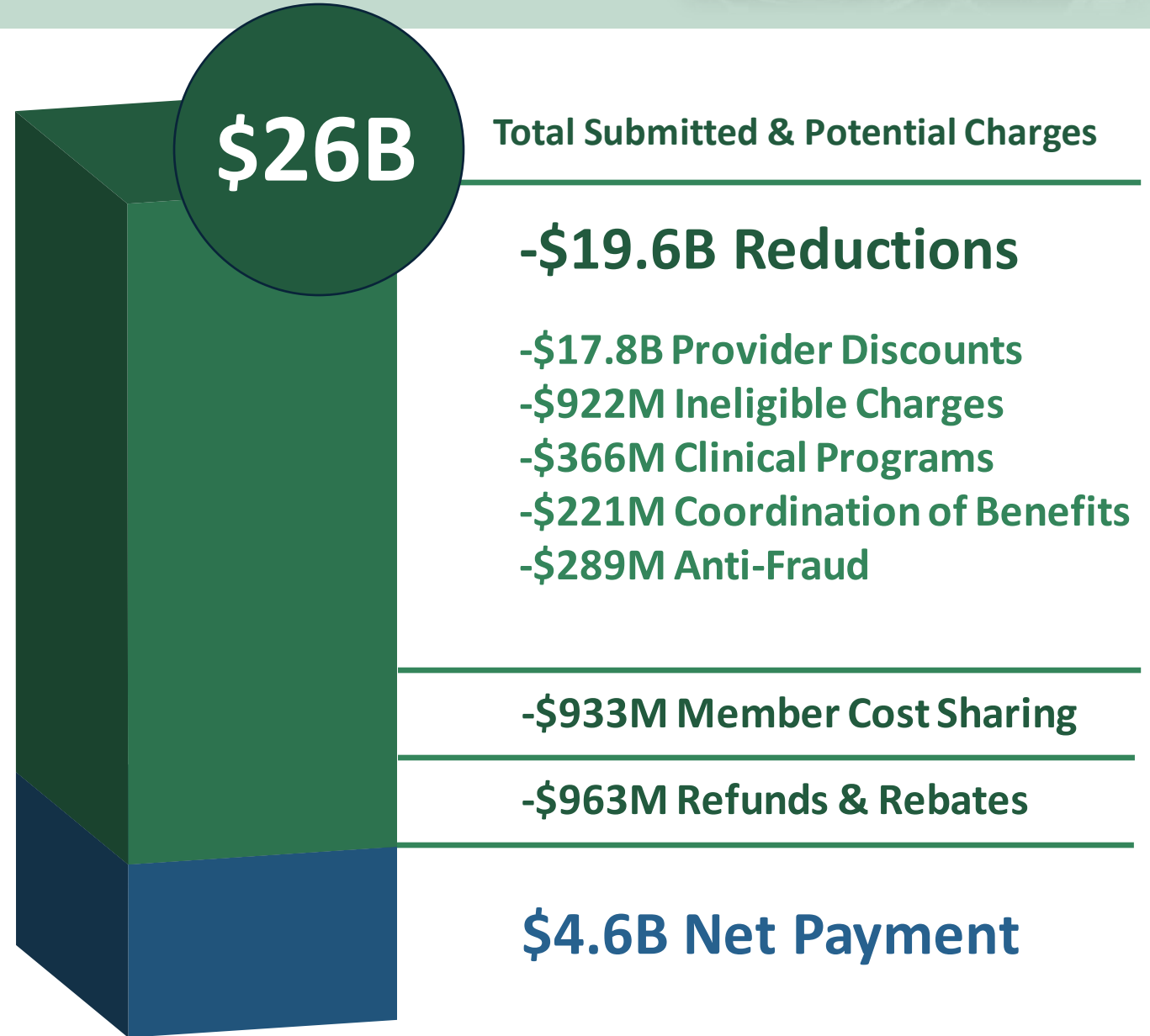




Increasing Value by Managing Costs – Continued

**TRS saved
\$21.5 billion**

in fiscal year 2022 through cost
containment strategies.





Engaging and Supporting District Leaders



TRS actively supports the employers searching for coverage. **During our transition we...**

- Made 31 touchpoints per district
- Offered comprehensive data for districts to make the best choice
- Offered resources for district leaders to make their own comparative analysis

“

What I love about working with TRS-ActiveCare is our representatives are hands-on. They provide a wealth of resources to help us reach our goals.

”

DANICA MURILLO

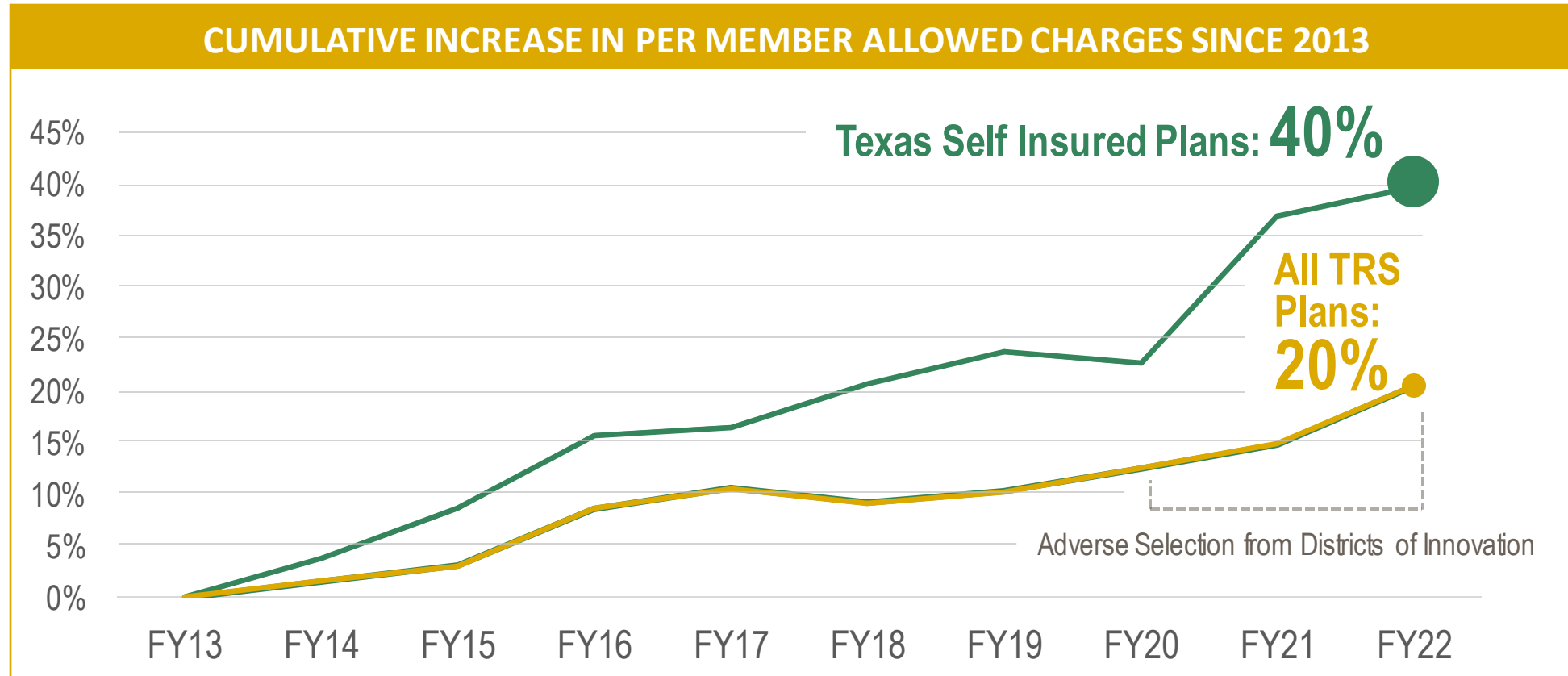
Deputy Chief of Human Resources, Seguin ISD



Cost Growth is 50% Lower Than Texas Peers



Without adverse selection, TRS total costs would have an even lower cost growth rate.

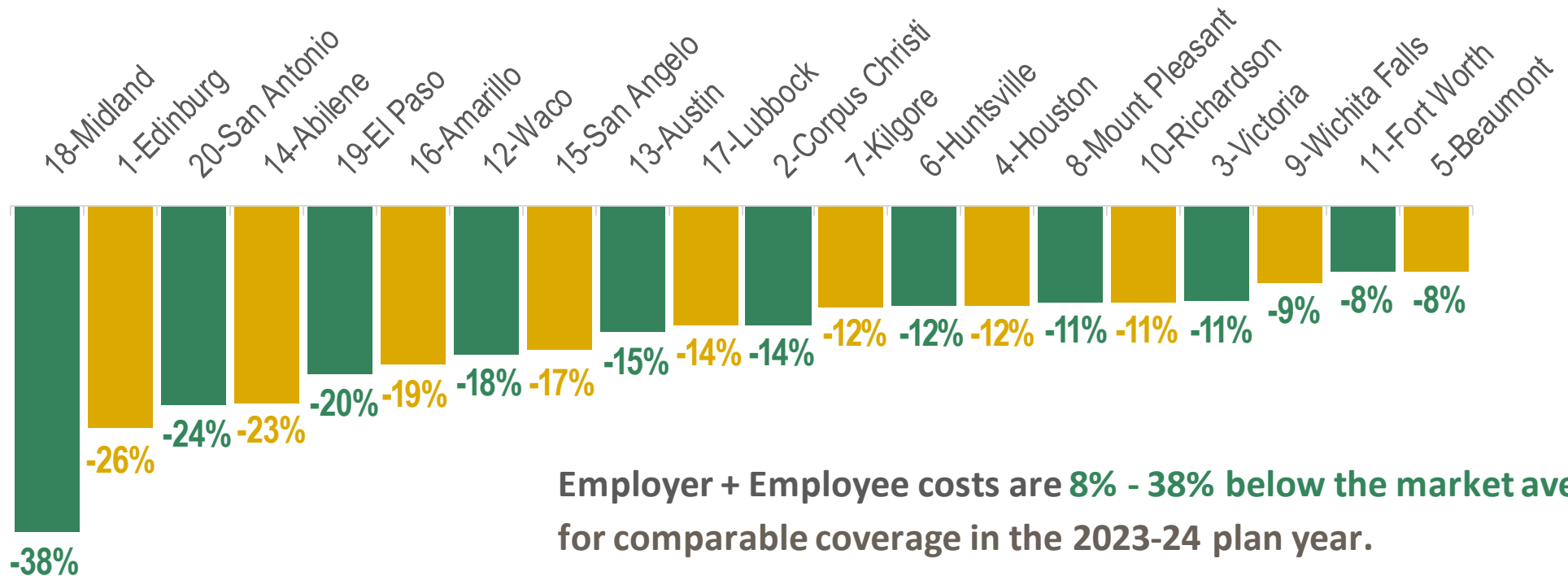


Note: Allowed charges represent the cost to both the plan and participants. TRS plans include all self-insured plans. Milliman data for Texas-ASO does not include pharmacy rebates. Excluding rebates from TRS All Plans would increase cumulative growth to 27%. This comparison does not adjust for changes in plan design or demographics over time.



TRS-ActiveCare: A Great Value for Employers in 2023-24

TRS-ActiveCare is the lowest cost option in all regions of the state.

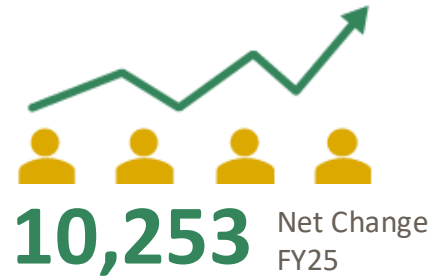


Employer + Employee costs are **8% - 38% below the market average** for comparable coverage in the 2023-24 plan year.

ESC regions 3 and 9 have very limited employee counts for employers outside of TRS-ActiveCare. Percentage difference reflects the difference between the total premiums charged by TRS to employers combined with the average member out of pocket costs compared to the premiums and member out-of-pocket costs for non-participating plans. Supplemental funds provided to TRS are not included in the cost of TRS plans here because they are not passed onto employers. TRS-ActiveCare comparison excludes AC-2 because this plan is not open to new membership.



TRS-ActiveCare After Senate Bill 1444

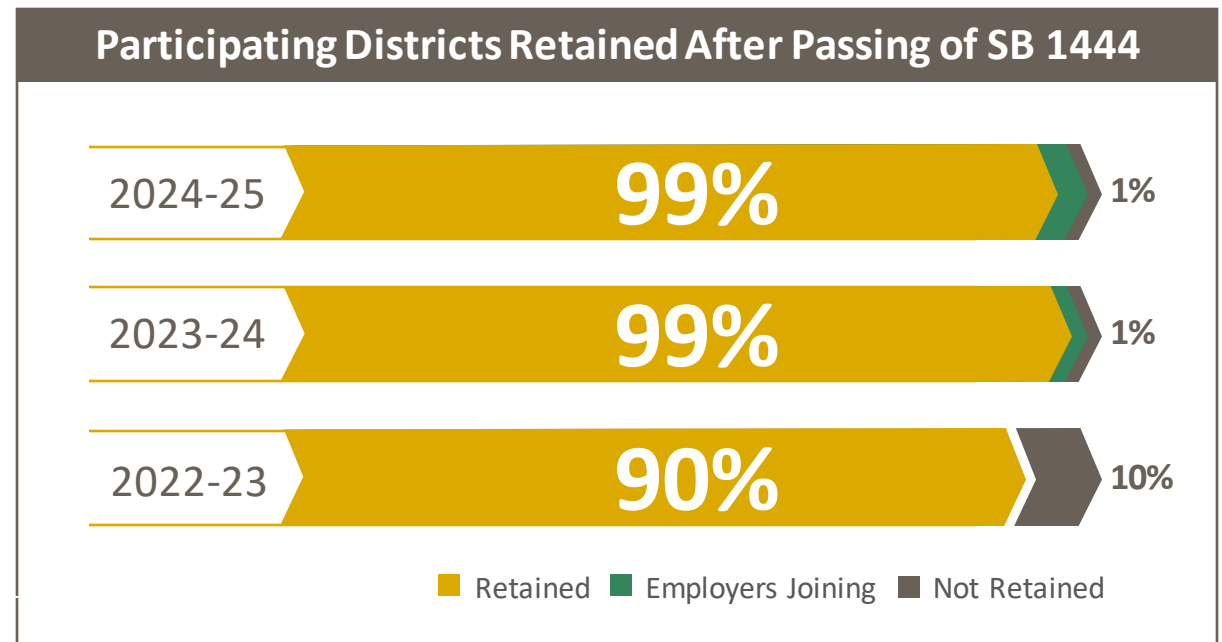


10  IN
Employers Joining

1  OUT
Employer Leaving
(a total of 4 sites)

- Employee enrollment increase of about 3.7% for plan year 2024-25
- In plan year 2024-25, **for every employee that leaves the plan, approximately 60 employees join**

Enrollment estimates for FY25 are based on Jan. 1, 2024, enrollment data.





Reducing Employee Share of Total Cost



Legislative appropriation, led by TRS, will significantly improve employee affordability for 2024-25.

- **\$638M** supplemental federal appropriations for 2022-23 biennium
- **\$589M** supplemental state appropriations 2023-24 biennium
- **State and federal funds helped** TRS **maintain or lower premiums** for employers.
- **\$1,200** average annual savings for educators in fiscal year 2024



Even Without Supplemental Funding, TRS-ActiveCare is a Great Value

Comparing TRS' lowest cost plan, TRS-ActiveCare Primary, to plans that pay for a similar percentage of total costs reveals that this plan is **14% lower than comparable plans in the market.**





TRS-ActiveCare Comparison of Non-Employee Sources of Funding

SUPPLEMENTAL FUNDING FOR 2023-24 BRINGS NON-EMPLOYEE SOURCES OF FUNDING CLOSER TO PEERS

Average Employer Contribution Pub Ed U.S. Single Coverage

\$595

National Average Employer Contribution For Single Coverage

\$586

Average Employer Contribution Texas Districts Outside TRS-ActiveCare

\$442

Average TRS-ActiveCare Employer Contribution + Supplemental Appropriation

\$416

Average TRS-ActiveCare Employer Contribution

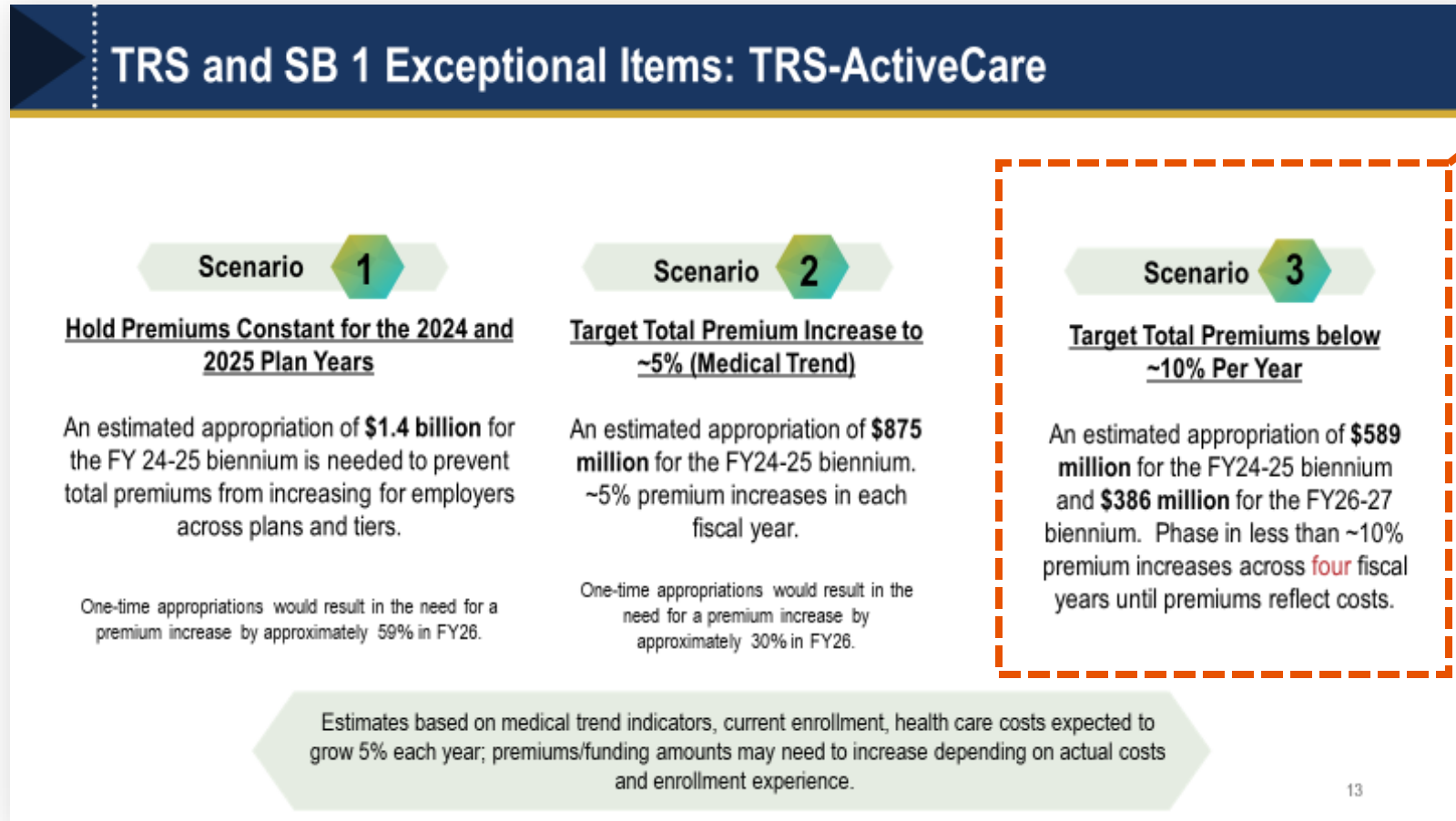
\$337



TRS-ActiveCare Estimate for FY26-27 Remains Stable



FEB. 6, 2023 PRESENTATION TO SENATE FINANCE COMMITTEE



TRS was appropriated \$589 million in GAA to limit rate increases.

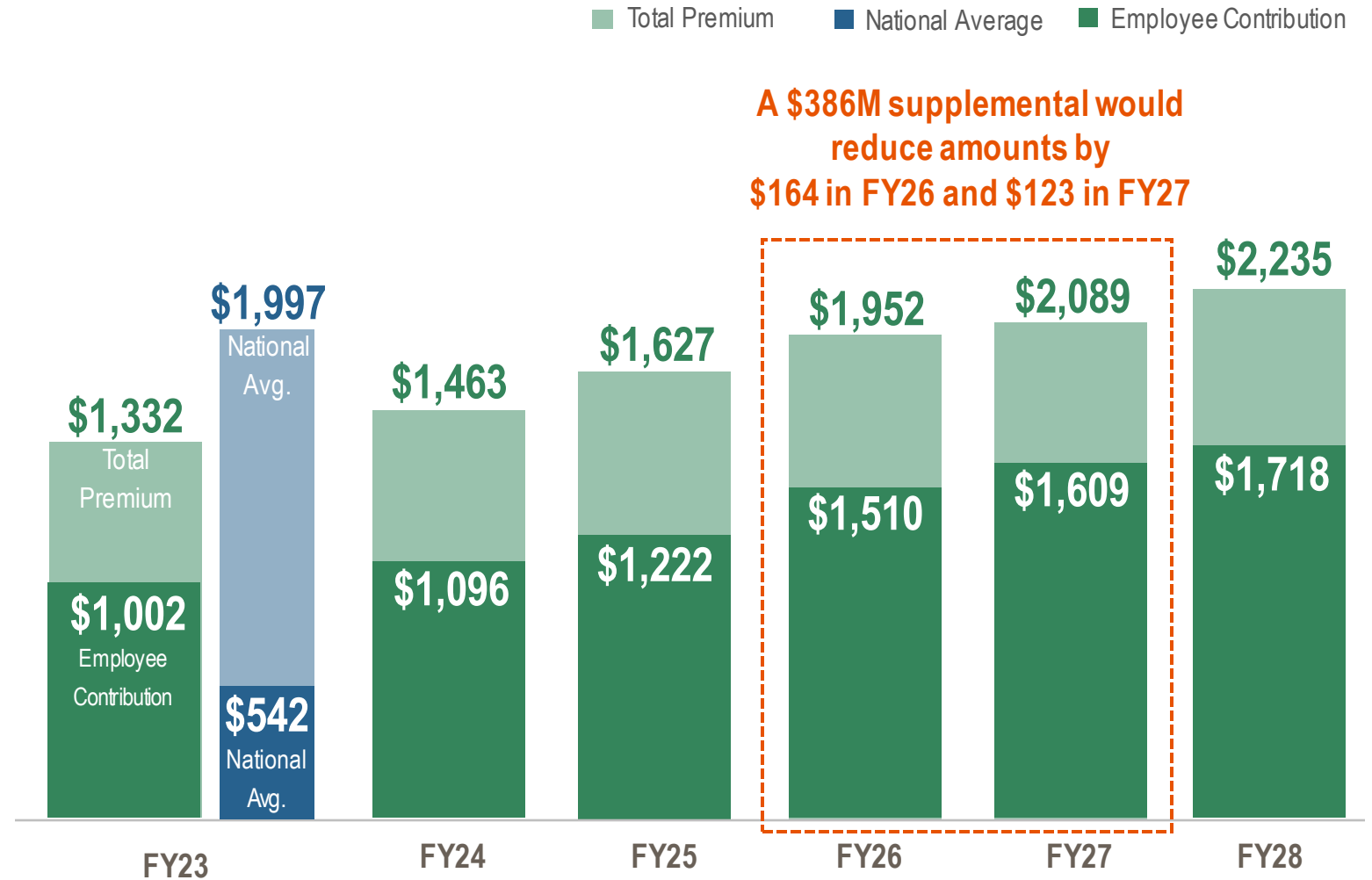
October 2023 estimate to keep rate increases below 10% for FY26-27 would still require \$386M. This could grow to \$450M if we experience significant growth in high-cost employers.



TRS-ActiveCare: Affordability for Employees



- TRS prepares an affordable package for employers. In FY23, total premiums were lower than the national average.
- Due to funding constraints, employee contribution is close to double when comparing to the national average.
- In future years, using supplemental funding and bringing employer contributions closer to the national average can help reduce the employee cost impact.



Note: FY26-27 Assumes No Supplemental Appropriation. Employer contributions are expected to grow at the same rate as they did between FY23 and FY24.



TRS-Care Enrollment Overview — Fiscal Year 2023

Enrollment Numbers

- TRS-Care Medicare Participants

155K

- TRS-Care Standard Participants

63K

Enrollment Trends in TRS-Care Standard

- Typical increase in enrollment each September
- **6%** increase from August to September 2023
- **74%** of enrollments from transitioning TRS-ActiveCare members

Enrollment Trends in TRS-Care Medicare

- Typical increase in enrollment every June
- Increases due to transitions from TRS-ActiveCare and TRS-Care Standard

Returning to TRS-Care

- Unique TRS-Care reenrollment applications

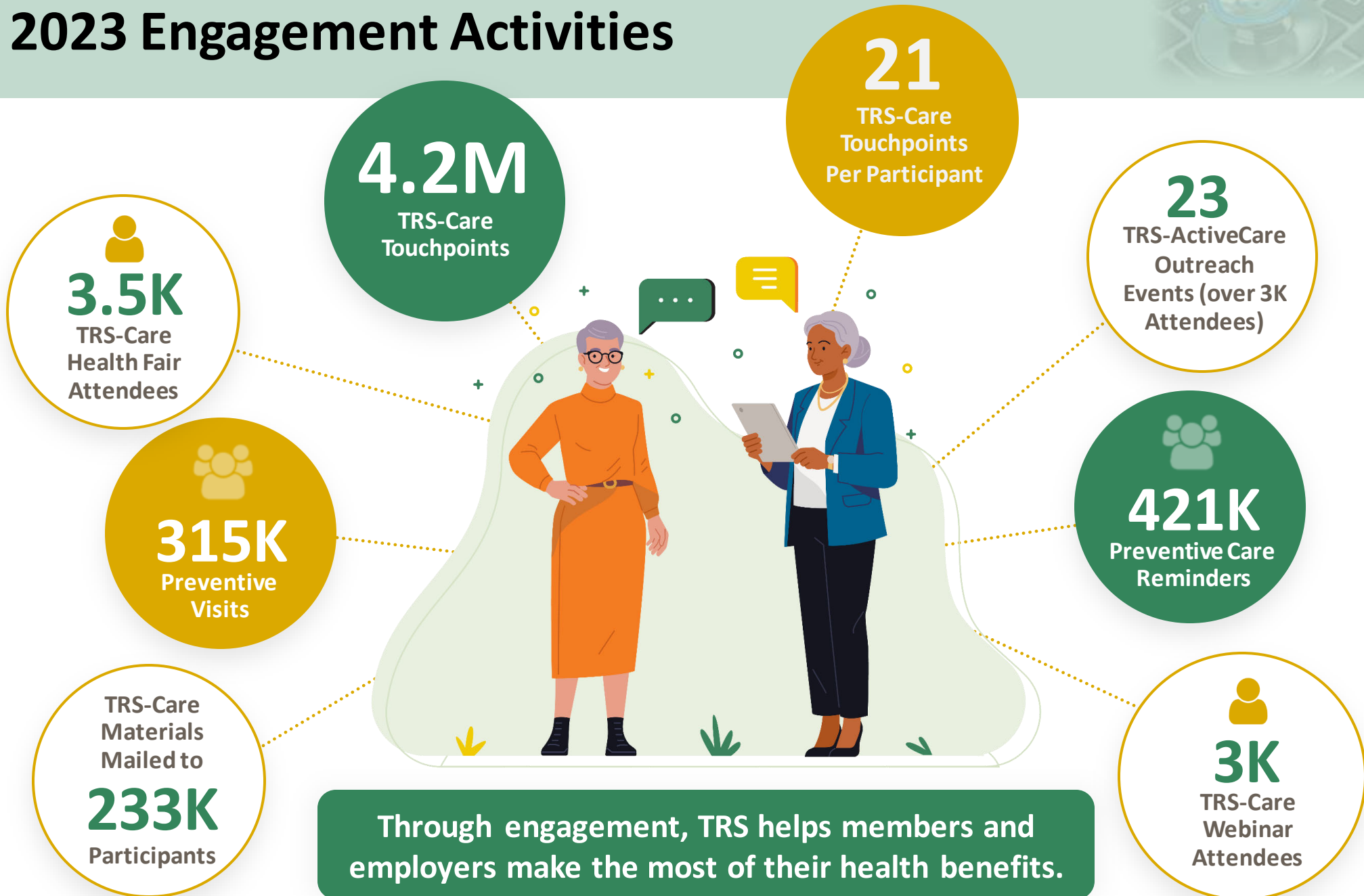
910

- Retirees & family members reenrolled in TRS-Care Medicare

491



2023 Engagement Activities





Dental and Vision Benefits for TRS-Care



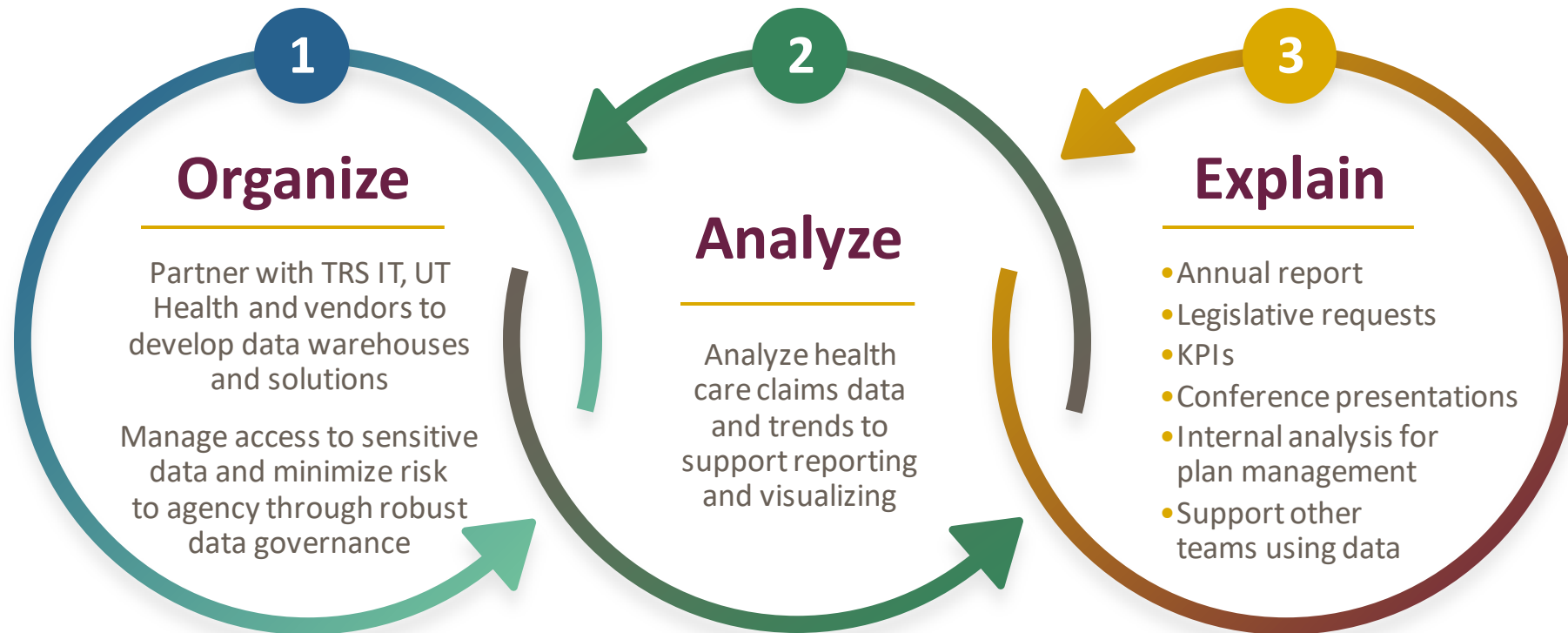
- **Jan–Dec 2024:** Member Communication and Engagement
- **May 2024:** Rules Adopted and Contract Awarded at Board Meeting
- **July 2024:** Rates and Benefits Approved at Board Meeting
- **Fall 2024:** Member Enrollment
- **Jan 1, 2025:** Coverage Starts





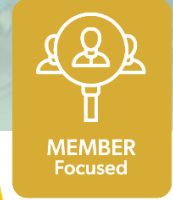
Enhanced Health Analytics Allows for In-Depth Annual Report

What Does Health Analytics Do?

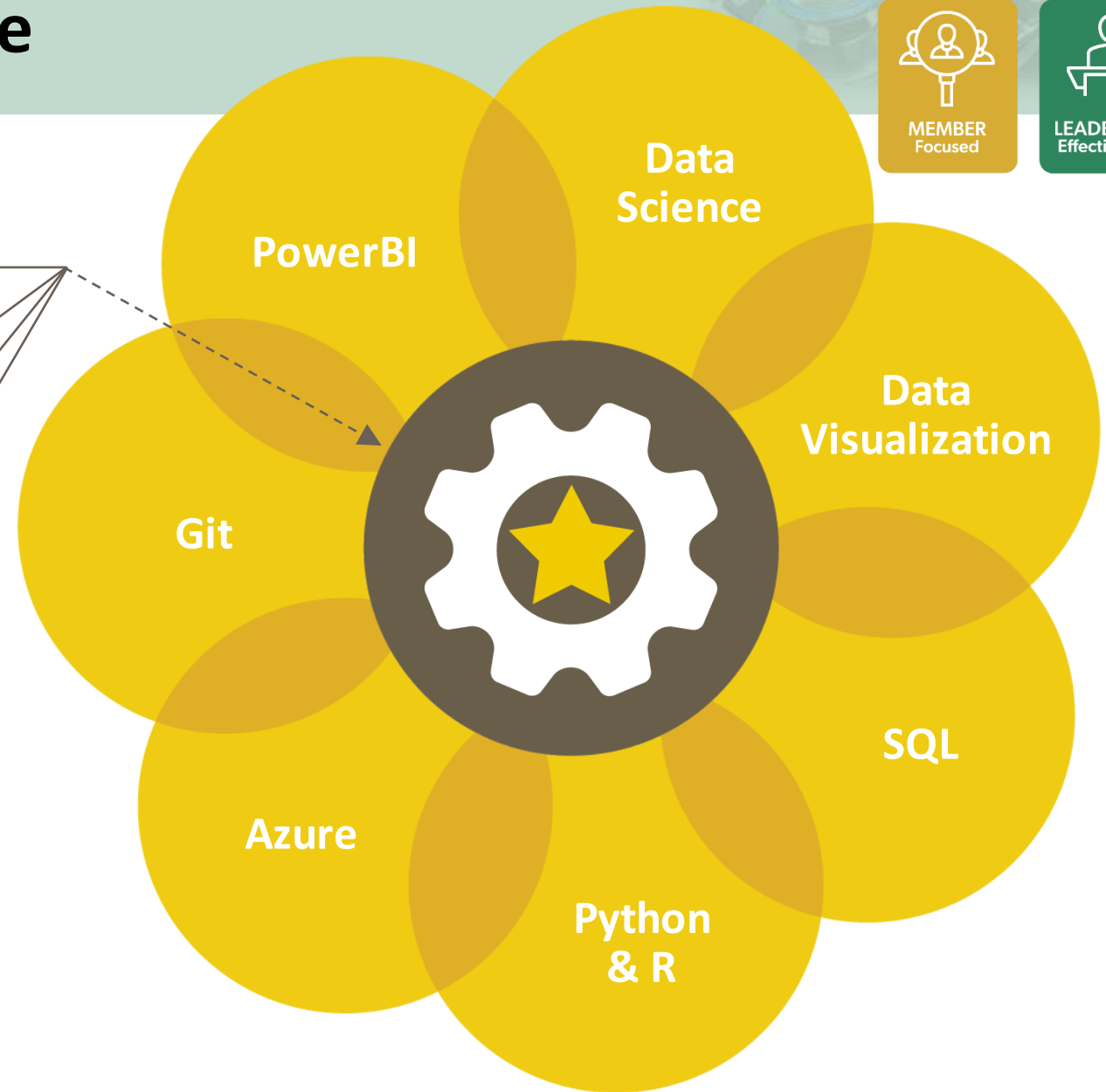




Health Analytics Expertise

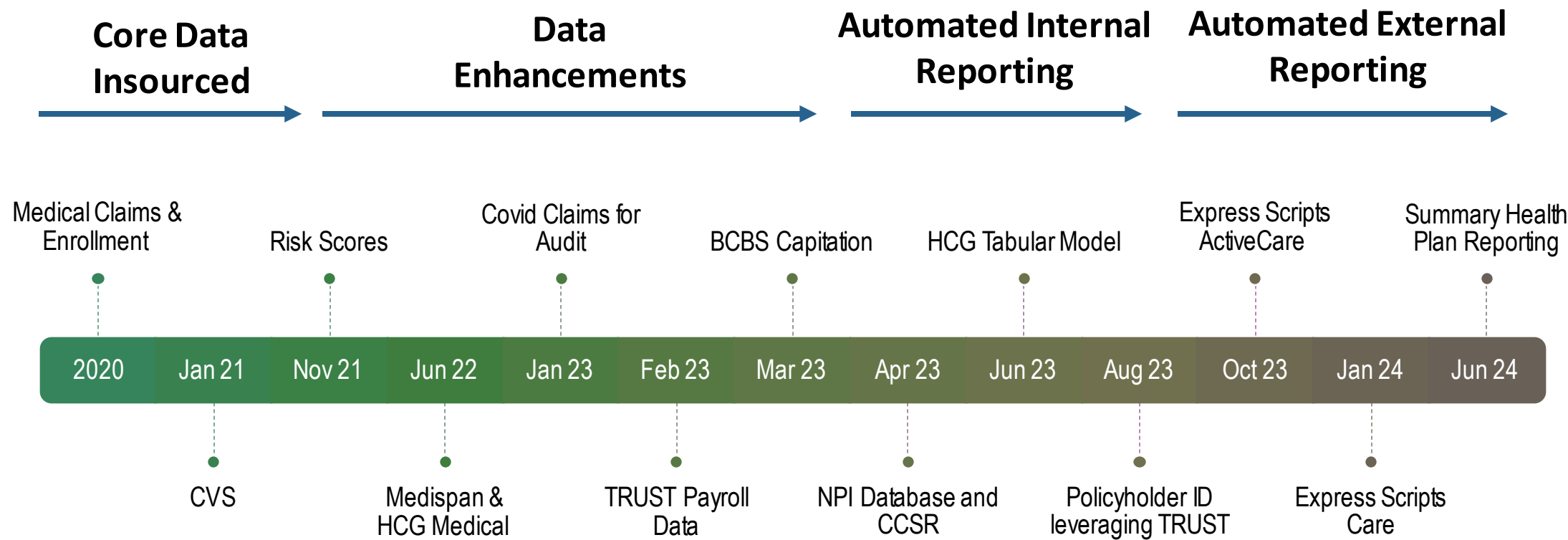


- 70 years of combined data and health care experience
- Six master's degrees
- Three former intern applicants
- Two employees with classroom experience





Building Internal Data Warehouse: Increasing Data Maturity





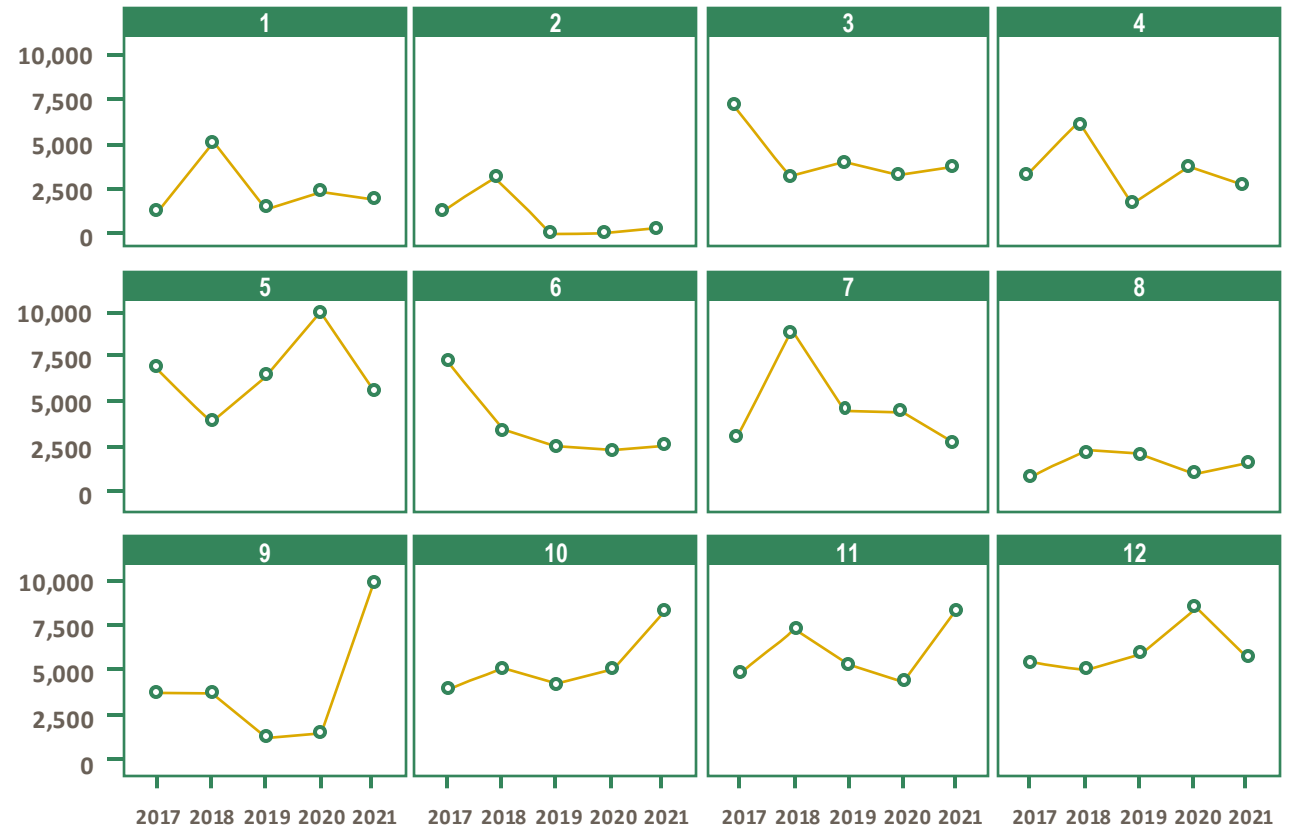
Better Data = Lower Risk



- Employers and members pay a premium for TRS to assume the risk of paying for their claims
- To price this risk appropriately, we need a detailed understanding of trends for similar populations
- We also need to understand and manage emerging cost trends
 - Adverse selection
 - Increases in prices
 - New medical drugs or technologies in the market
 - Unexpected increases in utilization

Timely & accurate data and analysis is essential to identifying and managing these risks

Per Member Per Year Medical Costs at 12 Random Districts



Medical only, excludes HMO enrollment, 12 districts randomly sampled among those with data for all five years. Based on allowed amounts.

