

Minutes of the Board of Trustees

December 5, 2024

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, December 5, 2024, 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
Nanette Sissney
Brittney Allred
Michael Ball
David Corpus
John Elliott
James Nance
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
Shunne Powell, TRS
Lori LaBrie, TRS
Kendall Courtney, TRS
Janice Ehlert, TRS
J.R. Morgan, TRS
Katherine Farrell, TRS

Jarvis V. Hollingsworth, Former Chair
Andrea Hollingsworth
Keith Brown, Investment Advisor
Mike Comstock, Aon
Ashley Woeste, Aon
Suzanne Dugan, Cohen Millstein

Mr. Robert H. Walls, Jr. called the meeting to order at 9:00 a.m.

1. Call roll of Board members.

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

2. Consider the following administrative matters including approval of the September 2024 proposed meeting minutes; and

On a motion by Ms. Sissney, seconded by Mr. Williams, the Board unanimously voted to approve the September 2024 proposed meeting minutes as presented with the non-substantive edits provided by Ms. Sissney.

3. Resolution recognizing the service of Jarvis V. Hollingsworth – Robert H. Walls, Jr.

Mr. Walls invited everyone to sit back and get comfortable as he read the many accomplishments listed in the following resolution into the record:

Resolution

Whereas, Jarvis V. Hollingsworth was appointed as chairman to the TRS Board of Trustees by Gov. Greg Abbott in November 2017, after his initial appointment as trustee by Gov. Rick Perry from 2002 to 2007; and

Whereas, under his leadership, the retirement system experienced significant growth from approximately 1.5 to more than 2 million members and annuitants and the net position of the fund increased from \$147.4 to \$202 billion; and

Whereas, Jarvis' first meeting was December 2017, staff recalls the February 2018 board meeting held at UT Rio Grande Valley, Edinburg, TX, as the beginning of Jarvis' second term. At this memorable meeting, TRS spent Valentine's Day together huddled outside waiting for "an unforeseen fire alarm" to clear before resuming the meeting that culminated in postponing the vote to lower the return assumption rate from 8 to 7.25% until the April meeting. This vote was taken up at the April meeting, which failed to garner a majority, and was then taken up for a third and final time at the July meeting where the lowering return assumption passed with a 5 – 4 split vote; and

Whereas, in 2022, the board voted to lower the return assumption from 7.25 to 7.0% within one unanimous vote; and

Whereas, Jarvis played a vital role in the success of the Emerging Manager Program; establishing the program in 2005 and overseeing steady growth to \$3.1 billion assets under management (AUM) today with further AUM of \$5.2 billion invested with graduates of the program; and

Whereas, Jarvis' leadership has had a profound impact on the TRS-Care retiree health plan, including overseeing the most sweeping changes since its creation; setting it on a path for long-term stability and viability; paving the way for a 45% TRS-Care Medicare Advantage premium reduction; developing an agency legacy of a sustainable TRS-Care fund; and

Whereas, under his careful eye, TRS commenced a multi-year reengineering of TRS-ActiveCare, establishing a new regional rating strategy that allows districts to shop for coverage that fits the needs of their employees, while maintaining stability for participants who depend on the plan for themselves and their families. Jarvis' leadership produced a health plan product that offers Texas public school employees superior value in both benefit coverage and cost; and

Whereas, Jarvis also oversaw the agency as TRS developed an outreach plan to assist members and employers with effective retirement planning; he was instrumental in the success of the Customer Service Improvement Initiative raising service levels from 15% when he joined the board, to 94% at the end of his service; created an ombuds position; made comprehensive changes to employment after retirement; and opened TRS' first regional office in El Paso; and

Whereas, he provided valuable insight to TRS executives as they testified and provided information during three sessions of the Texas Legislature. Historic legislation was passed during the last several sessions leading to the actuarial soundness of TRS, funding to keep TRS-Care solvent, a successful Sunset review, and most importantly, funding for multiple benefit enhancements, a cost-of-living adjustment along with a stipend for qualified retirees; and

