

Minutes of the Board of Trustees

February 27, 2025

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, February 27, 2025, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

The following Board members were present:

Robert H. Walls Jr., Chair
Brittney Allred
Mike Ball
David Corpus
John Elliott
Laronda Graf
James Dick Nance
John R. Rutherford
Elvis Williams

Others present:

Brian Guthrie, TRS
Caasi Lamb, TRS
Heather Traeger, TRS
Jase Auby, TRS
Don Green, TRS
Barbie Pearson, TRS
Katrina Daniel, TRS
Amanda Jenami, TRS
Elizabeth Hallmark, TRS
Katherine Farrell, TRS
Elena Barreiro, TRS
Kyle McKay, TRS
Yimei Zhao, TRS
Lori LaBrie, TRS
Kirk Sims, TRS
Steve Wilson, TRS
LaTresa Stroud, TRS
Aundre Petty, TRS
Kale Romberger, TRSe
David Munns, TRS

Phyllis Ruffin, TX AFT Retiree plus
Rita Runnels TX AFT Retiree plus
David Richter, Grosvenor Capital Management
Brad Meyers, Grosvenor Capital Management
Peter Braffman, Grosvenor Capital Management
Amy McDuffee, Mosaic Governance Advisors
Keith Brown, Investment Advisor
Mike Comstock, Aon
Ashley Woeste, Aon
Suzanne Dugan, Cohen Millstein
Danica Esourbel, UHC
Amy Daily, ESI
Vicki Redfein, ESI
Heather Sheffield, ATPE
Karen Haywood, BCBS TX
Peter Jansen, CBRE

At 8:00 a.m., Mr. Walls called the meeting to order.

1. Call roll of Board members.

Ms. Farrell called the roll; a quorum was present.

Mr. Walls welcomed the newly appointed Board member, Trustee Laronda Graf.

2. Provide opportunity for public comment – Robert H. Walls, Jr.

Ms. Phyllis Ruffin representing Texas AFT Retiree Plus stated that they had surveyed their members and developed an educator bill of rights, presenting it to the legislature to make into law. She reported one being a sound retirement and thanked TRS staff for making that possible.

3. Consider the following administrative matters: – Robert H. Walls, Jr.

A. Approval of the December 2024 proposed meeting minutes;

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

B. Excusing Trustee absences from December 2024 meeting; and

On a motion by Mr. Elliott, seconded by Mr. Williams, the Board unanimously voted to excuse the Trustee absences of Trustee Ball for the December 5, 2024, meeting, and Trustees Corpus and Rutherford from the December 6, 2024, meeting.

C. Consider the election of the Board Vice-Chair.

On a motion by Mr. Walls, seconded by Mr. Nance, the Board unanimously voted to elect Mr. Mike Ball as the Board Vice-Chair.

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, personnel matters, and Moving Forward Together, Update including new regional office.**
- 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 provided general updates on upcoming and past conferences and meetings. He gave an update on legislative activities. He reported on changes at the federal level regarding members that do not participate in Social Security, which he noted was most of TRS members. The change impacted the amount of Social Security members could receive in terms of spousal benefits or their own benefits if they had paid in through other employment. He announced this was all at the Social Security Federal level and did not involve TRS except to pass along

information to members. Mr. Guthrie then explained the various processes and tools TRS utilizes to verify benefit payments are not paid inappropriately to members who passed away.

Mr. Guthrie reviewed TRS workforce demographics noting the average age of employees was 44 years and tenure around 6 years. He provided an update on Alpha/Bravo progress reporting the first group would move into the building next month and open to members by May 20th. He announced TRS received the Top Workplace in the United States for the fourth time. He concluded by reviewing the upcoming board meetings.

5. Consider review and update to the TRS Mission Statement – Caasi Lamb.

Ms. Caasi Lamb reported every four years the mission statement is brought before the board for review and adoption. She noted one of the reasons TRS is consistently a Top Workplace is because of the mission. She said the current mission statement continues to lay out the purpose and reason for being and that it is still both meaningful and relevant.

On a motion by Mr. Corpus, seconded by Mr. Nance, the Board voted to unanimously re-adopt the mission statement with no changes.