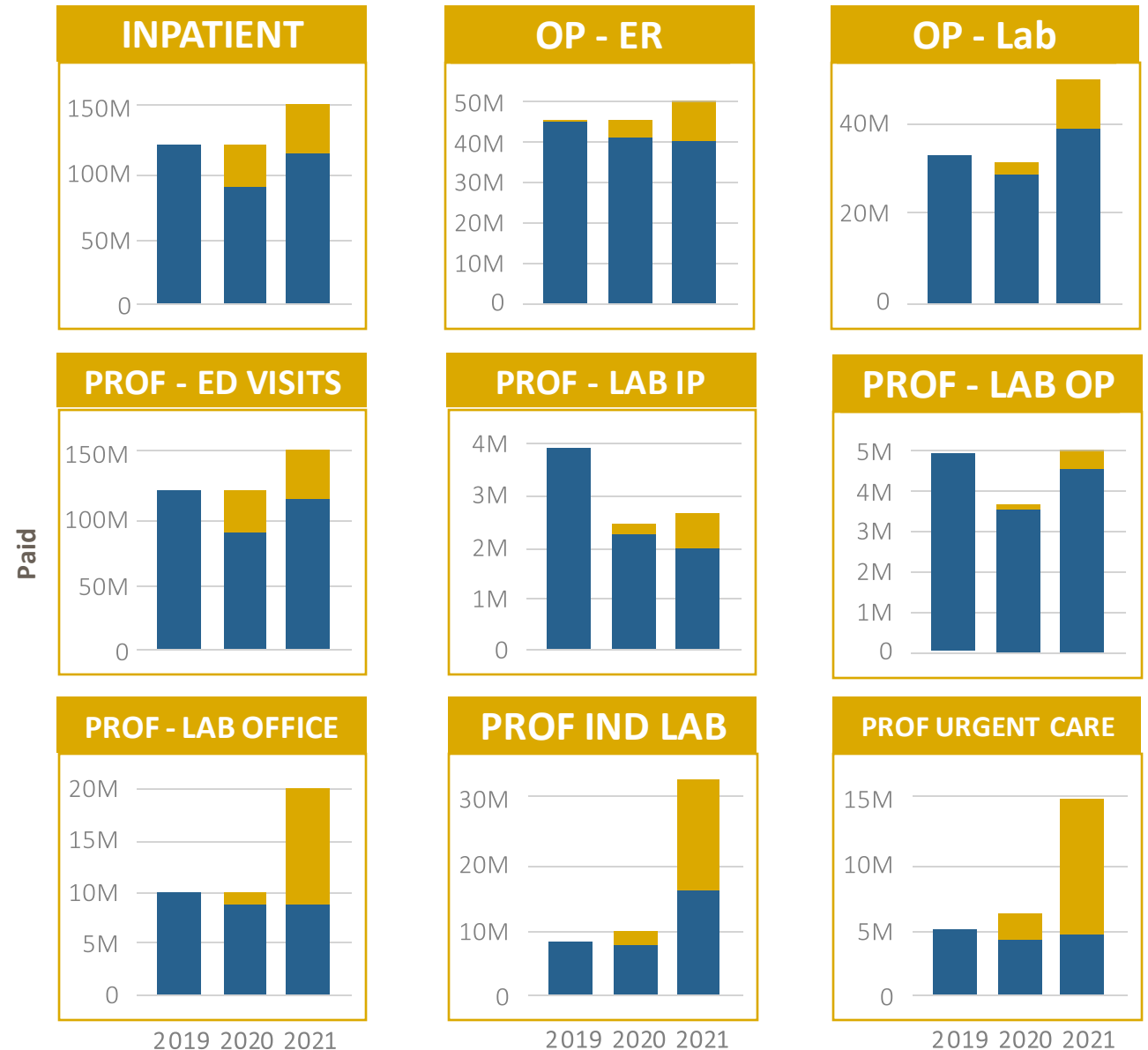


How Data Helped Us Identify and Target Covid-19 Costs

Enhanced analytics & data allowed us to match claims to federal grant funding & receive **\$721M in appropriations to offset covid costs and reduce premiums**

- Claims data available at a granular level allowed TRS to quantify the impact of the pandemic
- This supported requests and appropriation decisions related to federal grants
- \$721M appropriation + audit by Governor's office with no findings

Resulted in lower premiums for educators





How Data Helped Us Identify and Manage Cost Impact of Adverse Selection

Analysis by Employee and District Identified Cost of Adverse Selection

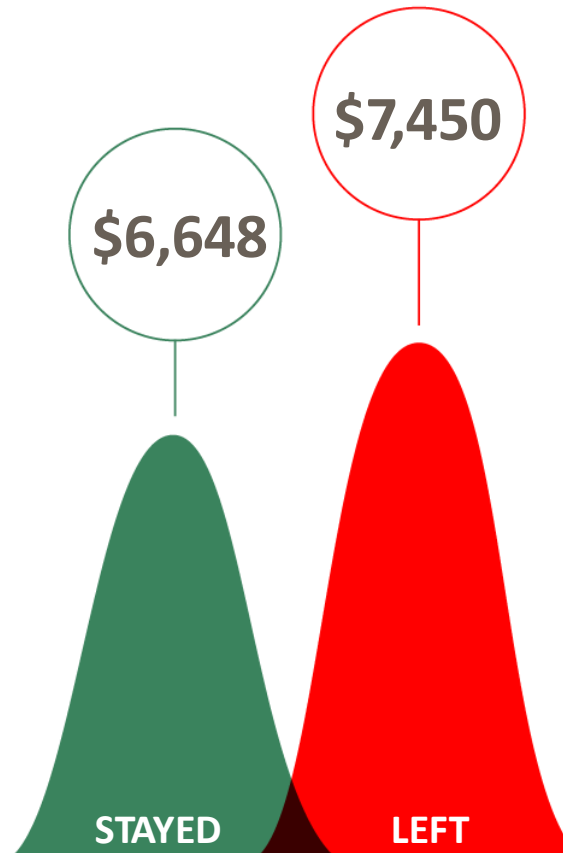
Identified financial impact of districts of innovation in partnership with actuaries

Issue solved as part of SB 1444 which reinforced prohibition on competing coverage

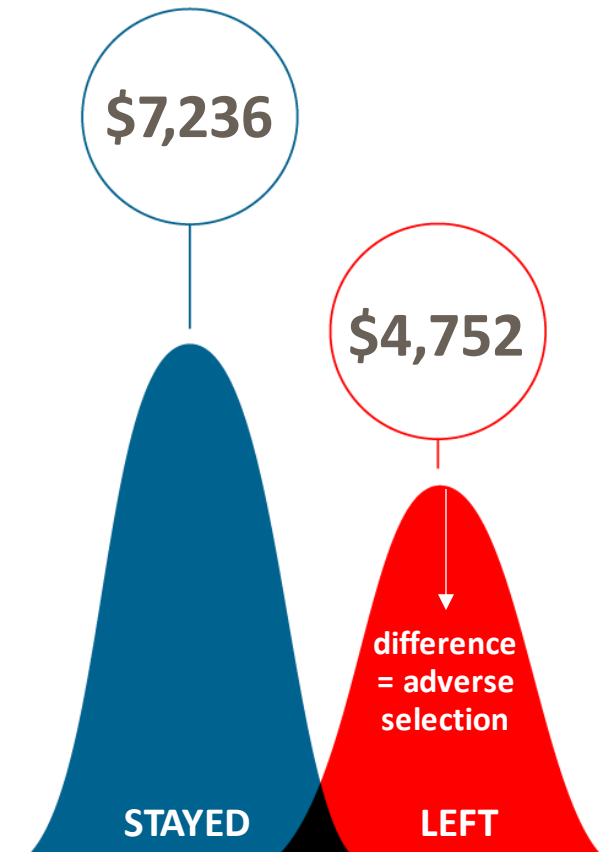
Average Per Employee Per Year Cost

Competing Coverage Left TRS-ActiveCare with Higher Cost Employees

NO Competing Coverage



Competing Coverage

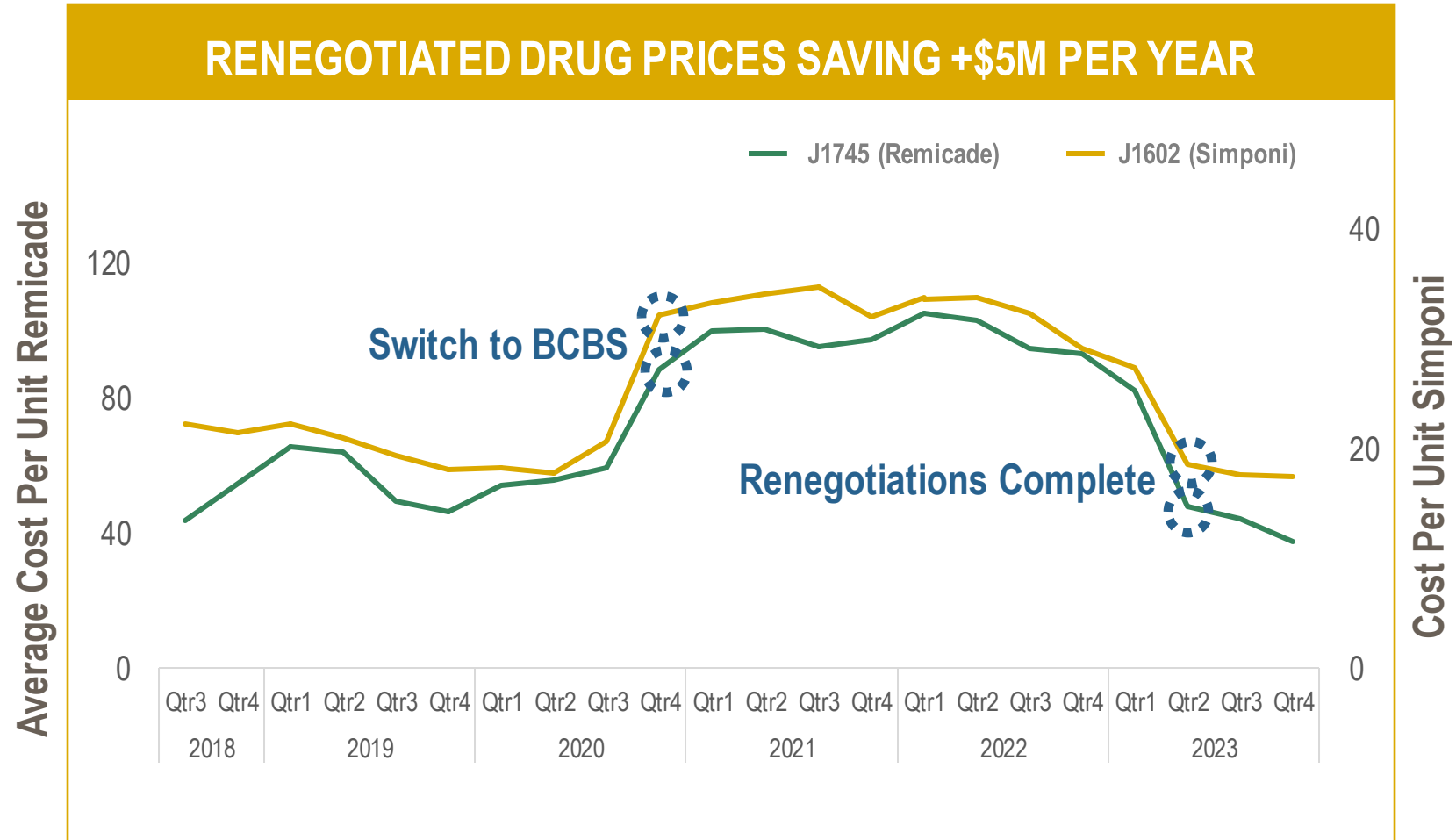




How Data Helped Us Identify Cost Growth & Lower Prices

- The switch to BCBS generated substantial savings due to lower prices
- Analytics verified changes in prices across thousands of procedures
- We identified a few high-cost drugs where pricing deteriorated


BCBS renegotiated prices effective early 2023 at the request of TRS, generating \$5M in savings per year for these two drugs alone





Conclusion

By harnessing the power of data, we have shown that, in 2023, TRS has

- 
- Consistently outperformed competitors
 - Expanded its reach and engaged more Texas districts
 - Supported retired educators through new legislation
 - Expanded services for participants and those eligible for care



TRS Health is the clear choice for Texas educators.

Appendix — TRS-ActiveCare Fund Balance Projection

TRS-ActiveCare Fund Balance Projection Financial History and Projection through FY2027 as of Aug. 31, 2023

Fiscal Year	Contributions							Expenditures					Ending Balance (Incurred Basis)
	State/District Contributions	Supplemental Appropriations	Employee Contributions	HMO Contributions	LTC	Other Income	Total Revenue	Medical Incurred	Drug Incurred (includes Rebates)	HMO Premium Payments	Administrative Costs	Total Expenses	
FY 2003	\$409,407,553		\$175,165,299	\$0	\$0	\$2,456,654	\$587,029,506	\$473,450,544			\$44,140,954	\$517,591,498	\$136,293,600
FY 2004	\$364,167,552		\$353,684,461	\$0	\$0	(\$38,041,707)	\$679,810,306	\$520,998,423			\$54,734,179	\$575,732,602	\$240,371,304
FY 2005	\$401,876,520		\$379,275,180	\$0	\$0	\$8,949,525	\$790,101,225	\$663,361,138			\$55,264,847	\$718,625,985	\$311,846,544
FY 2006	\$420,918,887		\$391,079,168	\$0	\$0	\$18,650,516	\$830,648,571	\$708,972,484			\$54,587,233	\$763,559,716	\$379,198,205
FY 2007	\$458,147,275		\$422,804,390	\$58,742,363	\$184,937	\$26,062,826	\$965,941,792	\$659,478,760	\$141,670,202	\$58,742,363	\$49,953,608	\$909,844,933	\$435,295,063
FY 2008	\$503,908,813		\$524,423,466	\$68,204,743	\$186,844	\$21,226,534	\$1,117,950,400	\$788,240,087	\$163,916,252	\$68,204,743	\$56,413,758	\$1,076,774,840	\$476,470,624
FY 2009	\$542,055,282		\$565,305,545	\$64,820,440	\$187,813	\$11,662,967	\$1,184,032,047	\$934,733,927	\$187,913,031	\$64,820,440	\$62,796,381	\$1,250,263,779	\$410,238,892
FY 2010	\$598,289,950		\$667,574,367	\$64,532,253	\$125,321	\$6,485,597	\$1,337,007,488	\$1,092,107,916	\$221,006,281	\$64,532,253	\$69,789,802	\$1,447,436,252	\$299,810,127
FY 2011	\$657,163,904		\$813,516,808	\$76,270,706	\$135,917	\$3,454,435	\$1,550,541,770	\$1,242,673,156	\$267,417,825	\$76,270,706	\$75,920,783	\$1,662,282,470	\$188,069,427
FY 2012	\$695,964,277		\$964,264,139	\$89,706,406	\$136,325	\$1,769,647	\$1,751,840,794	\$1,450,574,875	\$268,328,770	\$89,706,406	\$85,522,832	\$1,894,132,884	\$45,777,337
FY 2013	\$696,866,543		\$1,010,749,438	\$100,905,703	\$137,630	\$822,600	\$1,809,481,913	\$1,512,262,090	\$272,807,678	\$100,905,703	\$87,254,903	\$1,973,230,373	(\$117,971,123)
FY 2014	\$690,143,479		\$1,083,838,126	\$154,913,860	\$139,608	\$1,019,813	\$1,930,054,886	\$1,242,335,376	\$279,499,612	\$154,913,860	\$112,495,803	\$1,789,244,650	\$22,839,113
FY 2015	\$711,336,225		\$1,054,420,572	\$178,192,468	\$141,534	\$1,632,623	\$1,945,723,422	\$1,301,110,229	\$264,145,730	\$178,192,468	\$137,298,832	\$1,880,747,259	\$87,815,276
FY 2016	\$719,495,387		\$1,124,339,259	\$217,184,160	\$156,054	\$3,279,039	\$2,064,453,900	\$1,430,266,708	\$325,475,512	\$214,529,160	\$128,446,902	\$2,098,718,282	\$53,550,894
FY 2017	\$754,034,435		\$1,141,916,735	\$230,628,896	\$145,792	\$4,844,126	\$2,131,569,985	\$1,426,394,600	\$306,703,364	\$227,088,896	\$127,129,189	\$2,087,316,049	\$97,804,829
FY 2018	\$934,605,313		\$1,003,203,754	\$240,692,840	\$110,090	\$7,033,199	\$2,185,645,196	\$1,589,245,112	\$275,730,514	\$237,386,929	\$124,795,087	\$2,227,157,640	\$56,292,384
FY 2019	\$1,049,243,657		\$881,998,119	\$246,513,026	\$146,090	\$11,162,989	\$2,189,063,880	\$1,459,520,631	\$254,168,852	\$243,198,667	\$123,514,885	\$2,080,403,035	\$164,953,230
FY 2020	\$1,035,176,542		\$870,173,250	\$260,364,669	\$145,265	\$8,121,853	\$2,173,981,579	\$1,522,489,616	\$271,480,529	\$256,850,839	\$119,814,483	\$2,170,635,466	\$168,299,343
FY 2021	\$1,011,525,120		\$850,291,777	\$176,981,437	\$142,718	\$1,853,676	\$2,040,794,727	\$1,615,822,471	\$285,092,897	\$173,297,782	\$78,637,967	\$2,152,851,116	\$56,242,954
FY 2022	\$1,033,743,632	\$638,337,761	\$868,968,740	\$149,833,982	\$0	\$1,656,095	\$2,692,540,210	\$1,690,700,579	\$293,845,034	\$146,752,232	\$69,945,345	\$2,201,243,189	\$547,539,975
FY 2023	\$952,097,761		\$800,336,918	\$85,603,456	\$0	\$27,739,321	\$1,865,777,457	\$1,683,988,310	\$288,020,255	\$83,782,801	\$73,689,100	\$2,129,480,467	\$283,836,965
FY 2024	\$994,452,065	\$304,959,267	\$835,940,103	\$69,685,412	\$0	\$13,066,621	\$2,218,103,468	\$1,804,019,894	\$286,057,612	\$74,435,034	\$82,718,401	\$2,247,230,940	\$254,709,494
FY 2025	\$1,096,821,676	\$283,558,510	\$921,992,379	\$75,957,099	\$0	\$9,659,444	\$2,387,989,109	\$1,912,501,298	\$324,899,967	\$74,555,079	\$84,445,886	\$2,396,402,230	\$246,296,372
FY 2026	\$1,129,726,327		\$949,652,151	\$78,235,812	\$0	\$4,194,028	\$2,161,808,317	\$1,998,563,856	\$362,156,311	\$76,833,792	\$85,311,320	\$2,522,865,279	(\$114,760,589)
FY 2027	\$1,163,618,116		\$978,141,715	\$80,582,887	\$0	\$0	\$2,222,342,718	\$2,083,502,820	\$401,206,162	\$79,180,867	\$89,041,323	\$2,652,931,171	(\$545,349,042)

Notes:

- Actual data through Aug. 31, 2023
- Medical trend: 5% through FY24; reduced by 0.25% each year thereafter with a 4% minimum
- Pharmacy trend: 8.5% through FY24; reduced by 0.25% each year thereafter with a 6% minimum
- Prior to FY2018: State contributions are equal to \$75 PEPM. District contributions are equal to \$150 PEPM.
- FY2018 and Forward: State/District Contributions are based on September actual contributions

- Current Interest rate is assumed to be 3.9% . Rate decreases by a factor of 25% each year with a minimum of 0.5% .
- Rate increase of 9% assumed for FY25. 3% increase assumed for all years after FY25
- The TRS-ActiveCare Fund balance is managed to prevent a deficit through premium and benefit adjustments



Appendix — TRS-Care Fund Balance Projection



TRS-Care Fund Balance Projection Financial History and Projection through FY2027 as of Aug. 31, 2023

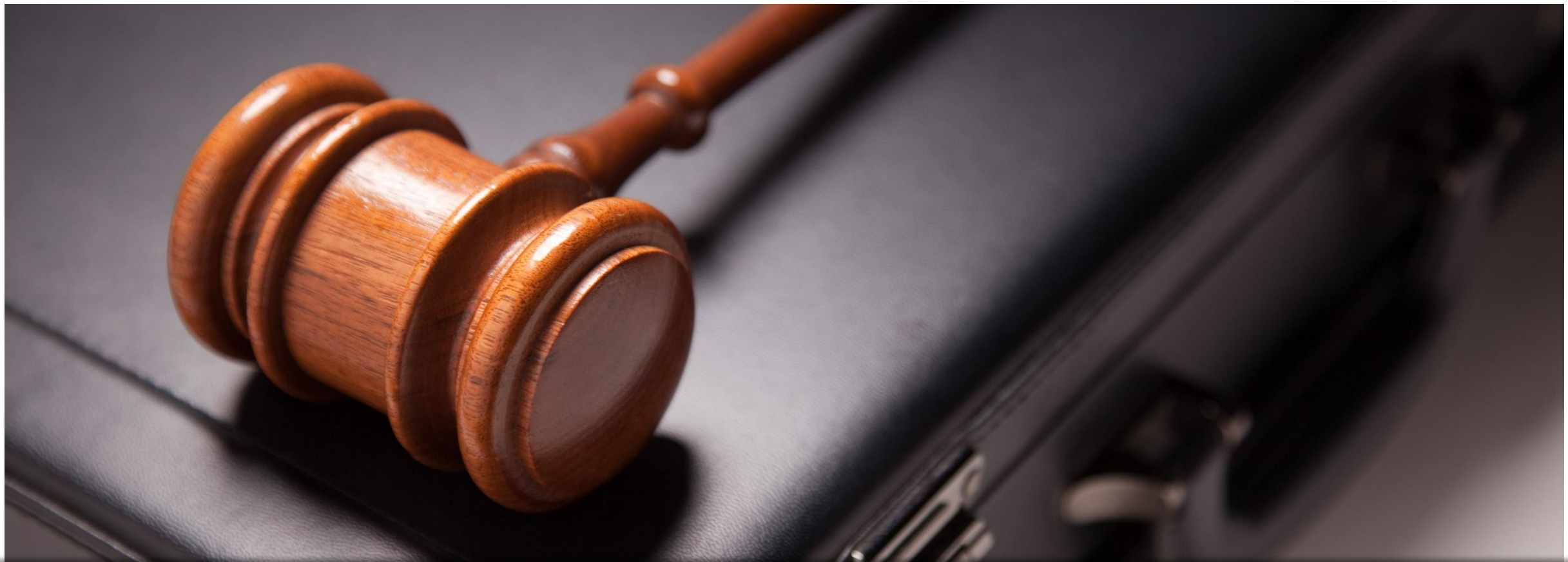
	Contributions							Expenditures			
Fiscal Year	Retiree Contributions	State Contributions	Supplemental Appropriations	Active Employee Contributions	District Contributions	Investment Income	CMS, Part D and EGWP Subsidies	Medical Expenses	Drug Expenses	Administrative Costs	Ending Balance (Incurred Basis)
FY 2017*	\$373,229,610	\$328,063,352	\$15,559,552	\$213,241,179	\$191,057,800	\$5,225,993	\$195,396,219	\$807,831,048	\$734,805,874	\$51,885,051	\$368,737,886
FY 2018	\$488,069,004	\$425,625,726	\$394,600,000	\$221,325,377	\$266,061,322	\$10,930,281	\$183,159,406	\$840,420,584	\$669,082,906	\$50,430,879	\$798,574,633
FY 2019	\$517,965,033	\$437,189,334	\$73,641,562	\$227,338,454	\$273,110,251	\$25,046,771	\$321,106,153	\$688,148,611	\$648,749,351	\$45,051,884	\$1,292,022,346
FY 2020	\$499,057,861	\$468,330,999	\$230,756,971	\$243,532,120	\$292,411,364	\$25,396,789	\$317,440,892	\$659,668,989	\$668,307,637	\$44,654,785	\$1,996,317,930
FY 2021	\$533,592,849	\$481,564,562	\$5,520,343	\$250,413,572	\$299,803,511	\$9,226,940	\$311,771,512	\$604,926,549	\$705,239,916	\$38,802,284	\$2,539,242,470
FY 2022	\$399,788,260	\$506,388,630	\$83,000,000	\$263,328,449	\$315,688,282	\$13,499,534	\$288,606,867	\$551,595,432	\$694,534,457	\$45,475,384	\$3,117,937,219
FY 2023	\$477,018,666	\$533,605,088	\$0	\$277,468,284	\$334,703,238	\$151,354,211	\$354,575,016	\$590,029,372	\$714,251,845	\$52,615,305	\$3,889,765,200
FY 2024	\$486,795,822	\$543,209,980	\$0	\$282,469,189	\$325,925,988	\$101,693,770	\$420,206,780	\$610,340,308	\$851,680,802	\$50,435,291	\$4,537,610,327
FY 2025	\$491,034,307	\$552,987,759	\$0	\$287,553,635	\$331,792,656	\$87,965,771	\$452,968,543	\$639,508,997	\$913,601,241	\$51,758,746	\$5,137,044,014
FY 2026	\$495,546,130	\$562,941,539	\$0	\$292,729,600	\$337,764,923	\$73,824,818	\$474,999,812	\$672,914,669	\$983,863,684	\$53,175,246	\$5,664,897,238
FY 2027	\$500,452,802	\$573,074,487	\$0	\$297,998,733	\$343,844,692	\$60,305,015	\$496,344,357	\$761,711,587	\$1,056,314,794	\$55,674,914	\$6,063,216,029

Notes:

- Invoice data through Aug. 31, 2023
- The purpose of this report is to project revenue and expenses on an incurred basis and should not be used as a projection of cash flow. Cash flow projections are usually less than incurred primarily due to a delay in receipt of federal subsidies.
- State Contribution rate of 1.25%; District Contribution rate of 0.75%; and Active Contribution rate of 0.65% beginning 9/1/2017.
- Medical trends: 7% through FY2023; reduced by 0.25% each year thereafter.
- Pharmacy trends: 7% through FY2023; reduced by 0.25% each year thereafter.
- 2% increase in payroll growth
- Interest rate is set to match current returns and reduced by 25% a year with a floor of 0.5%.

* Note that there was a prior period adjustment to retiree contributions FY2017. This number will not tie to the ACFR as the adjustment is reflected here.

TAB 6



Legal & Compliance

Feb. 15, 2024

Presented By: **Heather Traeger, General Counsel**
Roberto Cortes-Moreno, Director of Healthcare



Chapter 41. Health Care and Insurance Programs

Subchapter A. Retiree Health Care Benefits (TRS-Care)

Proposed New Rules:

41.15 Optional Dental Benefits Plan

41.16 Optional Vision Benefits Plan



IMPLEMENTING SB 1854 – Changes to TRS-Care Rules

Why does TRS need to propose new rules 41.15 and 41.16?

Senate Bill 1854, enacted by the recent 88th Texas Legislature, amended Chapter 1575 of the Insurance Code (TRS-Care) by adding a new Section 1575.1601, titled Group Benefits For Dental and Vision Care.

Sec 1575.1601 requires that TRS establish or contract for and make available the following plans for retirees, dependents, surviving spouses, and surviving dependent children under the TRS-Care program:

- (1) An optional plan that provides coverage for dental care; and
- (2) An optional plan that provides coverage for vision care.



SB 1854 - PROPOSED NEW RULES CH. 41



Proposed new rules

Rule	Section	Description
<i>Optional Dental Benefits Plan</i>	34 T.A.C. § 41.15	The rule implements an optional dental benefits plan under TRS-Care and addresses (1) establishment of the plan, (2) eligibility, (3) plan year, (4) enrollment and disenrollment, (5) payment of contributions, (6) effective date of coverage, (7) expulsion for fraud, and (8) competitive bidding
<i>Optional Vision Benefits Plan</i>	34 T.A.C. § 41.16	The rule implements an optional vision benefits plan under TRS-Care and addresses (1) establishment of the plan, (2) eligibility, (3) plan year, (4) enrollment and disenrollment, (5) payment of contributions, (6) effective date of coverage, (7) expulsion for fraud, and (8) competitive bidding.



Next steps

- Submit proposed new rules to the Texas Register, for 30-day publication period
- Post plain language summaries in English and Spanish on the TRS website
- Present to the board at the April board meeting for approval to adopt
- Publish adopted rule in the Texas Register
- If adopted, we are targeting a May 19, 2024 effective date
- Communicate with employers, participating members, and other stakeholders about the new benefits the rules enable



Legal & Compliance

Memorandum

DATE: February 15, 2024

TO: TRS Board of Trustees

FROM: Heather Traeger, General Counsel and Chief Compliance Officer

THROUGH: Brian Guthrie, Executive Director

RE: Proposed New Rules: 34 T.A.C. §§ 41.15 and 41.16

Requested Action

TRS Staff asks the Board of Trustees to authorize publication in the *Texas Register* of the following proposed new TRS Rules concerning the administration and implementation of the TRS-Care program, which is located at Title 34, Part 3 of Chapter 41, Subchapter A of the Texas Administrative Code:

- § 41.15 (relating to an Optional Dental Benefits Plan)
- § 41.16 (relating to an Optional Vision Benefits Plan)

Background and Reasons for Proposed Amended Rules

In accordance with the Insurance Code §§ 1575.051-.052, TRS is charged with the duty to devise, implement, and administer the TRS-Care program; and authorized to adopt rules, plans, procedures, and orders considered reasonably necessary to devise, implement, and administer the program. In order to fulfill these statutory mandates, TRS must ensure that the TRS-Care program complies with all applicable state and federal laws, as they are amended or interpreted by courts from time to time.

During the most recent legislative session (88th Legislature, Regular Session, 2023), Senate Bill (S.B.) 1854 amended Chapter 1575 of the Insurance Code (TRS-Care) by adding a new Section 1575.1601, titled "Group Benefits for Dental and Vision Care." New Section 1575.1601 requires that TRS establish or contract for and make available under the TRS-Care program the following plans for retirees, dependents, surviving spouses, and surviving dependent children: (1) an optional plan that provides for coverage for dental care; and (2) an optional plan that provides coverage for vision care. To

comply with this requirement, TRS proposes new §§ 41.15 and 41.16.

Conclusion

If the Board of Trustees authorizes publication, the proposed new rules will be published in the *Texas Register* for public comment for at least 30 days before presentation to the Board of Trustees for final adoption.

ATTACHMENT 1

Texas Administrative Code

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 41	HEALTH CARE AND INSURANCE PROGRAMS
SUBCHAPTER A	RETIREE HEALTH CARE BENEFITS (TRS-CARE)
RULE §41.15	Optional Dental Benefits Plan

(a) Establishment.

(1) In accordance with Section 1575.1601, Insurance Code, TRS makes available to individuals under the TRS-Care program an optional plan that provides coverage for dental care (hereinafter referred to as an “optional dental benefits plan”).

(2) TRS may offer an optional dental benefits plan through an insurance carrier or the optional dental benefits plan may be self-funded.

(3) An optional dental benefits plan may have one or more benefit designs for participants to choose from, as determined by TRS.

(b) Eligibility.

(1) Only retirees, dependents, surviving spouses, and surviving dependent children, as defined under Chapter 1575, Insurance Code, are eligible to enroll in an optional dental benefits plan (hereinafter referred to as “eligible members”).

(2) Individuals shall be eligible for an optional dental benefits plan under the same requirements as described in §41.10 of this title (relating to Initial Enrollment Periods for the Health Benefit Program under the Texas Public School Retired Employees Group Benefits Act (TRS-Care)).

(3) Eligible members may enroll in an optional dental benefits plan even if they are not enrolled or applying for enrollment in any other TRS-Care plan at the time of enrollment in an optional dental benefits plan.

(4) If an eligible member is eligible for an optional dental benefits plan as a retiree and also as a dependent of another retiree, the retiree may elect to participate in an optional dental benefits plan as a retiree or as a dependent but cannot participate as both. An eligible member must choose to participate as a retiree or as a dependent.

(c) Plan Year. The plan year for an optional dental benefits plan is from January 1 to December 31 (hereinafter referred to as “plan year”).

(d) Enrollment and Disenrollment.

(1) Enrollment. Eligible members desiring to enroll in an optional dental benefits plan must do so within the open enrollment period or during an additional enrollment opportunity.

(A) Open Enrollment.

(i) An eligible member may enroll in an optional dental benefits plan during an open enrollment period established by TRS.

(ii) On behalf of the trustee, the executive director or a designee may prescribe open enrollment periods and the conditions under which eligible members may enroll during an open enrollment period.

(B) Additional Enrollment Opportunities. Individuals shall have the same additional enrollment opportunities for an optional dental benefits plan as those provided under §41.2(a)-(c) of this title (relating to Additional Enrollment Opportunities).

(2) Disenrollment. Eligible members may only disenroll from an optional dental benefits plan during the open enrollment period, with the exception that an eligible member may disenroll during a special enrollment opportunity as described by §41.2(b) of this title.

(3) Enrollment and Disenrollment Process. Eligible members must follow the enrollment and disenrollment processes established by TRS.

(e) Payment of Contributions.

(1) Retirees, surviving spouses, and surviving dependent children, or their representatives (collectively “participants”) shall pay monthly contributions, as set by TRS, for their and their dependents’ participation in an optional dental benefits plan and may, at TRS’ sole discretion, be required to do so through deductions from the participant’s TRS annuity payment or through direct payments to TRS or its designee.

(A) In accordance with Section 1575.153, Insurance Code, the participant must, in writing, authorize the trustee to deduct the entirety of the participant’s contributions for the participant’s coverage under the TRS-Care plan(s) from the participant’s TRS annuity payment.

(B) If the amount of the participant's TRS annuity payment is not enough to cover all of the participant's contributions for coverage under the participants TRS-Care plan(s), the participant shall be directly billed by TRS or its designee.

(2) If a participant is required to pay their contributions for an optional dental benefits plan directly to TRS or its designee, failure to timely pay the full amount of a required contribution for coverage will result in termination of the optional dental benefits plan. Participants or eligible members that have lost their coverage due to lack of payment of contribution for coverage may be subject to recoupment by TRS of outstanding contribution amounts, penalties, and be subject to reenrollment conditions prior to reenrollment.

(f) Effective Date of Coverage.

(1) An optional dental benefits plan shall follow the same effective dates of coverage that apply under §41.7(a)–(h) and (j) of this title (relating to Effective Date of Coverage).

(2) In addition, if an eligible member enrolls during a TRS open enrollment period as described in subsection (d)(1)(A) of this section, the effective date of coverage shall be the first day of the plan year following the end of the open enrollment period.

(g) Expulsion for fraud. Expulsion for fraud from an optional dental benefits plan shall follow the same process as described in §41.14 of this title (relating to Expulsion from TRS-Care for Fraud).

(h) Competitive Bidding.

(1) Bid procedures for an optional dental benefits plan shall follow the same process as described in §41.9 of this title (relating to Bid Procedure).

(2) TRS may award separate contracts for different aspects in the administration of an optional dental benefits plan, such as insurance coverage, claims administration, utilization review services, administrative services, and ancillary services.

(3) Each bidder must comply with the minimum qualifications contained in the applicable solicitation from TRS.

ATTACHMENT 2

Texas Administrative Code

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 41	HEALTH CARE AND INSURANCE PROGRAMS
SUBCHAPTER A	RETIREE HEALTH CARE BENEFITS (TRS-CARE)
RULE §41.16	Optional Vision Benefits Plan

(a) Establishment.

(1) In accordance with Section 1575.1601, Insurance Code, TRS makes available to individuals under the TRS-Care program an optional plan that provides coverage for vision care (hereinafter referred to as an “optional vision benefits plan”).

(2) TRS may offer an optional vision benefits plan through an insurance carrier or the optional vision benefits plan may be self-funded.

(3) An optional vision benefits plan may have one or more benefit designs for participants to choose from, as determined by TRS.

(b) Eligibility.

(1) Only retirees, dependents, surviving spouses, and surviving dependent children, as defined under Chapter 1575, Insurance Code, are eligible to enroll in an optional vision benefits plan (hereinafter referred to as “eligible members”).

(2) Individuals shall be eligible for an optional vision benefits plan under the same requirements as described in §41.10 of this title (relating to Initial Enrollment Periods for the Health Benefit Program under the Texas Public School Retired Employees Group Benefits Act (TRS-Care)).

(3) Eligible members may enroll in an optional vision benefits plan even if they are not enrolled or applying for enrollment in any other TRS-Care plan at the time of enrollment in an optional vision benefits plan.

(4) If an eligible member is eligible for an optional vision benefits plan as a retiree and also as a dependent of another retiree, the retiree may elect to participate in an optional vision benefits plan as a retiree or as a dependent but cannot participate as both. An eligible member must choose to participate as a retiree or as a dependent.

(c) Plan Year. The plan year for an optional vision benefits plan is from January 1 to

December 31 (hereinafter referred to as “plan year”).

(d) Enrollment and Disenrollment.

(1) Enrollment. Eligible members desiring to enroll in an optional vision benefits plan must do so within the open enrollment period or during an additional enrollment opportunity.

(A) Open Enrollment.

(i) An eligible member may enroll in an optional vision benefits plan during an open enrollment period established by TRS.

(ii) On behalf of the trustee, the executive director or a designee may prescribe open enrollment periods and the conditions under which eligible members may enroll during an open enrollment period.

(B) Additional Enrollment Opportunities. Individuals shall have the same additional enrollment opportunities for an optional vision benefits plan as those provided under §41.2(a)-(c) of this title (relating to Additional Enrollment Opportunities).

(2) Disenrollment. Eligible members may only disenroll from an optional vision benefits plan during the open enrollment period, with the exception that an eligible member may disenroll during a special enrollment opportunity as described by §41.2(b) of this title.

(3) Enrollment and Disenrollment Process. Eligible members must follow the enrollment and disenrollment processes established by TRS.

(e) Payment of Contributions.

(1) Retirees, surviving spouses, and surviving dependent children, or their representatives (collectively, “participants”) shall pay monthly contributions, as set by TRS, for their and their dependents’ participation in an optional vision benefits plan and may, at TRS’ sole discretion, be required to do so through deductions from the participant’s TRS annuity payment or through direct payments to TRS or its designee.

(A) In accordance with Section 1575.153, Insurance Code, the participant must, in writing, authorize the trustee to deduct the entirety of the participant’s contributions for the participant’s coverage under the TRS-Care plan(s) from the participant’s TRS annuity payment.

(B) If the amount of the participant’s TRS annuity payment is not enough to cover all of the participant’s contributions for coverage under the participants TRS-Care plan(s), the

participant shall be directly billed by TRS or its designee.

(2) If a participant is required to pay their contributions for an optional vision benefits plan directly to TRS or its designee, failure to timely pay the full amount of a required contribution for coverage will result in termination of the optional vision benefits plan. Participants or eligible members that have lost their coverage due to lack of payment of contribution for coverage may be subject to recoupment by TRS of outstanding contribution amounts, penalties, and be subject to reenrollment conditions prior to reenrollment.

(f) Effective Date of Coverage.

(1) An optional vision benefits plan shall follow the same effective dates of coverage that apply under §41.7(a)–(h) and (j) of this title (relating to Effective Date of Coverage).

(2) In addition, if an eligible member enrolls during a TRS open enrollment period as described in subsection (d)(1)(A) of this section, the effective date of coverage shall be the first day of the plan year following the end of the open enrollment period.

(g) Expulsion for fraud. Expulsion for fraud from an optional vision benefits plan shall follow the same process as described in §41.14 of this title (relating to Expulsion from TRS-Care for Fraud).

(h) Competitive Bidding.

(1) Bid procedures for an optional vision benefits plan shall follow the same process as described in §41.9 of this title (relating to Bid Procedure).

(2) TRS may award separate contracts for different aspects in the administration of an optional vision benefits plan, such as insurance coverage, claims administration, utilization review services, administrative services, and ancillary services.

(3) Each bidder must comply with the minimum qualifications contained in the applicable solicitation from TRS.

TAB 7



Ombuds

Presentation Date: Feb. 15, 2024

Presented By:
Lori LaBrie



OMBUDS 2ND ANNUAL REPORT

Feb. 15, 2024

Introduction



TRS created the Ombuds role in response to HB 1585. The Ombuds serves as an additional contact for members and retirees, submits quarterly reports to the board, and recommends changes to TRS' operations.



The Ombuds listens to member concerns and complaints and provides help or information to and attempts to resolve those issues. Members can also contact the Office if they are dissatisfied with the customer service received. The Ombuds, however, is not the first point of contact for members seeking assistance but an additional resource for those who cannot obtain the required help through normal TRS channels.



The Ombuds analyzes member concerns, makes referrals, reviews trends in complaints, and ensures fair treatment. All contacts are logged in the Office's Data Collection Site.



Standards of Practice



The Office of the Ombuds operates consistent with the International Ombuds Association (IOA) Code of Ethics and Standards of Practice.

Key Objectives

1

Provide an annual report to the trustees, management and members to meet IOA and TRS standards.

2

Demonstrate, with supporting data, how the Ombuds Office serves the members through counsel, administrative support and outreach.

3

Provide insight to the trustees and the members of the ongoing member interactions with the Office and how it benefited those it served.



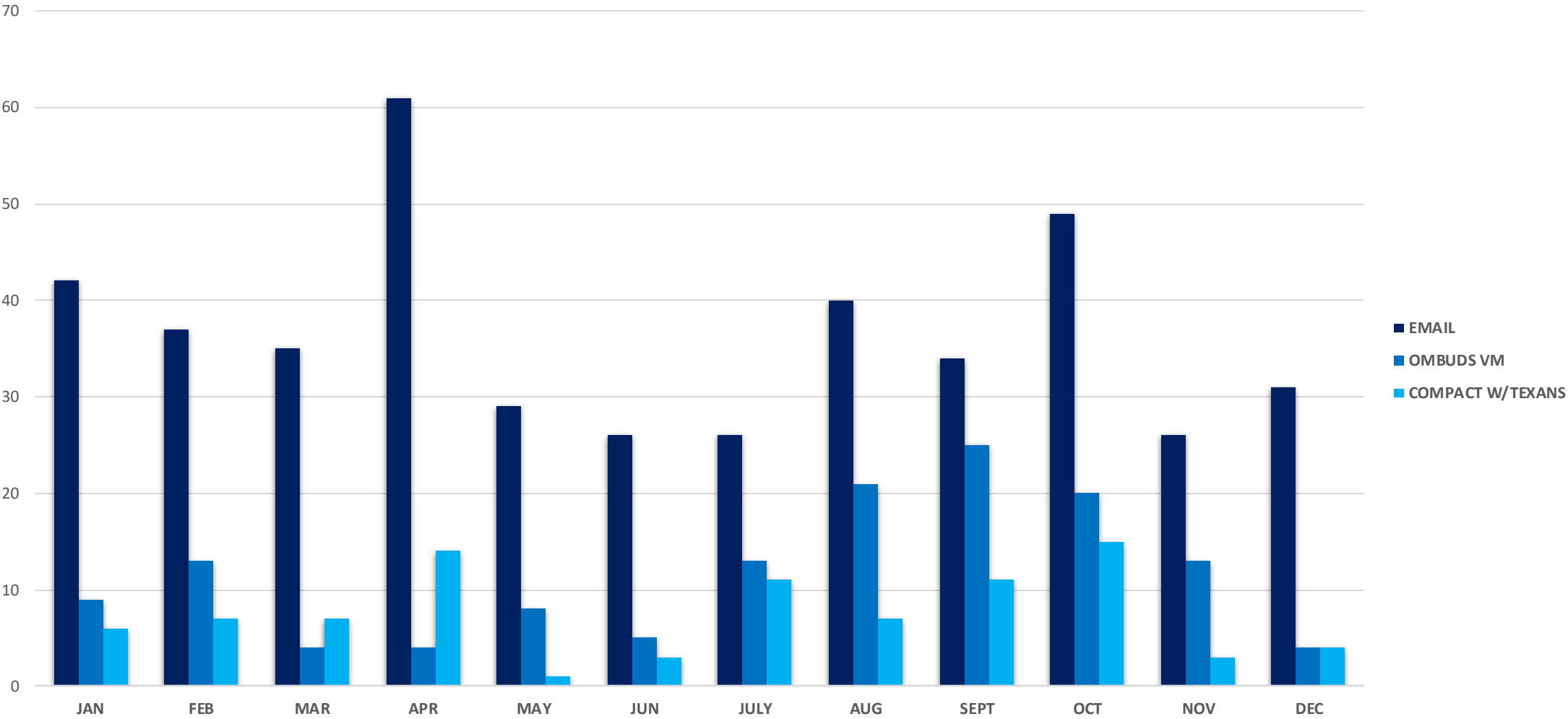
Ombuds Communications 2023



Total Ombuds Communications: **664**

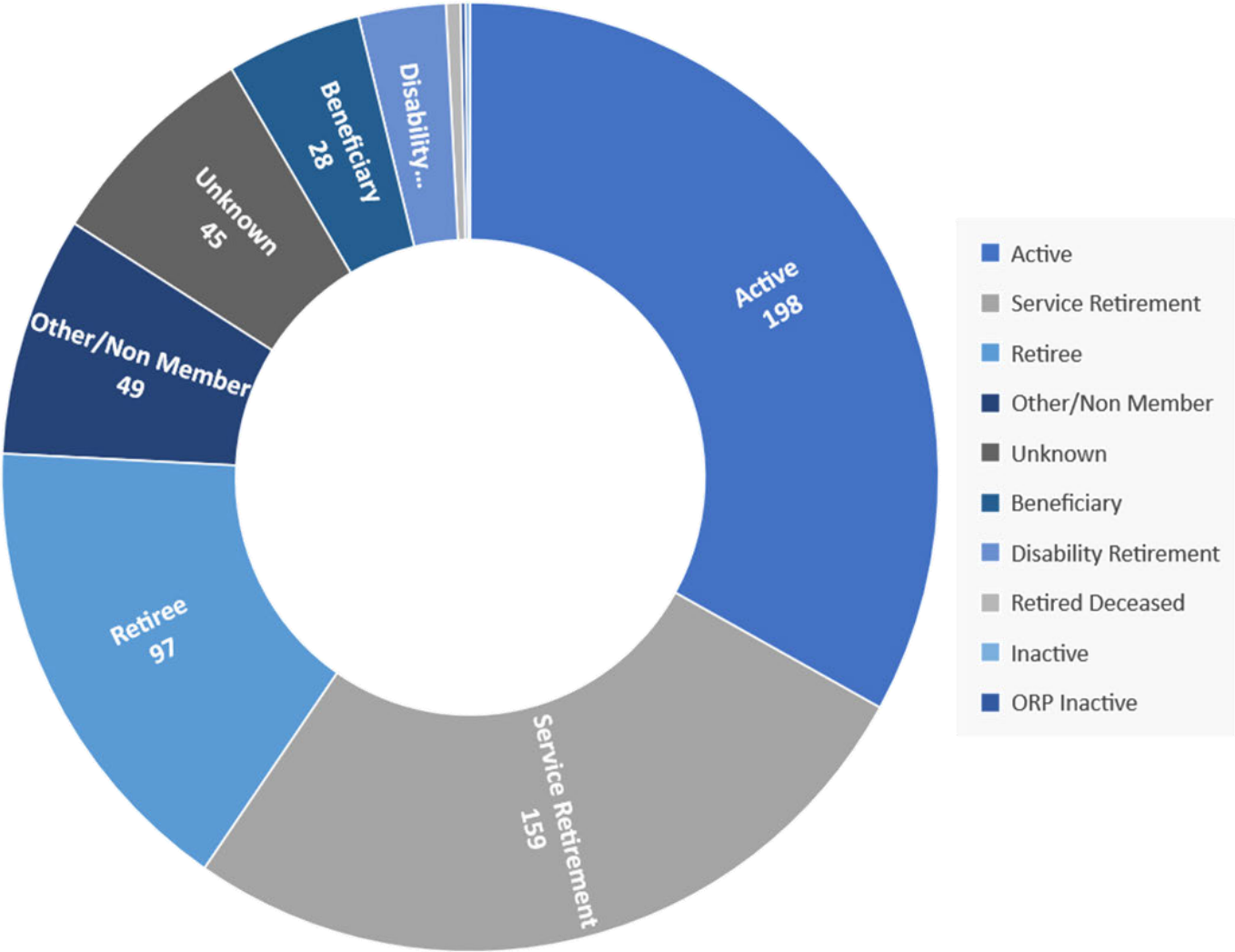


Monthly Member Communications 2023





Membership Status 2023





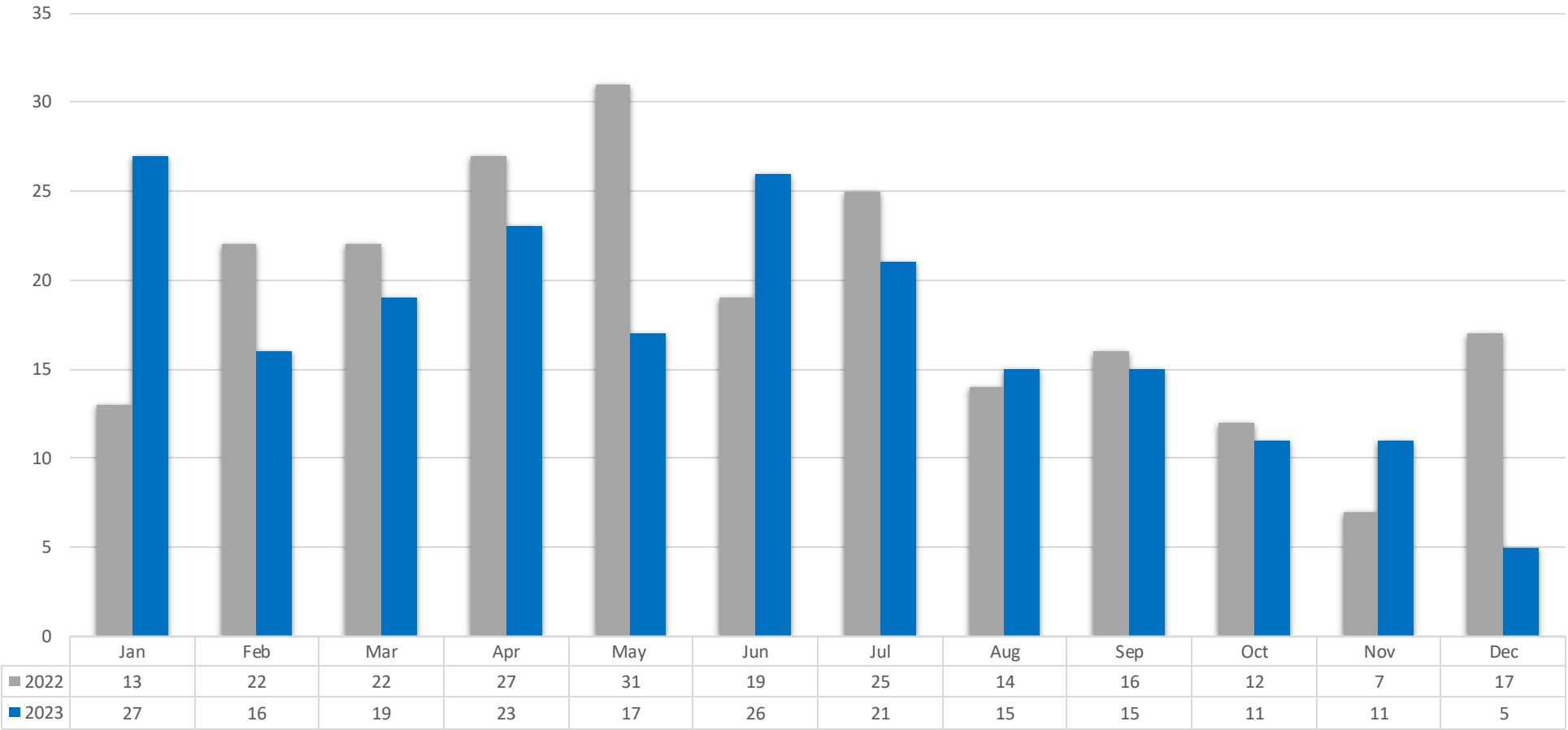
Social Media Comments on Large-Scale Agency Issues ("Hot Topics")

Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Health Care (61)	COLA (68)	COLA (62)	COLA (58)	COLA (30)	COLA (19)	Health Care (21)	Health Care (92)	COLA (74)	COLA (32)	Careers (41)	Health Care (24)
COLA (32)	Social Security (42)	Health Care (21)	Health Care (14)	Health Care (10)	Annuity Payment (6)	COLA (16)	COLA (27)	Health Care (22)	Refund (13)	COLA (26)	COLA (24)
1099-R (12)	Health Care (24)	Social Security (16)	Social Security (3)	MyTRS (4)	Health Care (5)	MyTRS (11)	Comms Telephones (23)	Employment After Retirement "EAR" (5)	Health Care (8)	Health Care (15)	Retirement (5)



Point-in-Time (PIT) Complaints Comparison

January – December 2023



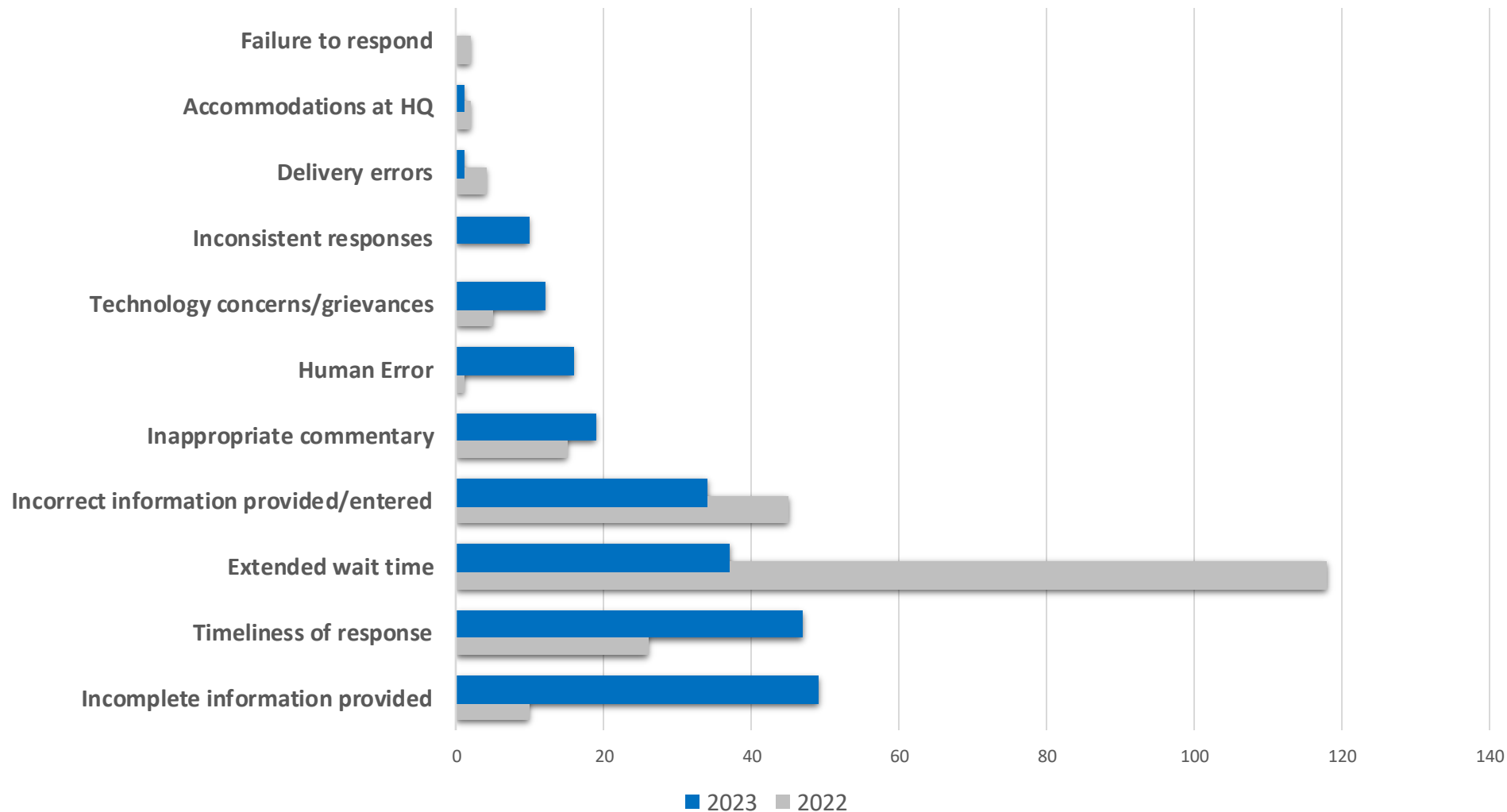
Jan - Dec 2022 - **225**

Jan - Dec 2023 - **206**

Outstanding - **0**



Point-in-Time Complaints by Category Comparison 2022 vs 2023





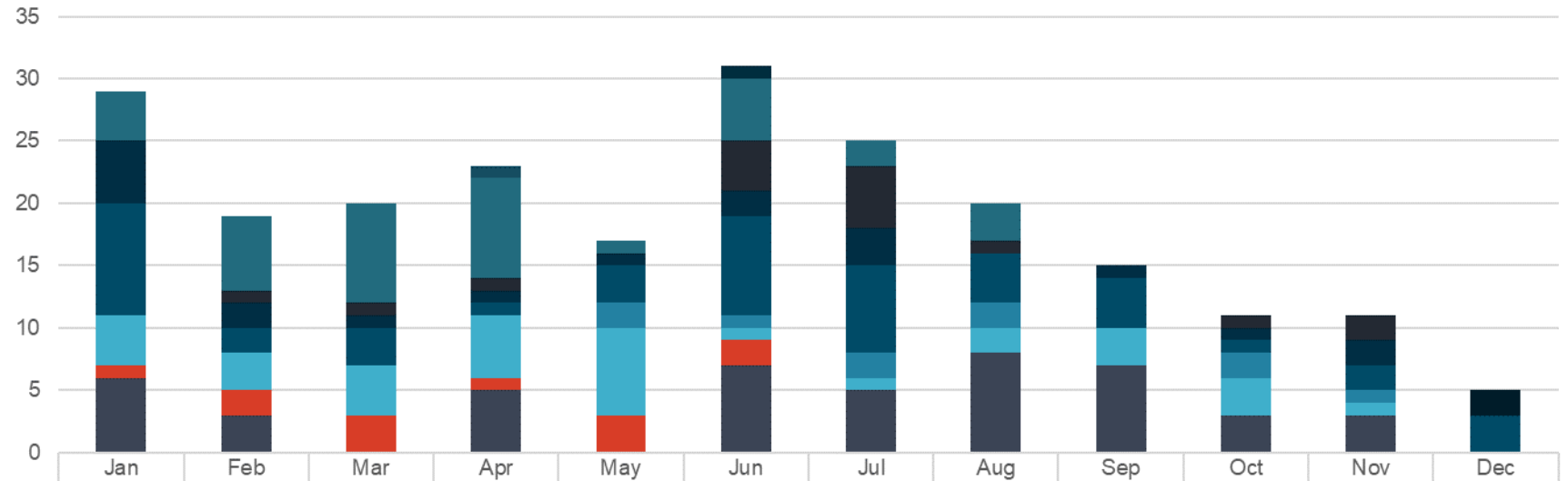
Point-in-Time Complaints by Month and Year Trend

2022 vs 2023





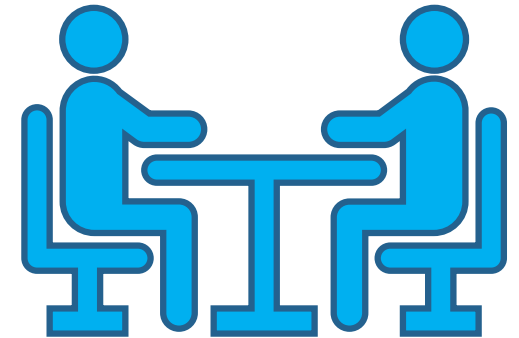
Point-in-Time Complaints by Category 2023



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
■ Turn around time is not within service level												2
■ Delivery errors						1						
■ Accommodations at HQ				1								
■ Extended wait time	4	6	8	8	1	5	2	3				
■ Failure to respond												
■ Human Error		1	1	1		4	5	1		1	2	
■ Inappropriate commentary	5	2	1	1	1	2	3		1	1	2	
■ Incomplete information provided	9	2	3	1	3	8	7	4	4	1	2	3
■ Inconsistent responses					2	1	2	2		2	1	
■ Incorrect information provided/entered	4	3	4	5	7	1	1	2	3	3	1	
■ Technology concerns/grievances	1	2	3	1	3	2						
■ Timeliness of response	6	3		5		7	5	8	7	3	3	

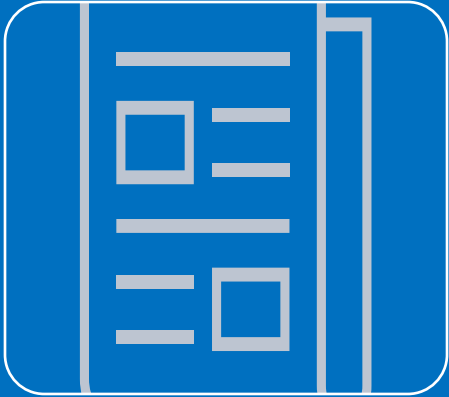
Member Outreach 2023

- Traveled with the Benefits and Health Divisions to observe and visit with members.
- Invited to the TRS-Care Retirees Advisory Committee (RAC) meeting to introduce the Office. A commitment was made to the committee to continue involvement.
- Attended TRTA's Fall Conference Meetings.
- Participated in TRS-Active Care and TRS-Care Training.
- Reached out to over ten retirement systems and associations to network and explore their functions and best practices.
- Assisted the Enterprise Program Management (EPM) Team to revamp and relaunch the Ombuds customer service survey to gauge member satisfaction.

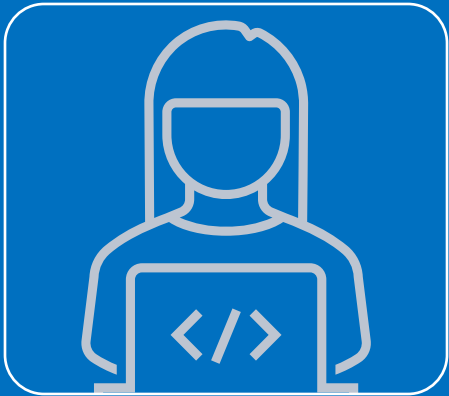




Highlights 2023



The Office successfully completed the initial installation of the “Ombuds Corner,” which was highlighted in the Winter edition of the *TRS News*. The section will be published three times a year and will offer useful reminders and tips for members regarding their health and wellness, as well as their TRS benefits.



Updated the Ombuds webpage to make it more user friendly and ensure ease of access to important links regarding member benefits.

Observations and Recommendations for CY 2024

The Ombuds office is responsible for identifying trends that may require attention. The following observations are noted for CY 2024:



THE OFFICE IS CURRENTLY REVIEWING THE COMPLAINT INTAKE PROCESS TO DETERMINE HOW TO SIMPLIFY THE PROCESS TO MAKE IT EASIER FOR MEMBERS TO PRESENT THEIR CONCERNS AND FILE COMPLAINTS.



THE OFFICE WILL PARTNER WITH THE BUSINESS UNITS TO CONTINUE TO EXPLORE IMPROVEMENTS TO CUSTOMER SERVICE

A word cloud on a light blue circular background. The central word is "OMBUDS" in large, dark blue, bold letters. Surrounding it are various words in different sizes and shades of blue, including: "Neutral", "concern", "altruistic", "Service", "Informal", "advise", "respect", "support", "trust", "dependable", "encourage", "empathy", "listener", "Fair", "neutral", "Impartial", "Respect", "Confidential", "Reliable", "assist", "ethical", and "resolve".

Contact Information

OMBUDS:

Direct Phoneline: 833.873.2331

Email: Ombuds@trs.texas.gov

Ombuds Office Intake

Form: [https://www.trs.texas.gov/
Pages/ombuds.aspx](https://www.trs.texas.gov/Pages/ombuds.aspx)

IMPORTANT! To ensure a prompt response to your inquiries and complaints, we recommend that you first contact the relevant customer service department directly to address your concerns before contacting the Ombuds.

TAB 8



Investment Practices and Performance Evaluation of the Teacher Retirement System of Texas

February 15, 2024

Investment advice and consulting services provided by Aon Investments USA, Inc.
To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Aon.



Introduction and Overview of Evaluation

- Texas Government Code §802.109 requires TRS to utilize an independent firm to conduct an Evaluation covering distinct areas of review every three years. Aon completed the first mandated Evaluation for TRS in 2020.
- The current Scope of Work addresses the required areas of review, including a thorough review and analysis of existing investment policies, procedures, and practices, associated compliance, and comparison to industry best practices.
- This presentation is intended as a high-level summary and is not intended as a replacement for the full report.

Our Evaluation Process

- Conducted entrance conference
- Gathered and reviewed extensive documentation
- Conducted interviews
- Performed research and analysis
- Produced draft report
- Obtained TRS staff feedback
- Finalized report



Overall Conclusion

After our review of the five component areas, we have found that the Teacher Retirement System of Texas continues to perform in a manner consistent with best-in-class peers. The current review included an evaluation of all the items outlined in the Texas Pension Review Board (PRB) guidance, and the system is exhibiting best practice functions inquired about within the guidance.

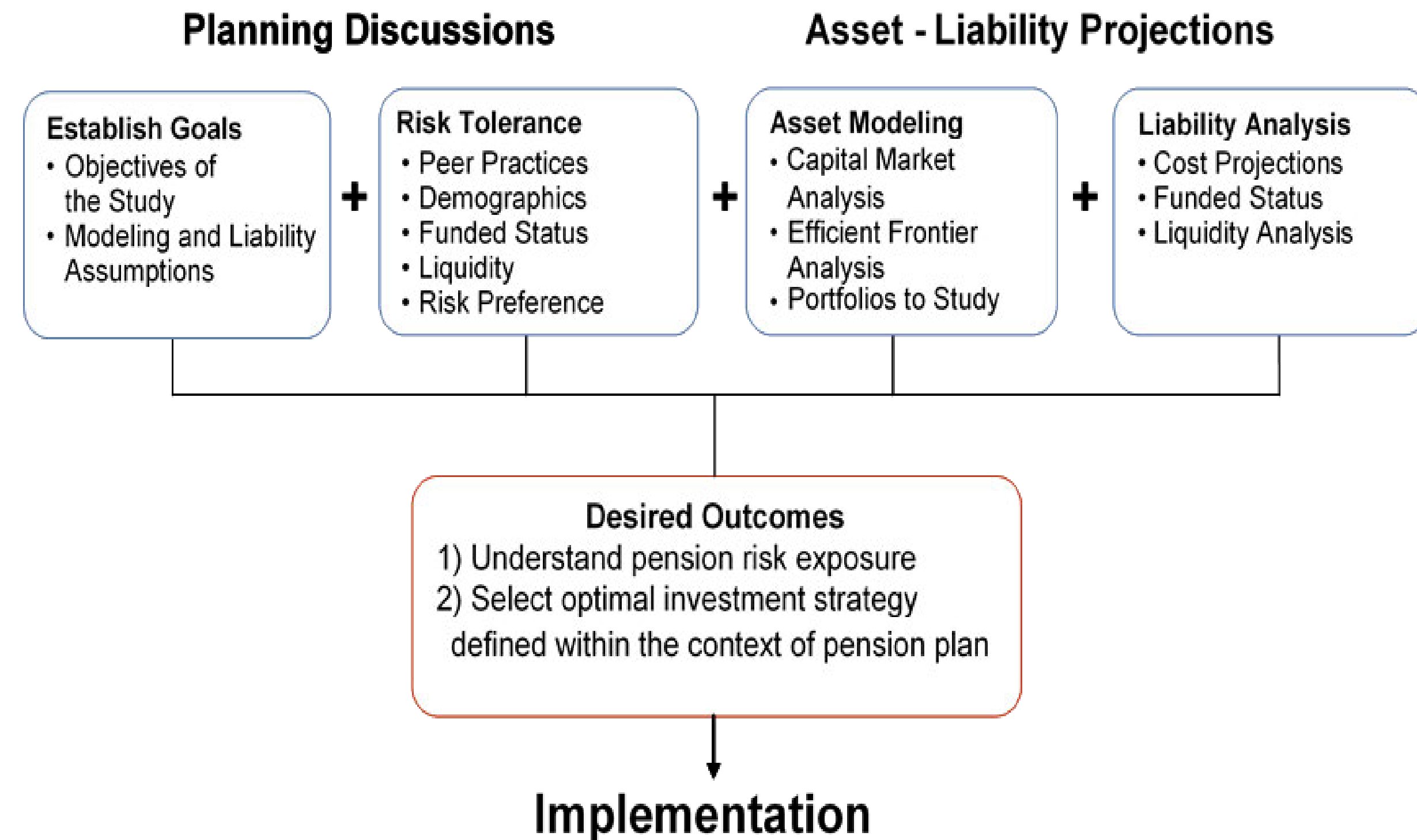
1. Investment Policy or Strategic Investment Plan and Associated Compliance
2. Investment Asset Allocation
3. Investment Fees and Commissions
4. Investment Governance Processes
5. Investment Manager Selection and Monitoring Process

1. Investment Policy/Strategic Investment Plan and Compliance

- The TRS Investment Policy Statement is a robust and comprehensive document that follows best practices, while containing distinct measurable outcomes, and is being followed by the Plan.
 - Roles and responsibilities are clearly defined
 - The IPS is well-structured and contains all components to be considered a well-rounded document
 - The regular review process of the IPS by the Board is prudent
 - Consider enhancing language at the next IPS review regarding the IIC's process of considering and reviewing internally managed investment strategies
- The Plan maintains a funding policy.
- The Plan has been successful in producing returns in excess of the policy benchmark. It has underperformed the real return target and the actuarial discount rate.
 - Performance relative to these metrics has moved negative following the difficult performance period in 2022 and recent elevated levels of inflation. Results prior to 2022 show the Plan was successful in producing returns in excess of the policy benchmark, as well as the real return target and actuarial discount rate

2. Investment Asset Allocation

- The Plan has a leading-edge practice for developing asset allocation (occurring every 5 years).
 - A similar process will be followed for the 2024 Asset-Liability Study
- Assets are well diversified across a variety of asset classes.
- Risk is being measured and managed consistent with guidelines stated within the IPS.



3. Investment Fees and Commissions

- TRS maintains procedures for the payment of management and incentive fees.
- Investment fees and commissions, including management fees, performance-based fees, carried interest, and broker commissions are outlined in the Plan's Annual Comprehensive Financial Report.
- Fees are appropriately reported to the Board through a variety of documents.
- Total investment costs of the Plan were lower than the CEM Benchmark costs (2022 CEM report) but have been higher in previous years.
 - The below benchmark costs in 2022 are primarily due to low performance-based fees

4. Investment Governance Processes

- TRS has extensive and detailed documentation of its governance related to the investment-decision making process.
- TRS is a leader relative to best practices in transparency.
- The composition of the Board ensures there is extensive investment experience for appointees, as well as appropriate representation of the membership.
- Trustees are provided with the necessary orientation, continuing education on fiduciary and investment matters, and in-depth resources to assist them in fulfilling their fiduciary responsibilities on behalf of the Plan.

5. Investment Manager Selection and Monitoring Processes

- The investment manager selection, ongoing monitoring, and termination processes are well defined and robust.
- Legal and Compliance reviews required conflicts documentation of all manager/investment consultant and/or advisors to evaluate ethical considerations and potential conflicts of interest.
- Performance reports are thoughtfully formatted and presented to enable Board members of varying investment acumen to evaluate the success associated with the implementation of the investment policy.
- Returns are calculated by the Plan's custodian. Performance is reported net of external investment management fees and is compared to benchmarks and peers' performance.

Appendix



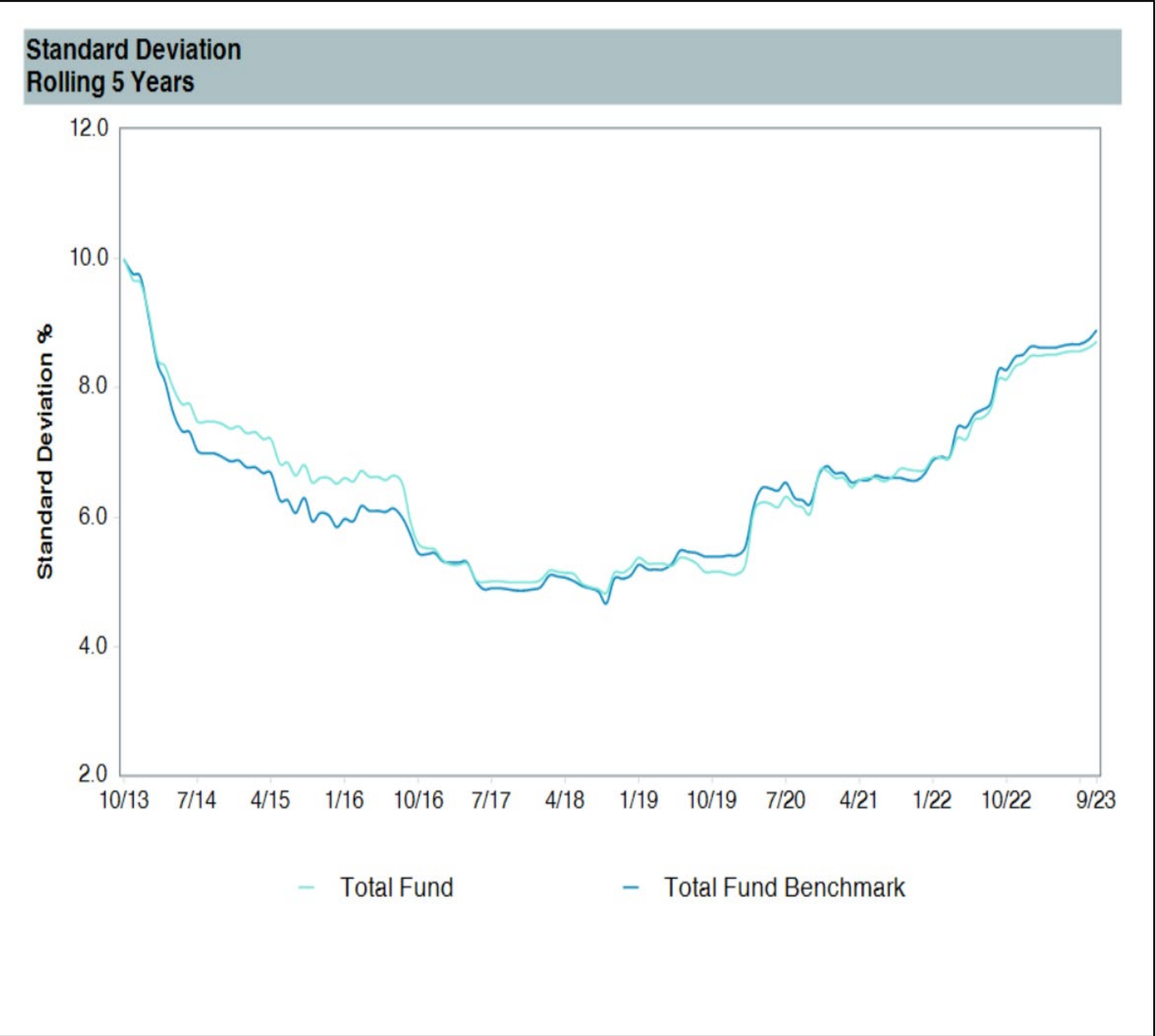
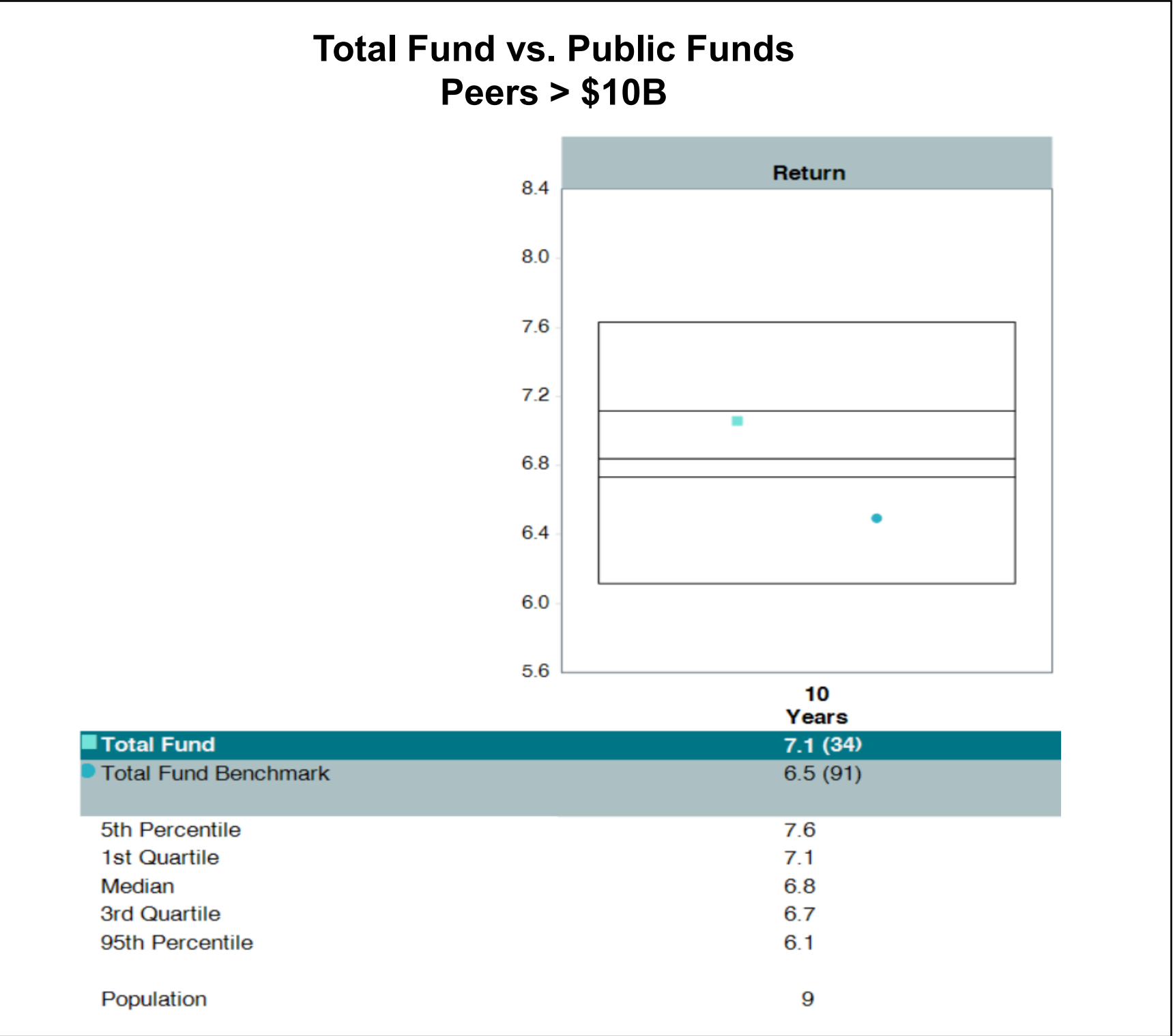
IPS Components

Section	Purpose of Section	Included in TRS IPS
Introduction	<ul style="list-style-type: none"> - Reference to the purpose and benefit to be provided by the Trust. - Intended beneficiaries of the Trust. - Overview of fiduciary obligation. 	√ √ √
Statement of Purpose	<ul style="list-style-type: none"> - Investments made for the exclusive purpose of providing benefits to participants. - Plan fiduciaries must act in the sole interest of plan participants and beneficiaries and for the exclusive purpose of providing benefits. 	√ √
Investment Goals or Objectives	<ul style="list-style-type: none"> - To preserve the actuarial soundness of the Trust in order to meet benefit obligations. - To obtain a long-term rate of return, net of fees, equal to or in excess of the policy benchmark. - The policy benchmark and asset allocation targets should be defined. 	√ √ √
Asset Allocation	<ul style="list-style-type: none"> - Purpose is to provide an optimal mix of investments to produce desired returns and meet current and future liabilities, with minimal volatility. - Frequency and methodology of asset liability modeling and resetting allocation. - Describe permissible asset classes as well as minimum, maximum, and target ranges. 	√ √ √
Identification of Roles and Responsibility	<ul style="list-style-type: none"> - Board of Trustees – general and investment related duties. - External investment consultants/advisors – advise on best practices, trends and support staff and Board/Investment Advisory Committee with fiduciary responsibilities. - Other external providers’ duties, expectations and fiduciary responsibilities. 	√ √ √
Asset Class Guidelines / Benchmarks	<ul style="list-style-type: none"> - Benchmarks – who sets them and how often they are revisited, and their rationale. - Diversification - Provide an overview on the importance of diversification and how it is achieved in the Trust. 	√ √
Rebalancing Policy	<ul style="list-style-type: none"> - Purpose of rebalancing – to ensure that the investment program adheres to its strategic asset allocation. - Describe how often the portfolio will be reviewed for rebalancing and whether a fixed threshold or proportional threshold will be used. 	√ √
Risk Management	<ul style="list-style-type: none"> - Acknowledgement and definition of risk to be managed in investment portfolio (active risk, credit risk, counterparty risk, market risk, operational risk, etc.) - Define parameters for risk management (what does success look like). 	√ √
Monitoring and Reporting	<ul style="list-style-type: none"> - Describe monthly, quarterly and annual reporting. - Outline monitoring and reporting process. 	√ √
Shareholder Activity	<ul style="list-style-type: none"> - Proxy positions – describe the policy and how votes are cast and recorded, or reference appropriate policy. - Identify core principals of the Board (Board independence, Board management, shareholder rights) and communicate importance of fiduciary duty, integrity, and transparency. 	√ √
Governance	<ul style="list-style-type: none"> - Identify obligations to the Trust are consistent with the fiduciary standards under applicable law. - Require ongoing review of investment policy statement. 	√ √

- < The table to the left outlines what we believe an IPS should include to be considered best practice
- < The IPS follows best practice and includes sufficient information on all items we desire in a well-structured IPS

Risk-Return Analysis

As of September 30, 2023	Relative Annualized Investment Returns (net of fee)					
	3 Years	5 Years	7 Years	10 Year	15 Years	20 Years
Actuarial Rate (adjusted over time)	-1.2%	-1.4%	-0.2%	-0.4%	-0.4%	-0.6%
Real Return Target (CPI +5%)	-4.9%	-3.3%	-1.6%	-0.8%	-0.1%	-0.5%
Custom Benchmark	1.5%	0.5%	0.7%	0.6%	0.5%	0.4%



- < The IPS has identified controlling risk and achieving desired return targets (actuarial discount return, real return target (CPI + 5%), and the Total Fund Benchmark) as key return objectives
- These goals have been
- < marginally achieved over the last 10 years
- Performance relative to
- < the Actuarial Rate and Real Return Target were negatively impacted by the difficult market environment in 2022

Asset Allocation Analysis

Asset Class	Long Term Targets	Expected Nominal Return	Expected Risk
U.S. Equity	18%	6.8%	19.0%
Non-US Developed	13%	6.7%	19.2%
Emerging Markets	9%	6.9%	22.0%
Private Equity	14%	9.3%	18.3%
Government Bonds	16%	5.5%	10.2%
Stable Value Hedge Funds	5%	6.1%	4.5%
Real Estate	15%	6.9%	20.8%
Energy, Natural Resources and Infrastructure	6%	7.2%	14.5%
Risk Parity	8%	7.1%	12.0%
Net Asset Allocation Leverage	-4%	--	--
Teacher Retirement System of Texas	100.0%	--	--
Estimated Return (Nominal)	7.7%		
Estimated Risk	12.5%		
Sharpe Ratio	0.246		

- < The Plan's current asset allocation creates an expected return greater than actuarial rate
- < The process performed to determine the appropriate long-term strategic asset allocation was robust
- There is nothing in our
- < analysis that would position us to say that a different asset allocation would be better positioned to meet the investment return and risk objectives of the Plan

Legal Disclosures and Disclaimers

Investment advice and consulting services provided by Aon Investments USA Inc. 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.

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Aon Investments USA Inc.
200 E. Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

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TAB 9

CIO Update

Jase Auby, Chief Investment Officer

February 2024



CIO Update

IMD at a Glance

Priorities

- **Performance.** Trust ended the fourth quarter of 2023 with a preliminary 1-year return of 9.7% and +200 bp of excess return. The 3-year return is 5.2% with +145 bp of excess return.
- **Town Hall.** Hosted annual Town Hall event at the AISD Performing Arts Center to emphasize IMD strategy and 2024 priorities
 - Keynote speaker – Jarvis Hollingsworth, Chairman
 - Excellence in Investing Award – Will Carpenter and D’Oncee Brockington, Private Equity
 - Spotlight Award – Gay Clifton, Investment Operations
- **Securities Lending.** Intent to issue request for proposal for additional securities lending agent

Key Dates and Upcoming Events

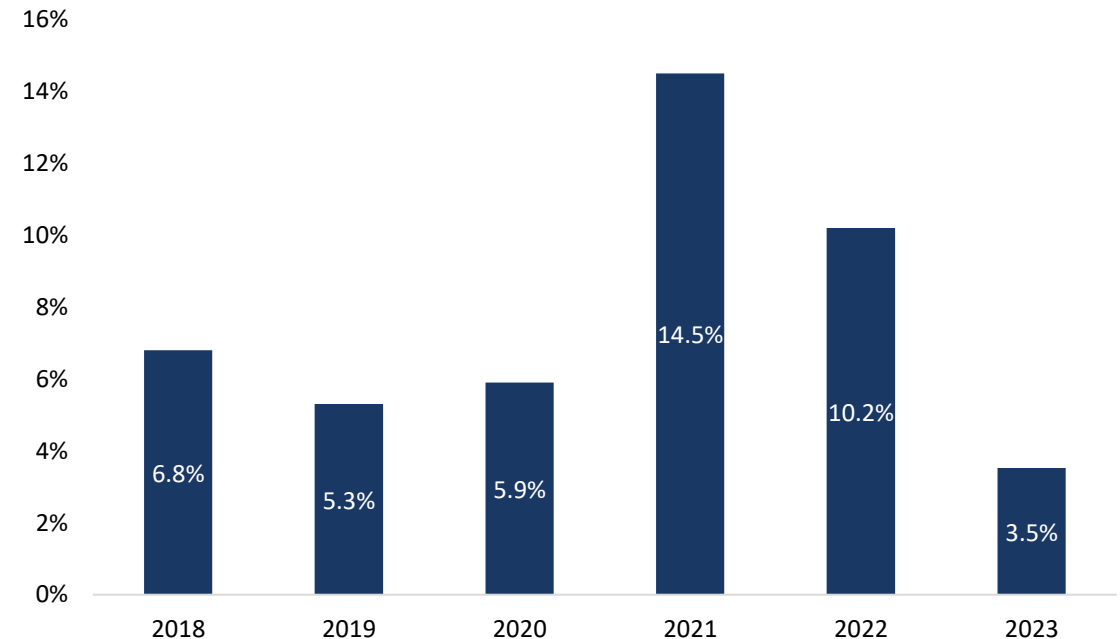
Event	Location	Dates
Texas Alternatives Conference	Austin, TX	February 27, 2024
TRS Emerging Manager Conference	Austin, TX	February 28, 2024
Council of Institutional Investors (CII) Spring Conference	Washington, DC	March 4-6, 2024
Strategic Partnership Network Summit	Austin, TX	May 16, 2024

Our People

Snapshot as of January 2024

IMD FTEs	246
Contractors	8
Secondees	5

Attrition Trend 2018 – 2023 (As of January 2024)



Market Update

2023 In Review

Overview

- **Markets**

- The S&P 500 rebounded sharply and exceeded expectations with a 26.3% return for the year
- US growth stocks significantly outperformed value by over 30% (growth up 42.7% while value up 11.5%)
- Technology (57.8%), and Comm Services (55.8%) led, while Utilities (-7.1%), Energy (-1.3%), and Staples (0.5%) lagged
- Non-US Developed equities (17.9%) led Emerging Markets equities (9.8%) on the year
- Emerging Markets ex China returned 20.0%

- **Economy**

- Real GDP increased 2.5% for calendar year 2023 despite forecasts at the beginning of the year of 0.3%. Consensus forecasts are 1.5% for 2024 and 1.7% for 2025
- Inflation cooled, with headline CPI at 3.4% in 2023 and core CPI (excluding food and energy prices) at 3.9%. Consensus forecasts are headline CPI of 2.6% for 2024 and 2.3% for 2025
- Economists place odds of a recession over next 12 months at 50%

- **Rates**

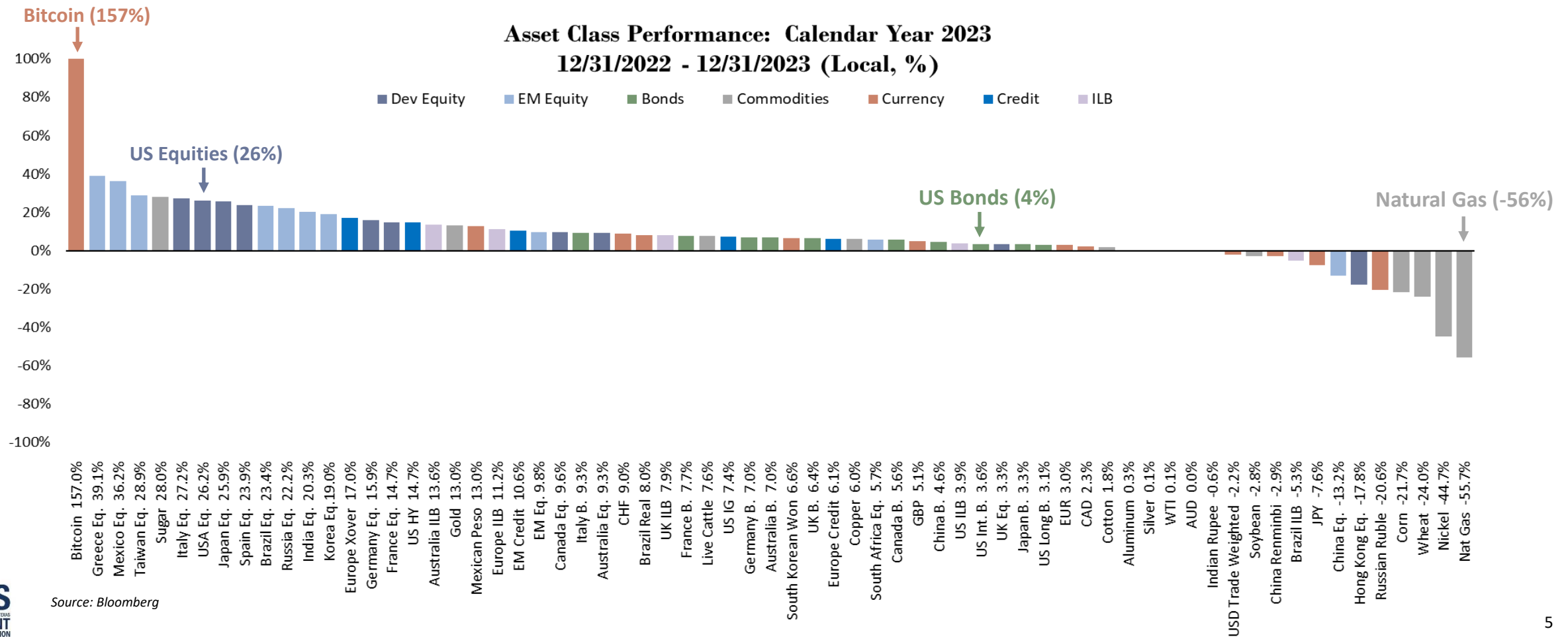
- The Federal Reserve raised interest rates three times in 2023 to end the year at a 5.3% federal funds effective rate
- The Fed signaled a shift in monetary policy in December, with the market currently expecting 6 rate cuts in 2024
- 10-year treasury rose above 5.0% (highest level since 2007) in October, however it ended the year at 3.9%
- Treasury yield curve still inverted, with the 3 month to 10 year spread at -152 bp to end the year

2023 In Review

Market returns

79% of assets had positive returns in calendar year 2023

- **Top 5:** Bitcoin 157%, Greece Equities 39%, Mexico Equities 36%, Taiwan Equities 29%, Sugar 28%
- **Bottom 5:** Natural Gas -56%, Nickel -45%, Wheat -24%, Corn -22%, Russian Ruble -21%

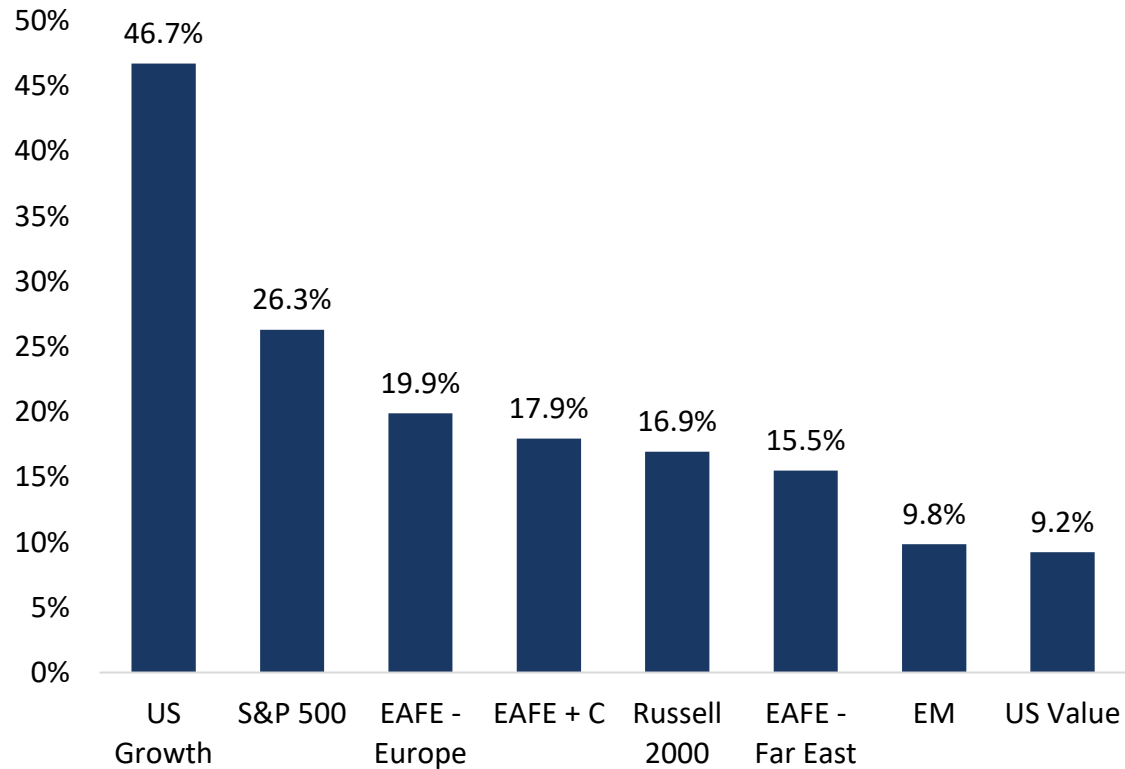


2023 In Review

Equity performance was strong

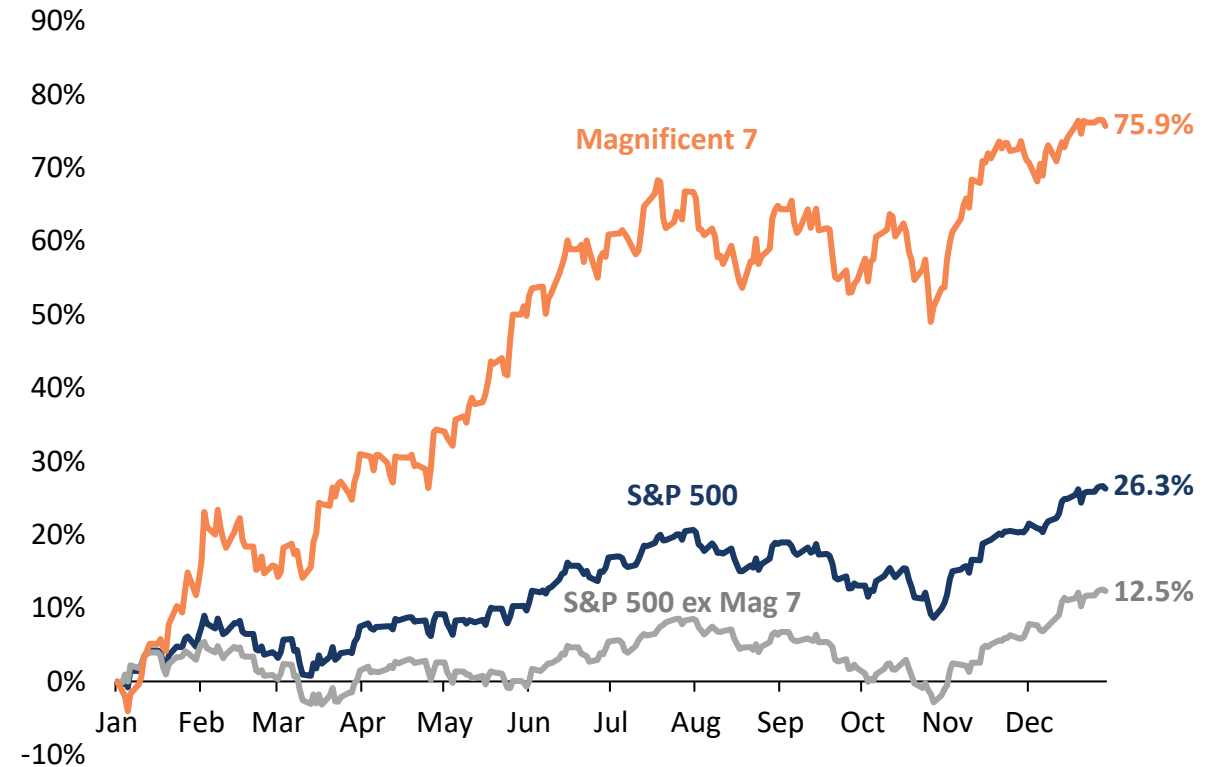
US equities outpaced other regions in 2023...