Whereas, he led the agency through the challenges of the COVID-19 pandemic, reassuring members that TRS would continue to provide pension and health care benefits and services to members along with a diligent focus on core business activities and prudent management of the trust fund; and

Whereas, he played a pivotal role in the due diligence process that led to TRS' decision to acquire a new headquarters outside of downtown Austin, after nearly 50 years at the Red River location. This significant action by the board of trustees in 2021 resulted in the purchase of a two-building campus in the Mueller development that will accommodate the entire agency and serve TRS' expanding membership for generations to come; and

Whereas, Jarvis challenged TRS staff to perform at all levels with excellence in service to TRS members. He pushed leadership to focus on culture, governance and ethics. He pushed for snappier presentations and for board meetings to start early and on time. Jarvis also spent considerable time ensuring trustees were assigned to committees that would benefit from their respective experience and expertise. He also questioned the continuous use of the fleet metaphor when he, the chair, was a West Point graduate;

Now, therefore, be it resolved, that the board of trustees and staff of the Teacher Retirement System of Texas recognize and appreciate the accomplishments and contributions of Jarvis V. Hollingsworth. They express their gratitude for his dedicated and passionate service on behalf of both current and future TRS members;

Resolved, that in honor of Jarvis' continuous challenge of TRS to perform at all levels of excellence for TRS members, the TRS Board and staff present Jarvis with TRS' inaugural challenge coin, challenging all future trustees and staff to continuously strive for excellence in service to TRS members;

And be it further resolved, that a copy of this resolution be presented to Jarvis V. Hollingsworth and entered into the record of the board for Dec. 5, 2024.

On a motion by Ms. Sissney, seconded by Mr. Elliott, the board unanimously approved the proposed resolution.

Mr. Hollingsworth expressed his appreciation, thanked his wife Andrea, his fellow trustees and stated he hopes TRS members have felt that he had done everything in his power to serve them and to get the staff to assist in solving whatever problems they may have faced. He asked the members to continue to hold TRS accountable, they wake up every day thinking of how to best serve you. The Board required it and expected and everyone at TRS believes in it.

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 implementation including 88th Leg. (R) HB 4141, personnel matters, notification of contract renewals, 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 announced that due to the ever-increasing high demand for the optional dental and vision coverage being offered for the first time this year, the enrollment deadline will be extended for two additional weeks, through December 17, 2024. He said the initial estimate for enrollments were 40,000, possibly 50,000 but as of today, there were over 80,000 enrollments. He then covered the new board contract review process where he will provide notice quarterly to the trustees of contracts that he intended to renew under his delegated authority.

Mr. Guthrie noted last legislative session, House Bill 4141 passed, requiring TRS to conduct a study on the feasibility of offering members who are peace officers basically a new benefit

structure. He said the report is due at the end of the month. He said one thing they have identified is that there is no standard among the public schools as to the peace officer title and count.

Mr. Guthrie announced the winner of the Executive Director's Award of Excellence. This award is for ad hoc projects. This year's winner was the pension benefits enhancement project team, the team responsible for issuing the one-time stipend and COLA for members. He announced the winner of the Shining Example Award. This award is for special service to members with ongoing projects and efforts to benefit members and provide quality customer service. This year's winner was the Health Division for their work on lowering Medicare premiums. He also shared the recipients of the Golden Apple award. To conclude the special honors announcement, he reported TRS won the Top Workplace Award for the Greater Austin Metro Area for the 13th time and for the first time TRS was counted within the top three of large businesses in Austin.

Mr. Guthrie concluded by reviewing items for the upcoming February and April Board meetings.

- 5. Consider the renewal of the executive assessment provider agreement, including considering a finding that deliberating or conferring in open meeting would have a detrimental effect on the position of the retirement system in the negotiations with a third person – Shunne Powell.**

Ms. Shunne Powell reported the contract for performance executive assessment that is delivered by Focus Consulting was a one-year contract, with three on-year renewals. She reported Focus Consulting met its contract objectives and staff recommended proceeding with a one-year renewal.