6. Receive an update on employer reporting “The people behind the data.” – Mark Chi and Katie Tucker.

Mr. Mark Chi reviewed the role a reporting official plays for reporting and what information they help remit to TRS. He said Benefit Accounting is the department within Benefit Services that supports reporting officials with two reporting teams made up of 23 staff members who support employers. He said there are currently 1,338 employers consisting of higher education institutions, independent school districts, education service centers, charter schools as well as other education districts. He said the information reported on a monthly basis is called the full payroll report and includes demographic information, days and hours worked, payroll data. He reported that with the reports the deposits are due. He said the deposits include contribution on the member side as well as the employer side. He noted starting in September 2017 TRS has the ability to assess late fees on reports. He said there is a 14 calendar day grace period after the due date without getting a penalty fee assessed by TRS. He said there is no grace period for deposits, if they are not remitted a penalty interest is imposed on those late deposits.

Ms. Katie Tucker reviewed how new employees are reported by employers to TRS. She said in the last month, TRS received and processed over 2,600 employee demographic (ED) reports containing 350,000 ED records. She reviewed common errors in filing reports and other employment reports for when employees leave, retire or employment after retirement.

Mr. Chi reviewed the reporting requirements for higher education institution. An example he provided was not having to report any TRS-Care related contribution. He also reviewed the other types of contributions reported on the employer side for higher education. He said the Employer Advisory Group (EAG) started in 2017 to help facilitate communication between TRS and the employers, to work together to identify practical ways to comply with any new laws, rules and

accounting requirements. He concluded with the importance of receiving feedback from reporting employers and described the two surveys TRS performs to solicit further feedback.

7. Receive an update on TRS-Care and TRS-ActiveCare healthplans including a review of annual performance with benchmark comparisons as well as updates on new dental and vision plans – Katrina Daniel and Kyle McKay.

Ms. Katrina Daniel provided the Health Division's annual report. She noted one in 47 Texans are in a TRS health plan. She reported \$6 billion a year is spent on claims. She gave her favorite statistic that nearly 6,000 new Texans are born in TRS-ActiveCare every year, lots of babies born. She said for TRS-Care there were 106,000 enrollments for the new dental and vision benefits. She said some 64,000 people enrolled in both products. She said the limited time enrollment for TRS-Care runs through March 2026 and about 2500 people applied to enroll in this first period. She said this resulted in 1.1 million calls resulting in a 325 percent year-over-year increase.

Mr. Kyle McKay discussed how the large scale of TRS-ActiveCare reduces volatility, greater stability year to year and carriers compete aggressively to win our business because of the size. He said the third benefit of the size is the rich data to quickly identify areas of risk, areas of growing cost to manage and identify areas in the market where opportunities exist to work with partners. He said such large scale data is leveraged to purchase high value health care for the lowest cost possible. An example he gave, was last year they audited contracts, looking at price guarantees, that generated an estimated \$30 million a year in savings. He said bringing the summary health plan reporting internal allowed the process to be automated and more of a streamline experience for the employer through the RE portal.

Mr. McKay described how TRS is a partner with four other state agencies pulling data to compare trends and costs as the legislature required. He reviewed how they are able to benchmark against non-participating school districts by estimating costs based on information found on their websites regarding benefits and premiums. He said this demonstrates how ActiveCare is well below market. He discussed a current initiative to review data to determine utilization and spending by category to determine if savings can be garnered in the upcoming RFP process.

Ms. Yimei Zhao concluded by reviewing the timeline for the upcoming RFP for three medical contracts in the two programs. She noted all three contracts are coming to an end in 2026. She said the three goals for the procurements are reducing cost, opportunities for innovative products, and efficiencies.

4. Receive the Ombudsman's Annual Report – Lori LaBrie.

Ms. Lori LaBrie presented the Annual Ombud's Report for calendar year 2024. She said the office for the year received 756 communications. She noted this is almost double what was received in 2022. She said 53 percent of the communications came from service retirees. She reported for social media, health care trended the most, receiving the most comments. As for complaints she said there were a total of 111 point-in-time complaints, down from 206 last year. She reviewed the change in complaint categories where three were removed for these categories were not utilized when a complaint was submitted.