2023 Global Market Total Returns (USD)



...as the Magnificent 7 propelled markets to near all time highs

2023 S&P Returns – (With and Without Magnificent 7)



2023 In Review

2023 was a very macro-driven year



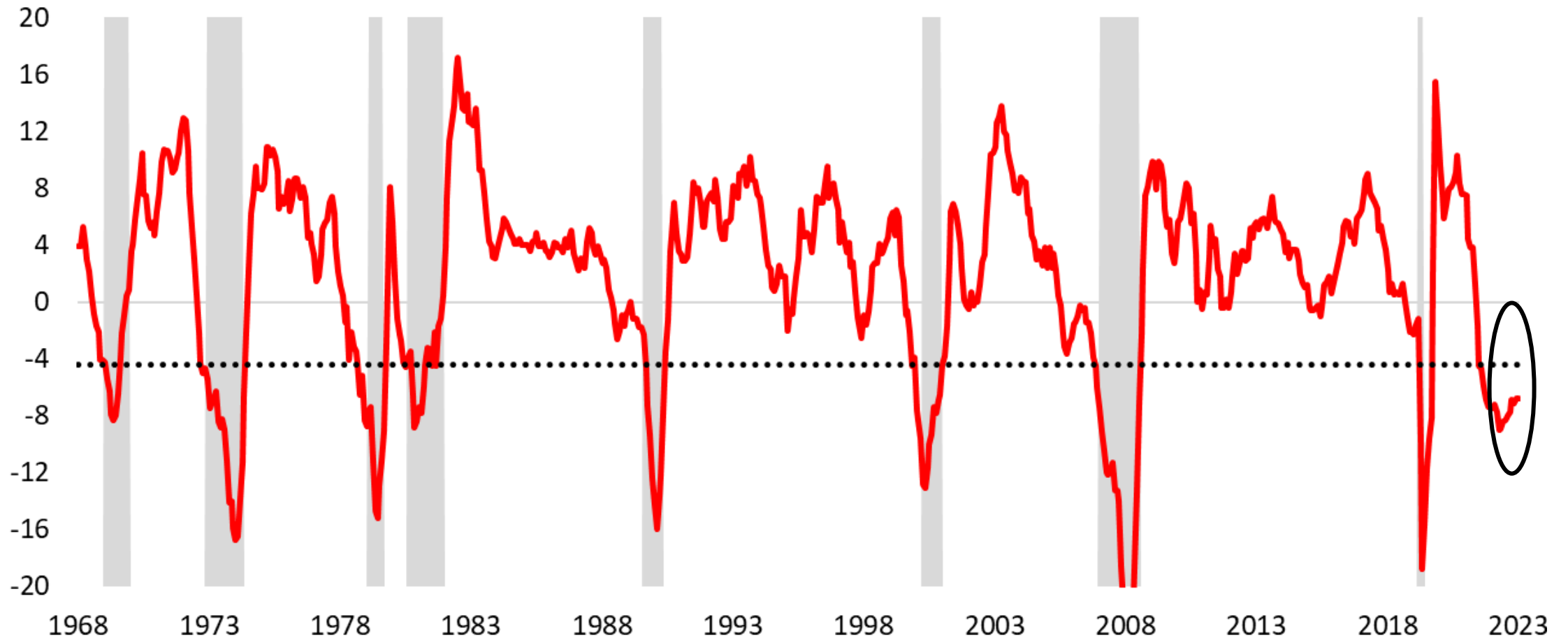
Source: Morgan Stanley

2024 Investment Outlook

Is this time different?

Leading Economic Indicators lead recessions

Conf Board Lead Indicator (6m% change)

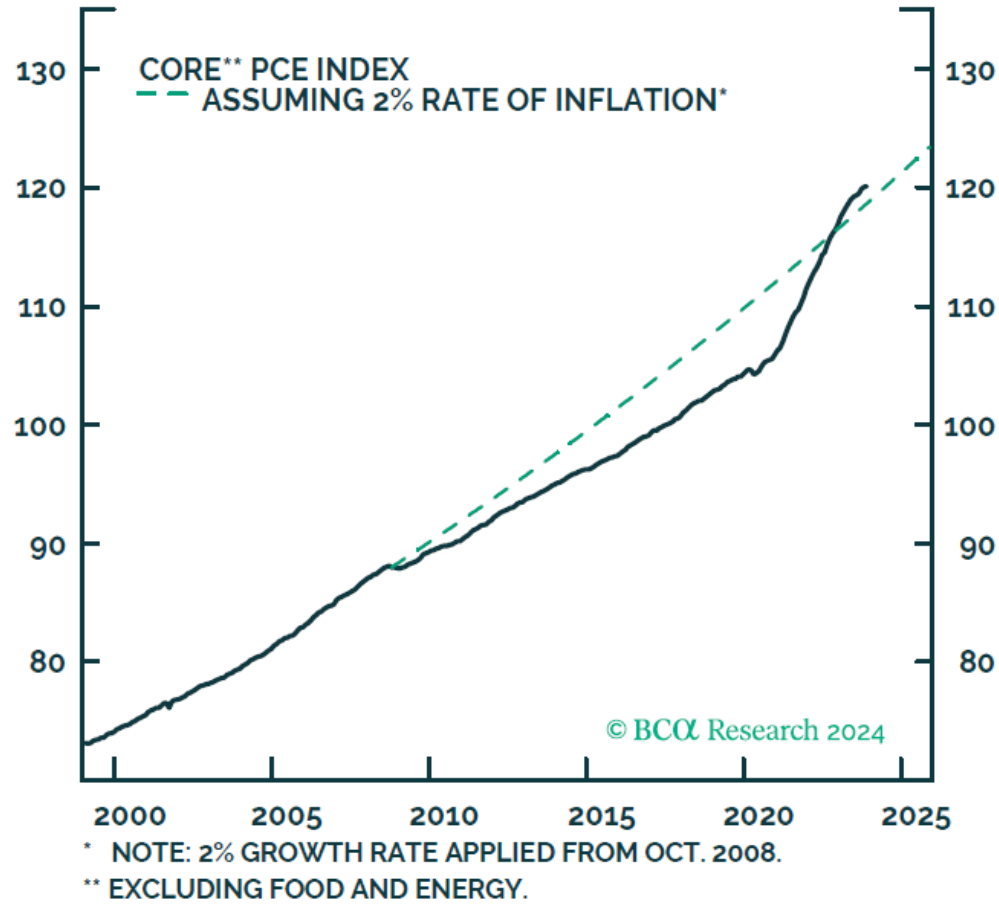


Source: Bloomberg, Conference Board

2024 Investment Outlook

But the economy seems to be back on trend: 2%, 2%

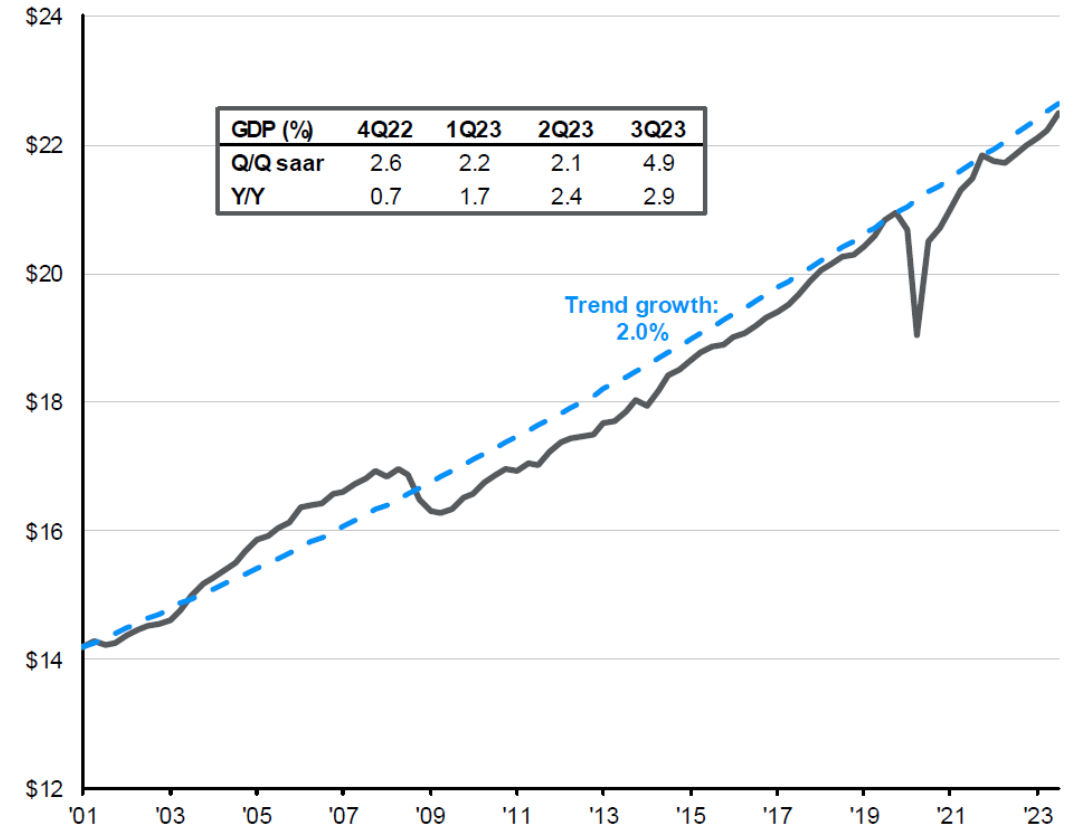
Inflation (2%)



Growth (2%)

Real GDP

Trillions of chained (2017) dollars, seasonally adjusted at annual rates

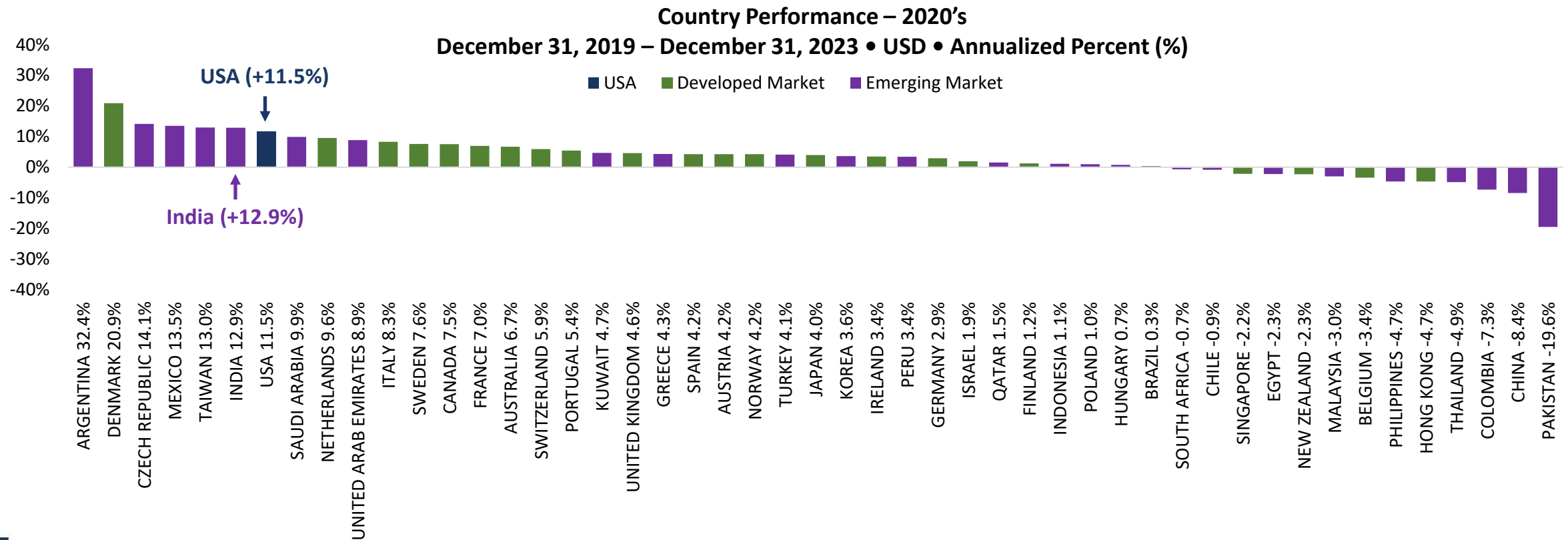


2024 Investment Outlook

2020 Decade So Far

73% of countries have positive equity returns in the 2020's decade so far

- **Top 5:** Argentina 32%, Denmark 21%, Czech Republic 14%, Mexico 14%, Taiwan 13%
- **Bottom 5:** Pakistan -20%, China -8%, Colombia -7%, Thailand -5%, Hong Kong -5%



Source: Bloomberg

Special Topic: Strategic Asset Allocation

Special Topic: Strategic Asset Allocation

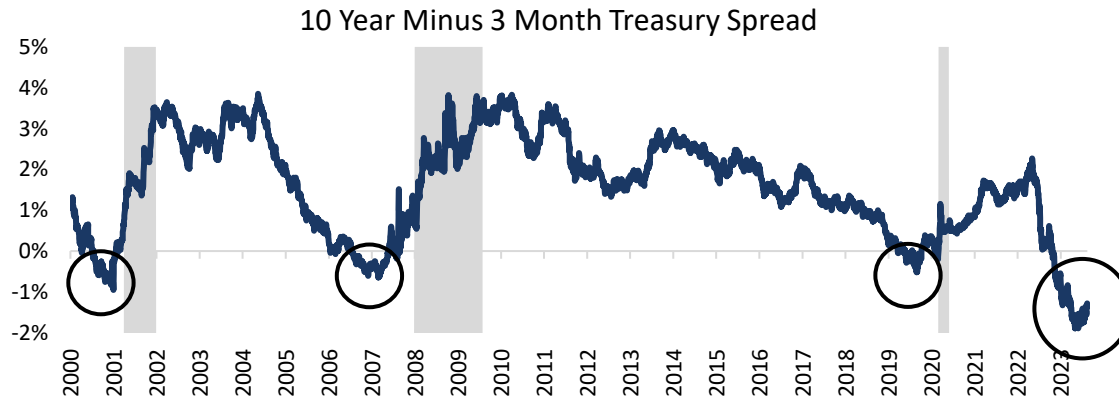
Overview

Special Topics

Topic	Date	Topic	Date
1 Recession	September 2017	8 Long-Term Investing	February 2021
2 Growth	February 2018	9 Commodities	September 2021
3 Inflation	September 2018	10 China	February 2022
4 Strategic Asset Allocation	February 2019	11 Sentiment	September 2022
5 Value	September 2019	12 Foreign Currency	February 2023
6 Diversification	February 2020	13 Artificial Intelligence	September 2023
7 Interest Rates	September 2020	14 Strategic Asset Allocation	February 2024

Update on Recession Special Topic

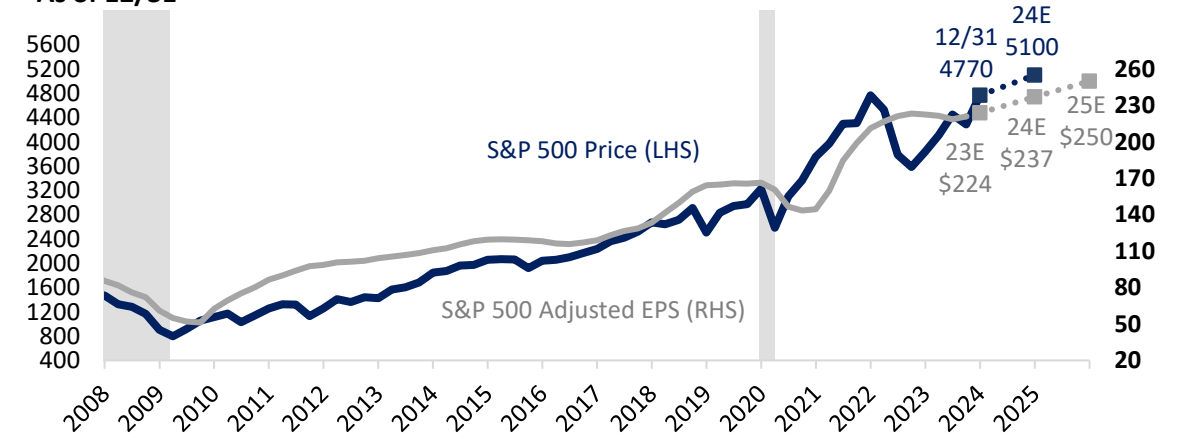
As of 12/31



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

Update on Growth Special Topic

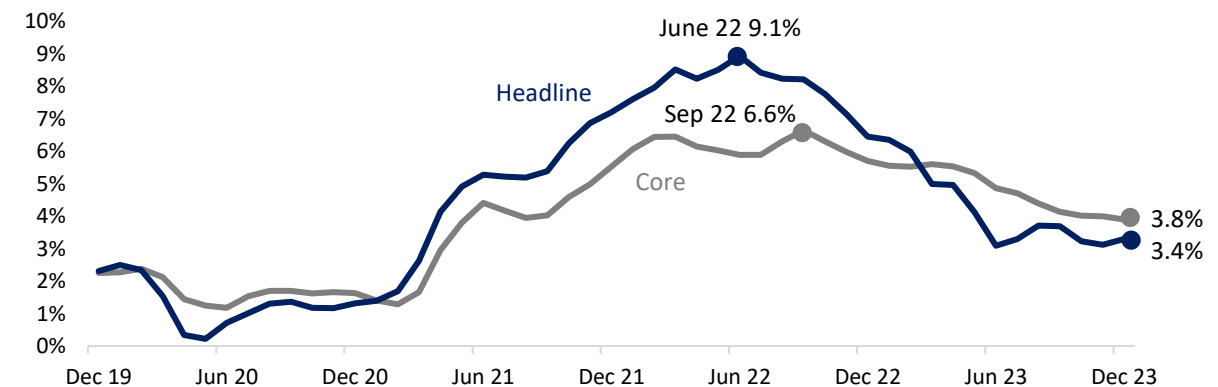
As of 12/31



Update on Inflation Special Topic

As of 12/31

Headline vs. Core CPI (Year over year change in %)



Special Topic: Strategic Asset Allocation

Introduction

- **Strategic Asset Allocation.** Setting the Strategic Asset Allocation (the “SAA”) is one of the most important responsibilities of the Board of Trustees
- **Trust Return Variation.** Trust returns are impacted by:
 - **3/4 General Market Movement** – the Board’s general choice to invest in the markets rather than in cash
 - **1/8 Specific Asset Allocation** – the Board’s specific SAA choices – which asset classes at which weights?
 - **1/8 Active Management** – the IMD’s effort to generate excess return (alpha)

*“[A]bout three-quarters of a typical fund’s variation in time-series returns comes from **general market movement**, with the remaining portion split roughly evenly between the **specific asset allocation** and **active management**.”*

-- Roger Ibbotson (2010)

TRS Strategic Asset Allocation.

1	Global Equity	USA	18%
2		Non-US Developed	13%
3		Emerging Markets	9%
4		Private Equity	14%
5	SV	Government Bonds	16%
6		Absolute Return	0%
7		Stable Value HF	5%
8	Real Return	Real Estate	15%
9		ENRI	6%
10		Commodities	0%
11	RP	Risk Parity	8%
12	Cash	Cash	2%
13		Asset Allocation Leverage	-6%
Total			100%

Special Topic: Strategic Asset Allocation

Introduction

- **Repeatable Process.** We have a tried and true process for assessing SAA
 - Same process as 2019, 2014, and 2009
 - Multiple Board meetings (2023: December; 2024: February, April, June, September)
 - Plan to complete process by July 2024 so that any policy changes can be made in September
- **Strong Advisors.** We have a very strong set of advisors many of whom were here for both the 2019, 2014, and 2009 SAA processes
 - Investment Advisors – Aon and Dr. Brown
 - Actuarial Advisors – GRS
 - Strategic Partners – Blackrock, JP Morgan, Morgan Stanley
 - External Network – other investment community members in both public and private
 - Investment Management Division – the dedicated members of the IMD

Special Topic: Strategic Asset Allocation

Introduction

- TRS Strengths.

- Large \$193 billion
- Long-term 26 year liability duration
- Liquid ~66% public markets assets of which \$31 billion is in cash or US Treasuries
- Low Levered Small amount of leverage
- Local People on the ground in London

Special Topic: Strategic Asset Allocation

Introduction

Rank	25 Years 1999-2023	TRS Allocation
1	PE, 11.1%	14%
2	USA, 7.9%	18%
3	ENRI, 7.8%	6%
4	EM, 7.5%	9%
5	RE, 7.0%	15%
6	RP, 6.7%	8%
7	AbsRtn, 6.3%	0%
8	EAFE+C, 4.6%	13%
9	GovBnds, 4.6%	16%
10	SVHF, 4.0%	5%
11	Cmdties, 2.2%	0%
12	Cash, 1.8%	2%

- 25 Year Benchmark Returns.

- Three of the top five assets are private markets – Private Equity, ENRI, Real Estate
 - USA is the top public asset
 - Absolute Return (benchmark: high yield) and Risk Parity fell in the middle
 - Government Bonds, Hedge Funds (SVHF), Commodities, and Cash performed as expected
 - EAFE+Canada did surprisingly poorly
- Over a long period of time, returns “normalize” across the business cycle – roughly speaking, the order of returns is as expected

Special Topic: Strategic Asset Allocation

Six Distinct Return Periods

Rank	25 Years	Six Distinct Return Periods (<i>high</i> , <i>low</i>)					
	1999-2023	1999	2000-2002	2003-2007	2008	2009-2021	2022-2023
		<i>high</i>	<i>low</i>	<i>high</i>	<i>low</i>	<i>high</i>	<i>low</i>
1	PE, 11.1%	EM, 66.5%	GovBnds, 13.5%	EM, 37.0%	GovBnds, 24.0%	USA, 16.1%	ENRI, 11.1%
2	USA, 7.9%	PE, 53.2%	Cmdties, 10.4%	EAFE+C, 22.1%	Cash, 1.8%	PE, 13.4%	Cmdties, 9.8%
3	ENRI, 7.8%	Cmdties, 40.9%	RE, 7.4%	PE, 22.1%	ENRI, -8.1%	AbsRtn, 10.6%	RE, 4.1%
4	EM, 7.5%	EAFE+C, 28.0%	RP, 4.4%	ENRI, 21.9%	RE, -10.7%	RP, 9.8%	Cash, 3.4%
5	RE, 7.0%	USA, 24.2%	SVHF, 4.1%	Cmdties, 14.9%	SVHF, -19.9%	EM, 8.7%	PE, 2.9%
6	RP, 6.7%	SVHF, 18.9%	Cash, 3.9%	RE, 14.0%	RP, -21.4%	EAFE+C, 8.0%	SVHF, 2.3%
7	AbsRtn, 6.3%	RP, 15.6%	ENRI, 1.2%	USA, 13.9%	PE, -25.1%	RE, 5.8%	USA, 1.0%
8	EAFE+C, 4.6%	RE, 12.1%	AbsRtn, -0.8%	RP, 12.4%	AbsRtn, -26.2%	GovBnds, 5.2%	EAFE+C, 0.5%
9	GovBnds, 4.6%	ENRI, 9.3%	PE, -6.4%	AbsRtn, 10.9%	USA, -37.0%	ENRI, 5.0%	AbsRtn, 0.4%
10	SVHF, 4.0%	Cash, 4.7%	EM, -14.2%	SVHF, 7.4%	EAFE+C, -43.6%	SVHF, 3.9%	EM, -6.3%
11	Cmdties, 2.2%	AbsRtn, 2.4%	USA, -14.5%	GovBnds, 5.6%	Cmdties, -46.5%	Cash, 0.5%	RP, -9.8%
12	Cash, 1.8%	GovBnds, -8.7%	EAFE+C, -16.9%	Cash, 2.9%	EM, -53.3%	Cmdties, -2.8%	GovBnds, -14.6%

- Six Distinct Return Periods.
 - 3 *High* Return Periods
 - 3 *Low* Return Periods
- Value of Long Term Horizon.
 - Despite ups and downs in the interim, 25 year returns meet expectations
- Value of Diversification.
 - Over shorter time periods, asset classes can diversify one another

Special Topic: Strategic Asset Allocation

Today's Forecast

Rank	25 Years	Six Distinct Return Periods (<i>high, low</i>)						Today's Forecast
	1999-2023	1999	2000-2002	2003-2007	2008	2009-2021	2022-2023	
		<i>high</i>	<i>low</i>	<i>high</i>	<i>low</i>	<i>high</i>	<i>low</i>	
1	PE, 11.1%	EM, 66.5%	GovBnds, 13.5%	EM, 37.0%	GovBnds, 24.0%	USA, 16.1%	ENRI, 11.1%	PE, 9.1%
2	USA, 7.9%	PE, 53.2%	Cmdties, 10.4%	EAFE+C, 22.1%	Cash, 1.8%	PE, 13.4%	Cmdties, 9.8%	RE, 9.0%
3	ENRI, 7.8%	Cmdties, 40.9%	RE, 7.4%	PE, 22.1%	ENRI, -8.1%	AbsRtn, 10.6%	RE, 4.1%	ENRI, 8.0%
4	EM, 7.5%	EAFE+C, 28.0%	RP, 4.4%	ENRI, 21.9%	RE, -10.7%	RP, 9.8%	Cash, 3.4%	EM, 7.6%
5	RE, 7.0%	USA, 24.2%	SVHF, 4.1%	Cmdties, 14.9%	SVHF, -19.9%	EM, 8.7%	PE, 2.9%	USA, 6.8%
6	RP, 6.7%	SVHF, 18.9%	Cash, 3.9%	RE, 14.0%	RP, -21.4%	EAFE+C, 8.0%	SVHF, 2.3%	EAFE+C, 6.6%
7	AbsRtn, 6.3%	RP, 15.6%	ENRI, 1.2%	USA, 13.9%	PE, -25.1%	RE, 5.8%	USA, 1.0%	AbsRtn, 6.4%
8	EAFE+C, 4.6%	RE, 12.1%	AbsRtn, -0.8%	RP, 12.4%	AbsRtn, -26.2%	GovBnds, 5.2%	EAFE+C, 0.5%	RP, 6.4%
9	GovBnds, 4.6%	ENRI, 9.3%	PE, -6.4%	AbsRtn, 10.9%	USA, -37.0%	ENRI, 5.0%	AbsRtn, 0.4%	SVHF, 5.4%
10	SVHF, 4.0%	Cash, 4.7%	EM, -14.2%	SVHF, 7.4%	EAFE+C, -43.6%	SVHF, 3.9%	EM, -6.3%	Cmdties, 4.9%
11	Cmdties, 2.2%	AbsRtn, 2.4%	USA, -14.5%	GovBnds, 5.6%	Cmdties, -46.5%	Cash, 0.5%	RP, -9.8%	GovBnds, 4.3%
12	Cash, 1.8%	GovBnds, -8.7%	EAFE+C, -16.9%	Cash, 2.9%	EM, -53.3%	Cmdties, -2.8%	GovBnds, -14.6%	Cash, 3.4%
								Trust, 7.8%

• Today's Forecast.

- Currently, Total Trust forecast return is **7.8%**
- Rank order of assets in forecast is similar to 25 year returns
- Forecast generally higher than past 2 years and lower than 2009-2021 period

TAB 10



Setting the Strategic Asset Allocation:

An Overview of the Issues

Prepared for:

Board of Trustees
Teacher Retirement System of Texas

Prepared by:

Keith C. Brown

February 15, 2024

Setting the Strategic Asset Allocation: *An Overview of the Issues*

- An ***investment portfolio*** should always be viewed as the best ***proposed solution*** to an investor's ***financial problem***
 - It is impossible to develop an intelligent and prudent solution (i.e., portfolio allocation) without first understanding the nature and full complexity of the problem
 - So, this is not just an exercise in asset management only, but asset management in the context of a projected set of liabilities
 - The System's projected spending needs, in conjunction with the forecasted contribution levels, have a direct impact on how the System's asset should be invested
- The judgment as to how the System's financial assets should be broadly allocated amongst the permissible set of asset classes (i.e., the ***strategic asset allocation***) is arguably the ***most important investment decision*** that the Board is responsible for making

Setting the Strategic Asset Allocation:

The Importance of the Asset Allocation Decision

- An influential 1986 study published in *Financial Analysts Journal* by Gary Brinson, Randolph Hood, and Gilbert Beebower examined the issue of **how important** the **initial strategic allocation decision** is to investors
 - The main idea of the investigation was to evaluate the benefits of **passive** (i.e., strategic, or policy, allocation) versus **active** (i.e., tactical allocation, security selection) asset management
- They looked at quarterly return data for 91 pension funds over a ten-year period and **decomposed** the average returns as follows:
 - Actual Overall Return (IV)
 - Return due to **Strategic Allocation** (I)
 - Return due to Strategic Allocation and **Tactical Allocation** (II)
 - Return due to Strategic Allocation and **Security Selection** (III)

The Importance of the Asset Allocation Decision (cont.)

- Graphically:

		Selection	
		Actual	Passive
Timing	Actual	(IV) Actual Portfolio Return	(II) Policy and Timing Return
	Passive	(III) Policy and Security Selection Return	(I) Policy Return (Passive Portfolio Benchmark)

Active Returns Due to:

Timing
Selection
Other
<hr/>
Total

II - I
III - I
IV - III - II + I
<hr/>
IV - I

- The authors examined the actual portfolio returns for these pension funds to understand ***what causes*** those ***returns to vary*** over time
 - The important finding they established was that **93.6%** of the total return variation over time for the average pension fund could be explained by the ***initial strategic asset allocation decision*** alone

The Importance of the Asset Allocation Decision (cont.)

- More recent research studied the strategic asset allocation decisions and investment performance of a sample of roughly 230 public defined-benefit pension plans over the period from 2002 through 2023
 - Texas TRS was one of the funds included in the sample
- The overall conclusion about the importance of the initial strategic asset allocation policy remains the same in the updated findings
 - For the median pension fund over the past two decades, 81.3% of its return variation over time is attributable to the initial SAA decision

	Mean (%)	Median (%)	p-25 (%)	p-75 (%)	Std. Dev (%)
Pension Funds:					
<i>Time-Series R-Squared Values</i>					
Policy Return	62.86	81.30	28.27	86.94	33.29
Alpha Return	29.80	27.80	14.73	41.60	19.23
<i>Cross -Sectional R-Squared Values</i>					
Policy Return	12.58	3.45	1.05	16.15	15.80
Alpha Return	80.00	87.11	68.54	96.25	20.40



Setting the Strategic Asset Allocation: *Connection Between Risk Management and Asset Allocation*

- The preceding research shows that Board's **strategic asset allocation** decision is the **main driver** for how the portfolio produces returns over time
- However, it is important to note that the asset allocation decision is also intended to help **control the risk level** in the portfolio
 - By itself, asset allocation policy is, at best, an **indirect** risk control mechanism that works mainly through the concept of **diversification**
 - There is an important **difference** between the Board's **dollar asset allocation** decision and the **implied risk allocation** associated with the dollar allocation choice
- Consequently, the Board must also institute **explicit risk controls** in the investment policy to address the myriad forms of risk that exist in the process of managing a multi-asset class portfolio
 - There are many important sources of risk (e.g., market, credit, liquidity, measurement) and many ways of measuring these risks

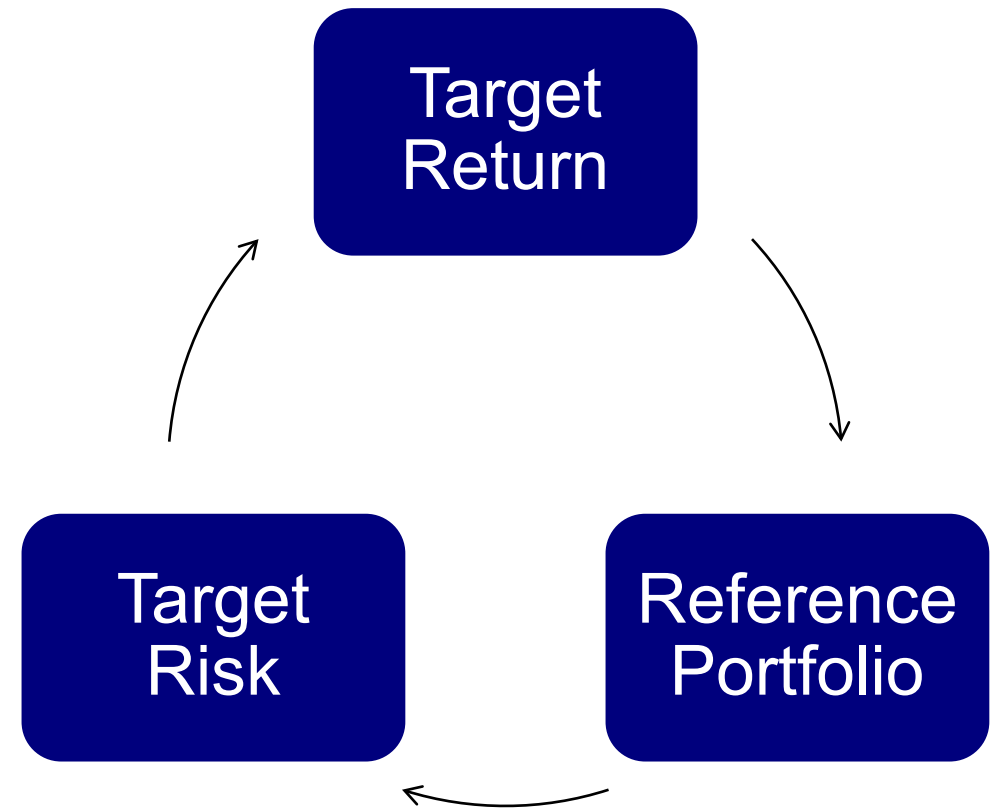
Connection Between Risk Management and Asset Allocation (cont.):

- The Risk and Portfolio Management group at TRS has an intuitively appealing way of framing this decision-making approach, which they call the **Triangulation Process**:

- ☐ Select a value at one of the points
- ☐ Calculate the implied values of the other points
- ☐ Use those values to triangulate acceptable, reasonable ranges
 - Iteration helps tease out objectives and risk tolerance

- Note that different investment decisions may use **different starting points**:

- ☐ SAA for TRS starts with Target Return
- ☐ Risk Parity starts with Target Risk



Setting the Strategic Asset Allocation: *Specific Board Decisions to be Made*

- So, setting an appropriate strategic asset allocation policy is crucial for at least ***two reasons***:
 - The strategic allocation choice is the primary factor in explaining how the System's wealth will vary over time
 - It is also a primary market risk control device at the Board's disposal by insuring that the overall portfolio has achieved a proper amount of diversification in the portfolio
- As it currently configured, the System's Investment Policy Statement (IPS) requires the Board to specify ***three dimensions*** of the strategic asset allocation decision
 - What is the ***allowable universe of asset classes*** that are permitted for inclusion in the portfolio?
 - What is the ***long-term normal percentage of overall Fund assets*** that should be invested in each permissible asset class (i.e., the strategic asset allocation)?
 - What set of ***benchmark indexes*** should be designated as being "typical" (i.e., expected) of the returns associated with each permissible asset class?

Specific Board Decisions to be Made (cont.):

- Select Asset Class Universe

- Set Target Allocations

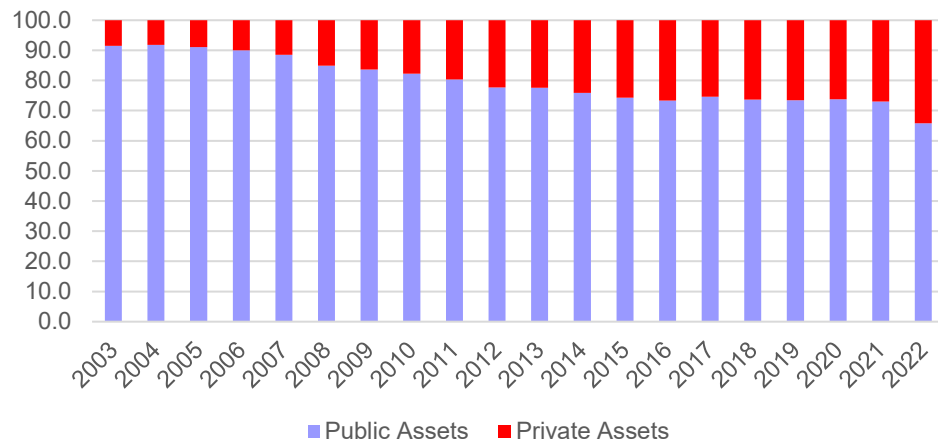
- Determine Asset Class Benchmarks

Asset Class	Benchmark	Reference Bloomberg Ticker	Minimum Range ^{1,2}	Maximum Range ^{1,2}	Target ²
Global Equity:					
USA	MSCI USA Investible Market ³	MIMUUSAG	13%	23%	18%
Non-US Developed	MSCI EAFE and Canada ³	NDDUEC	8%	18%	13%
Emerging Markets	50% MSCI EM/50% MSCI EM ex China ³	NDUEEGF	4%	14%	9%
Private Equity	Customized State Street Private Equity Index – lagged one quarter ⁴	MICXBRV	9%	19%	14%
Total Global Equity	Target-weighted Blend		47%	61%	54%
Stable Value:					
Government Bonds ⁵	Bloomberg Barclays Long Treasury Index	LUTLTRUU	0%	21%	16%
Absolute Return (Including Credit Sensitive Investments) ^{6, 8}	SOFR + 4%	SOFRRATE (Plus 4%)	0%	20%	0%
Stable Value Hedge Funds	HFRI Fund of Funds Conservative	HFRIFOFC	0%	10%	5%
Total Stable Value	Target-weighted Blend		14%	28%	21%
Real Return:					
Real Estate	NCREIF ODCE – lagged one quarter		10%	20%	15%
Energy, Natural Resources and Infrastructure	40% Cambridge Associates Natural Resources/40% Cambridge Associates Infrastructure/20% quarterly Consumer Price Index – lagged one quarter	CPI (for CPI)	1%	11%	6%
Commodities	Goldman Sachs Commodity Index	SPGCCITR	0%	5%	0%
Total Real Return	Target-weighted Blend		14%	28%	21%
Risk Parity:					
Risk Parity	HFR Risk Parity Vol 12 Institutional Index	HFRPV12I	0%	13%	8%
INVESTMENT EXPOSURE				115%	104%
Asset Allocation Leverage:					
Cash	FTSE 3 Month Treasury Bill	SBMMTB3	0%	7%	2%
Asset Allocation Leverage ^{7, 8}	SOFR + 26.161 bp	SOFRRATE (Plus 26.161 bp)			-6%
Net Asset Allocation Leverage					-4%
TOTAL FUND	Target-weighted Blend				100%

Setting the Strategic Asset Allocation: Historical Evidence in the Pension Fund Industry

- Based on a study of roughly 230 public pension plans over the period 2002-2022
 - There has been a **marked reduction** in allocations to both **public** equity and public fixed income over time
- That capital has funded an **increased allocation** in **private assets**, notably hedge funds, real estate, and private equity
 - The percentage allocation to private market assets has increased from **8.5% to 34.2%** since 2003
- This migration in the asset allocation design from:
 - (1) public fixed-income to public equity,
 - and then from:
 - (2) public equity to private assets
 indicates a generally **increased risk level** in the policy portfolio

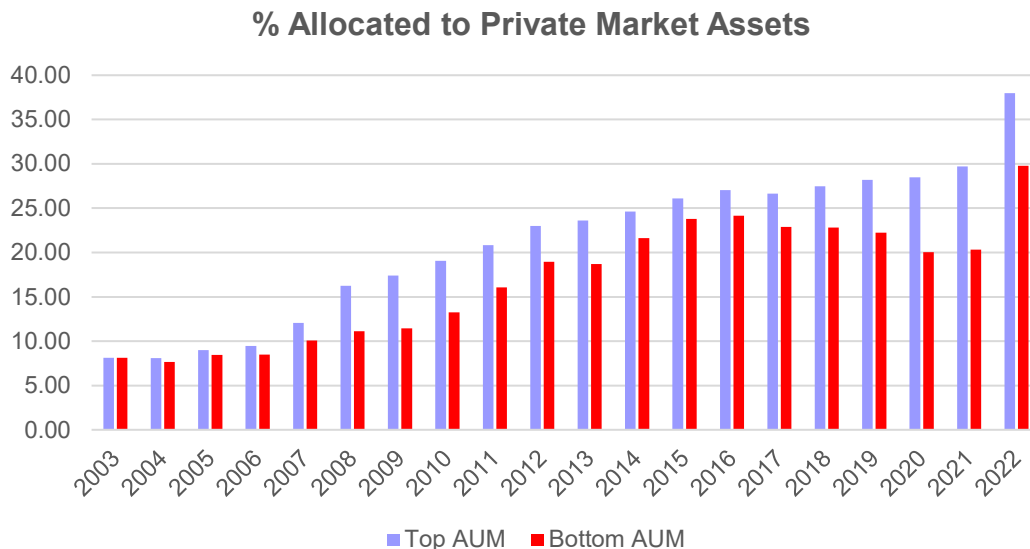
Pension Funds



			Asset Allocation:											
Year	Funds	AUM	Pub Eq	Pub FI	RE	HF	VC/Alt	PE	NR/Com	Cash	Other	Ttl Pub	Ttl Pvt	
2002	158	12.53	54.9	34.8	4.2	0.3	0.8	3.0	0.2	1.7	0.1	91.5	8.5	
2003	161	11.29	57.5	31.5	4.0	0.5	0.7	3.1	0.3	2.2	0.3	91.5	8.5	
2004	166	11.33	60.1	29.4	3.9	0.5	0.7	2.9	0.3	1.9	0.4	91.7	8.3	
2005	170	12.62	59.8	29.5	4.2	0.8	0.7	3.0	0.2	1.5	0.3	91.1	8.9	
2006	176	13.62	59.7	28.4	4.8	1.1	0.7	3.1	0.3	1.5	0.3	90.0	10.0	
2007	179	14.65	59.2	27.5	5.1	1.7	0.9	3.5	0.3	1.6	0.3	88.5	11.5	
2008	180	16.60	53.4	29.6	6.2	2.2	1.1	5.1	0.6	1.5	0.4	84.9	15.1	
2009	185	14.69	51.7	29.6	5.5	3.5	1.0	5.5	0.9	2.0	0.4	83.6	16.4	
2010	187	11.87	51.6	28.5	5.2	4.0	1.4	6.0	1.2	1.8	0.4	82.2	17.8	
2011	190	12.92	51.9	26.2	5.7	4.7	1.4	6.2	1.7	1.8	0.5	80.4	19.6	
2012	190	14.66	49.8	25.8	6.3	5.9	1.5	6.6	2.0	1.7	0.4	77.7	22.3	
2013	195	14.34	51.5	23.8	6.1	6.4	1.5	6.4	2.1	1.8	0.4	77.6	22.4	
2014	192	15.83	50.7	23.1	6.2	7.5	1.4	6.6	2.4	1.8	0.2	75.9	24.1	
2015	194	17.53	49.2	23.2	6.9	7.9	1.5	6.7	2.7	1.7	0.2	74.2	25.8	
2016	195	17.48	48.2	23.2	7.5	7.6	1.5	7.1	3.0	1.8	0.1	73.3	26.7	
2017	205	16.54	50.1	22.5	7.2	7.0	1.3	7.0	2.9	1.7	0.2	74.6	25.4	
2018	206	18.12	48.2	23.4	7.4	7.1	1.4	7.5	3.0	1.7	0.3	73.6	26.4	
2019	202	19.26	47.7	23.7	7.4	7.1	1.3	7.7	3.1	1.9	0.2	73.4	26.6	
2020	202	20.16	47.8	23.7	7.1	6.6	1.5	8.0	3.0	2.1	0.2	73.7	26.3	
2021	200	20.68	48.9	21.7	6.8	6.0	1.8	9.6	2.8	2.1	0.4	73.1	26.9	
2022	145	30.70	42.0	21.6	8.8	6.6	2.4	12.9	3.5	2.1	0.2	65.8	34.2	

Historical Evidence in the Pension Fund Industry (cont.)