On a motion by Mr. Nance, seconded by Mr. Corpus, the board unanimously voted to renew the executive assessment provider agreement with Focus Consulting for one year.

- 6. Consider the renewal of the master custody services and security lending provider agreement including considering a finding that deliberating or conferring in open meeting would have a detrimental effect on the position of the retirement system in the negotiations with a third person – Kendall Courtney.**

- 22. 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 manaters, or other counterparties – Heather Traeger.**

Ms. Kendall Courtney provided an overview of the master custodian and securities lending services. She reported the Board selected State Street in 2022, the contract was signed in 2023 with a three-year term and two one-year renewals.

On a motion by Mr. Corpus, seconded by Mr. Elliott, the board unanimously voted on finding that deliberating or conferring on Agenda Item 6 would have a detrimental effect on the position of the retirement system in negotiations with a third person.

At 9:51 a.m., Mr. Walls announced the Board would go into executive session under the following items and sections of the Government Code: Item 6 under sections 825.115(e) and 551.071 to discuss the renewal of the master custody services and security lending provider agreement and to consult with legal counsel as needed; and Item 22 under Section 551.071 to consult with legal counsel as needed.

At 11:09 a.m., Mr. Walls reconvened the Board meeting in open session.

On a motion by Mr. Elliott, seconded by Mr. Nance, the board unanimously adopted the following resolution:

**Relating to the Selection of Master Custodian and Securities Lending Services
December 5, 2024**

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

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

WHEREAS, the TRS Bylaws, subsection 1.7(n), state that the Board will select one or more custodian banks to provide custodial services for TRS assets;

WHEREAS, the TRS Bylaws, subsection 4.1.2(t), state that the Executive Director shall recommend to the Board the selection of the custodian for securities;

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

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

WHEREAS, the original term of the contract for Master Custodian and Securities Lending services will expire on August 31, 2026, with the option of two, one-year renewals;

WHEREAS, TRS is beginning a multi-year implementation of the Investment Data Modernization software which will entail interfacing trades and transactions with the custodian bank, and keeping the same custodian during this implementation phase of the project will be critical to the project's success;

WHEREAS, the Investment Management Division has partnered with the custodian to address the service improvement requirements presented to the Board; in response, the custodian significantly improved service delivery, which is reflected in a 71 percent drop in potential operating errors over the last year; Now, therefore be it

RESOLVED, That the Board considered the recommendation made by the Investment Management Division relating to the timing of the current term of the master custodian and securities lending services contract:

RESOLVED, That the Board hereby authorizes the Executive Director or his designee to extend the initial term of the contract from three years to five years at any time prior to August 31, 2026, at his discretion. At a later date, the current two, one-year renewal options will be brought to the Board for determination.

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

Mr. Walls, without objection, then called up Agenda Item 17.

17. Receive the annual evaluation of Gabriel, Roeder, Smith & Co. as the provider of pension actuarial and consulting services – Janice Ehlert.

Ms. Janice Ehlert presented the annual evaluation of the actuary, Gabriel, Roeder, Smith, & Co (GRS). She reviewed the work GRS provided over the past year, professional advice and technical support on all types of pension-related matters. She reported GRS met all contractual requirements regarding timeliness of communication and materials. She said the surveyed staff concluded that GRS met expectations. She noted GRS' contract expires at the end of 2025. She said staff would be back in July with a request for proposal.

23. Receive TRS Quarterly Complaint Report – Lori LaBrie.

Ms. Lori LaBrie reviewed the communications the Ombuds office received from January through October. She said there were a total of 635 communications. She said the top three social media hot topics for the period covering August to October were health care, miscellaneous items not related to TRS and Social Security. She said for this time period there were 21 point-in-time complaints.

At 11:27 a.m., Mr. Walls announced the board would recess to take up the scheduled committee meetings for the rest of the day resuming tomorrow morning.

