

Minutes of the Board of Trustees

April 14, 2021

The Board of Trustees of the Teacher Retirement System of Texas met on April 14, 2021 via videoconference in accordance with the Governor's authorization concerning suspension of certain Open Meeting law requirements in response to the COVID-19 (Coronavirus) disaster.

The following Board members were present:

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

Others present:

Brian Guthrie, TRS
Andrew Roth, TRS
Don Green, TRS
Heather Traeger, TRS
Jase Auby, TRS
Barbie Pearson, TRS
Katrina Daniel, TRS
Amanda Jenami, TRS
Katherine Farrell, TRS
Suzanne Dugan, Cohen Milstein

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 provided welcoming remarks noting the one year anniversary in which the Board was convening by videoconference under the Governor's Office's authorization concerning suspension of certain Open Meetings law requirements in response to COVID-19. Mr. Hollingsworth reviewed the schedule for the next three days.

2. Consider the following administrative matters including:

a. Approval of the February 2021 proposed meeting minutes; and

On a motion by Mr. Nance, seconded by Mr. Corpus, the board unanimously approved the minutes of the February 2021 Board Meeting, as presented.

b. Setting, rescheduling or canceling future Board meetings.

Mr. Hollingsworth stated the proposal on the table was to expand the upcoming July board meeting to include July 14th in case there is a need to meet virtually.

On a motion by Mr. Corpus, seconded by Mr. Ball, the Board unanimously approved the proposed schedule for future Board meetings, including July 14th if the meeting is virtual.

At 8:05 a.m., Mr. Hollingsworth recessed the meeting to take up posted committee meetings.

At 9:19 a.m., Mr. Hollingsworth reconvened the meeting and announced agenda Item No. 18 would be taken up.

18. Chief Operation sand Administration Officer (COAO) update – Andrew Roth.

Mr. Andrew Roth discussed the return to office effort of TRS to date and what is planned for the coming months. He reported the agency was in Phase 2 of a four-phase plan, which is approximately 25 to 33 percent occupancy. He said TRS will move into Phase 3 in the summer of 2021, likely in June, which will be approximately 50 percent of the staff. Under the current social distancing protocol and the floor plans, he noted, the maximum occupancy was approximately 60 percent of staff in the building. He stated that in-person appointment-only visits for the members have ramped up. The visits he said have increased from approximately 12 in person a day to 36 in-person a day by June.

Mr. Roth reported on several significant facilities projects such as the sump pump replacement in the parking garage and the fire suppression updates. He said they are working on reconfiguring space to accommodate the needs associated with social distancing but also to increase density.

Mr. Roth continued his update on Shared Services investment opportunities. In February, he covered the pressing need for more Benefits staff and for more staff in IT security business area. He said as there is an increase need in TRS' business lines, resulting in increased pressure on shared services. He shared CEM Benchmarking data, comparing TRS to other pension systems and noted TRS was one of the lowest-cost systems in the nation. He said TRS front office FTE footprint for 10,000 members was second to the bottom. If TRS doubled all its staff, he said, it would approximately place TRS in the middle. He highlighted the FTE needs in Organizational Excellence (OE), the diversity equity and inclusion (DE&I) business area and Finance. He said he wanted to share in advance of the July meeting so that there is a background for the more comprehensive FTE ask coming at the July meeting. He noted that all of the FTEs discussed will not be in the July request but potentially the next legislative appropriations request. He stated that TRS will continue to be cautious and conservative with growth.

At 9:49 a.m., Mr. Hollingsworth recessed the meeting to take up the rest of the posted committee meetings for the day.

April 15, 2021

The Board of Trustees of the Teacher Retirement System of Texas met on April 15, 2021 via videoconference in accordance with the Governor's authorization concerning suspension of certain Open Meeting law requirements in response to the COVID-19 (Coronavirus) disaster.

The following Board members were present:

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

Others present:

Brian Guthrie, TRS	Chris Griesel
Andrew Roth, TRS	
Don Green, TRS	
Jase Auby, TRS	
Amanda Jenami, TRS	
Barbie Pearson, TRS	
Katrina Daniel, TRS	
Heather Traeger, TRS	
Katherine Farrell, TRS	
Frank Williams, TRS	
Suzanne Dugan, Cohen Millstein	

At 10:35 a.m. the Chair reconvened the board meeting.

Mr. Hollingsworth announced agenda items 3 and 4, the TEAM discussion and assessment, will be taken up tomorrow.

5. Receive a General Cybersecurity Overview – Frank Williams.

Mr. Frank Williams provided a holistic look at what occurred during 2020 in terms of cybersecurity and what items did TRS executed to make adjustments. He also briefly reviewed the building blocks that protect TRS, covering the five fundamental areas: business, IT, security program, the advanced security programs and emerging technology. He noted with the COVID-19 pandemic hitting in 2020, and with the expansion of the work-from home status also expanded the threat landscape from one building to staffs' homes. He also noted the increase in ransomware attacks in the health care industry and supply chain attacks. He referenced the laws governing cybersecurity that with an office in London and members living outside of Texas staff must know these regulatory requirements. He explained the enterprise growth and ensuring our cloud vendor relationships meet our cybersecurity criteria. He provided the example of TRS' global financial partners. He referenced artificial intelligence and block chain as emerging technology and utilizing newer applications for big data.