- Both large and small pension funds have **steadily increased** their allocations to private market assets over time
 - Small pensions **reduced** their private market allocations during the last half of the 2010s
- Starting in 2006, **large** pension funds began this public-to-private migration in a **more pronounced** manner
 - The **difference** in private market allocations between large and small pensions moved from 0.0% in 2003 to **8.2%** in 2022



Year	Top AUM Quartile Allocation - Bottom AUM Quartile Allocation :									Ttl Pub	Ttl Pvt
	Pub Eq	Pub FI	RE	HF	VC/Alt	PE	NR/Co m	Cash	Other		
2002	0.5	-1.3	0.2	-0.6	0.2	1.2	0.1	0.1	-0.3	-1.0	1.0
2003	-1.6	2.9	-0.2	-0.5	-0.2	1.0	-0.1	-0.5	-0.9	0.0	0.0
2004	0.2	0.3	-0.1	-0.7	0.0	1.2	0.0	0.2	-1.2	-0.4	0.4
2005	-0.2	-0.1	-0.2	-0.7	0.0	1.2	0.3	0.6	-0.8	-0.6	0.6
2006	0.8	-1.0	-0.2	-1.3	0.6	1.8	0.1	0.4	-1.2	-1.0	1.0
2007	-0.6	-0.3	-0.3	-0.6	0.8	2.0	0.1	0.0	-1.0	-2.0	2.0
2008	-0.3	-3.7	0.3	0.5	0.9	3.1	0.4	0.4	-1.5	-5.1	5.1
2009	-5.0	-0.6	0.9	-0.8	0.9	4.5	0.4	1.1	-1.4	-6.0	6.0
2010	-4.3	-0.8	0.5	1.0	-0.4	4.6	0.1	0.2	-0.9	-5.8	5.8
2011	-2.9	-1.7	0.5	-0.2	-0.5	5.0	0.0	1.1	-1.3	-4.8	4.8
2012	-3.0	-0.5	1.4	-1.4	-0.4	5.1	-0.8	0.8	-1.4	-4.1	4.1
2013	-3.9	-0.8	2.0	-1.6	0.0	4.9	-0.4	1.1	-1.3	-4.9	4.9
2014	-1.2	-2.5	1.6	-1.5	-0.6	4.5	-1.0	1.0	-0.3	-3.0	3.0
2015	-1.9	-1.2	0.8	-0.8	-0.9	4.5	-1.4	0.9	-0.1	-2.3	2.3
2016	-3.3	0.0	0.7	-0.6	-0.2	4.4	-1.3	0.1	0.3	-2.9	2.9
2017	-4.1	-0.2	0.6	-0.9	0.8	4.1	-0.9	0.6	0.0	-3.8	3.8
2018	-4.5	-0.4	0.2	-0.7	1.2	4.5	-0.6	0.4	-0.1	-4.6	4.6
2019	-5.2	-1.0	0.4	-0.4	1.6	5.0	-0.7	0.6	-0.5	-6.0	6.0
2020	-8.5	-0.8	1.3	0.0	1.8	5.4	0.0	1.1	-0.3	-8.5	8.5
2021	-8.6	-1.2	1.3	-0.5	2.1	6.4	0.0	0.8	-0.3	-9.4	9.4
2022	-5.2	-3.6	1.7	1.2	0.2	5.9	-0.9	0.2	0.4	-8.2	8.2

Setting the Strategic Asset Allocation: Components of Historical Investment Performance in the Pension Fund Industry

- The average **total return** for pension funds is **comparable** to the **actuarial return**, although the variability of actual performance is substantially larger than for the actuarial rate
 - The mean **actuarial rate declined** over the sample period from 8.00% to 6.95%, impacting the funding ratios for public plans
- The average **alpha** return component is **positive** overall (+38 basis points) and positive in slightly more than half the years in the sample (12 of 21 total)
- The average **benchmark** return is **lower** than the average **actuarial return** by 67 basis points (6.96% vs. 7.63%)
 - This implies that the typical pension sets the **risk level** for its benchmark allocation **too low** to meet its target return obligation

Year	Total Return		Benchmark Return		Alpha Return		Actuarial Return	
	Mean	StDev	Mean	StDev	Mean	StDev	Mean	StDev
2002	-6.36	3.52	-7.36	2.62	0.99	2.83	8.00	0.45
2003	8.74	10.03	10.58	0.63	-1.85	10.02	7.97	0.43
2004	14.96	3.24	7.15	1.25	7.81	3.03	7.96	0.42
2005	10.31	1.99	11.88	1.13	-1.57	1.84	7.95	0.42
2006	11.62	2.79	6.03	1.58	5.58	2.10	7.95	0.41
2007	15.68	4.10	12.10	1.47	3.58	3.83	7.93	0.40
2008	-9.36	9.44	-3.20	1.89	-6.16	9.86	7.92	0.40
2009	-9.59	16.46	-12.28	2.64	2.69	16.55	7.90	0.38
2010	13.75	2.97	6.14	1.09	7.60	3.20	7.85	0.38
2011	15.37	9.62	17.27	1.95	-1.90	9.48	7.78	0.39
2012	5.11	5.85	3.46	1.37	1.65	5.96	7.73	0.42
2013	13.10	2.92	12.21	1.89	0.88	2.33	7.69	0.40
2014	13.83	5.10	19.56	2.50	-5.73	5.23	7.65	0.41
2015	2.20	2.50	5.03	0.91	-2.83	2.51	7.59	0.38
2016	2.95	3.74	2.08	0.96	0.87	3.77	7.49	0.38
2017	13.15	2.79	10.84	1.10	2.31	2.60	7.36	0.41
2018	5.75	5.68	8.63	0.96	-2.88	5.66	7.26	0.37
2019	8.77	5.36	6.88	0.63	1.89	5.44	7.19	0.38
2020	4.99	4.75	4.98	0.88	0.01	4.71	7.14	0.34
2021	24.66	6.41	28.78	3.89	-4.12	6.65	7.02	0.36
2022	-5.49	5.10	-4.60	3.68	-0.89	3.62	6.95	0.36
Average:	7.34	5.45	6.96	1.67	0.38	5.30	7.63	0.39

Components of Historical Investment Performance in the Pension Fund Industry (cont.)

- On average, the largest and smallest pension funds produced very similar average total returns
 - These total returns were very close to their actuarial returns
- Both large and small pension funds produced a positive alpha return over time, although the alpha return for the smallest AUM quartile (+61 bp) is higher than that for the largest AUM quartile (+24 bp)
 - The larger alpha return component for small pension funds helped to offset the lower policy portfolio return

	Mean Total Return	Mean Benchmark Return	Mean Alpha Return	Mean Actuarial Return
Pension Funds:				
Overall	7.34	6.96	0.38	7.63
Largest AUM Quartile	7.40	7.16	0.24	7.60
Smallest AUM Quartile	7.39	6.78	0.61	7.63

Setting a Strategic Asset Allocation: *Some Closing Thoughts*

- Ultimately, as the Board reviews the strategic asset allocation process and policy at TRS, it should:
 - Have a **thorough understanding** of the **projected liabilities** (i.e., the “problem”) confronting the System, including both forecasted expenditures and contributions
 - Have a **thorough understanding** of current and forecasted **capital market conditions** that define the set of possible investment portfolios
 - Consider the **investment benefits and risks** associated with a range of **possible asset class universes**—starting with the current set—that could define the TRS portfolio
 - Consider the **investment benefits and risks** associated with a range of **target allocations**—starting with the current set—for each permissible asset class
 - Consider the **set of benchmarks** that best represent the opportunity cost of investing in a particular asset class

Some Closing Thoughts (cont.)

- Finally, it is useful to recognize that the current approach to setting the ***strategic asset allocation policy*** has been ***evolving*** under the leadership of the current IMD, as well as past and present members of the Board, for several years
- Whether the Board wants to consider this SAA review process as being one that either:
 - (i) starts from “ground zero”, or
 - (ii) affirms or modifies the current policy,

it is worth noting that many of the critical issues involved in making prudent decisions on the preceding questions are ***evaluated on an on-going basis*** by various parts of the organization

APPENDIX: More Evidence on the Importance of the Asset Allocation Decision

- Recall that the influential Brinson, Hood, and Beebower study **decomposed** total pension fund returns over time into:

- Actual Returns (IV)
- Strategic Allocation Component (I)
- Strategic and Tactical Component (II)
- Strategic and Selection Component (IV)

- In terms of return performance, the authors found that the average pension fund generated a **negative alpha** of -110 basis points:

		Selection	
		Actual	Passive
Timing	Actual	(IV) Actual Portfolio Return	(II) Policy and Timing Return
	Passive	(III) Policy and Security Selection Return	(I) Policy Return (Passive Portfolio Benchmark)

Active Returns Due to:	
Timing	II - I
Selection	III - I
Other	IV - III - II + I
Total	IV - I

		Selection	
		Actual	Passive
Timing	Actual	(IV) 9.01%	(II) 9.44%
	Passive	(III) 9.75%	(I) 10.11%

Active Returns Due to:	
Timing	- 0.66%
Security Selection	- 0.36
Other	- 0.07
Total Active Return	- 1.10%

The Importance of the Asset Allocation Decision (cont.)

- As noted earlier, in terms of **return variation**, they found more than 90% (i.e., **93.6%**) of that variation could be explained by the initial **strategic asset allocation decision**:

		Selection	
		Actual	Passive
Timing	Actual	(IV) 100.0%	(II) 95.3%
	Passive	(III) 97.8%	(I) 93.6%

	Variance Explained			Standard Deviation
	Average	Minimum	Maximum	
Policy	93.6%	75.5%	98.6%	4.4%
Policy and Timing	95.3	78.7	98.7	2.9
Policy and Selection	97.8	80.6	99.8	3.1

- In a subsequent *FAJ* study in 2000, Ibbotson and Kaplan support this conclusion, but argue that the importance of the strategic allocation decision does depend on **how you look at return variation** (i.e., 40%, 90%, or 100%)
 - They showed that the answer was over 90% for a single fund over time (i.e., a **time series**), but only 40% for a collection of funds at a given point in time (i.e., a **cross section**)

The Importance of the Asset Allocation Decision (cont.): Which Perspective?: Time-Series vs. Cross-Sectional Evaluation

		Fund:					
		A	B	..	J	..	Z
	1	$R_{A,1}$	$R_{B,1}$	..	$R_{J,1}$	..	$R_{Z,1}$
	2	$R_{A,2}$	$R_{B,2}$	..	$R_{J,2}$	..	$R_{Z,2}$
	3	$R_{A,3}$	$R_{B,3}$	..	$R_{J,3}$	..	$R_{Z,3}$
	:	:	:	..	:	..	:
	:	:	:	..	:	..	:
Period:	t	$R_{A,t}$	$R_{B,t}$	..	$R_{J,t}$	..	$R_{Z,t}$
	:	:	:	..	:	..	:
	:	:	:	..	:	..	:
	:	:	:	..	:	..	:
	:	:	:	..	:	..	:
	:	:	:	..	:	..	:
	N-1	$R_{A,N-1}$	$R_{B,N-1}$	..	$R_{J,N-1}$	..	$R_{Z,N-1}$
	N	$R_{A,N}$	$R_{B,N}$	..	$R_{J,N}$	..	$R_{Z,N}$

■ Time-Series Perspective:

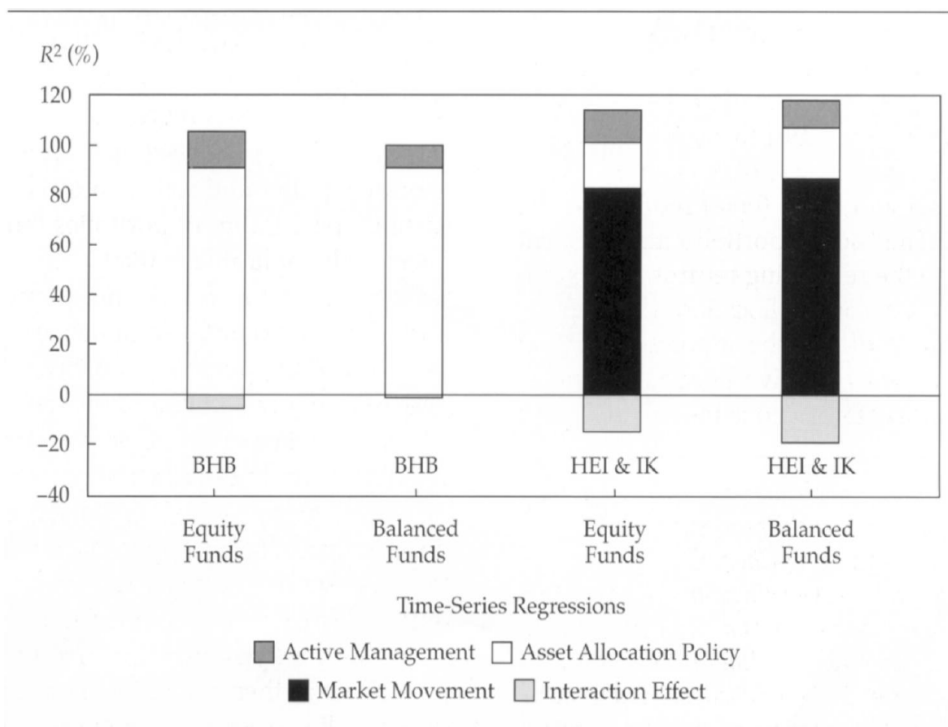
Focus on a single fund over several periods in time

■ Cross-Sectional Perspective:

Focus on a group of funds at one period in time

The Importance of the Asset Allocation Decision (cont.)

- In a 2010 *FAJ* study, Xiong, Ibbotson, Idzorek, and Chen refine this analysis by decomposing fund returns as follows:
 - **Asset Allocation Policy Returns:**
 - (i) Equally weighted average returns based on the composite asset allocation strategy for all funds in the peer group (which they refer to as “**market movement**” returns)
 - (ii) **Specific strategic asset allocation policy returns** for a given fund
 - **Active Management Returns**
- Using this new decomposition method, they show that the **return variation** in earlier studies (BHB and IK) can be approximately attributed to:
 - **General Allocation (Market): 71.6%**
 - **Specific Allocation: 15.5%**
 - **Active Management: 12.9%**



The Importance of the Asset Allocation Decision (cont.)

- Using the updated pension fund sample for the period 2002-2022, R-squared coefficients were evaluated for regressions of the form:

$$R_{jt}^{Ttl} = a + bR_{jt}^{Comp} + e_{jt}$$

- for (i) each Fund j over $t = 1, \dots, N$; and
 (ii) each Year t across all Funds $j = 1, \dots, J$

- The main findings are that:
 - Policy benchmark allocation explains most of the return variation (62.9% mean, 81.3% median) for the average fund over time
 - Alpha strategies explain the largest portion of cross-sectional return variation (80.0% mean, 87.1% median) during the average year
- These results are consistent with previous studies of pension fund strategic asset allocation and investment performance, although the impact of the SAA decision has changed somewhat since the original “90% rule” was established about four decades ago.

	Mean (%)	Median (%)	p-25 (%)	p-75 (%)	Std. Dev (%)
Pension Funds:					
<i>Time-Series R-Squared Values</i>					
Policy Return	62.86	81.30	28.27	86.94	33.29
Alpha Return	29.80	27.80	14.73	41.60	19.23
<i>Cross -Sectional R-Squared Values</i>					
Policy Return	12.58	3.45	1.05	16.15	15.80
Alpha Return	80.00	87.11	68.54	96.25	20.40

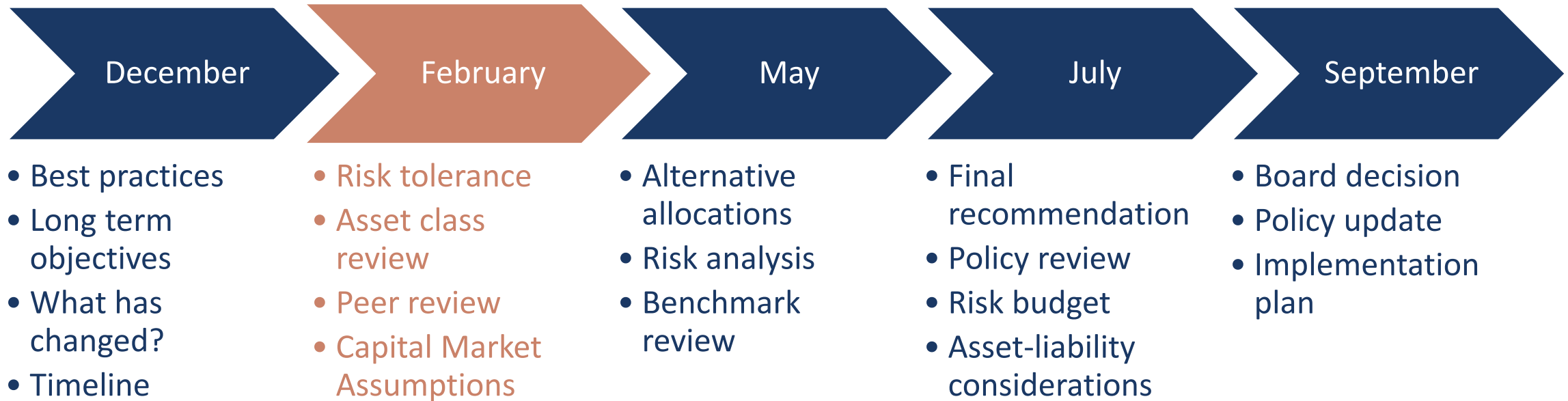
Strategic Asset Allocation (SAA) Study Risk and Portfolio Management

Mike Simmons, Director, Trust Strategy

February 2024

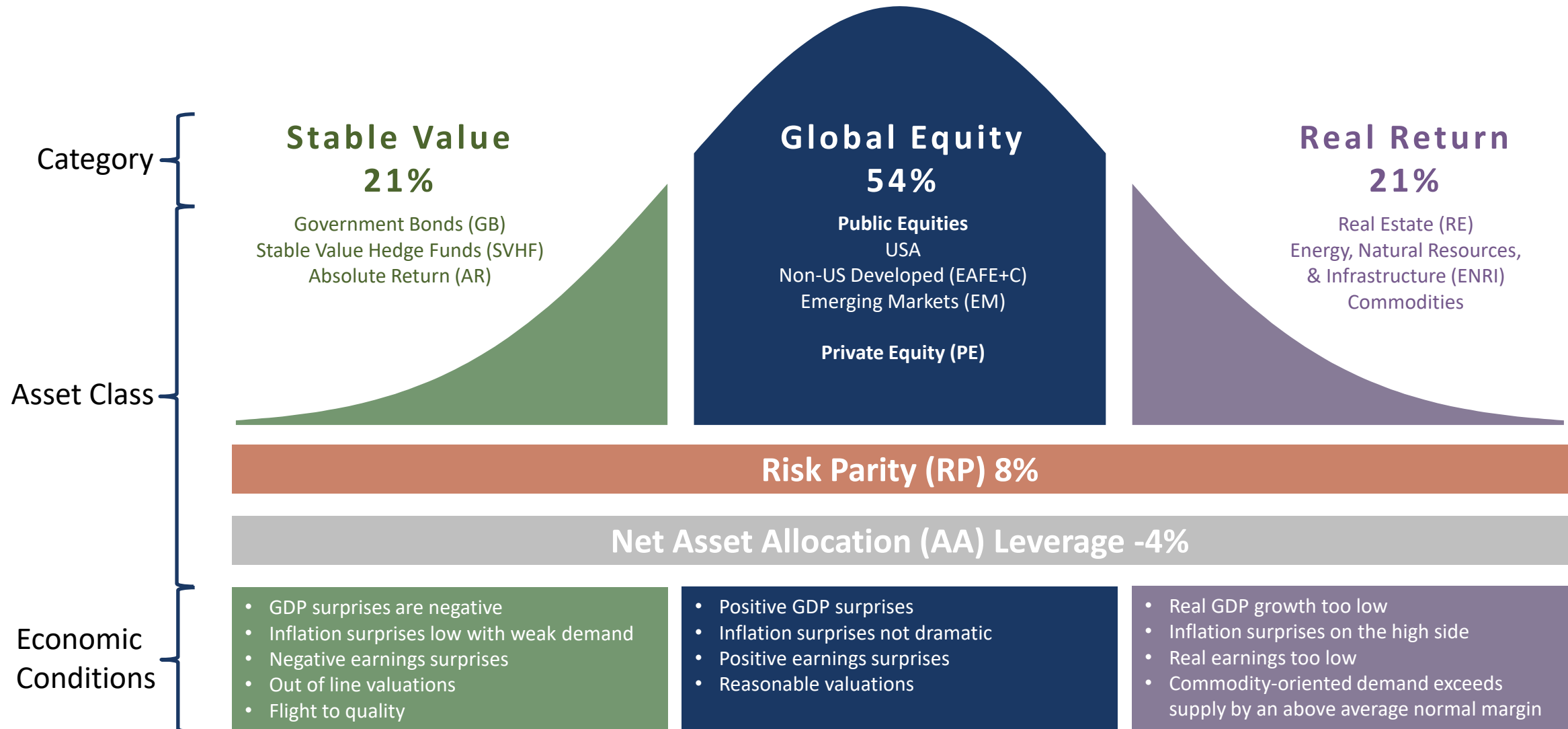


Proposed Board Timeline

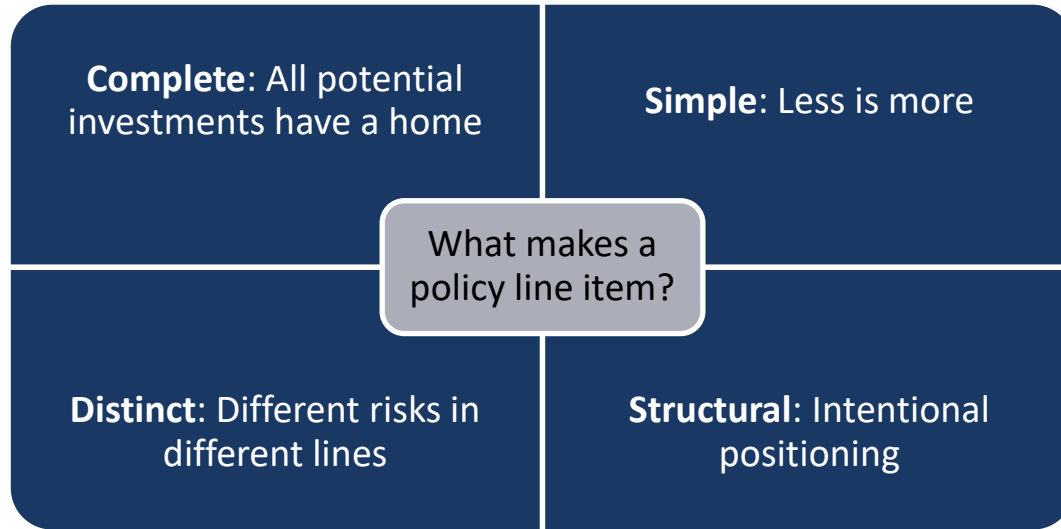


Asset Class Review

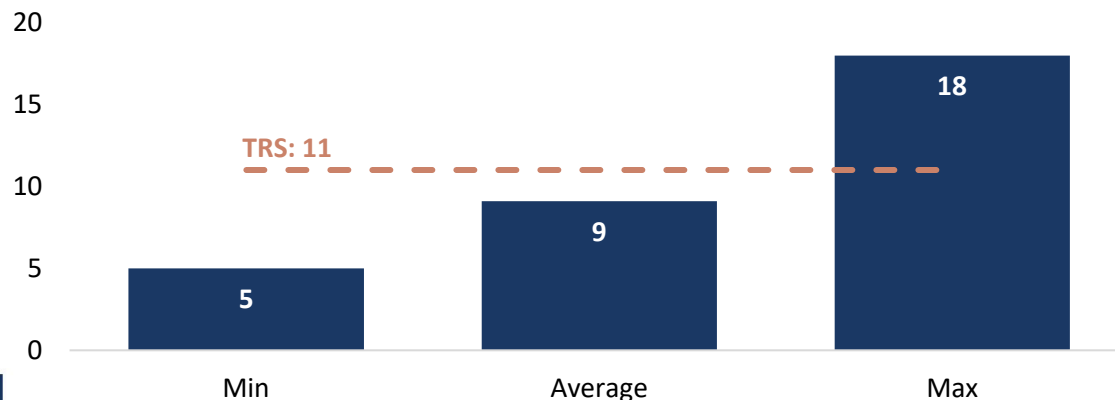
TRS Diversification Framework



TRS asset classes are similar to peers



Number of Line Items: US Public Pension Peers



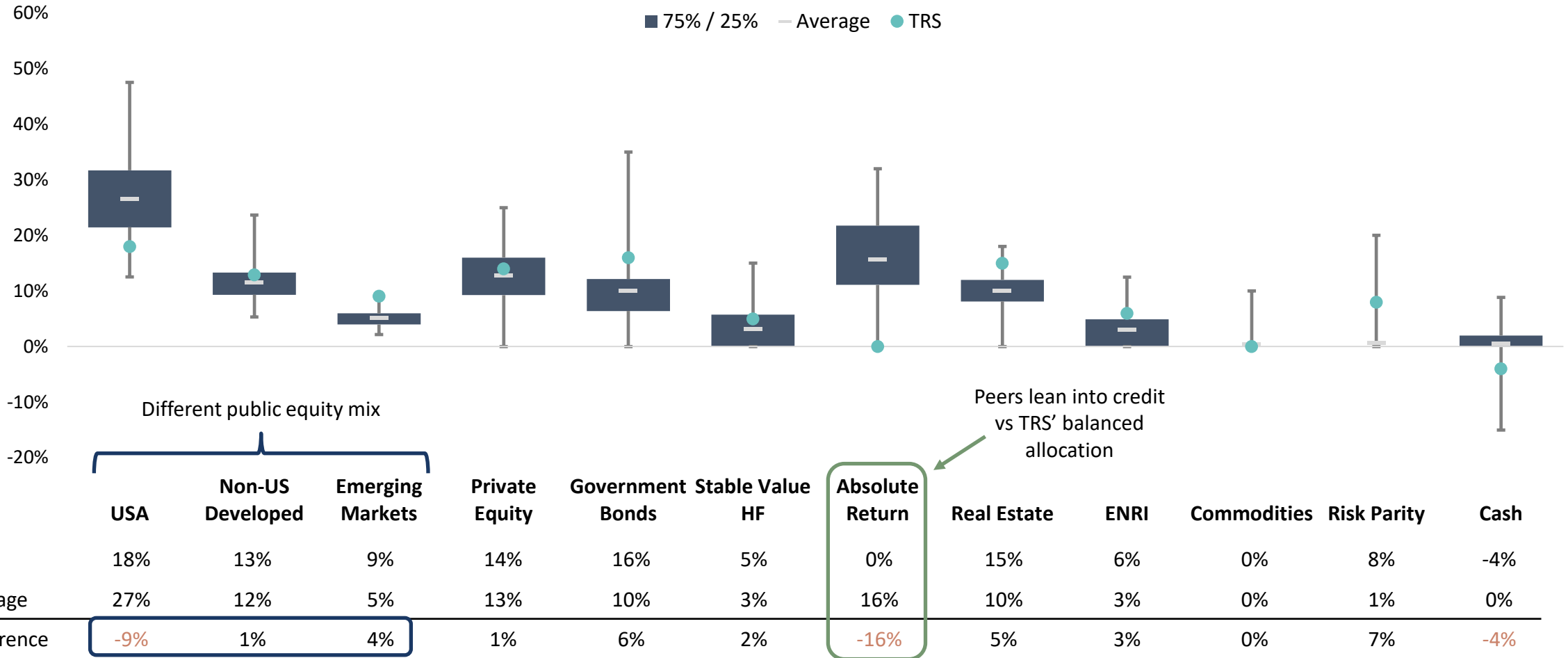
Notable differences from peers

- 17% of peers have an allocation to “opportunistic”
 - TRS allocates to opportunistic but has a 0% neutral weight
- 7% of peers allocate to Risk Parity
- 2% of peers allocate to Energy
- 93% of peers allocate to credit
- TRS uses regional equity benchmarks
 - 44% of public plans use a global aggregate (such as ACWI)
 - 24% use regional benchmarks (same as TRS)
 - 32% use a mix of global aggregate and regional benchmarks

Peer Review

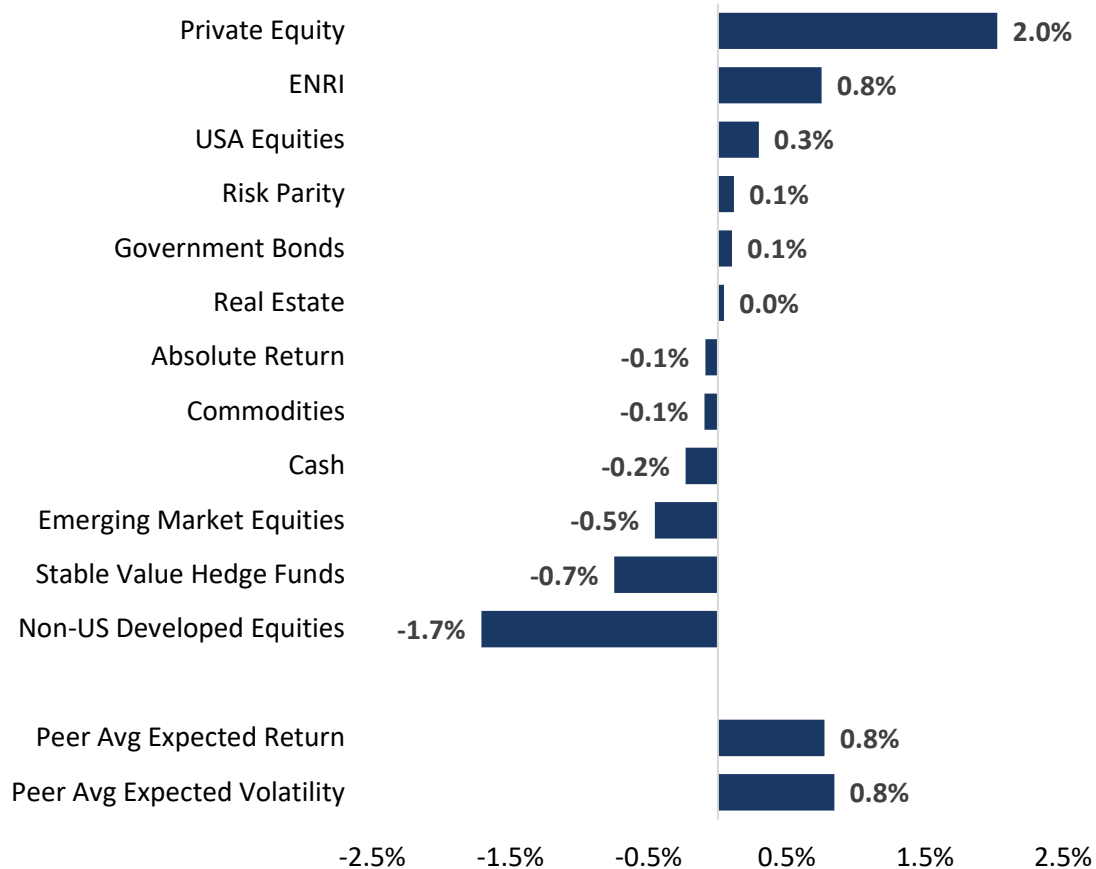
How does TRS differ from US public pension peers?

Strategic Positioning: US Public Pension Peers



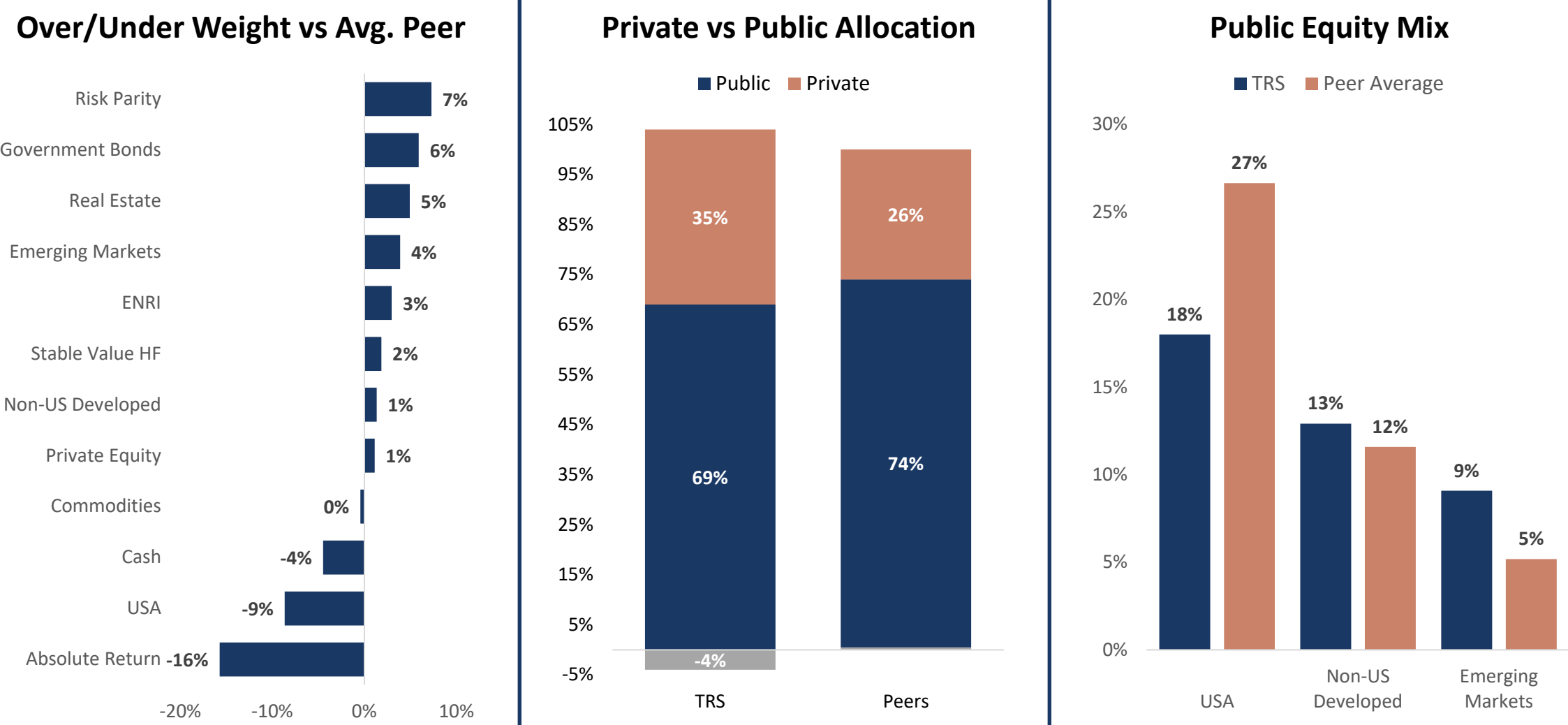
Peers lean into Private Markets since last SAA

Change in Estimated Peer Average Positioning
October 2019 to December 2023



- Over the last 4 years, peer allocations shifted:
 - +2% to Private Equity possibly offset by -2% from Public Equity
 - +0.8% to Infrastructure
 - -0.7% from Hedge Funds
- Market moves are the primary driver behind changes in public equity regional mix
- Both expected return and expected volatility have increased

TRS has more alternatives, less USA equities and less credit than peers



Source: TRS IMD calculations based on data collected from peer websites and Public Plans Data maintained by the Center for Retirement Research at Boston College
Note: Cash includes asset allocation leverage

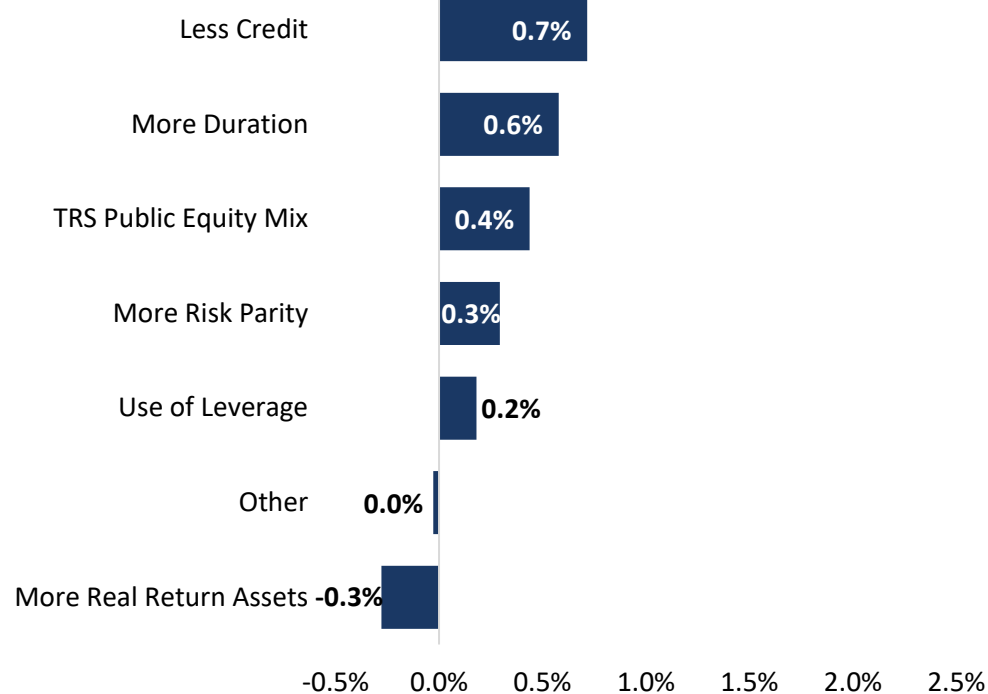
Deviations from peers driven by a few key factors

Estimated Tracking Error Contribution

Estimated Tracking Error of TRS vs
Peer Average Allocation

1.9%

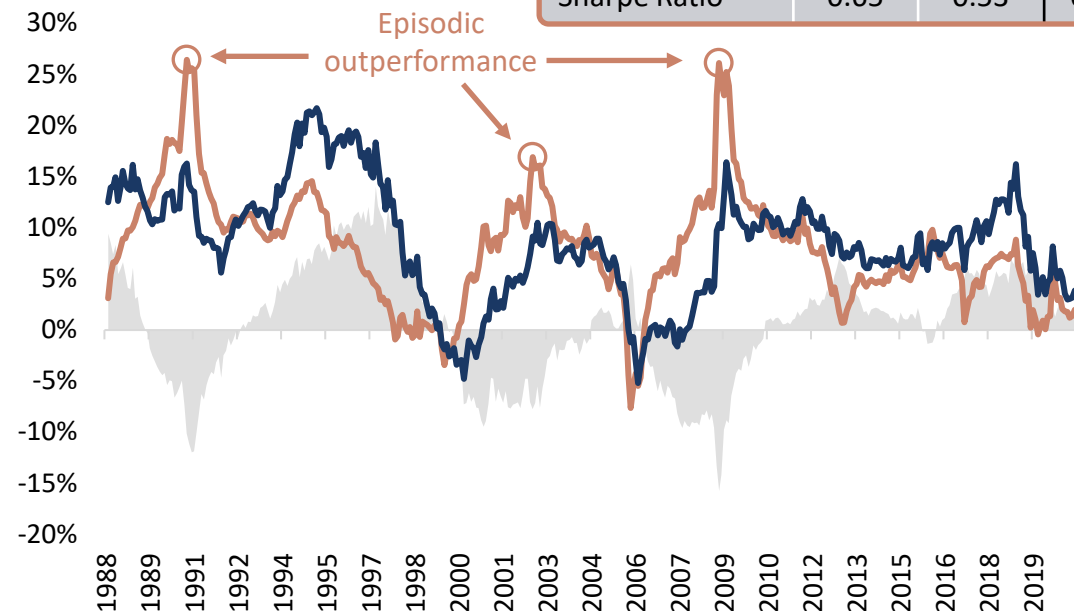
Key Factors



Rolling 3-Year Annualized Return

■ Difference — Credit — 55%/45% Stocks/Bonds

More risk-adjusted
return over long-term



Annualized March '88 to Dec. '23	55/45	Credit	Diff
Return	8.4%	7.5%	0.9%
Volatility	8.4%	8.5%	0.1%
Sharpe Ratio	0.65	0.53	0.12