December 6, 2024

The Board of Trustees of the Teacher Retirement System of Texas met on December 6, 2024 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
Nanette Sissney
Brittney Allred
John Elliott
James Nance
Elvis Williams

Others present:

Brian Guthrie, TRS	Phyllis Ruffin, TX AFT Retiree Plus
Caasi Lamb, TRS	Alejandro Pena, Texas AFT
Don Green, TRS	Phyllis Ruffin, TX AFT Retiree Plus
Heather Traeger, TRS	Joe Newton, GRS
Jase Auby, TRS	Karlie Fehrman, GRS
Barbie Pearson, TRS	Laurie Patton, EY
Katrina Daniel, TRS	Gordon Lee, EY
Amanda Jenami, TRS	Mike Comstock, Aon
Chris Cutler, TRS	Ashley Woeste, Aon
Adam Fambrough, TRS	Suzanne Dugan, Cohen Millstein
Jennifer Whitman, TRS	Brock Gregg, TRTA
Billy Lowe, TRS	Ray Perryman, Perryman Group
Janice Ehlert, TRS	Keith Brown, Investment Advisor
Sunitha Downing, TRS	
Katherine Farrell, TRS	

At 9:00 am the Chair reconvened the board meeting with Mr. Ball, Mr. Corpus and Mr. Rutherford absent.

24. Provide an opportunity for public comment.

Ms. Phyllis Ruffin, Texas American Federation of Retired Teachers Association, shared how she received the best customer service regarding her TRS-Care experience and requested a COLA for retirees that is tied to inflation.

25. Receive the report of the Benefits Committee on its December 5, 2024 meeting and consider the following – Committee Chair:

A. Acceptance of the Medical Board Meeting minutes of the September 2024 meetings; and

**B. Approval of the Benefit Payments for September 2024 to November 2024; and
C. Consider the appointment of a member to the Active School Administrator position on the RAC.**

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

The Benefits Committee met on December 5, 2024. The committee approved the proposed minutes of the Benefits Committee for the September 2024 meeting.

Ms. Barbie Pearson, the Chief Benefits Officer, provided an update on the Medical Board. The committee recommends to the Board the acceptance of the Medical Board meeting minutes from September 2024.

Ms. Barbie Pearson provided an update on benefits payments for the first quarter of fiscal year 2025. The committee recommends to the Board the approval of the benefits payments for September through November 2024.

The committee received an update from Ms. Pearson and Mr. Fambrough, as well as Ms. Jennifer Gasior, on Benefit Services operations for fiscal year 2024. The report included updates on the staffing, workload, and objectives for fiscal year 2024. The report also included the annual report on inactive accounts as required by the Board's inactive accounts policy. Mr. Fambrough ended the report with a demonstration of the MyTRS online member portal.

Next, Ms. Katrina Daniel, the chief Health Care officer, noted that Ms. Nancy Byler, the chair of TRS-Care Retirees Advisory Committee, known as RAC, was unable to attend and provided the Board with a written report of the recent RAC meeting held on October 31, 2024.

Ms. Cristina Juarez, the manager of health engagement, then presented the staff recommendation to fill the vacancy on the RAC for the active school administrator role. The committee recommends to the Board that Mr. Pete Pape be appointed to the active school administrator role on the RAC.

Ms. Daniel provided key updates on TRS-Care, noting the high demand for new dental and vision plans and that the enrollment period for those plans would be extended through December 17, 2024. Ms. Daniel then updated the committee on the TRS-ActiveCare, noting growth in enrollment for the current year and that TRS-ActiveCare continues to offer employers stable, low cost coverage than comparable plans in the market so costs for employees continue to be a concern within the TRS-ActiveCare.

The committee then received an update from Ms. Cristina Juarez on how the TRS Health engagement team communicates with employees, retirees and districts to ensure they make the most of their TRS health benefits. Ms. Juarez shared that in FY 2024, TRS had 14 million touch points with health care plan participants.