Mr. Walls announced without objection taking up agenda item 14 next.

14. Review and consider proposed amendments to the Employee Ethics Policy – Heather Traeger and Elena Barreiro.

Ms. Elena Barreiro presented the proposed revisions to the Employee Ethics Policy as it pertains to the Governor's executive order that was released on November 19, 2024. She reported the executive order requires all state agencies to include in their ethics policies provisions related to the acceptance of gifts from organizations associated with the countries on the U.S. Department of Commerce Foreign Adversaries list. She said it also required state personnel report any instances when they are being approached and offered gifts by individuals associated with these countries.

On a motion by Mr. Corpus, seconded by Mr. Ball, the Board unanimously voted to amend the Employee Ethics Policy, as presented by staff.

9. Review and discuss the CIO Update including Talent Management; Accomplishments; Notices; Key Dates and Upcoming Events – Jase Auby.

Mr. Jase Auby reported the Trust ended the calendar year 2024 with a one-year return of 7.9 percent, 239 basis points of excess return. He noted the annual town hall was held where two awards were presented. He announced the Excellence in Investing award went to Brian Leary, who launched the small cap quantitative portfolio and the General Excellence award went to IMD AV team that consists of Ben Levy, Austin Anderson and Jay Tucker.

Mr. Auby provided a market update. He said the equity markets absolutely thrived in 2024, U.S. equities had the best return with 24.8 percent. He said looking forward at growth, the prediction is no recession with moderating growth expectations. He reported inflation was closer to 2.5 percent and persistently sticking.

Mr. Auby discussed United States federal debt as a special topic for the meeting.

10. Receive the Annual Review of Emerging Manager Program - Kirk Sims.

Mr. Kirk Sims provided the one-year review of the Emerging Manager Program. He announced the program had reached the 20-year milestone, making it one of the oldest programs in the country and has grown to \$6.2 billion. He said for the one-year period the program trailed the benchmark by eight basis points but over the three-year period it outperformed the benchmark by 178 basis points. He said the focus of the program was finding the emerging managers doing different types of investments and approaches, innovation. The other focus he said was graduation. In 2024, he said, two more managers graduated from the program into the main Trust. The total amount managed by graduates, he reported, is currently \$5.6 billion. He said the Emerging Manager Conference hosted 800 meetings in a six hour period, the program continues to be actively engaged the marketplace.

Mr. Walls announced taking up short public presentations for agenda items 11 and 12 and then going into executive session for both items together.

11. Consider the role, performance and engagement of the Board Investment Advisors and Consultants role, including considering a finding that deliberating or conferring in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Steve Wilson, LaTresa Stroud and Aundre Petty.

Mr. Aundre Petty provided a brief background on the pending RFP for the board advisor position that was initiated following the September 2024 Board meeting.

12. Receive an update and consider long term facility planning for a new regional office, including considering a finding that deliberating or conferring in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Barbie Pearson.

Ms. Pearson stated the first regional office in El Paso opened in November 2022, where over 10,000 members have been assisted in that office. She said this time the focus is on the Rio Grande Valley area for the next regional office. She said they looked at areas in the State outside of the large metro areas that are more than five hours away from headquarters. She said Regions 1 and 2 are close and have 112,000 members with almost 45,000 members eligible to retire over the next five years. She said Region 1 Education Service Center did not have available space for TRS regional office nor did the Texas Facilities Commission have any owned state buildings in that area. She reviewed the criteria considered to lease office space in the area.

On a motion by Mr. Williams, seconded by Mr. Ball, the Board voted to find that deliberating or conferring on items 11 and 12 would have a detrimental effect on the position of the Retirement System in negotiations with a third person.

At 1:52 p.m., Mr. Walls announced the Board would go into executive session under the following agenda items and sections of the Government Code: item 11 under Sections 825.115(e) and 551.071, to discuss the role, performance and engagement of the Board investment advisors and consultants and to consult with legal counsel as needed; item 12 under Sections 825.115(e) and 551.071, to discuss long term facility planning for a new regional office and to consult with legal counsel as needed.