Capital Market Assumptions Survey

Capital Markets Assumptions (CMA) Survey Timeline

December 1, 2023

Survey sent to 16
partners,
consultants and
external managers

December 31, 2023

Processed and
standardize data

December 15, 2023

Received return,
risk and correlation
estimates for 51
assets

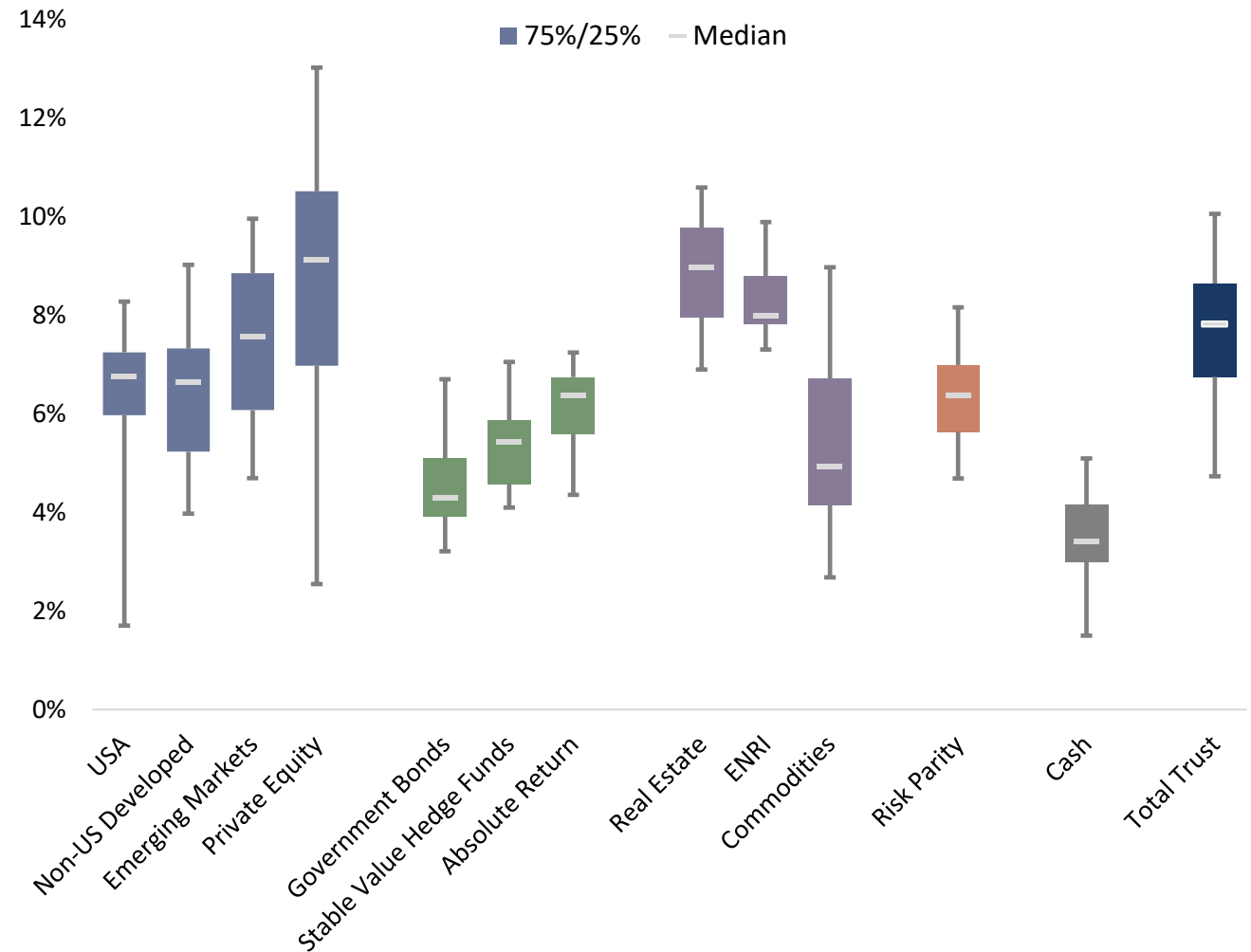
January 15, 2024

Incorporate CMA
responses into SAA
analysis

2024 Capital Markets Assumptions Survey Results

	Long-Term Expected Returns		
	Median	Max	Min
USA	6.8%	8.3%	1.7%
Non-US Developed	6.6%	9.0%	4.0%
Emerging Markets	7.6%	10.0%	4.7%
Private Equity	9.1%	13.0%	2.5%
Government Bonds	4.3%	6.7%	3.2%
Stable Value Hedge Funds	5.4%	7.1%	4.1%
Absolute Return	6.4%	7.3%	4.4%
Real Estate	9.0%	10.6%	6.9%
ENRI	8.0%	9.9%	7.3%
Commodities	4.9%	9.0%	2.7%
Risk Parity	6.4%	8.2%	4.7%
Cash	3.4%	5.1%	1.5%
Total Trust	7.8%	10.1%	4.7%

2024 Expected Return Forecasts



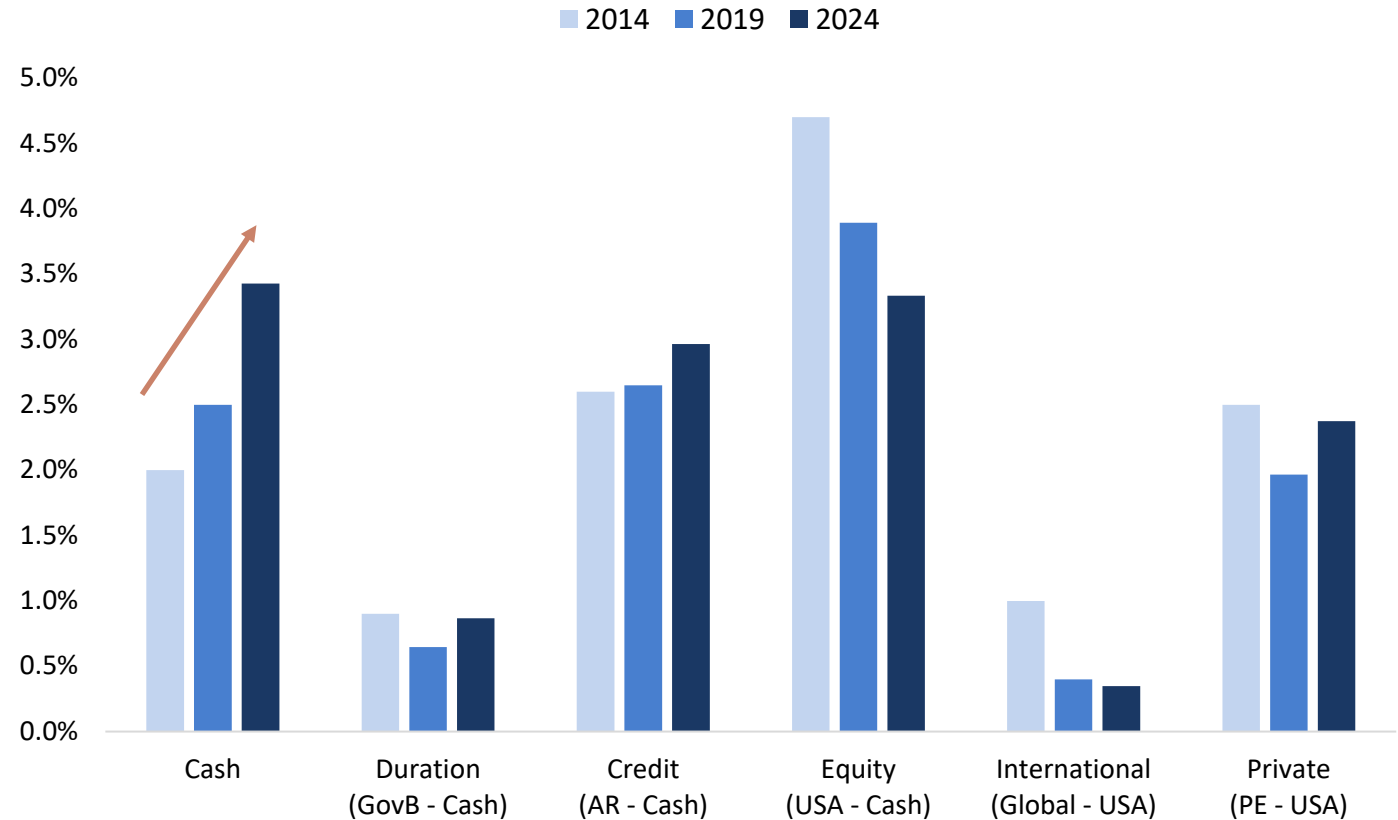
Nominal returns increased over past decade primarily due to cash rates

Long-Term Expected Returns

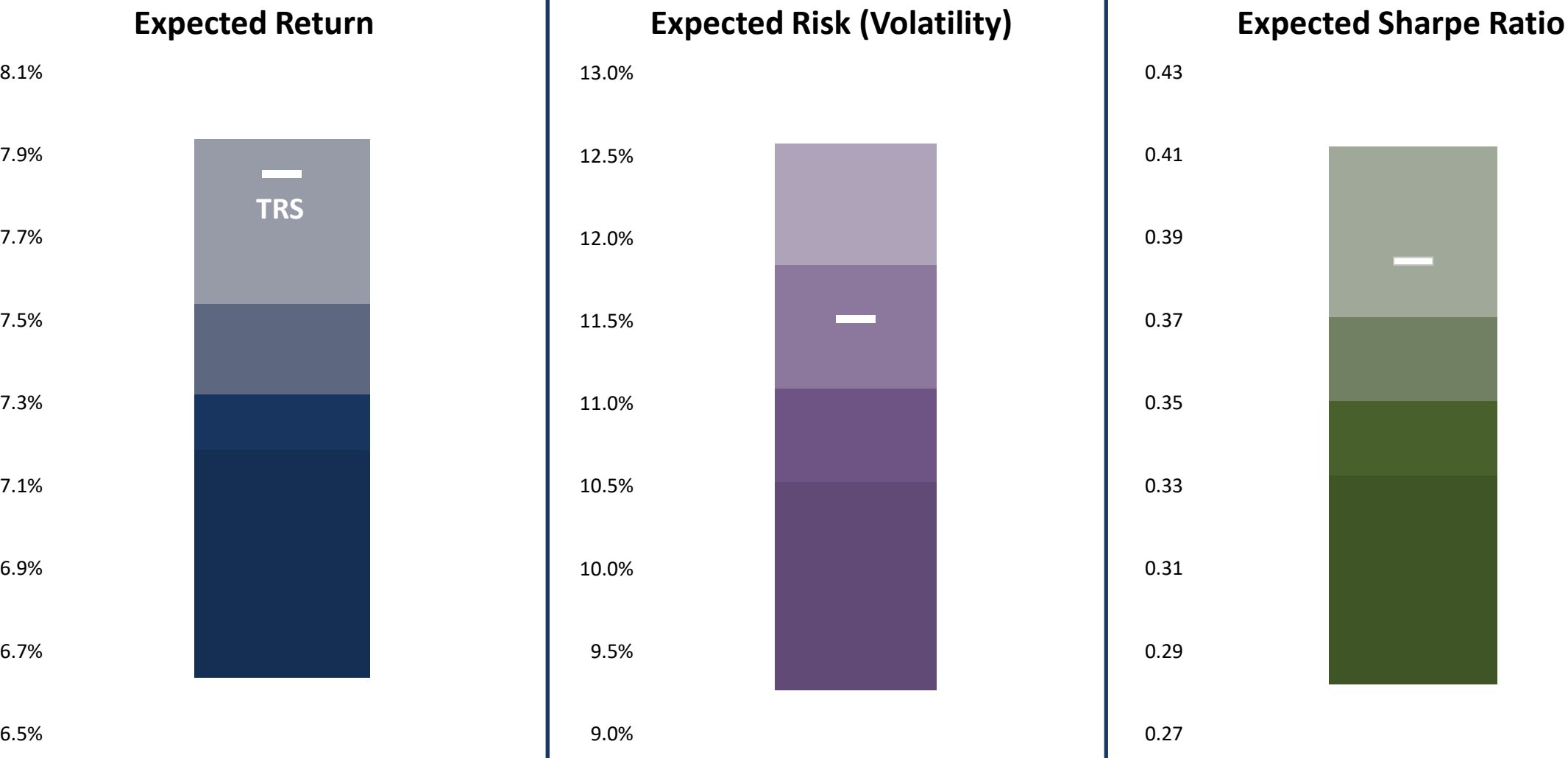
	2024	2019	Chg
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USA	6.8%	6.4%	0.4%
Non-US Developed	6.6%	6.3%	0.4%
Emerging Markets	7.6%	7.3%	0.3%
Private Equity	9.1%	8.4%	0.8%
Government Bonds	4.3%	3.1%	1.1%
Stable Value Hedge Funds	5.4%	4.5%	1.0%
Absolute Return	6.4%	5.1%	1.2%
Real Estate	9.0%	8.5%	0.5%
ENRI	8.0%	7.3%	0.7%
Commodities	4.9%	4.2%	0.7%
Risk Parity	6.4%	6.1%	0.3%
Cash	3.4%	2.5%	0.9%
Total Trust	7.8%	7.2%	0.6%
Expected Inflation	2.4%	2.1%	0.3%
Total Trust Volatility	11.7%	11.5%	0.2%

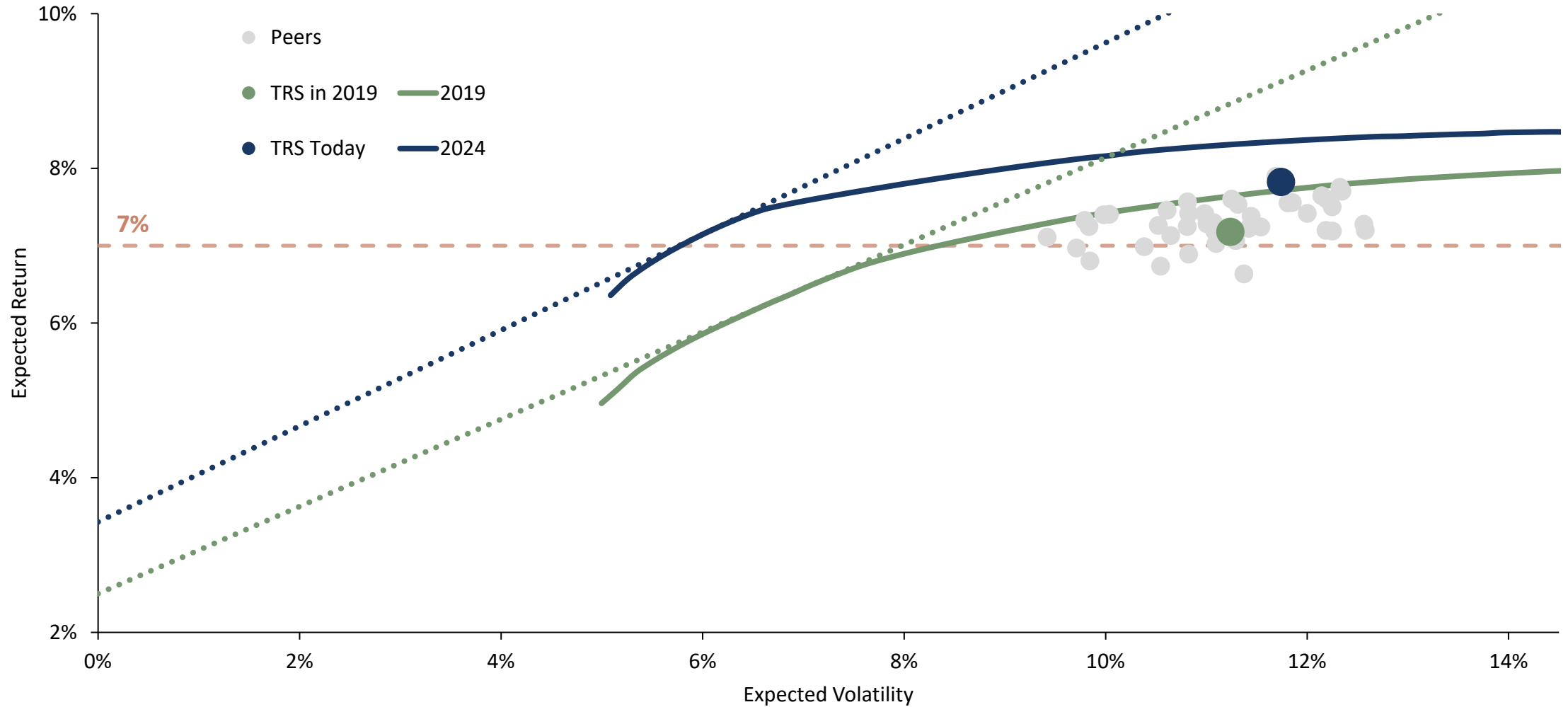
Change in Expected Risk Premia



TRS' balanced allocation expected to provide higher return with less risk



Efficient frontier highlights higher cash rates and higher TRS expected return



Source: Expected Return and Expected Volatility based on 2024 and 2019 TRS CMA Survey and TRS Peer Database

Assets generally underperformed 2019 CMA expectations



Observation and Considerations

Observations and Considerations

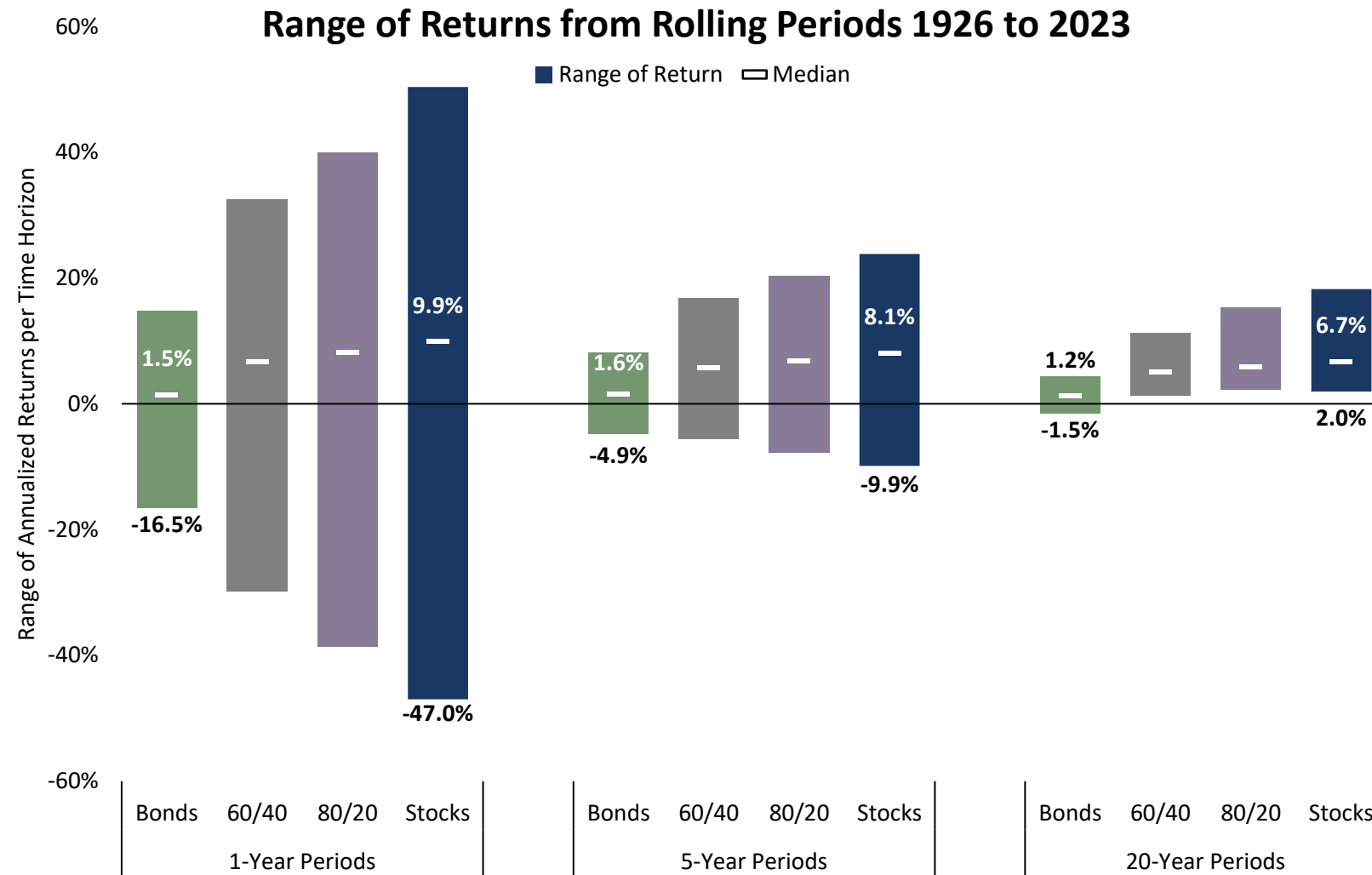
Observations

- Capital Market Assumptions suggest TRS is expected to generate actuarial rate of return
 - TRS is expected to perform well versus peers
 - TRS is expected to perform above inflation + 5%
- TRS remains well diversified
- TRS allocation is similar to peers, but enough deviations exist to generate material differences in performance
- Higher cash returns have increased expected returns for all assets

Considerations

1. **Total Risk:** How much risk should we take as a Trust?
2. **Public Equity:** Assessing regional public equity mix and relative returns
3. **Private Equity:** Evaluating opportunities to assess if compressed excess returns merit a change in allocation
4. **Government Bonds:** Weigh diversification benefit versus expected return

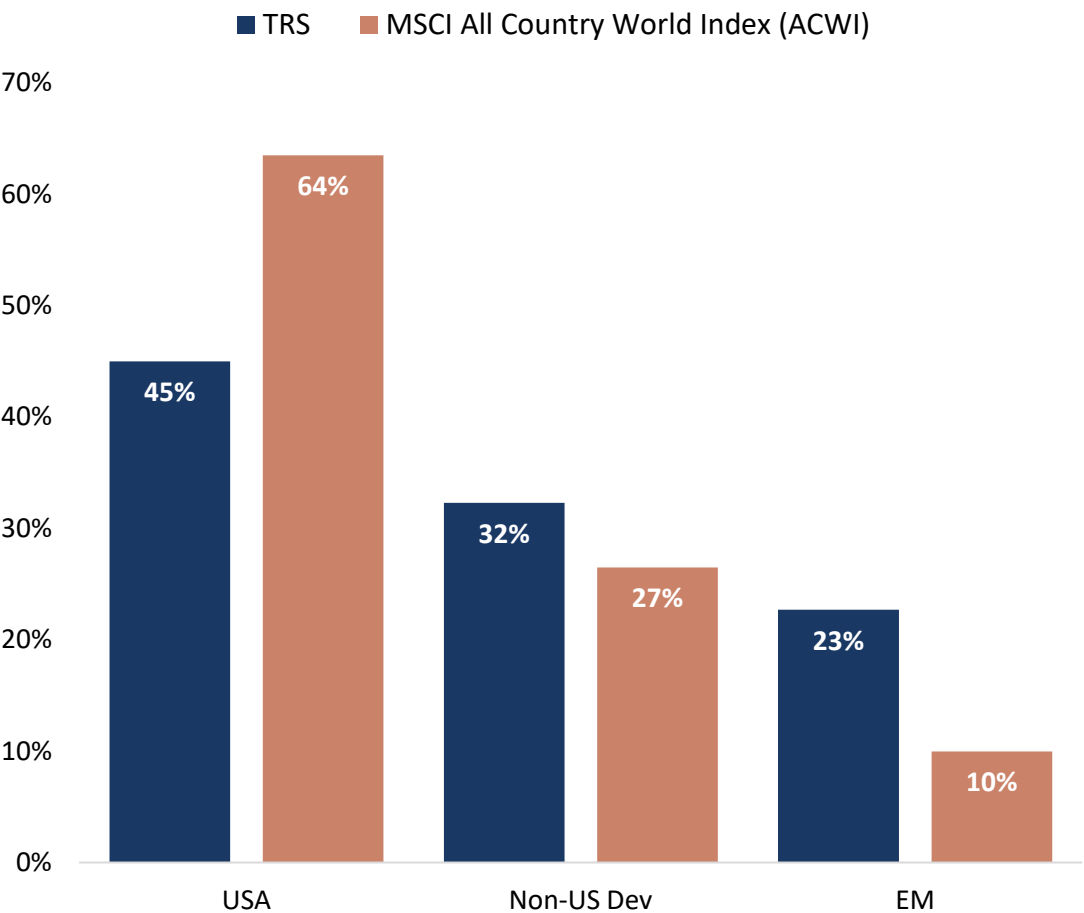
1. Total Risk: Long time horizons usually diversify risk



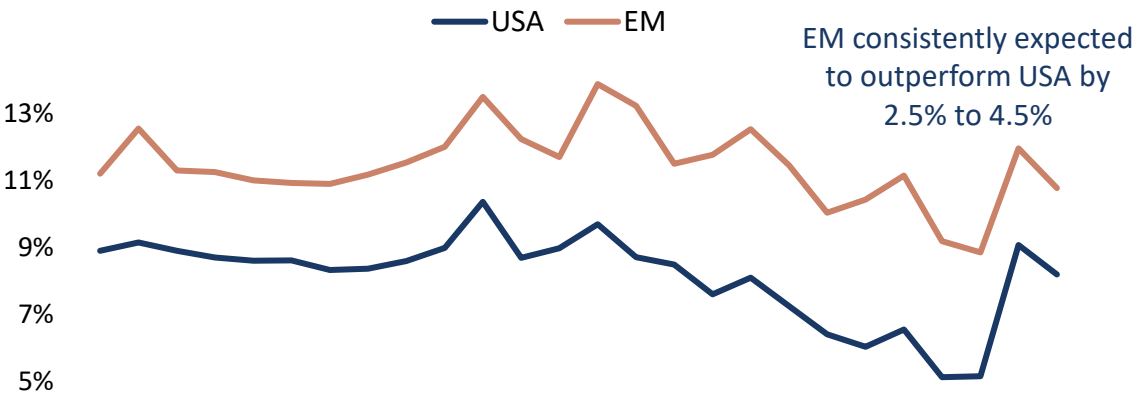
- **1-Year:** Stocks outperform bonds but at higher risk as measured by worst drawdown
- **20-Year:** Stocks outperform bonds in both return **AND** worst drawdown

2. Public Equities: TRS has higher weight to EM equities, but will they outperform?

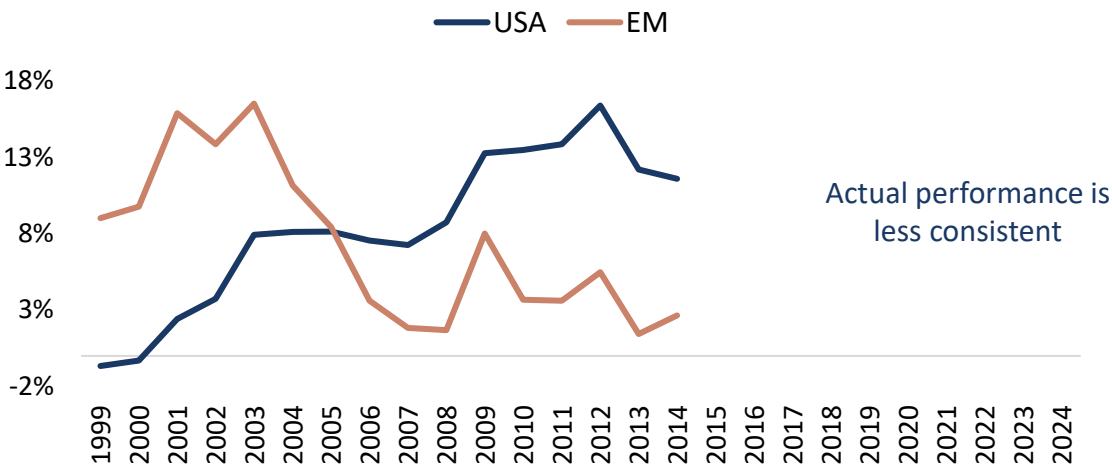
Public Equity Regional Weights



Expected Return

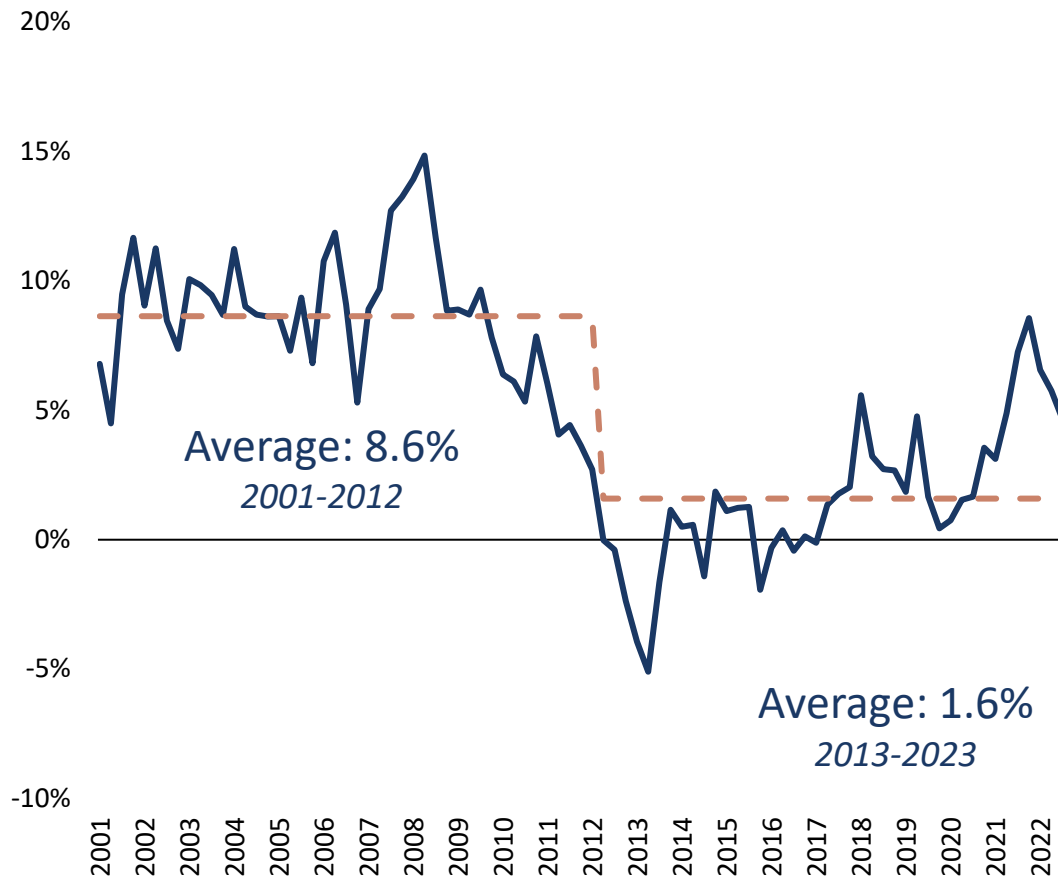


Actual Return: Next 10-Years



3. Private Equity: Spreads have compressed but opportunities remain

Rolling 5-year Spread vs. Public



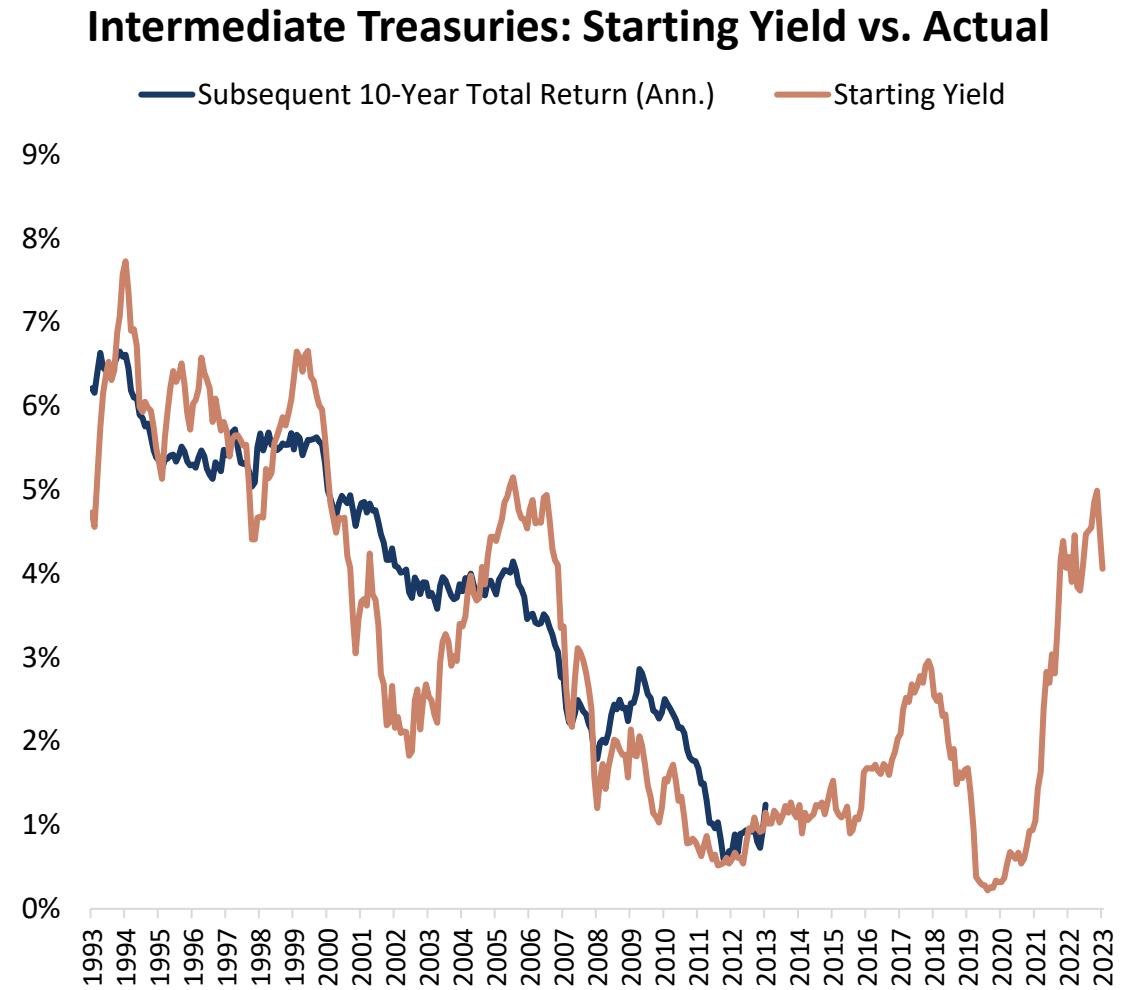
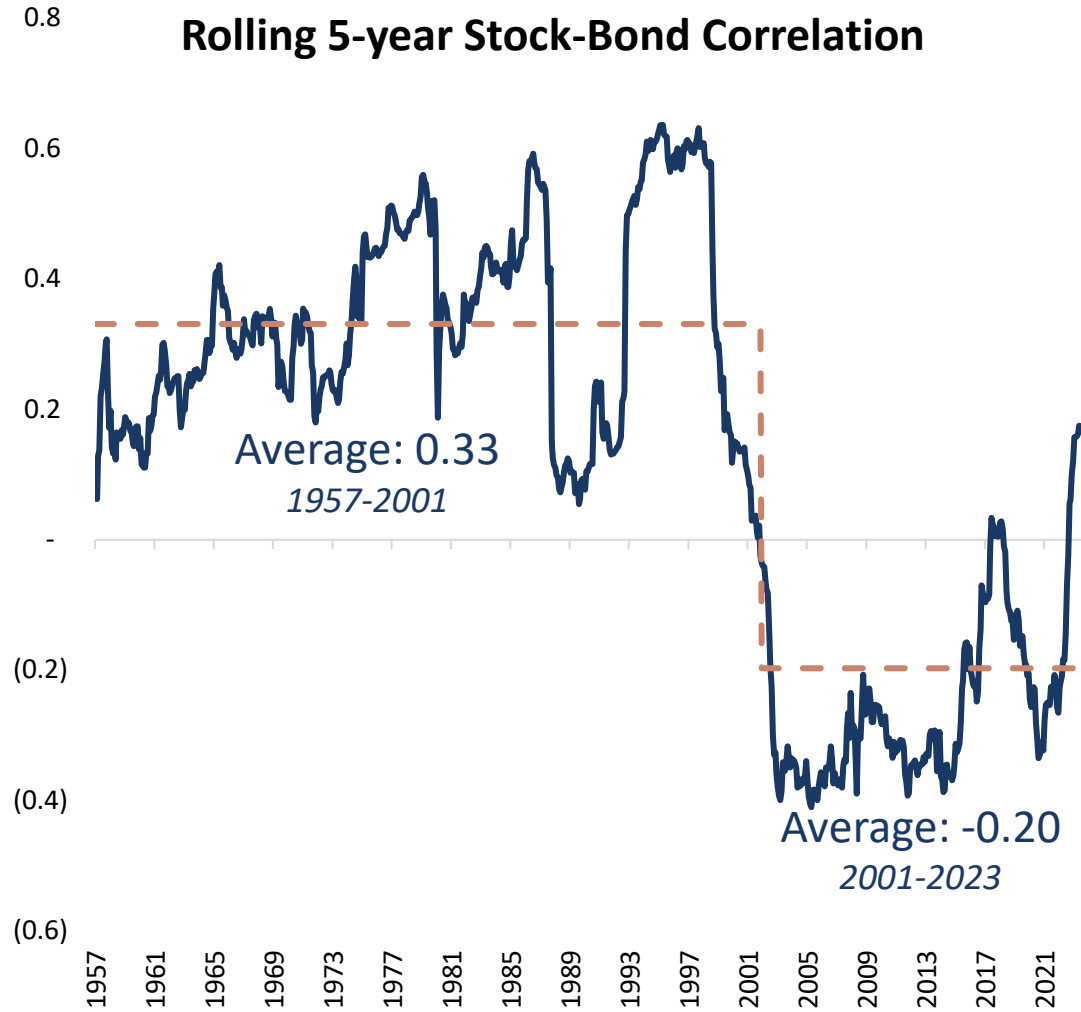
- **Positives**

- Historically, Private Equity has a positive premium versus public 87% of the time
- Some LPs may be over-allocated to Private Equity – it could be an attractive time to invest
- “Private Equity Toolkit” has added value over time
- Diversification through exposure to newer and smaller companies

- **Negatives**

- Large amount of existing dry powder
- Higher interest rates make leverage, an important PE tool, less attractive
- Many new managers have formed and competition for cheap and inefficient targets has increased
- Exits are difficult with IPO market sluggish and strategic buyers facing a higher cost of capital

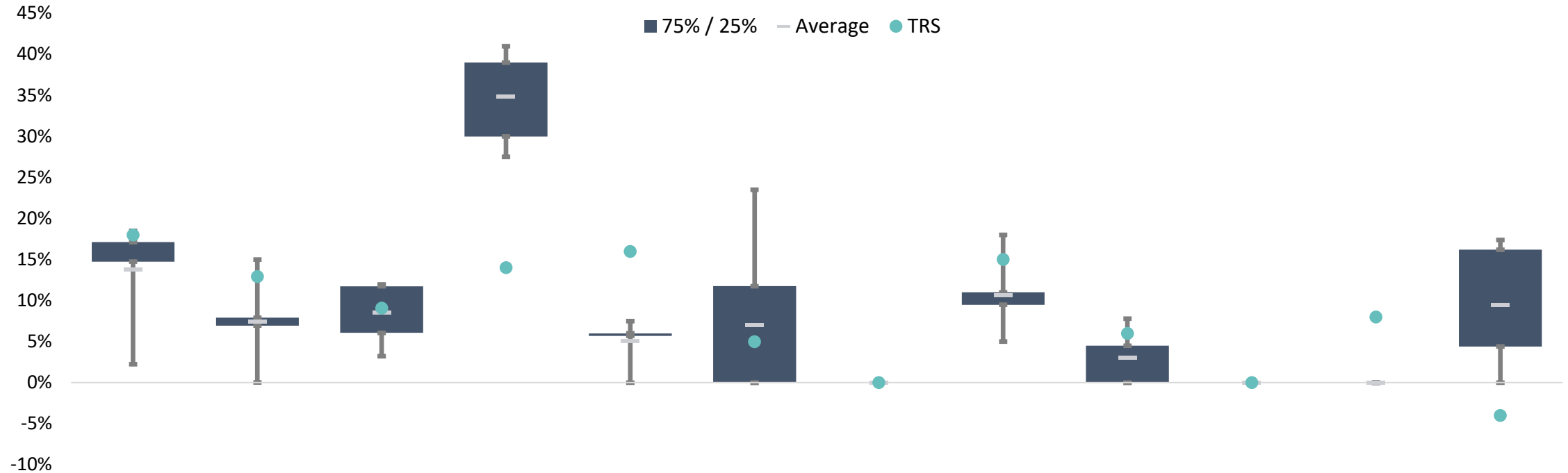
4. Bonds: Potentially less diversifying but improved expected returns



Appendix

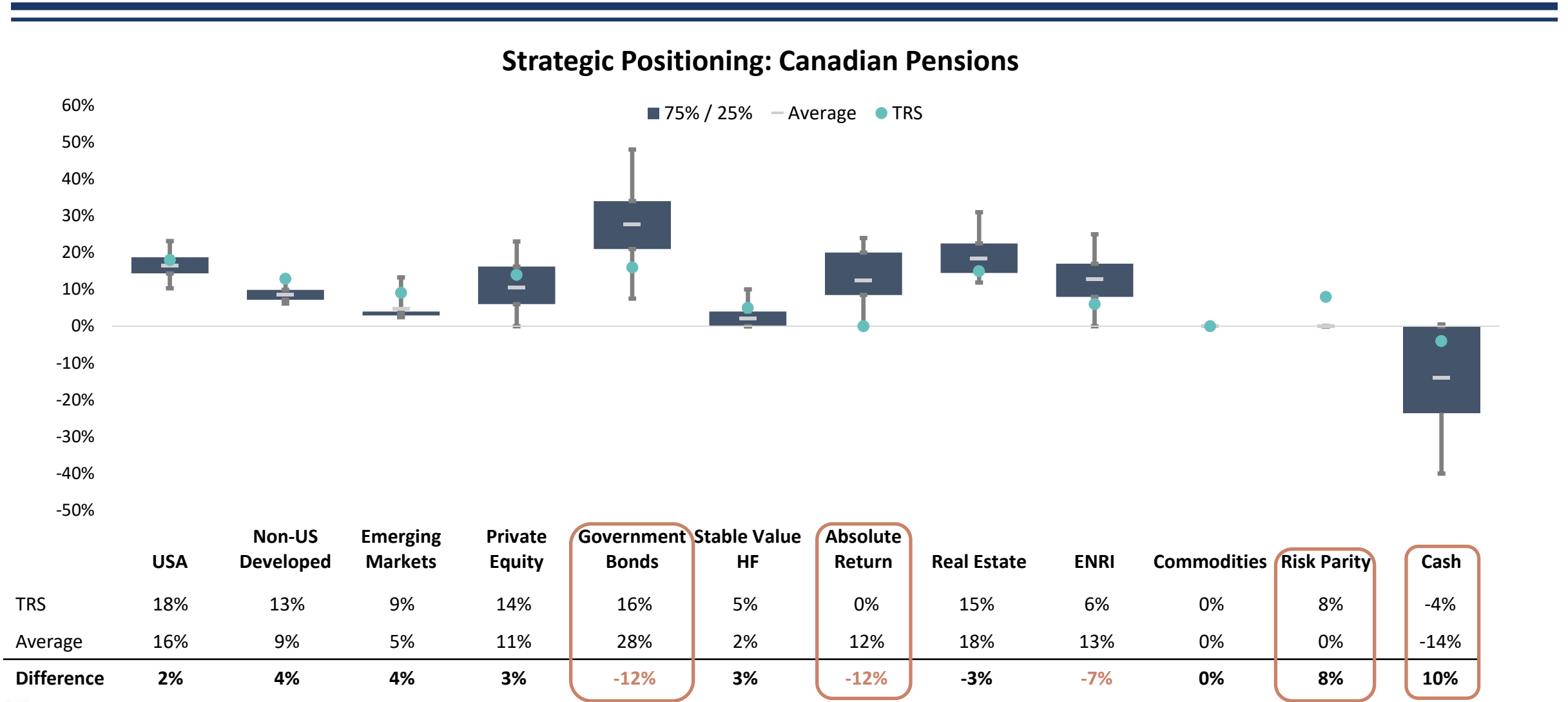
How does TRS differ from US Endowments?

Strategic Positioning: US Endowments



	USA	Non-US Developed	Emerging Markets	Private Equity	Government Bonds	Stable Value HF	Absolute Return	Real Estate	ENRI	Commodities	Risk Parity	Cash
TRS	18%	13%	9%	14%	16%	5%	0%	15%	6%	0%	8%	-4%
Average	14%	7%	9%	35%	5%	7%	0%	11%	3%	0%	0%	10%
Difference	4%	5%	0%	-21%	11%	-2%	0%	4%	3%	0%	8%	-14%

How does TRS differ from Canadian Pensions?