The committee concluded with receiving an update on the member satisfaction survey results from Dr. Rene Paulson of Elite Research.

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 September 2024 meeting, 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 2024, as recommended by the committee.

26. Receive the report of the Investment Management Committee on its December 5, 2024 meeting – Committee Chair.

Ms. Allred, Acting-Committee Chair, provided the following report of the Investment Management Committee:

The Investment Management Committee met on December 5, 2024. The committee approved the proposed minutes of the Investment Management Committee for its September 2024 meeting.

Jase Auby began with his CIO Update. The Third Quarter 2024 Performance Review was then presented by Mike Comstock and Ashley Woeste of Aon. Following, Jaime Llano then provided an update of the trading group. Heather Traeger, Denise Lopez and Chris Bowlin, then presented an update on the IMD legal and compliance.

Concluding the Investment Management Committee, James Nield and Mark Telschow presented an annual review of the risk and portfolio management.

27. Receive the report of the Policy Committee on its December 5, 2024 meeting and consider adoption of the following – Committee Chair:

- a. Consider adoption of proposed amendments to the Member Engagement Policy; and;**
- B. Consider adoption of the following proposed repeal and new rules in Chapter 43 of Title 34, Part 3 of the Texas Administrative Code, related to Contested Cases:**
 - i. [REPEAL] §43.1 Administrative Review of Individual Requests**
 - ii. [REPEAL] §43.2 Effect of Invalidity of Rule**
 - iii. [REPEAL] §43.3 Definitions**
 - iv. [REPEAL] §43.4 Decisions Subject to Review by an Adjudicative Hearing**
 - v. [REPEAL] §43.5 Request for Adjudicative Hearing**
 - vi. [REPEAL] §43.6 Filing of Documents**
 - vii. [REPEAL] §43.7 Computation of Time**
 - viii. [REPEAL] §43.8 Extensions**
 - ix. [REPEAL] §43.9 Docketing of Appeal for Adjudicative Hearing and Dismissal for Failure to Obtain Setting**
 - x. [REPEAL] §43.10 Authority to Grant Relief**
 - xi. [REPEAL] §43.11 Classification of Pleadings**
 - xii. [REPEAL] §43.12 Form of Petitions and Other Pleadings**

- xiii. [REPEAL] §43.13 Filing of Pleadings and Amendments
- xiv. [REPEAL] §43.14 Briefs
- xv. [REPEAL] §43.15 Motions
- xvi. [REPEAL] §43.16 Notice of Hearing and Other Action
- xvii. [REPEAL] §43.17 Agreements To Be in Writing
- xviii. [REPEAL] §43.18 Motion for Consolidation
- xix. [REPEAL] §43.19 Additional Parties
- xx. [REPEAL] §43.20 Appearance and Representation
- xxi. [REPEAL] §43.21 Lead Counsel
- xxii. [REPEAL] §43.23 Powers of the Administrative Law Judge
- xxiii. [REPEAL] §43.24 Prehearing Conference and Orders
- xxiv. [REPEAL] §43.25 Conduct of Hearing
- xxv. [REPEAL] §43.26 General Admissibility
- xxvi. [REPEAL] §43.27 Exhibits
- xxvii. [REPEAL] §43.28 Pre-filed Direct Testimony in Disability Appeal Proceeding
- xxviii. [REPEAL] §43.29 Limit on Number of Witnesses
- xxix. [REPEAL] §43.33 Failure to Appear
- xxx. [REPEAL] §43.34 Conduct and Decorum at Hearing
- xxxi. [REPEAL] §43.35 Official Notice
- xxxii. [REPEAL] §43.36 Ex Parte Consultations
- xxxiii. [REPEAL] §43.37 Recording of the Hearing; Certified Language Interpreter
- xxxiv. [REPEAL] §43.38 Dismissal without Hearing
- xxxv. [REPEAL] §43.39 Summary Disposition
- xxxvi. [REPEAL] §43.40 The Record
- xxxvii. [REPEAL] §43.41 Findings of Fact
- xxxviii. [REPEAL] §43.42 Reopening of Hearing
- xxxix. [REPEAL] §43.43 Subpoenas and Commissions
- xl. [REPEAL] §43.44 Discovery
- xli. [REPEAL] §43.45 Proposals for Decision, Exceptions, and Appeals to the Board of Trustees
- xl. [REPEAL] §43.46 Rehearings
- xl. [REPEAL] §43.47 Procedures Not Otherwise Provided
- xl. [REPEAL] §43.48 Cost of Preparing Administrative Record
- xl. [NEW] SUBCHAPTER A. GENERAL ADMINISTRATION
- xlvi. [NEW] §43.1 Applicability.
- xlvi. [NEW] §43.2 Definitions.
- xlvi. [NEW] §43.3 Filing of Documents.
- xlvi. [NEW] §43.4 Computation of Time.
- l. [NEW] §43.5 Extensions.
- li. [NEW] §43.6 Ex Parte Consultations.
- lii. [NEW] §43.7 Procedures Not Otherwise Provided.
- liii. [NEW] SUBCHAPTER B. REQUESTS FOR ADJUDICATIVE HEARING
- liv. [NEW] §43.101. Administrative Review of Individual Requests.