At 3:56 p.m., Mr. Walls reconvened the meeting in open session.

On a motion by Mr. Williams, seconded by Ms. Graf, the Board voted to direct the executive director to bring to the Board top candidates for the Board Investment Advisor role and a staff recommendation for a new regional office and other details as described in the following resolution:

**Resolution of the Board of Trustees
February 27, 2025
Authorizing Actions Relating to Leasing Certain Commercial Office Space
for the New TRS Regional Office**

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

Whereas, TRS identified a need to improve access to services for members throughout the state, including being able to provide in-person office visit appointments for members who live far from the Austin headquarters;

Whereas, In Fiscal Year 2022, TRS opened its first regional office in El Paso, Texas to offer member services in an underserved part of the state, and within two years of operations, the El Paso Office has served over 4,000 members locally and answered over 20,000-member calls;

Whereas, TRS is now conducting a search for properties for a second regional office in the Rio Grande Valley in order to further TRS’ strategic goals to improve customer service and benefit delivery, identify resource needs and develop project plans associated with opening additional regional offices and align people, processes and technology to achieve excellence in member service delivery;

Whereas, Upon completion of the property search, TRS staff will bring to the Board the top properties and a staff recommendation for final Board selection for the second regional office; now, therefore be it

Resolved, That the Executive Director is directed to bring to the Board at a subsequent Board meeting the top candidates and a staff recommendation for a real property lease for a new regional office; and

Resolved, That the Executive Director is authorized to expend such budgeted and available TRS funds and enter any agreements and related documents as the Executive Director deems in his discretion to be reasonably necessary and advisable to achieve the objectives of this resolution;

Resolved, That the Executive Director is directed to report and update the Board at its regular meetings, as requested, on the actions taken and activities performed under these resolutions; and

Resolved, That nothing in these resolutions may be construed as a contract, an offer to contract with a power of acceptance that would form a contract, or an acceptance of an offer to contract and the retirement system is not and will not be legally bound to any agreement unless and until the Executive Director has executed and delivered definitive agreements relating to the subject matter, as applicable.

13. Receive annual ethics and fiduciary training – Heather Traeger, Suzanne Dugan and Amy McDuffee.

Ms. Heather Traeger, Ms. Suzanne Dugan and Ms. Amy McDuffee provided the annual training focusing on fiduciary duty, governance and ethics.

15. Review Internal Audit’s upcoming External Quality Assurance Review – Amanda Jenami.

Ms. Amanda Jenami stated the Texas Government Code requires internal audit functions to comply with professional internal auditing standards. She said these standards require Internal Audit to develop and implement a quality assurance and improvement program that should include both internal and external assessments. She said the last external assessment was performed in 2022 and it is time to conduct another one. She the assessment will be done by an independent team to provide more opportunity to learn from the External Quality Assurance Review team. She said the peer review team selected is Ms. Cheryl Cervantes Dietz with CalSTRS, Ms. Cathleen Davis with Arizona Public Safety Personnel Retirement System and Mr. Tony Chavez with Texas ERS.

16. Receive an overview and preview of TRS' planned member-centric website redesign for www.trs.texas.gov – Elizabeth Hallmark.

Ms. Beth Hallmark stated the launch of the new and improved website is a culmination of more than 19 months of work in partnership with the IT Division and ongoing participation from every part of the organization. She said it was time to update to a new web platform and that it was timely to create efficiencies and be responsive to new technology. The last update she said was nearly a decade ago. Mr. David Munns described the member research that was conducted, directly engaging 700 members, to ensure the right improvements were implemented in the redesign. He reported the most important focus was on making it easier for members to find information through robust search capabilities. Ms. Kale Romberger provided a preview of the new website. She said once the website is live they will measure website traffic and continue to survey members, to ensure it improves the member experience. Ms. Hallmark said they are hoping to roll out the new site early to mid-April but only once it is ready and fully meets the highest of standards.

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

This item was not taken up for discussion.

At 5:40 p.m., Mr. Walls noted there was no more scheduled business before the Board and announced the meeting was adjourned.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 10th DAY OF APRIL 2025.

ATTESTED BY:

Katherine H. Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

April 14, 2025
Date