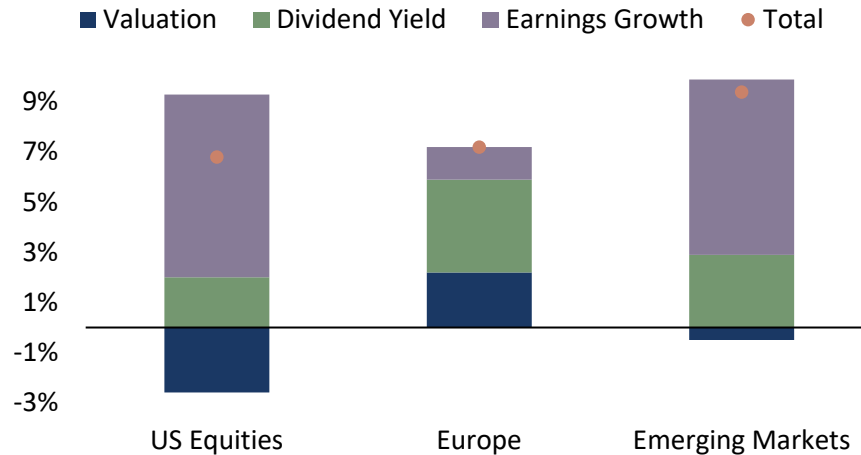
Building-blocks approach to Capital Market Assumptions

Asset Class	Capital Market Assumption Building Blocks				
	Income		Growth		Valuation
Fixed Income	Treasury Yield	Credit Spread	Roll Return		Treasury Yield Curve Adjustment Credit Spread Adjustment
Equities and REITs	Dividend Yield	Net Buyback Yield	Real Earnings Growth	Inflation	Multiple Expansion
Commodities	Collateral Return		Roll Return		Spot Price Adjustment
Hedge Funds	Quantitative Approach				
Private Markets	Public Market Benchmark			Illiquidity Premium	

Survey participants use various methodologies to estimate market returns

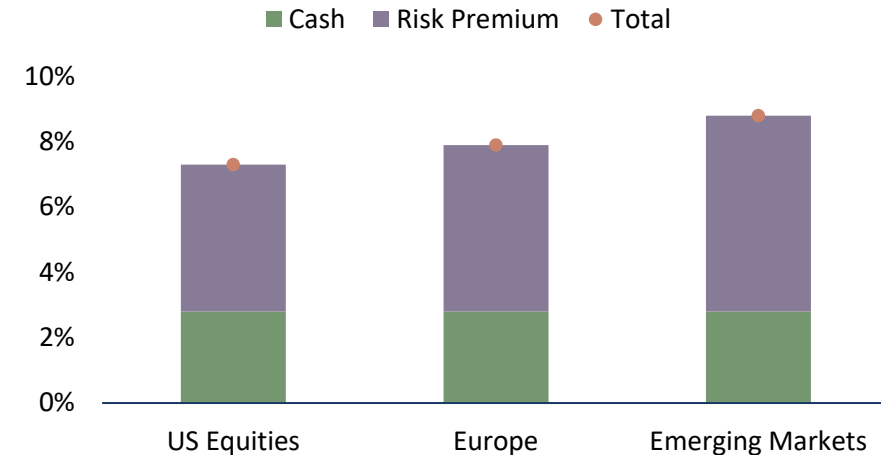
Valuation Method

Expected returns based on current valuation metrics, assumes these metrics will revert towards historical averages over intermediate to long-term



Risk Premium Method

Starts with the risk-free rate and adds estimates of excess returns that investors should earn for taking market risks



Valuation matters more for intermediate term forecasts



As the forecast horizon increases the ability to predict returns beyond historical averages diminishes



Forecasts tend to include some combination of both methods

Key partner return expectations

	TRS Allocation	Long-Term Median Forecast - 16 Survey Responses	Long-Term Forecasts from Key Providers			
			AON	BlackRock	JPM	MS
USA	18%	6.8%	7.1%	6.3%	7.0%	4.4%
Non-US Dev	13%	6.6%	7.0%	6.6% ¹	9.0%	5.0%
Emerging Markets	9%	7.6%	7.1% ⁴	9.1%	8.1%	5.5%
Private Equity	14%	9.1%	9.2%	13.0%	9.5%	6.7%
Government Bonds	16%	4.3%	5.3%	3.9%	5.1%	4.3%
Stable Value HF	5%	5.4%	5.5%	5.4% ¹	4.3%	5.4% ¹
Real Estate	15%	9.0%	9.4% ²	8.5% ²	8.9%	9.0% ¹
ENRI	6%	8.0%	7.6% ³	9.0% ³	6.8% ³	7.8%
Risk Parity ⁴	8%	6.4%	6.2%	6.2%	6.9%	6.0%
Cash	2%	3.4%	4.6%	3.8%	2.9%	2.9%
Net AA Leverage ⁵	-6%	3.7%	4.9%	4.1%	3.2%	3.2%
Total (Geometric)		7.8%	8.0%	8.3%	8.3%	6.6%
Actuarial Rate of Return		7.0%	7.0%	7.0%	7.0%	7.0%
Difference		0.8%	1.0%	1.3%	1.3%	-0.4%

To capture the rebalancing effect, Total Returns are estimated using arithmetic mean expected returns. Portfolio expected return is then adjusted from Arithmetic terms (A) to Geometric terms (G) through the formula $G = A - \text{Variance}/2$

For partners who did not provide explicit forecasts for certain assets, the following assumptions were used:

¹ Median forecast

² Real Estate using either REITs or unlevered forecast adjusted to leverage

³ ENRI proxied as 100% Infrastructure

⁴ Risk Parity forecasts use TRS Internal Risk Parity neutral weights on invested underlying assets

⁵ Net Asset Allocation Leverage uses Cash forecast + 26 bp

TAB 11

Emerging Manager Program

Kirk Sims, Managing Director
Emerging Manager Program Director

February 2024



Executive Summary

Key Objectives

Performance

- The Emerging Manager Program outperformed the benchmark by 227 bp over the past 1-yr period
- Private equity was the primary driver of outperformance
- All portfolios outperformed in 2023

Commitment to Diversity

- 53% of total capital allocated since inception, and 65.5% of capital allocated in 2023 was to diverse managers

Manager Graduation

- Three additional managers graduated the program in 2023, bringing the total to 6 in the last two years
- Trust-level commitments to EM Program graduates is \$5.2 billion

Key Accomplishments

Program Activity

- Co-led intern project with EPU to evaluate emerging hedge fund managers for additional capital allocation
- 48% of private markets capital allocated to Innovation
- EMP provided its first co-investment opportunity for the Special Opportunities team
- Conducted 413 manager meetings
- Presented at two university teach-ins at University of Texas at Austin and University of Texas at Dallas
- EMP Team participated in 45 engagement activities including investor conferences and publications across media outlets
- TRS and ERS are hosting the fourth annual virtual Emerging Manager Conference on February 28, 2024

TRS Emerging Manager Program Team



Kirk Sims, CFA
Managing Director

EM Program Team



Tommy Heitz, CAIA
Associate



Shylee Turner
EMP Team Admin

Key Partners

Private Markets

Public Markets



GROSVENOR

RockCreek



Tom Thomas
Dedicated GCM Seconded
(Onsite at TRS in Austin)

EM Program Advisors



Jase Auby, CFA
Chief Investment Officer



Carolyn Hansard
Managing 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



18

Years Program History



\$6.2 bn

Program Size



232

Managers Backed



14

TRS Graduates

*\$5.2 bn committed to
Graduates at the Trust
Level*



5

EM Select Commitments

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



399

Investments



53%

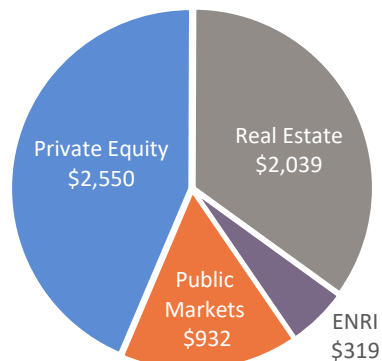
Diverse Manager
Commitments

Performance and Commitments

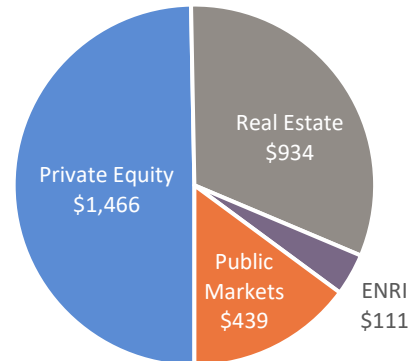
As of September 30, 2023

Emerging Manager Program			
Total Time Weighted Returns			
	1-Yr	3-Yr	5-Yr
Returns	2.3%	13.1%	9.1%
Benchmark	0.1%	12.6%	9.8%
Alpha (bp)	227	60	-61

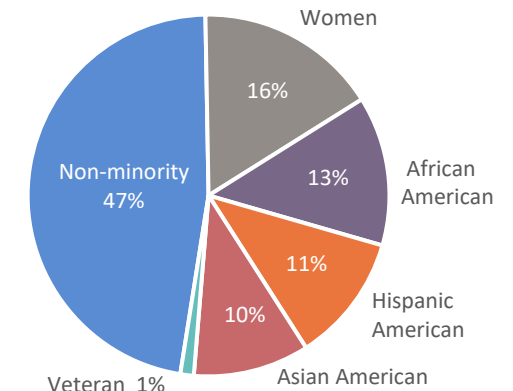
Underlying Allocations: \$5,840 MM



Net Asset Value: \$2,949 MM



Commitments by Diversity Type



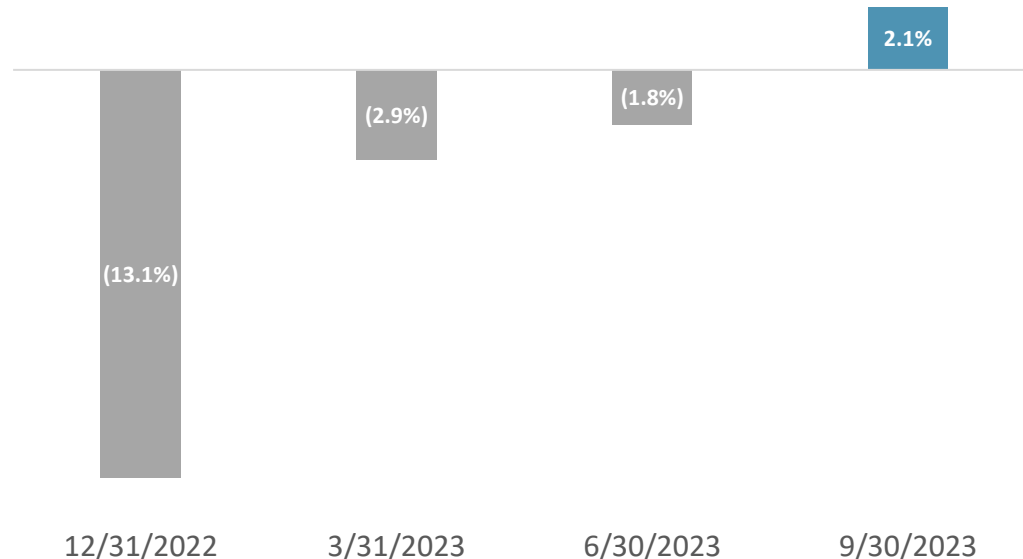
Source: State Street and TRS IMD

Benchmark is an asset weighted composition of State Street Private Equity Index, NCREIF ODCE Index, Blended Cambridge Index, HFRI Fund of Funds Composite Index, USA IMI, MSCI EAFE + Canada, and MSCI Emerging Markets

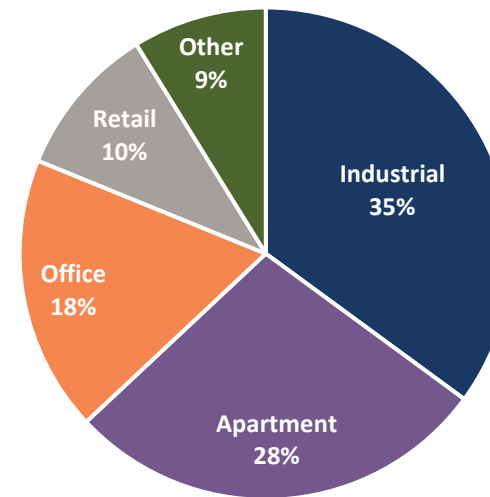
Real Estate: Benchmark Analysis

- As of September 30, 2023, the EMP RE Program outperformed its benchmark by **2.1%**
- As commercial real estate values declined in 2022, EMP managers were quicker to reduce valuations than the larger managers included in the ODCE benchmark. As a result, EMP performance has steadily improved relative to that benchmark over the past four quarters
- EMP's current outperformance is largely driven by its exposure to more protected credit investments (EMP is 22% credit vs 0% in the benchmark) and more niche property types (EMP is 28% Other vs. 9% in the benchmark)

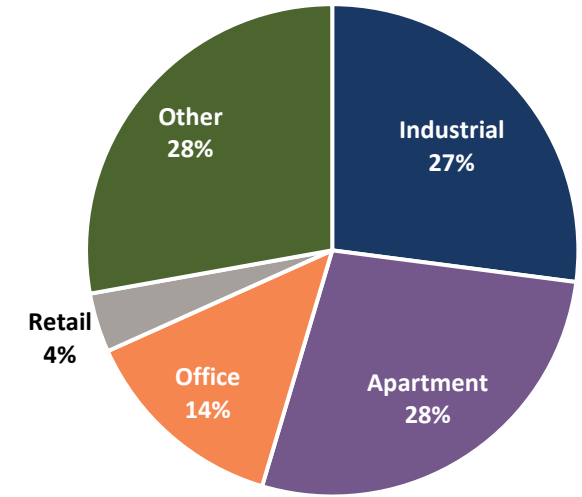
1-Year Alpha: EMP RE Portfolio Performance vs. Benchmark



Benchmark By Property Type¹



EM Portfolio by Property Type²



¹ **Benchmark Other** = Self Storage (3%), Healthcare (2%), Land (1%), and Other (3%)

² **EM Portfolio Other** = Hotel (7%), Senior Housing (5%), RV Storage (4%), Mixed-use (4%), Self Storage (2%), Other (6%)

Source: State Street, TRS IMD, and NFI-ODCE Real Estate benchmark.

Emerging Manager Program Experience

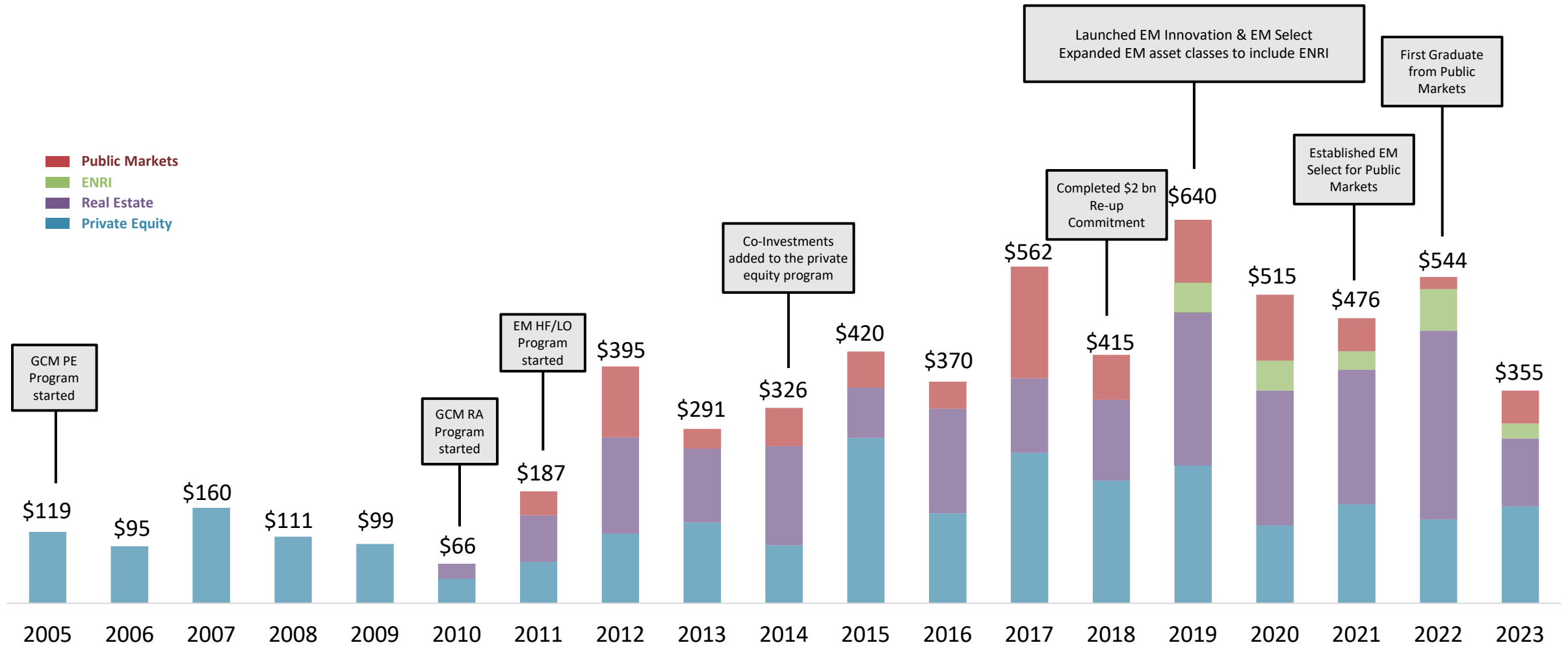
- The overall EMP experience continues to produce positive alpha for the Trust

	Returns				Alpha		
	AUM	1-Year	3-Year	5-Year	1-Year	3-Year	5-Year
Emerging Managers Graduates	\$4,194.1	3.3%	22.8%	20.6%	5.7%	8.3%	9.5%
Emerging Managers Private Markets	\$2,510.3	0.7%	15.5%	10.9%	2.1%	0.9%	-0.2%
Emerging Managers Select	\$226.9	3.1%	6.2%	NA	10.3%	-1.3%	NA
Emerging Managers Public Markets	\$439.1	10.6%	4.5%	3.1%	3.1%	-0.2%	-1.7%
Emerging Manager Program Experience	\$7,370.3	2.9%	18.0%	14.3%	4.4%	4.5%	4.0%

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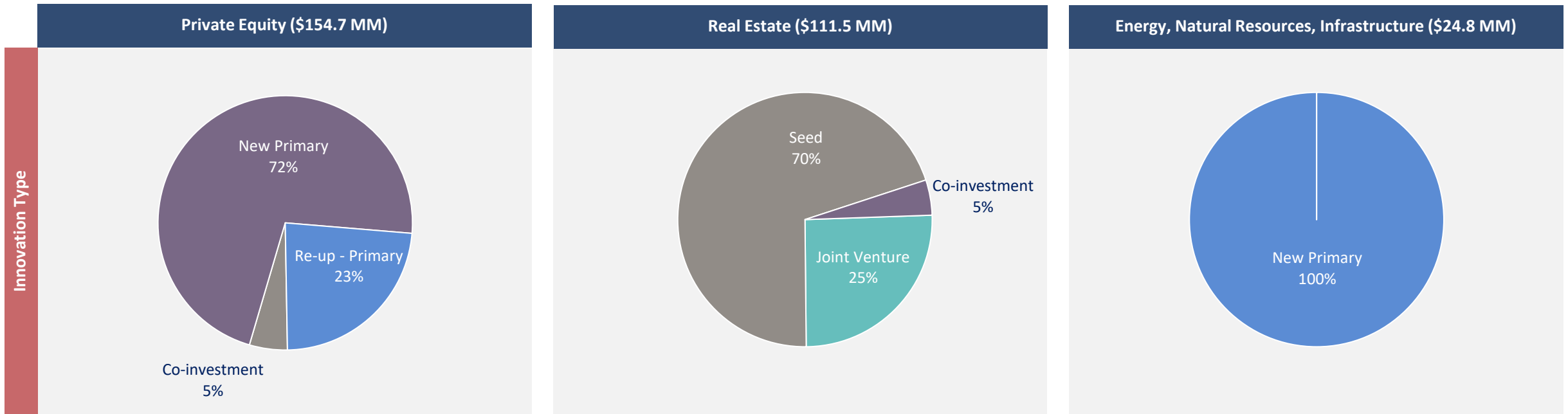
History of Emerging Manager Program Allocations



APPENDIX

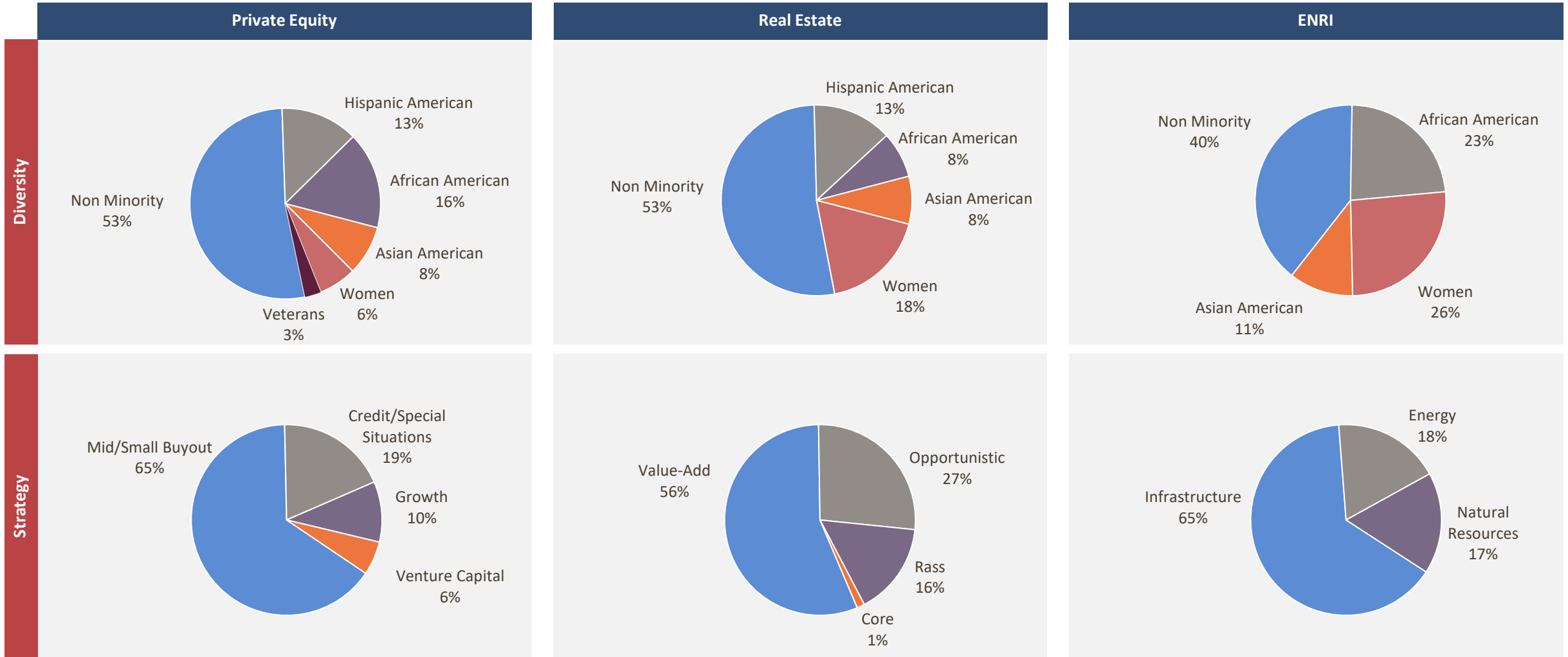
Portfolio Diversification – Investment Type

Private market investments in calendar year 2023



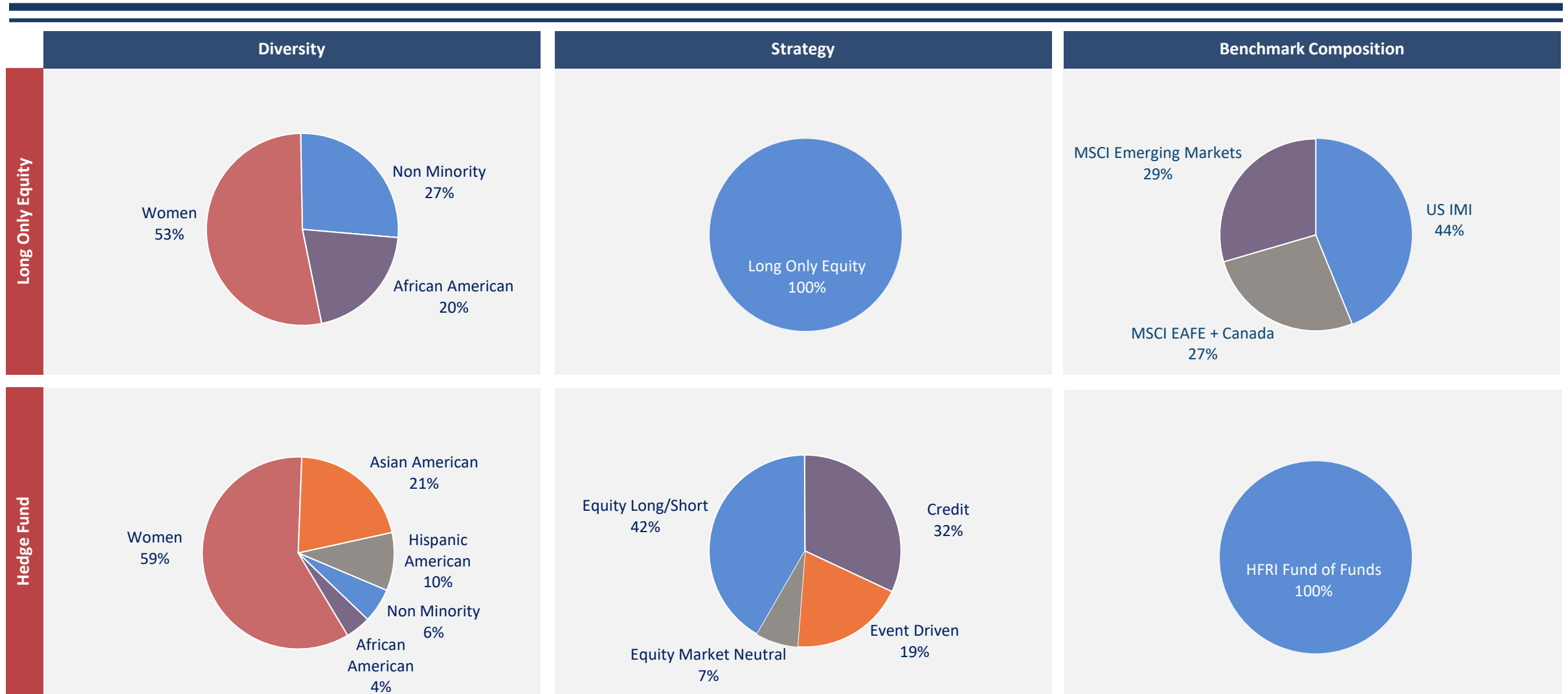
Portfolio Diversification

Commitment as of June 30, 2023



Portfolio Diversification

NAV as of September 30, 2023



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TAB 12

Teacher Retirement System of Texas

IMD Compensation Philosophy

Josh Wilson
Susan Lemke
Aimee Kudela
Lanni Barrie

February 2024

A business of Marsh McLennan

Project Overview



Project Overview

IMD Compensation Review

- Texas TRS requested Mercer conduct a **comprehensive audit of IMD's incentive program**:

“ Completing a **comprehensive, holistic, and historical review** of the Investment Incentive Plan including a review of the **compensation philosophy, benchmarks, job mapping process, salary ranges, plan design, and incentive titles/targets**. Mercer will present findings and make recommendations to the Board on potential changes, and opportunities to strengthen the process. ”

- Mercer agrees that **a thorough review of IMD's incentive program would necessitate an assessment of all the foundational compensation elements** contextualizing the incentive design



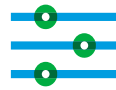
Today's Focus

Project Overview



Understand **current state practices and compensation philosophy** and **assess market competitiveness** of IMD compensation through a consistent market benchmarking methodology

- Current philosophy is base salary at 3rd quartile of public pension peers and incentive pay at 1st quartile of private asset management peers
- How does IMD compare to market?



Review and **make recommendations to the salary ranges and pay administration practices** currently in place to align with compensation philosophy and market best practices

- Do IMD's salary ranges and administration support TRS's compensation philosophy?
- Should IMD's structures differ from the rest of the organization?



Review IMD incentive program (incl. eligibility, metrics, performance standards, and measurement period) and make recommendations to align with market best practices and talent strategy

- What is the goal of the IMD incentive program? Does it drive and reward the right performance?
- How does the incentive program align with the broader total rewards framework?

Compensation Philosophy

2

Compensation Philosophy

Current State

- **Base Salary:** 75th percentile of public pension peers
- **Incentive:** 25th percentile of Private Asset Management
- *Applies to All Positions within IMD*
- All peer market data comes from McLagan survey

Considerations

- **Peer group definition:** IMD consists of multiple functions from multiple talent sources (i.e., while investment roles may need to be sourced from other pensions, HR or admin roles can come from other organization types); peer group (and source data) may differ by function
- **Source data:** using a single source with a relatively low peer group size can create artificial swings in individual role data year-over-year based on factors such as survey participation, individual employees leaving role, and new employees starting in role

General Categories of Employees in State Pension Plans

Investment Positions

- Positions directly involved in investing assets
- Sample positions include:
 - CIO
 - Asset Class Directors
 - Portfolio Managers
 - Investment Analysts
 - Traders
 - Research

Investment Adjacent Positions

- Positions that need specialized investment knowledge but are not directly involved in the investing of assets
- Sample positions include:
 - Legal roles
 - Investment Operations
 - Financial Systems

Support Positions

- Positions that are important to the efficient operation of an investment function, but do not require specialized investment knowledge
- Sample positions include:
 - Administrative Assistants
 - HR roles
 - Office Manager

Compensation Philosophy

Peer Practice: Market Comparator Group Definition

Most orgs do use both public pensions and private asset management in peer groups, but it is not typical to use them to inform entirely separate compensation elements

Organization	Investment	Non-Investment
CalPERS CA Public Employees' Retirement System	<ul style="list-style-type: none"> Large and complex institutional investors incl.: US public funds, Canadian public funds, and US corporate plan sponsor Private sector asset management organizations of comparable size: <ul style="list-style-type: none"> Investment management/advisory firms University endowment funds Insurance companies Banks 	Executive: <ul style="list-style-type: none"> Leading US and Canadian public funds Select California-based agencies (including large local agencies) Banks and insurance companies
CalSTRS CA State Teachers' Retirement System	<ul style="list-style-type: none"> Large and complex institutional investors, incl.: <ul style="list-style-type: none"> Top U.S. and Canadian funds Corporate plan sponsors Private sector asset management organizations 	Executive: <ul style="list-style-type: none"> Leading public funds Private sector firms Non-exec: <ul style="list-style-type: none"> Other employers with which CalSTRS competes for talent
SBA Florida State Board of Administration of Florida	<ul style="list-style-type: none"> Public pension 	<ul style="list-style-type: none"> Public pension General industry
Texas ERS Employees Retirement System of Texas	<ul style="list-style-type: none"> Public pensions of comparable size Private sector 	<ul style="list-style-type: none"> Public and private sector employers
VRS Virginia Retirement System	<ul style="list-style-type: none"> Public pension 	<ul style="list-style-type: none"> <i>Not Disclosed</i>
SWIB State of Wisconsin Investment Board	<ul style="list-style-type: none"> Banking Insurance Internally managed pension plans NOT public pension, not limited by org size 	<ul style="list-style-type: none"> Same comparator group as investment
Texas TRS: Investment Management Division Employees Only	<ul style="list-style-type: none"> Base salary: Public pension Incentive: Private asset management 	<ul style="list-style-type: none"> Same comparator group as Investment

Compensation Philosophy

Peer Practice: Compensation Elements

All listed organizations offer short-term incentives to investment positions; the use of short-term incentives with non-investment roles is often limited to executives, but broader eligibility is seen in the market

Organization	Investment			Non-Investment		
	Base Salary	Short-Term Incentive	Long-Term Incentive	Base Salary	Short-Term Incentive	Long-Term Incentive
CalPERS CA Public Employees' Retirement System	X	X	X	X	X (Top execs only)	X (Top execs only)
CalSTRS CA State Teachers' Retirement System	X	X	X	X	X (Top execs only)	X (CEO only)
SBA Florida State Board of Administration of Florida	X	X		X	X (Top execs and Investment Adjacent Roles)	
Texas ERS Employees Retirement System of Texas	X	X		X	X	
VRS Virginia Retirement System	X	X		X	<i>Under consideration</i>	
SWIB State of Wisconsin Investment Board	X	X		X	X	
Texas TRS: Investment Management Division Employees Only	X	X		X	X	

Compensation Philosophy

Peer Practice: Desired Market Positioning by Element

Most organizations have target total cash positioning and/or base salary positioning; additive base salary and incentive positioning is atypical

Organization	Investment			Non-Investment		
	Base Salary	Incentive	Total Cash	Base Salary	Incentive	Total Cash
CalPERS CA Public Employees' Retirement System	Varied	Varied	Varied	Varied	Varied	Varied
CalSTRS CA State Teachers' Retirement System	--	--	Median	--	--	Median
SBA Florida State Board of Administration of Florida	75 th percentile	Median, with upside potential	Above Median	3 rd quartile	n/a	Median
Texas ERS Employees Retirement System of Texas	Median	<i>Not Disclosed</i>	<i>Not Disclosed</i>	Median	<i>Not Disclosed</i>	<i>Not Disclosed</i>
VRS Virginia Retirement System	75 th percentile	--	Median	<i>Not Disclosed</i>	n/a	<i>Not Disclosed</i>
SWIB State of Wisconsin Investment Board	Median to 150% of median	--	Median	Median to 150% of median	--	Median
Texas TRS: Investment Management Division Employees Only	75 th percentile of Public Pension	25 th percentile of Private Asset Management	-----	75 th percentile of Public Pension	25 th percentile of Private Asset Management	-----

Compensation Philosophy

Current State

- **Base Salary:** 75th percentile of public pension peers
- **Incentive:** 25th percentile of Private Asset Management
- *Applies to All Positions within IMD*
- All peer market data comes from McLagan survey

Considerations

- **Maintain general competitive positioning for Investment specific roles**
 - Consider P25 Private Asset Management Total Cash Compensation levels
 - Continue to use McLagan but supplement with other relevant surveys
- **Review and confirm total cash positioning for investment adjacent and support roles**
 - Alignment to overall TRS philosophy
 - General industry and investment support surveys

Appendix

MBD Leveling Guide

Career Streams used for TRS

Career Stream Name	Career Level Name	Career Level Description
Executive	E3 Org Head/Function Head/Sub-function Head	<p>Organization Head: Country Parent/Corporate OR Regional (Multi-Country) Non-Parent/Corporate Function Head: Regional (Multi-Country) Parent/Corporate OR Global Non-Parent/Corporate Sub-function Head: Global Parent/Corporate</p> <p>Establishes and implements strategies that have mid to long-term (3-5 years) impact on business results in alignment with parent/corporate organization objectives.</p> <ul style="list-style-type: none"> Leads multiple teams of lower level executives, directors/senior managers, and managers. Develops mid to long-term (3-5 years) plans for optimizing the organization, function, or sub-function and the talent required to execute strategies in job area.
	E2 Org Head/Function Head/Sub-function Head	<p>Organization Head: Country Non-Parent/Corporate Function Head: Country Parent/Corporate OR Regional (Multi-Country) Non-Parent/Corporate Sub-function Head: Regional (Multi-Country) Parent/Corporate OR Global Non-Parent/Corporate</p> <p>Establishes and implements strategies that have mid to long-term (3-5 years) impact on business results in alignment with parent/corporate organization objectives.</p> <ul style="list-style-type: none"> Leads multiple teams of lower level executives, directors/senior managers, and managers. Develops mid to long-term (3-5 years) plans for optimizing the organization, function, or sub-function and the talent required to execute strategies in job area.
	E1 Function Head/Sub-function Head	<p>Function Head: Country Non-Parent/Corporate Sub-function Head: Country Parent/Corporate OR Regional (Multi-Country) Non-Parent/Corporate</p> <p>Establishes and implements strategies that have short to mid-term (1-3 years) impact on business results in alignment with parent/corporate organization objectives.</p> <ul style="list-style-type: none"> Leads multiple teams of directors/senior managers, and managers. Develops short to mid-term (1-3 years) plans for optimizing the organization, function, or sub-function and the talent required to execute strategies in job area.
Management	M5 Sub-function Head/Senior Manager II	<p>A Senior Manager II (M5) typically manages multiple teams led by Senior Managers and Managers. May be a Country Sub-function Head.</p> <p>Responsibilities typically include:</p> <ul style="list-style-type: none"> Ownership of short to mid-term (1-3 years) strategy execution and oTRStional direction in alignment with parent/corporate organization objectives. Decisions have a serious impact on the overall success or failure on area of accountability. Interacts with executive leadership and others concerning matters of significance to the organization.
	M4 Senior Manager	<p>A Senior Manager (M4) typically manages a department or small unit that includes multiple teams led by Managers and/or Team Leaders.</p> <p>Responsibilities typically include:</p> <ul style="list-style-type: none"> Ownership of short to mid-term (1-3 years) execution of functional strategy and the oTRStional direction of the Department. Problems faced are often complex and require extensive investigation and analysis. Requires ability to influence others to accept practices and approaches, and ability to communicate and influence executive leadership.
	M3 Manager	<p>A Manager (M3) manages experienced professionals who exercise latitude and independence in assignments.</p> <p>Responsibilities typically include:</p> <ul style="list-style-type: none"> Policy and strategy implementation for short-term results (1 year or less). Problems faced are difficult to moderately complex. Influences others outside of own job area regarding policies, practices and procedures
	M2 Team Leader (Professionals)	<p>A Team Leader (M2) supervises professional level employees (typically entry or experienced level) and may also supervise some para-professional employees.</p> <p>Responsibilities typically include:</p> <ul style="list-style-type: none"> Setting goals and objectives for team members for achievement of oTRStional results. Problems faced may be difficult but typically are not complex. Ensures policies, practices and procedures are understood and followed by direct reports, customers and stakeholders.
	M1 Team Leader (Para-Professionals)	<p>A Team Leader (M1) supervises para-professional employees.</p> <p>Responsibilities typically include:</p> <ul style="list-style-type: none"> Setting day-to-day oTRStional objectives for team. Problems faced may be difficult but typically are not complex. Ensures policies, practices and procedures are understood and followed by direct reports, customers and stakeholders.

Appendix

Desired Project Outcomes

By the end of this process, TRS will be able to:

- ✓ Discuss **strengths and weaknesses of current compensation program**
- ✓ **Articulate IMD's compensation philosophy** and target pay mix
- ✓ Utilize a **consistent and repeatable benchmarking methodology**
- ✓ Discuss **current and target market positioning** for base salary and total cash
- ✓ Implement and describe the **elements of IMD salary structures** and salary administration
- ✓ Understand the strengths and weaknesses of the **current IMD incentive plan**
- ✓ Consider **changes to the IMD incentive plan** based on internal review and market research

Project Steps and Timeline (1/2)

★ Meeting or Deliverable

Proposed Project Plan Timing (By Week)	1	2	3	4	5	6	7	8	9	10	11	12
Current State Review												
Kickoff with TRS to discuss work steps, timing, project governance and identify stakeholders	★											
Facilitate stakeholder interviews to understand current and desired future state, strengths and weaknesses of compensation plan, org strategy, compensation philosophy		★										
Data request sharing and review to understand the current state and compensation program details for IMD												
Summarize findings and observations from current state analysis, stakeholder interviews, market best practices to articulate a compensation philosophy				★								
Market Assessment												
Review and revise current benchmarking methodology					★							
Match ~150 roles to market surveys using determined methodology using job descriptions												
TRS to review benchmarking matches ; workshops to review with Mercer and business leaders as needed								★				
Finalize market benchmark data and perform gap analysis comparing TRS base salary and total cash to market for all roles											★	
Review TRS market gap analysis and positioning report												★

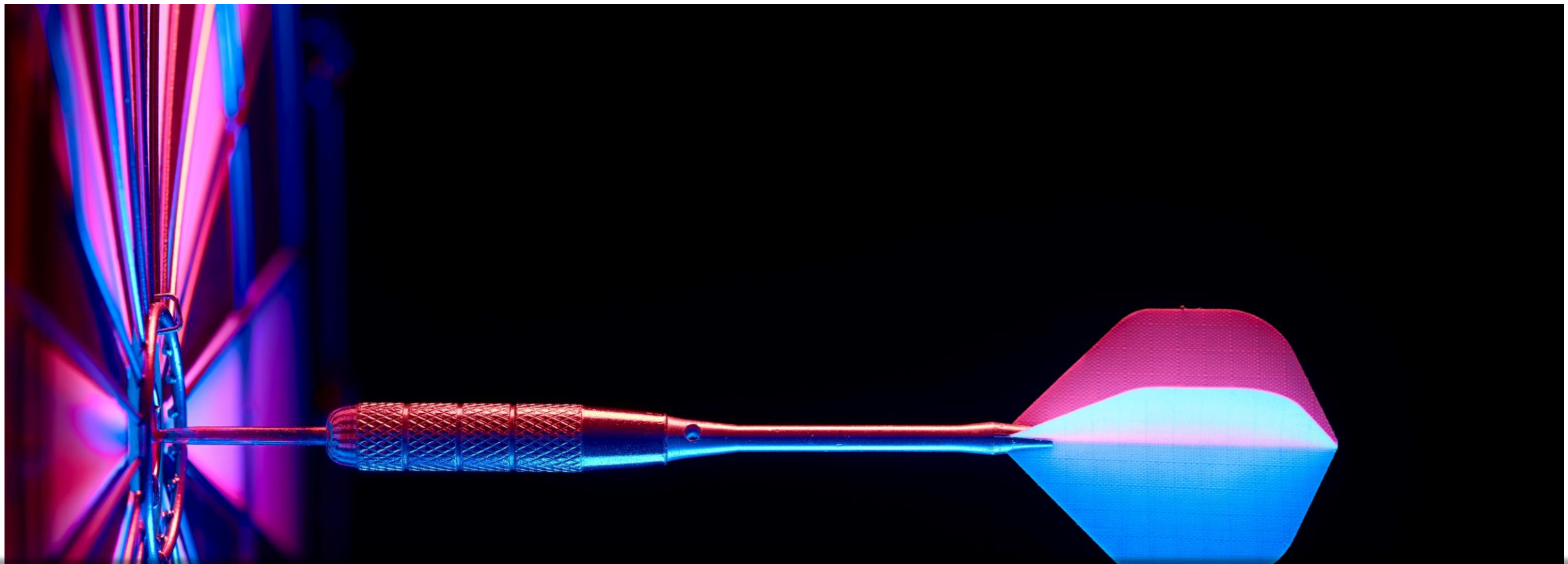
Project Steps and Timeline (2/2)

★ Meeting or Deliverable

Proposed Project Plan Timing (By Week)	13	14	15	16	17	18	19	20	21	22	23	24
Salary Structure Review												
Review current state pay ranges and salary administration guidelines ; make recommendations based on market practices		★										
Using updated market base salary data, slot jobs to pay ranges ; TRS to review slotting for internal equity			★									
Analyze incumbent positioning in range and review costing analysis to implement structure (i.e., cost to minimum of range)					★							
Incentive Program Review												
Review IMD incentive plan using context from current state analysis, stakeholder interviews, compensation philosophy, market base salary positioning, salary structures, and incentive plans in peer organizations												
Present plan analysis and recommend potential plan changes and implications ; share with core working TRS team for review								★				
Implement changes and draft plan recommendations for Board review									★			
Present assessment and recommendations to Board										★		



TAB 16



Strategy

Feb. 16, 2024

Don Green, Chief Financial Officer

Michelle Pagán, Director, Enterprise Risk, Strategy & Performance



Overview

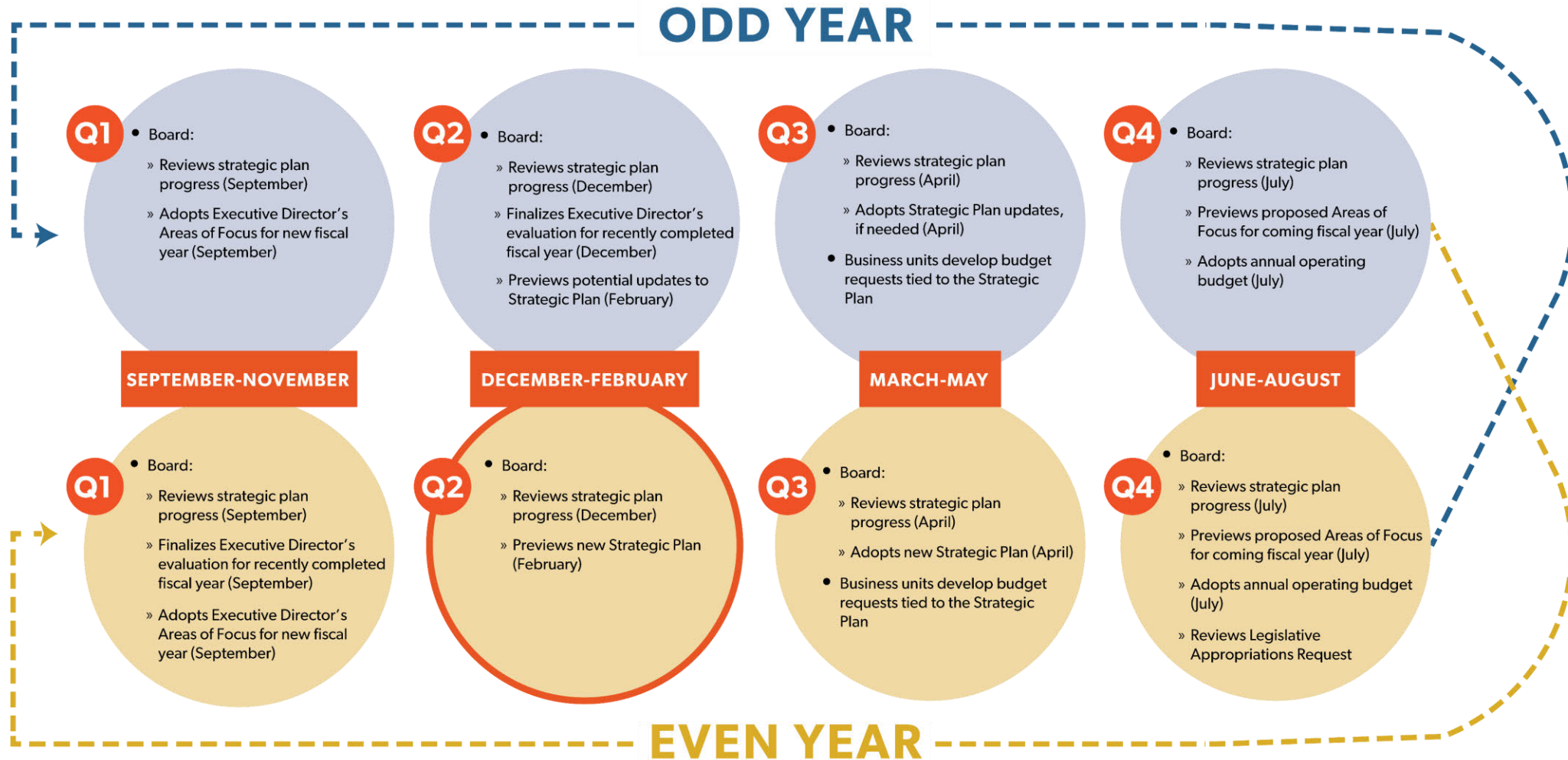


Agenda

- TRS Strategy & Budget Cycle
- Upcoming 2024 Activities
- Current Plan vs. Proposed Plan
- Proposed Changes
- Appendix A: TRS 2025-29 Draft Strategic Plan



TRS Strategy & Budget Cycle



ONGOING

- Monthly Risk Oversight Committee meetings
- Biannual strategic alignment discussions by Executive Council
- Scheduled review of mission statement and core values every four years



Upcoming 2024 Activities



January	February	May	June	July	August
<ul style="list-style-type: none">○ Executive Council Retreat	<ul style="list-style-type: none">○ Receive FY 25-29 Strategic Plan Instructions from Legislative Budget Board○ Provide draft FY 25-29 TRS Strategic Plan	<ul style="list-style-type: none">○ Final FY 25-29 TRS Strategic Plan provided for adoption by board of trustees➤ Preview FY 26-27 Legislative Appropriations Request	<ul style="list-style-type: none">○ TRS Strategic Plan for FY 25-29 submitted to governor and legislative offices➤ Receive FY 26-27 Legislative Appropriations Request Instructions from Legislative Budget Board	<ul style="list-style-type: none">➤ Provide draft FY 26-27 Legislative Appropriations Request to Budget Committee	<ul style="list-style-type: none">➤ Final FY 26-27 Legislative Appropriations Request submitted to governor and legislative offices

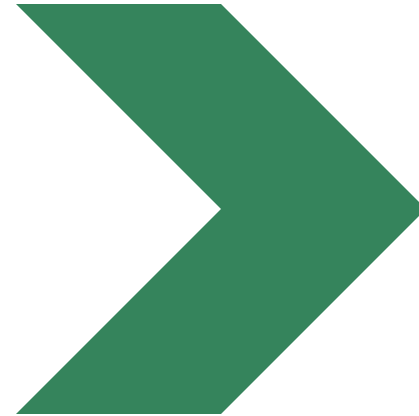
← FY 2024 →



Current Plan vs. Proposed Plan



Current Strategic Plan



Proposed Strategic Plan



Reduced by 3 from 17

Reduced by 9 from 45



Proposed Changes



Member Focused	G1.O3 G1.O3.S1	Improve communication regarding <u>pension funding and</u> the impact of plan design <u>changes</u> . (AMEND) <ul style="list-style-type: none">○ Serve as a trusted resource and engage with policymakers on pension <u>funding and</u> plan design. (AMEND)
	G2.O1 G2.O1.S1-S3	Improve the customer service experience for <u>participants</u> and <u>reporting</u> employers. (AMEND) <ul style="list-style-type: none">○ Increase engagement with members/participants and reporting employers regarding TRS benefits. (NEW)○ Expand our services to meet members where they are. (NEW)○ Improve the reporting employer experience. (NEW)
	G3.O1 G3.O1.S1 G3.O2.S4	Improve communication regarding health care funding <u>and the impact of plan design changes</u> . (AMEND) <ul style="list-style-type: none">○ Serve as a trusted resource and engage with policymakers on health care funding <u>and plan design</u>. (AMEND)○ Ensure access to competitive retiree health benefits, including dental and vision plans. (NEW)
	G4.O7	Provide effective communication to all stakeholders with a focus on continuous improvement. (NEW)
Workforce Planning	G4	<u>Align</u> people, processes and technology to achieve excellence in <u>service delivery</u> . (AMEND)
	G4.O1.S5	<u>Enhance</u> workforce planning <u>strategies</u> that include expanded remote work, succession planning and knowledge transfer. (AMEND)
	G4.O2.S2	<u>Optimize the</u> hybrid work environment to provide greater <u>scalability</u> , flexibility and security. (AMEND)
	G4.O3.S2	<u>Expand the</u> governance, risk and compliance (GRC) program to include security and privacy management, risk/fraud forecasting, and education. (AMEND)



Proposed Changes



Cleanup (Delete)	G1.O1 G1.O1.S1	<ul style="list-style-type: none">• Improve communication regarding pension funding needs.<ul style="list-style-type: none">○ Serve as a trusted resource and engage with policymakers on pension funding.
	G2.O1.S1-S6	<ul style="list-style-type: none">• Increase capacity to serve members.• Improve response time to reporting employers.• Provide additional online functionality.• Build and define operational support for Benefit Services.• Execute on the Customer Service Improvement Initiative. <i>(COMPLETE)</i>• Provide a seamless member experience.
	G2.O2 G2.O2.S1	<ul style="list-style-type: none">• Improve timeliness and accuracy in employer-reported data.<ul style="list-style-type: none">○ Improve and enhance the reporting employer portal.
	G4.O1.S1	Position TRS as an employer of choice to meet the needs of our current and future workforce. <i>(COMPLETE)</i>
	G4.O6.S1	Implement significant program recommendations related to the Purchasing & Contracts Enhancement Plan. <i>(COMPLETE)</i>
	G4.O7.S1-S2	<ul style="list-style-type: none">• Ensure that member-facing content is easily understandable, findable and accessible to readers, and fully meets members' needs.• Map and verify the information needs of members and employers and how they interconnect so informational content can be delivered more seamlessly.
	G4.O9 G4.O9.S1-S2	<ul style="list-style-type: none">• Develop a centralized data management framework for digital and physical data. <i>(COMPLETE)</i><ul style="list-style-type: none">○ Establish a cross-functional data governance body to develop methods, responsibilities, and processes to standardize, integrate, protect, and store organizational data. <i>(COMPLETE)</i>○ Analyze the current state of data governance and operationalize the review and assessment of proposed projects in accordance with the data management framework. <i>(COMPLETE)</i>



Appendix A

TRS 2025-2029 Strategic Plan (DRAFT)



TRS 2025-2029 Draft Strategic Plan



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 21: 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 32: Improve communication regarding pension funding and the impact of ~~changing~~ pension plan design changes.