- lv. [NEW] §43.102. Administrative Review of Disability Determinations.
- lvi. [NEW] §43.103. Administrative Review of Option Beneficiary or Optional Retirement Annuity Plan Changes.
- lvii. [NEW] §43.104. Request for Adjudicative Hearing.
- lviii. [NEW] §43.105. Docketing of Petition for Adjudicative Hearing and Dismissal for Failure to Obtain Setting.
- lix. [NEW] §43.106. Authority to Grant Relief.
- lx. [NEW] §43.107. Subpoenas and Commissions.
- lxi. [NEW] SUBCHAPTER C. HEARINGS NOT DOCKETED AT SOAH
- lxii. [NEW] §43.201. Applicability.
- lxiii. [NEW] §43.202. Form of Pleadings.
- lxiv. [NEW] §43.203. Filing of Pleadings and Amendments.
- lxv. [NEW] §43.204. Briefs.
- lxvi. [NEW] §43.205. Motions.
- lxvii. [NEW] §43.206. Discovery.
- lxviii. [NEW] §43.207. Notice of Hearing and Other Action.
- lxix. [NEW] §43.208. Agreements To Be in Writing.
- lxx. [NEW] §43.209. Motion for Consolidation.
- lxxi. [NEW] §43.210. Additional Parties.
- lxxii. [NEW] §43.211. Appearance and Representation.
- lxxiii. [NEW] §43.212. Lead Counsel.
- lxxiv. [NEW] §43.213. Powers of the Administrative Law Judge.
- lxxv. [NEW] §43.214. Prehearing Conference and Orders.
- lxxvi. [NEW] §43.215. Conduct of Hearing.
- lxxvii. [NEW] §43.216. General Admissibility.
- lxxviii. [NEW] §43.217. Exhibits.
- lxxix. [NEW] §43.218. Pre-filed Direct Testimony in Disability Appeal Proceedings.
- lxxx. [NEW] §43.219. Limit on Number of Witnesses.
- lxxxi. [NEW] §43.220. Failure to Appear.
- lxxxii. [NEW] §43.221. Conduct and Decorum at Hearing.
- lxxxiii. [NEW] §43.222. Official Notice.
- lxxxiv. [NEW] §43.223. Recording of the Hearing; Certified Language Interpreter.
- lxxxv. [NEW] §43.224. Dismissal without Hearing.
- lxxxvi. [NEW] §43.225. Summary Disposition.
- lxxxvii. [NEW] §43.226. The Record.
- lxxxviii. [NEW] §43.227. Findings of Fact.
- lxxxix. [NEW] §43.228. Reopening of Hearing.
- xc. [NEW] SUBCHAPTER D. FINAL DECISIONS OF TRS.
- xc. [NEW] §43.301. Proposals for Decision and Exceptions.
- xcii. [NEW] §43.302. Decision of Executive Director.
- xciii. [NEW] §43.303. Proposals for Decision and Exceptions regarding Eligibility for Disability Retirement.
- xciv. [NEW] §43.304. Appeals to the Board of Trustees.
- xcv. [NEW] §43.305. Final Decision of TRS.

xcvi. [NEW] §43.306. Rehearings.

xcvii. [NEW] §43.307. Cost of Preparing Administrative Record.

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

The Policy Committee met on December 5, 2024. The committee approved the proposed minutes of its September 2024 meeting.

The committee recommended to the Board adoption of the proposed amendments to the member engagement policy, and the committee also recommended to the Board adoption of the proposed repeal and new rules in Chapter 43 of Title 34, Part 3 of the Texas Administrative Code, and those relating to contested cases.

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 member engagement policy, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed repeal and new rules in Chapter 43 of Title 34, Part 3 of the Texas Administrative Code related to contested cases, as recommended by the Policy Committee.

28. Receive the report of the Budget Committee on its December 5, 2024 meeting – Committee Chair:

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

The Budget Committee met Thursday, December 5th. The first item of business was approval of the minutes of the July 2024 Budget Committee meeting.

Next, Ms. Duarte introduced the Annual Comprehensive Financial Report (ACFR) for fiscal year 2024. She informed the Board of TRS being named a 2022 Triple Crown winner by the Government Finance Officers Association. She then provided an overview of the ACFR introductory section and an update on membership data.

Ms. Patti Roano provided an overview of the 2024 ACFR which showed a net position for the Pension Trust Fund of \$210.5 billion. Next, Mr. Eddie Chan provided an overview of the investment asset allocation. And finally, Ms. Patti Roano concluded with an overview of the statistical and benefit section and updates related to GASB.

Mr. Don Green then presented an overview of the FY 2024 year-end budget and addressed unexpended balances and FTEs. Mr. Green concluded with an update on the FY 2025 administrative operating budget.

29. Receive the report of the Audit, Compliance, and Ethics Committee on its December 5, 2024 meeting– Committee Chair.

Ms. Allred, Committee Chair, provided the following report of the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met on Thursday, December 5, 2024. The Committee approved the minutes of its September 2024 meeting.

The committee received SAO's report on the results of the financial audit on the Annual Comprehensive Financial Report for fiscal year 2024. The committee received Crowe LLP's report on the results of the financial audit of the TRS Investment Company of Texas, TRICOT, for fiscal year 2024.

The committee received routine and enterprise risk reports from general counsel and from the chief compliance officer and staff. The committee then received reports from the chief audit executive and internal staff on the review of Emerging Manager Program and the review of Internal Audit quality assurance improvement program self assessment.

Lastly, the committee received the Internal Audit annual report for fiscal year 2024, a status update on prior audit recommendations and various administrative matters.

30. Receive an update on the economic impact of TRS pension and healthcare payments on the Texas economy – Dr. Ray Perryman, Perryman Group.

Ms. Sunitha Downing provided the background about how Dr. Perryman's analysis is incorporated into one of TRS most popular communication pieces, the TRS Value Report, which tells how the annuity payments and health care spending ultimately contributes back into the state's economy.

Dr. Perryman reviewed how all the various TRS payment streams go to Texas residents. He noted some retired teachers live out of the state but the vast majority stay in Texas. He said the report shows the impact on every MSA, every county, House and Senate district. He reported the annuity payments generated about \$14 billion in gross product in Texas annually and responsible for over 150,000 jobs. He said for TRS-Care and TRS-ActiveCare expenditures result in almost 250,000 jobs. Dr. Perryman concluded by noting the importance of TRS and what it means to the future of our state.