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



TRS 2025-2029 Draft Strategic Plan



GOAL 2 | Continuously improve our benefit delivery.

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

Strategy 1: Increase engagement with members/participants and reporting employers regarding TRS benefits.

Strategy 2: Expand our services to meet members where they are.

Strategy 3: Improve the reporting employer experience.

~~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.



TRS 2025-2029 Draft Strategic Plan



GOAL 3

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

Objective 1: Improve communication ~~efforts~~ regarding health care funding ~~needs~~ and the impact of plan design changes.

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

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: Reengineer TRS-ActiveCare to better meet employer needs.

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

Strategy 4: Ensure access to competitive retiree health benefits, including dental and vision plans.

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.



TRS 2025-2029 Draft Strategic Plan



GOAL 4

~~Ensure that~~ Align people, processes and technology ~~align~~ to achieve excellence in ~~the service~~ 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 21: Promote a strong workplace culture that is inclusive and fosters creativity and innovation.

Strategy 32: Improve diversity representation at all levels of the organization.

Strategy 43: Expand learning and development opportunities.

Strategy 54: ~~Develop and implement a~~ Enhance workforce planning ~~strategyies~~ that includes expanded remote work, succession planning and knowledge transfer.

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~~ Optimize the hybrid ~~remote~~ work environment ~~that to~~ provides greater ~~fluidity~~ scalability, 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.



TRS 2025-2029 Draft Strategic Plan



GOAL 4

~~Ensure that~~ Align people, processes and technology ~~align~~ to achieve excellence in ~~the service~~ 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~~ Expand the 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 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.



TRS 2025-2029 Draft Strategic Plan



GOAL 4

~~Ensure that~~ Align people, processes and technology ~~align~~ to achieve excellence in ~~the service~~ 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 21: Increase the number of utilized Historically Underutilized Businesses (HUBs).

Strategy 32: Mature third-party risk management processes.

Objective 7: ~~Improve strategic communications with a customer-centric focus.~~ Provide effective communication to all stakeholders with a focus on continuous improvement.

~~Strategy 1:~~ Ensure that member-facing content is easily understandable, findable and accessible to readers, and fully meets members' needs. Improve strategic communications with a customer-centric focus.

~~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 32: 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.



TRS 2025-2029 Draft Strategic Plan



GOAL 4

~~Ensure that~~ Align people, processes and technology ~~align~~ to achieve excellence in ~~the service~~ 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



Social Security and TRS Benefits: An Overview

February 15, 2024

Presented By:
Andrew Roth, Deputy Director



Agenda

- I. Background
- II. Funding
- III. Benefits
- IV. WEP/GPO
- V. Observations



I. Background



Social Security Act of 1935 Major Milestones*

The original act only provided retirement benefits for workers.

The Social Security law was amended by Congress **in 1939** to add benefits for certain aged wives and widows, young children of retired and deceased workers, young widows caring for a child beneficiary, and dependent parents of retired and deceased workers.

Benefits to dependent husbands and widowers added **in 1950****. First ad hoc COLA paid.

Disability benefits and other expansions added **in 1956**, and benefits for divorced spouses were added in 1965.

In 1977, the Government Pension Offset (GPO) was enacted.

In 1983, reforms proposed by the National Commission on Social Security Reform were enacted, including:

- Gradually raising the normal retirement age from 65 to 67, and scaling back benefits for widowed mothers and fathers
- The Windfall Elimination Provision (WEP)

*Source: Social Security Administration website

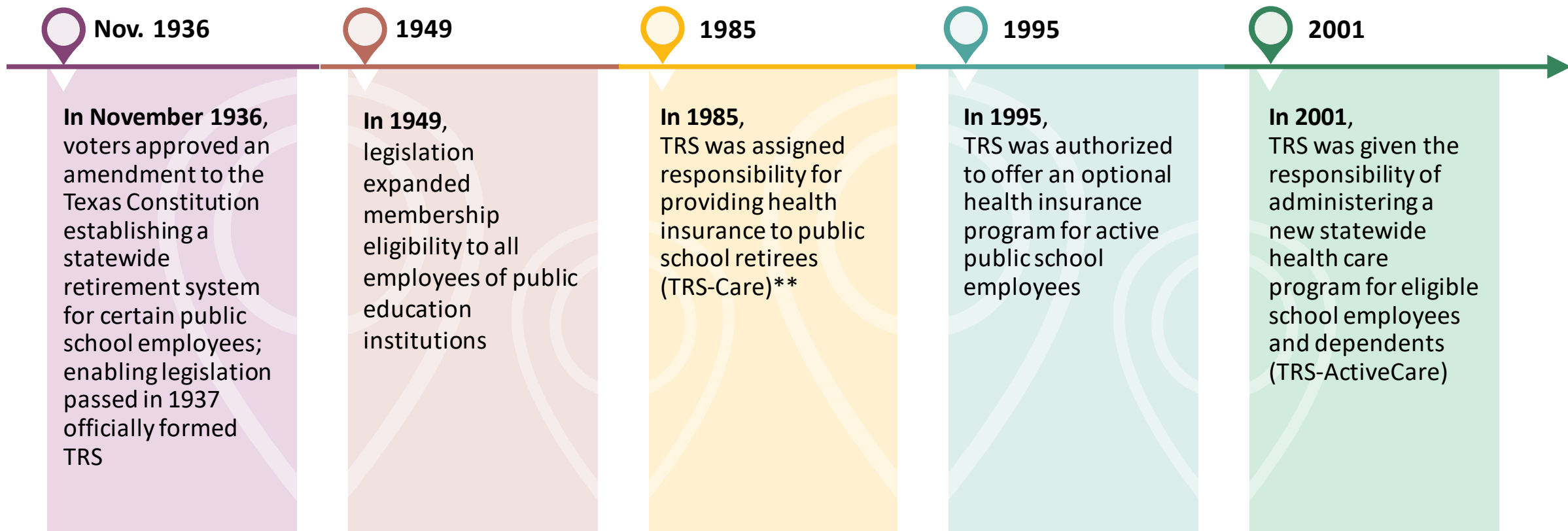
**Wives of any age if caring for eligible child, Dependent husbands age 65 or older, Divorced and dependent widows with eligible child, Widower aged 65 and over if dependent



I. Background



TRS: Article 16, Section 67 of the Texas Constitution Major Milestones*



*Source: TRS website

**Please note TRS Health programs are NOT part of the Texas Constitution



II. Funding



Social Security*

- Social Security is funded by a dedicated payroll tax
- Employees and employers each pay **6.2% of wages** up to a certain maximum salary, for a combined total contribution rate of 12.4%

*Source: Social Security Administration website and [Social Security, Simple and Smart](#) by Tom Margenau

TRS

- TRS is funded by contributions from eligible employees, public education employers, and from the state.
- Eligible employees and the state each contribute **8.25% of salary**
- Also, most employers contribute 2% (fully in effect by FY25)
- Some 96% of TRS public school members do not participate in Social Security; as a result, they are not eligible for Social Security through their TRS employment**

**Source: 2022 TRS Value Brochure



III. Benefits



Social Security*

- Based on a percentage of average monthly earnings using the highest 35 years of inflation-adjusted earnings along with the individual's age at taking retirement benefits
- Four parts to the earnings formula:
 - 1) a percentage;
 - 2) average monthly income;
 - 3) an inflation indexing factor; and
 - 4) a 35-year base
- The age factor is determined by a person's Full Retirement Age (**67 for anyone born after 1959**)

*Source: Social Security Administration website and [Social Security, Simple and Smart](#) by Tom Margenau

TRS**

- Based on earnings, a multiplier set by statute, and years of service
- Relevant factors include membership tier, the “**Rule of 80**”, and which option benefits a member selects and age at retirement.
- Service retirement for employees that first became a member on or after 9/1/2014 must meet the following for normal age retirement**:
 - **Age 65** with five or more years of service credit, or
 - **At least age 62, meet the Rule of 80** (combined age and years of service credit equal at least 80), and have at least five years of service credit

**Grandfathered members have different eligibility requirements.



III. Benefits



Social Security*

- Since 1972, automatic annual cost-of-living-adjustment, or COLA, were issued. First ad hoc COLA issued in 1950.
- The intent of COLAs are to ensure benefits keep pace with inflation
- COLAs are based on increases in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), which are calculated monthly by the Bureau of Labor Statistics
- If there is no increase, or if the rounded increase is zero, there is no COLA for the year

*Source: Social Security Administration website and [Social Security, Simple and Smart](#) by Tom Margenau

TRS

- State law does not provide the TRS defined benefit plan a mechanism for automatic benefit enhancements such as a COLA
- Only the legislature may grant benefit enhancements to TRS retirees, subject to the actuarial soundness of the fund



III. Benefits



TRS**

- The average monthly TRS benefit for an annuitant is **\$2,199****
 - TRS annuitants have the option to provide an ongoing joint life option for a designated beneficiary, which will reduce their monthly benefit by an actuarially determined amount depending on which option was selected by the member
- The TRS death benefit is **\$10,000**
 - If the death beneficiary is either a surviving spouse or dependent parent, they may elect to receive a \$2500 benefit and an ongoing monthly payment for the remaining balance of the benefit

**Source: 2023 TRS ACFR



IV. WEP



Windfall Elimination Provision (WEP)*

- The WEP is a formula used to adjust benefits for people who receive “non-covered pensions” and qualify for Social Security benefits based on other Social Security–covered earnings
- The WEP impacts a worker who earns a retirement from an employer who did not withhold Social Security taxes
- The WEP may impact how SS calculates an individual’s retirement benefit
- Many factors determine the impact, or percentage reduction, of the WEP
- If someone paid SS tax on 30 years or more of “substantial earnings,” they are exempt from the WEP

*Source: Social Security Administration website and [Social Security, Simple and Smart](#) by Tom Margenau



IV. GPO



Government Pension Offset (GPO)*

- The Government Pension Offset (GPO) adjusts Social Security spousal or widow(er) benefits for people who receive “non-covered pensions,” meaning a surviving spouse who is earning a retirement benefit from an employer that did not withhold Social Security taxes
- The GPO may impact how SS calculates the benefit of a surviving spouse who is earning a retirement benefit from an employer that did not withhold SS taxes
- SS reduces the survivor’s benefit by two-thirds of the amount of the survivor’s pension
- For example, if an individual receives a public retirement pension of \$1500 monthly, two-thirds of that, or \$1000, would be deducted from their spousal/widower benefits.
- Given the average Social Security spousal benefit is \$885, and the average TRS benefit is over \$2000 monthly, few members would be eligible to receive the spousal benefit under the GPO.

*Source: Social Security Administration website and [Social Security, Simple and Smart](#) by Tom Margenau



V. Observations

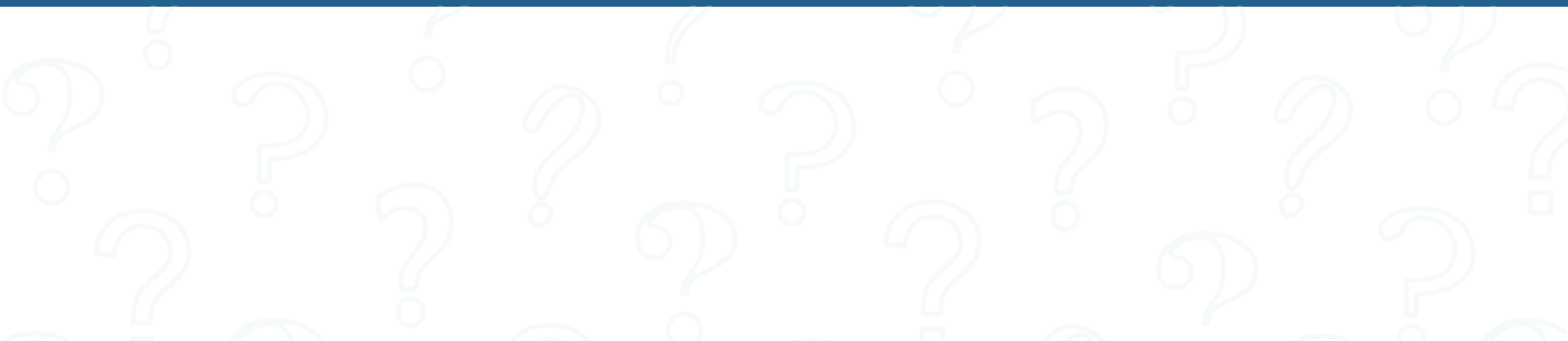


Summary

- The formulas and calculations for Social Security and TRS vary significantly
- The WEP and GPO impact a large majority of TRS members
- Federal legislative Social Security-related proposals under consideration include a broad range of policies, some of which are more expensive than others to implement

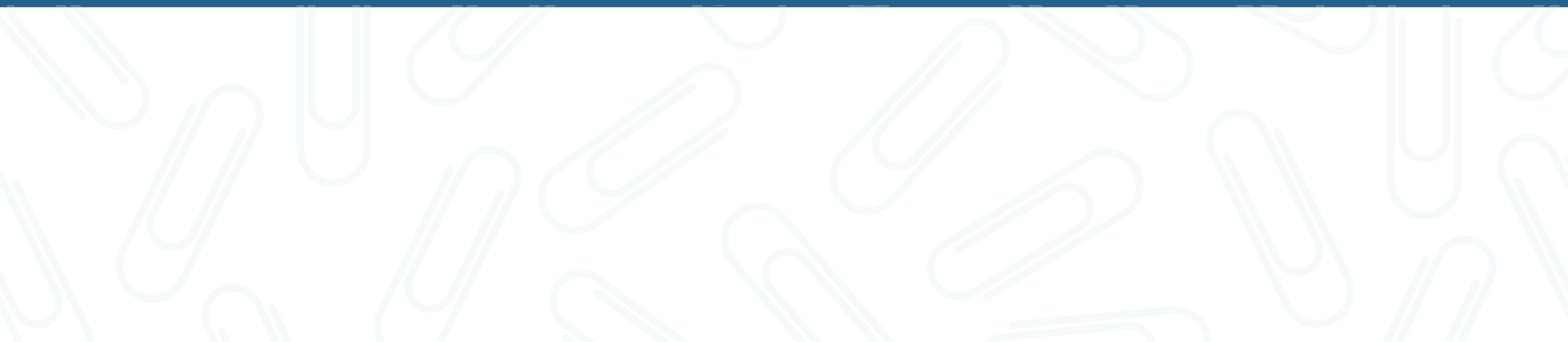


Questions / Discussion





Appendix



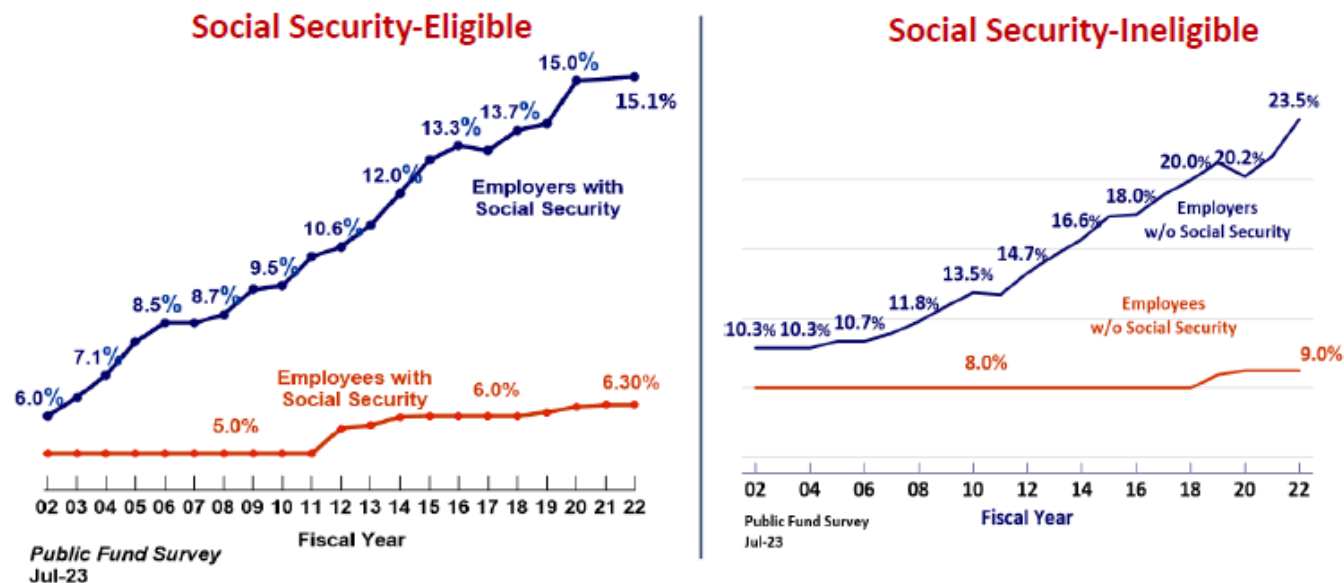


2023 NASRA Update: Median contribution rates



- TRS active employee contributions stand at 8.25% for FY24, and will remain at that level for FY25
- Certain TRS employer contribution rates stand at 1.9% for FY24 and will rise to 2.0% for FY25
- As most TRS members are ineligible for Social Security, member contribution rates are just below the median of 9%
- TRS state and employer contribution rates remain among the lowest in the nation

Median Contribution Rates Employee and Employer Social Security-Eligible and -Ineligible

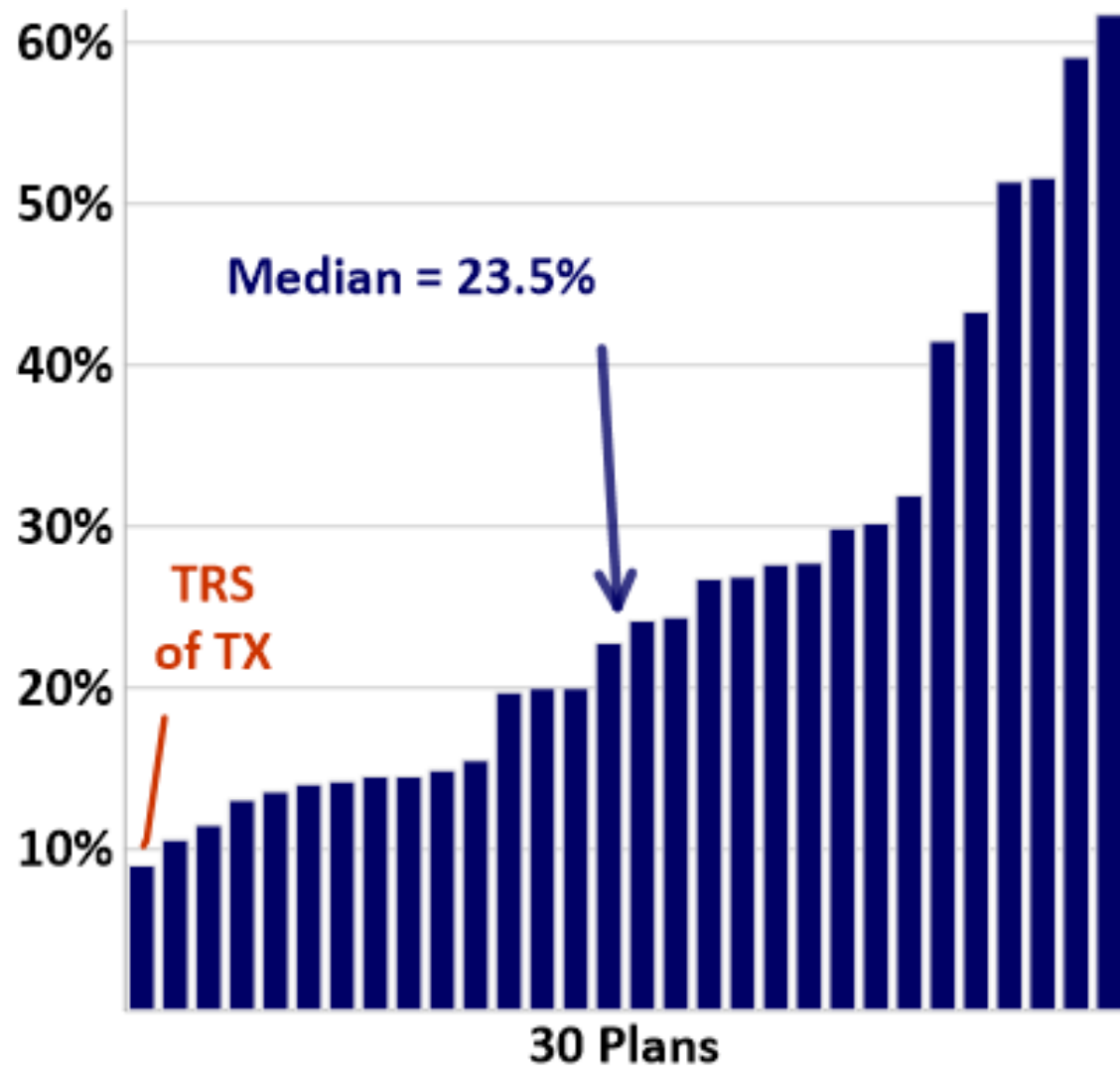


Contribution rates reflected here are those for general employees and public school teachers and predominantly exclude rates for public safety personnel



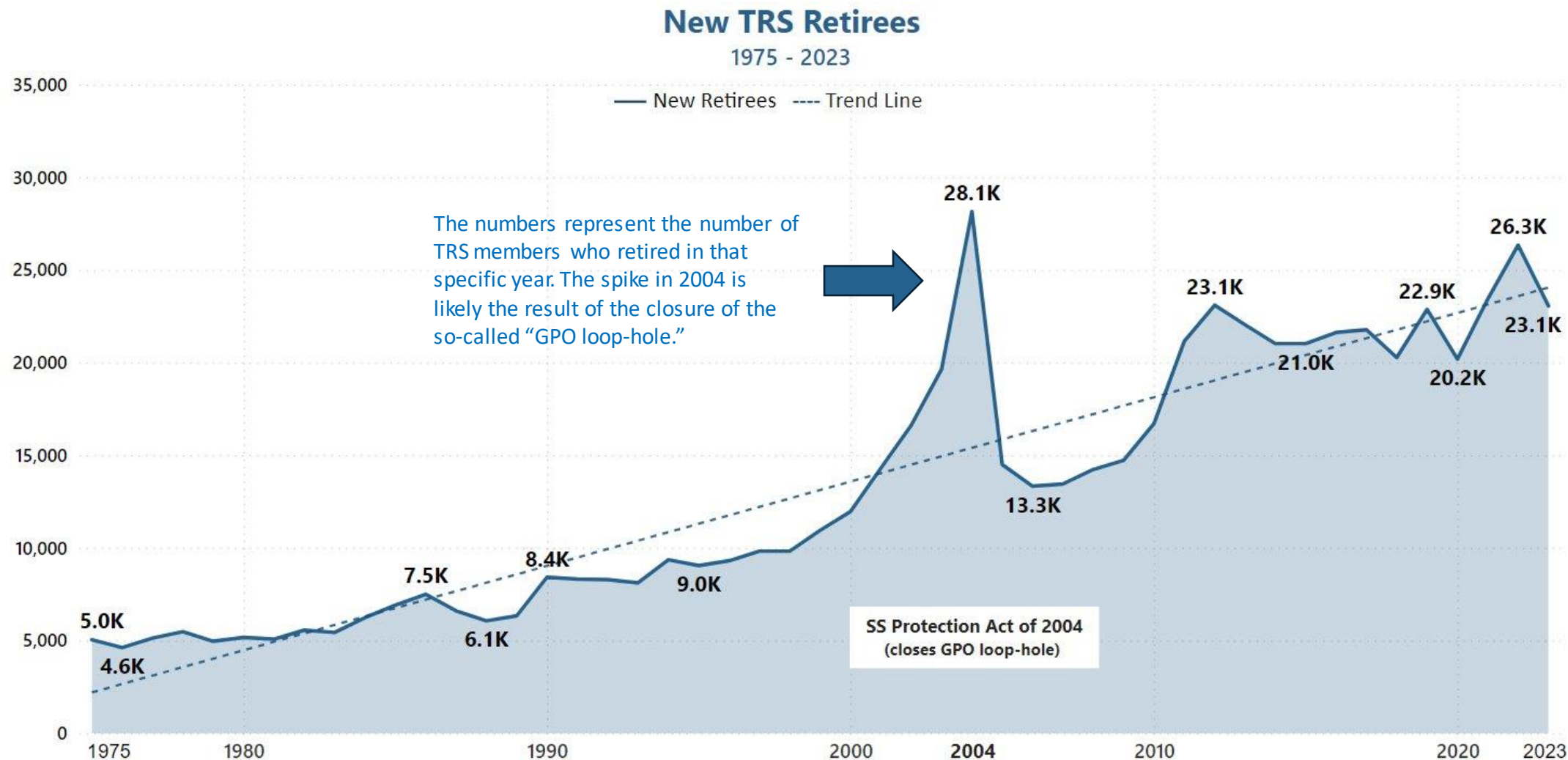
2023 NASRA Update: FY22 Employer contribution rates, non-Social Security participants

- For purposes of this chart, NASRA combines the employer and state contribution rate to calculate the “Employer” rate
- Among plans whose members do not participate in Social Security, TRS has the lowest employer contribution rate





Impact of closing "loop-hole"





TRS Member Education: Importance of financial awareness


Learn more about retirement and financial awareness through the TRS video series

A series of short animated whiteboard videos guide you through three important concepts:


1. What you have – your TRS defined benefit plan.
2. What you need – to save more.
3. How to get it – by saving smart.

[TRS.TV Videos \(texas.gov\)](https://www.texas.gov/trs.tv)


Financial Awareness




Welcome to the Series
Executive Director Brian Guthrie comes out swinging with a friendly introduction to the Financial Awareness ...
[Transcript - Welcome to the Series](#)
[Open Video Player](#)




#1 - What Does TRS Do for Me?
Carlos takes a prehistoric trip to unearth facts about how his contributions to the TRS ...
[Transcript - What Does TRS Do for Me?](#)
[Open Video Player](#)




#2 - Will My TRS Pension Be Enough?
When Mary discovers an app that can call the future, she decides to see if ...
[Transcript - Will My TRS Pension Be Enough?](#)
[Open Video Player](#)




#3 - Estimating Your TRS Benefit
Nancy takes her retirement readiness to championship level while competing on a game show.
[Transcript - Estimating Your TRS Benefit](#)
[Open Video Player](#)



#4 - Setting Financial Goals
Doodle along with Ana as she shares the steps she took to set – and ...
[Transcript - Setting Financial Goals](#)
[Open Video Player](#)

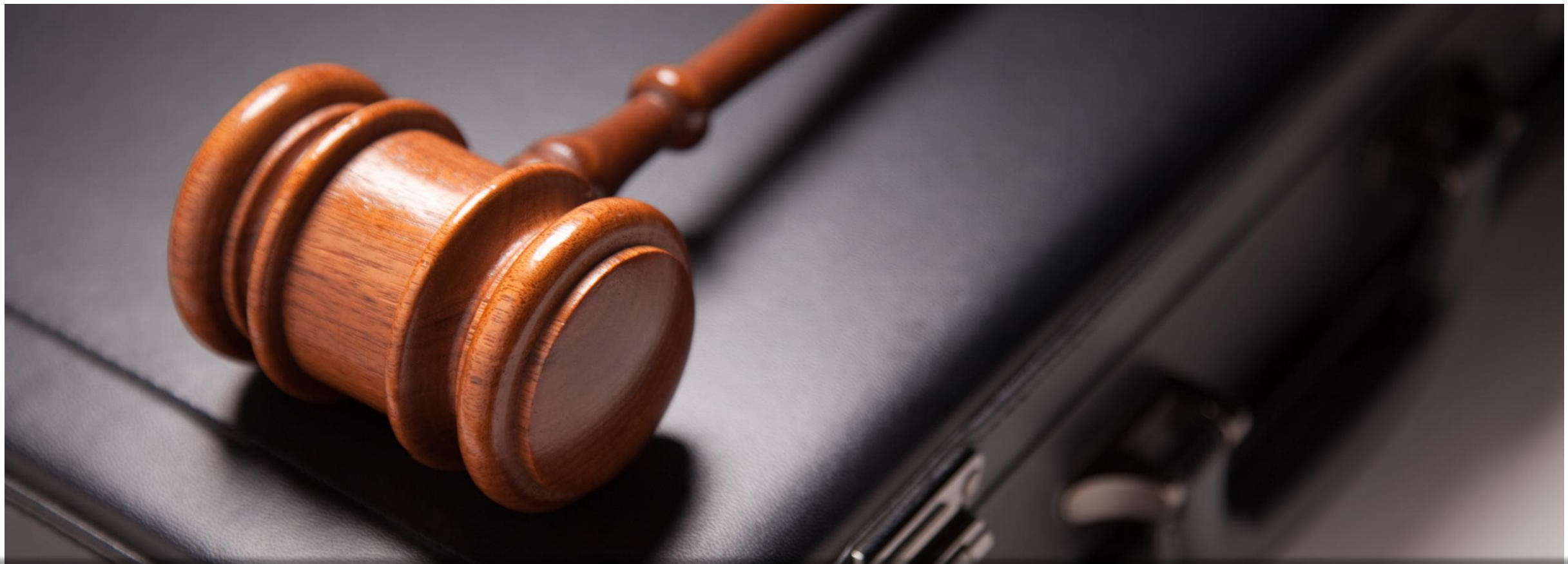


#5 - Getting Retirement Ready
Gail paints herself a bright financial future by making sure she's ready to retire.
[Transcript - Getting Retirement Ready](#)
[Open Video Player](#)



#6 - Working Longer
As Debra nears the finish line of her career, she considers how running a few ...
[Transcript - Working Longer](#)
[Open Video Player](#)

TAB 18



Legal & Compliance

February 16, 2024

Presented By: Heather Traeger, TRS and Suzanne Dugan,
Cohen Milstein



Fiduciary Principles



- Exclusive Benefit Rule
- Duty of Prudence
- Duty of Loyalty
 - Avoidance of Conflicts
 - Prohibited Transactions/Self-Dealing
 - Impartiality
 - Confidentiality
- Duty of Care
 - Diversification
 - Delegation
 - Duty to follow plan documents



Fiduciary Standard



- 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).
- The Fiduciary Standard is objective, not subjective to the trustee – “a pure heart and an empty head are not enough.” *Donovan v. Cunningham*, 716 F.2d. 1455, 1467 (5th Cir., 1983).



Relevant Law



- State and Federal Law
 - Texas Constitution
 - Texas Gov't Code
 - Internal Revenue Code
- Additional Sources
 - Common Law
 - Restatement (Third) of Trusts
 - Uniform Prudent Investor Act
 - Uniform Management of Public Employee Retirement Systems Act
 - ERISA
 - Case law
 - Attorney General Opinions



Case Scenario 1



Exclusive Benefit Rule



- “The assets of a system are held in trust for the benefit of members and may not be diverted.” Texas Constit. Art. XVI, Sec. 67 (a)(1).
- The TRS Board of Trustees “shall administer the retirement system for the sole and exclusive benefit of the members and participants”. Texas Gov’t Code Sec. 825.101.
- Under the Internal Revenue Code, “[no] part of the corpus or income [may] be ... used for, or diverted to, purposes other than for the exclusive benefit of [the] employees or their beneficiaries.” Internal Revenue Code § 401(a)(2).



Exclusive Benefit Rule



- Under ERISA, 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 beneficiaries and defraying reasonable expenses of administering the plan. ERISA §404(a)(1).
- Although TRS is not subject to ERISA, ERISA provides guidance and has become a standard for public pension plan conduct.



Duty of Loyalty



- The fiduciary duty of loyalty is strictly construed in law, and informed by the exclusive benefit rule.
- Trustees must act solely in the interest of the members and beneficiaries, without regard to the interest of any other person.
- The duty of loyalty means that a trustee wears only one hat.
- Trustees of public retirement systems are not fiduciaries for appointing authorities, employers who pay into the systems, constituencies, taxpayers or the public.



Duty of Loyalty - Impartiality



- The duty of loyalty contains a duty of impartiality, which means that a trustee owes the same duty to retirees, senior employees, and employees who were just hired.



5 Traits of Highly Effective Public Pension Plans – Fiduciary Duties

They understand their fiduciary duties and they understand to whom they owe them.



Case Scenario 2



Duty of Care - Delegation



- The decisions to appoint and select delegates are fiduciary functions:
 - Duty to properly select delegate
 - Duty to monitor
 - Duty to ensure that delegate has adequate information and resources
 - Impose standards of care and loyalty upon delegates



Duty of Care - Delegation



- A trustee has a duty to personally 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 to exercise fiduciary discretion and to act as a prudent person of comparable skill would act in similar circumstances. Restatement (Third) of Trusts §80.



Duty of Care - Diversification



- Diversify the plan's investments so as to minimize the risk of large losses.
- Avoid investments of a large percentage of the fund's assets in a single investment or a single type of investment or a single manager.



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 probably income therefrom as well as the probably safety of their capital. Texas Constit. Art. XVI, Sec. 67 (a)(3).



Duty of Prudence



- (a) A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.
- (f) A trustee who has special skills or expertise, or is named trustee in reliance upon the trustee's representation that the trustee has special skills or expertise, has a duty to use those special skills or expertise. Texas Property Code §117.004 (Uniform Prudent Investor Act) .



Duty of Prudence



- A fiduciary shall act “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).



5 Traits of Highly Effective Public Pension Plans – Fiduciary Duties

They pay attention to their experts' guidance.



Case Scenario 3



Application of Fiduciary Principles



- Governance and administration
- Administration of health and benefit plans and investment trust
- Preparation of reports and funding requirements; allocation of expenses
- Selection of providers



Duty of Prudence – Monitoring



- Because a fiduciary normally has a continuing duty to monitor investments and remove imprudent ones, a plaintiff may allege that a fiduciary breached a duty of prudence by failing to properly monitor investments and remove imprudent ones. *Tibble v. Edison International*, 135 S. Ct. 1823 (2015) .



Duty of Loyalty – Communication



- The Board had a fiduciary duty to provide clear and accurate information to prospective retirees in the retirement application and pamphlet. Under the common law duty of loyalty, diligence in administering the funds for the benefit of members encompassed the duty to provide members with understandable information of the retirement options. *Honda v. Board of Trustees of the Employees' Retirement System of the State of Hawaii*, 108 Haw. 338 (2005).



5 Traits of Highly Effective Public Pension Plans – Fiduciary Duties

They engage in effective oversight of those experts, both in-house experts and outside independent experts. Everybody understands their role.



Case Scenario 4



Duty of Care – Governance



- Duty to follow plan documents (establishing the governance, benefits, investment and administration of the plan), policies and procedures, statutes and regulations.



Duty of Prudence - Process



- A fiduciary is judged not by the results of decisions, but rather by the process undertaken to reach such decisions.
- The duty of prudence requires a standard of conduct, not outcome or performance.
- All fiduciary determinations are measured by this standard.



5 Traits of Highly Effective Public Pension Plans – Fiduciary Duties

They have policies and procedures, which they regularly review and, when necessary, update.



Case Scenario 5



Duty to Follow Plan Documents



- A fiduciary must discharge his/her duties in accordance with the documents governing the plan, provided the documents are consistent with law.
- A fiduciary cannot be arbitrary and capricious in the application of law or plan documents.



Duty of Loyalty – Conflicts of Interest



- Trustees must avoid:
 - Conflicts of Interest
 - Prohibited transactions
 - Self-dealing and self-enrichment
 - The appearance of impropriety



Duty of Loyalty - Confidentiality



- Fiduciaries owe a duty of confidentiality as part of the duty of loyalty.
- Incident to the duty of loyalty . . . is the trustee's duty to preserve the confidentiality and privacy of trust information from disclosure to third persons, except as required by law (e.g., rules of regulatory, supervisory, or taxing authorities) or as necessary or appropriate to proper administration of the trust. Restatement (Third) of Trusts §78, comment i.



Board of Trustees Ethics Policy



- Avoid conflicts of interest or even the appearance of conflicts
- Take care not to use TRS position to obtain improper privileges
- Prohibition on gifts and benefits
- Use TRS resources only for official TRS business
- Observe vendor blackout periods
- Protect confidential information



5 Traits of Highly Effective Public Pension Plans – Fiduciary Duties

They follow their policies and procedures, plan documents and the law.



Consequences



Breach of Fiduciary Duty



- Plan disqualification from tax exempt status
- Liability
- Financial and reputational consequences
- Increased oversight
- Co-fiduciary liability



Resources



Open Meetings Act - Purpose



- “Every regular, special, or called meeting of a governmental body shall be open to the public, except as provided by this chapter.” Tex. Gov’t Code § 551.002.
- Basis in common law: “decisions entrusted to governmental bodies must be made by the body as a whole at a properly called meeting.” OAG Handbook.
- “The provisions of [the Act] are mandatory and are to be liberally construed in favor of open government.” See *City of Laredo v. Escamilla*, 219 S.W.3d 14, 19 (Tex. App.—San Antonio 2006, pet. denied).



Open Meetings Act - Concerns



- Quorum of board conducts “meeting” without proper notice
- Fails to provide adequate notice of a discussion item
- Participates in unauthorized executive session
- Participates in “walking quorum” or “daisy chain”



Breach of Open Meeting Act



- Calling, aiding, or participating in a closed meeting that is not permitted is a misdemeanor punishable by a fine of not less than \$100 or more than \$500, confinement in a county jail for at least one month and not more than six months, or both. Texas Gov't Code Sect. 551.144.
- Participating in a closed meeting of a governmental body knowing that a certified agenda or recording of the meeting is not being made is a misdemeanor punishable by a fine up to \$500. Texas Gov't Code Sect. 551.145.
- Disclosing the agenda or recording of a lawfully closed meeting to a member of the public is a misdemeanor punishable by a fine up to \$2000, up to 180 days confinement in a county jail, or both. Texas Gov't Code Sect. 551.146.



Public Information Act – Purpose



- “Under the fundamental philosophy of the American constitutional form of representative government that adheres to the principle that government is the servant and not the master of the people...it is the policy of this state that each person is entitled, unless otherwise expressly provided by law, at all times to complete information about the affairs of government and the official acts of public officials and employees.” Tex. Gov’t Code, § 552.001.
- “This chapter shall be liberally construed in favor of granting a request for information.” Tex. Gov’t Code, § 552.001.



Public Information Act – Scope



- Information that is written, produced, collected, assembled, or maintained in connection with the transaction of official business:
 - By TRS;
 - For TRS and TRS owns the information, has a right of access to it, or spends or contributes public money for the purpose of writing, producing, collecting, assembling, or maintaining the information; or
 - By a trustee or employee of TRS in his or her official capacity and the information pertains to official TRS business.



Breach of Public Information Act



- Failing to give access to public information is a misdemeanor punishable by confinement in a county jail for not more than six months, a fine to not exceed \$1000, or both and constitutes official misconduct. Texas Gov't Code Sect. 552.353.
- Distributing information that is made confidential by law is a misdemeanor punishable confinement in a county jail for not more than six months, a fine to not exceed \$1000, or both and constitutes official misconduct. Texas Gov't Code Sect. 552.352.
- The destruction, alteration, or concealment of public records is a misdemeanor punishable by confinement in a county jail for a minimum of three days and a maximum of three months, a fine of a minimum of \$25 and a maximum of \$4,000, or both. Texas Gov't Code Sect. 552.351.



Conflicts of Interest – Purpose



- A trustee may not have a direct or indirect interest, engage in a business transaction or professional activity, or incur any obligation that is in substantial conflict with the proper discharge of the trustee's duties in the public interest. Tex. Gov't Code § 572.001.
- A member of a governmental body may not have a personal financial interest in a contract entered into by the governmental body. The common law doctrine also seeks to avoid the appearance of impropriety. Tx. Attn. Gen. Op. GA-0351.



Breach of Conflict of Interests



- Recusal from participation
- Jeopardize trustee eligibility
- Inhibit TRS contracting (void contracts)
- Personal fines
- Criminal penalties
- Reputational risk