31. Receive the TRS Pension Trust Fund Actuarial Valuation for the fiscal year ending August 31, 2024 – Joe Newton, GRS.

Ms. Karli Fehrman provided an overview of the actuarial valuation as of August 31, 2024. She noted the 2023 stipend and COLA for certain retirees had no impact on the unfunded accrued liability or funding status due to the \$5 billion appropriation up front. She reported for 2024 there was a 12.7 percent return on market value with the ten-year average of 7.1 percent, meeting the 7 percent assumption.

Mr. Joe Newton reviewed the actuarial results. He reported the unfunded accrued liability was up, \$60.6 billion. He said the funding period was 28, down from last year's 29. He discussed various scenarios that would move the funding period up or down in future years.

32. Receive the TRS-Care Actuarial Valuation and Other Post-Employment Benefits (OPEB) reports for the fiscal year ending August 31, 2024 – Joe Newton, GRS.

Mr. Newton presented the valuation update for this year, as of August 31, 2024. He reported the OPEB liability came in at \$35 billion. He stated there have been assets accumulated in this trust fund, about \$4.8 billion. He said the net OPEB liability was \$30 billion. He noted the increase between 2023 and 2024 was due to the change in the premiums for Medicare retirees.

Mr. Newton then reviewed the retired TRS-Care and OPEB value. He reported the net OPEB liability was \$38.6 billion. He noted that in 2016 it was \$76 billion and after the changes to TRS-Care occurred it has steadily declined since. For the discount rate he said they use a municipal bond yield which was down from 298 to 195.

18. Receive an update on the TEAM Program – Chris Cutler, Jennifer Whitman, Billy Lowe and Adam Fambrough.

Ms. Jennifer Whitman reported the annuity payroll and tax reporting release (PBT), taking into consideration the business partners calendar year end activities, will be February of 2026. She said since February was a short month with only 28 days, the transition activities will begin on February 26 but the actual go live date will be March 2, 2026. She said with the new go live date, all of the work stream statuses are on track. She said regression testing by IT will begin this March with user acceptance testing in May. Once PBT is live, she said the work turns to taking the mainframe systems offline. Mr. Adam Fambrough reviewed the go live date for PBT technically would be ready for December but explained the various tax reporting activities that pushed it back to the March 2026. He said that there was a risk that it being a legislative session there may be required changes to the TRUST application that could push the go-live date. Mr. Billy Lowe reported that 91 percent of the development work has occurred. He said parallel payroll testing continues and are tracking 99 percent success rate against each of the six month testing runs.

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

Ms. Laurie Patton reviewed the scope schedule and budget status. She said the scope continues to be very focused on that minimum viable product and finding a schedule that works with getting the functionality required and pushing off things that can be pushed off. She noted with the change in the timeline additional maintenance and enhancements were brought forward in schedule – not a scope change but sequencing change. She said as to schedule with the re-baseline, everything is currently on schedule now. She said budget is the most impacted with extending time frames. She said for FY 25 there are no concerns and FY 26 budget is still being put together.

Mr. Gordon Lee reviewed the industry standard for testing and reporting metrics.

20. Receive the Deputy Director's Update including considering the Procurement and Contracting Report – Caasi Lamb.

Ms. Caasi Lamb reviewed the revised TRS values. She noted the values reflect expected behaviors of TRS staff and are designed to create a culture that supports the agency's mission. She said the refreshed values approved by the executive council (EC) were: member focus, respect, ethics, excellence and innovation. She reported the mission statement will be brought before the Board in February for its periodic review and that there were no staff recommended changes. She next reviewed the planned Bravo move schedule. She said members will be seen in the new space by May 20th and the first Board meeting in the new space to be the July meeting.

She concluded with the quarterly contract report.

On a motion by Mr. Nance, seconded by Mr. Elliott, the Board voted to accept the procurement report as presented by staff.

21. Receive Quarterly Data Governance and Information Security Update – Frank Williams.

This item was not taken up for discussion.

At 11:35 a.m., Mr. Walls adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM
OF TEXAS ON THE 27th DAY OF FEBRUARY 2025.

ATTESTED BY:

Katherine H Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

Feb 27, 2025

Date