6. Receive annual ethics training – Chris Griesel.

Mr. Chris Griesel provided training on ethics. He noted his most important point for the time was that in the long run, the cost of ethical noncompliance always exceeds the cost of ethical compliance. He reviewed the Trustee Ethics Policy, TRS Board Rules, and relevant state and federal laws. He discussed various ethical case studies.

At 12:01pm, Mr. Hollingsworth recessed the meeting until 8:00am tomorrow.

April 16, 2021

The Board of Trustees of the Teacher Retirement System of Texas met on April 16, 2021 via videoconference in accordance with the Governor's authorization concerning suspension of certain Open Meeting law requirements in response to the COVID-19 (Coronavirus) disaster.

The following Board members were present:

Jarvis V. Hollingsworth, Chair
Nanette Sissney, Vice Chair
Michael Ball
David Corpus
Christopher Moss
James Dick Nance
Robert H. Walls, Jr.

Others present:

Brian Guthrie, TRS	Suzanne Dugan, Cohen Millstein
Andrew Roth, TRS	Jonathan Scofield, EY
Don Green, TRS	Richard Holt, EY
Jase Auby, TRS	Kirsten Schatten, Segal
Amanda Jenami, TRS	Eileen O'Grady with the Private Equity Stakeholder Project
Barbie Pearson, TRS	
Katrina Daniel, TRS	
Heather Traeger, TRS	
Chris Cutler, TRS	
Eric Lang, TRS	
Katherine Farrell, TRS	
Melanie Ingleby, TRS	
Billy Lowe, TRS	
Jennifer Whitman, TRS	
Adam Fambrough, TRS	

At 8:00 a.m. the Chair reconvened the board meeting.

1. Call roll of Board members.

Ms. Farrell called the roll. A quorum was present with Mr. Elliott absent.

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

Ms. Eileen O’Grady with the Private Equity Stakeholder Project expressed concerns regarding TRS investment with a GP Roark Capital. Specifically, she referenced Roark’s Inspire Brands Division and the working conditions at the fast food chains.

8. Receive the report of the Strategic Planning Committee on its April 14, 2021 meeting and consider the adoption of the proposed amendments to the 2021-25 Strategic Plan Goals, Objectives and Strategies – Committee Chair:

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

The Strategic Planning Committee met on April 14, 2021. Caasi Lamb provided an overview of TRS’ strategic planning process and proposed updating the 2021 – 2025 strategic plan to include the addition of two strategies related to developing and implementing a comprehensive workforce strategy and identifying opportunities for improved productivity, process efficiencies and performance monitoring. The committee voted unanimously to recommend to the Board adoption of the proposed updates to the strategic plan.

Ms. Lamb, along with the other strategic plan objective owners discussed and reviewed the results from forum information for the 2021 – 2025 TRS strategic plan objectives. Those objectives included increasing identification of underpayments and collection of future contributions, achieving the investment rate of return, improving the customer service experience, and improving timeliness and accuracy in employer-related data.

Ms. Lamb also provided an overview of the spotlight report and highlighted changes to the report to the committee.

Ms. Lam and representative from the Public Policy Research Institute and the Elite Research Group provided survey results from the reporting employer satisfaction survey and member satisfaction survey.

Mr. Walls concluded the report of the Strategic Planning Committee with the following motion:

On a motion by Mr. Walls, the Board unanimously voted to adopt the proposed updates to the 2021-2025 strategic plan as proposed by the Strategic Planning Committee.

9. Receive the report of the Benefits Committee on its April 14, 2021 meeting and consider adoption or acceptance of the following– Committee Chair:

- a. **Medical Board Meeting Minutes for January 2020, September 2020 and January 2021;**
- b. **Benefit payments for December 2020 and February 2021.**

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

The Benefits Committee met on April 14, 2021. The committee approved the proposed minutes of the Benefits Committee for the December 9, 2020 meeting.

Ms. Barbie Pearson provided an update on the Medical Board. The committee recommends to the Board the acceptance of the Medical Board meeting minutes for January 2020, September 2020, and January 2021.

Ms. Barbie Pearson also provided an update on the benefit payments for December 2020 through February 2021. The committee recommends to the Board the approval of benefit payments for December 2020 through February 2021.

Next the committee received an update from Ms. Pearson on Benefit Services operations for second quarter of fiscal year 2021. This report included increasing workload and trends in Benefit Services.

Next the committee received an update from Ms. Katrina Daniel, the chief health care officer, on the impact of COVID on the TRS-Care and TRS-ActiveCare plans. Ms. Daniel explained the need to postpone TRS-ActiveCare rates and benefit adoption for the 2021 – 2022 plan year because of uncertainty in claims and plan costs resulting from certain districts offering competing coverage and COVID claims. Finally, Ms. Daniel updated the committee on the TRS long term care insurance plan offered through Genworth.

Mr. Ball concluded his report with the following motions:

On a motion by Mr. Ball, the Board unanimously voted to accept the Medical Board minutes for the January 2020, September 2020 and January 2021 meetings, as proposed by the Benefits Committee.

On a motion by Mr. Ball, the Board unanimously voted to approve benefit payments for December 2020 through February 2021, as recommended by the Benefits Committee.

10. Receive the report of the Budget Committee on its April 14, 2021 meeting – Committee Chair.

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

The Budget Committee met on April 14, 2021. The first item of business was the approval of the minutes from the December 2020 Budget Committee meeting.

Mr. Don Green presented a high-level overview of FY 2021 midyear budget, as well as the FTE status report. He addressed the spending activity for the first six months of the fiscal year, noting a projected 94 percent spend. He explained the agency's efforts in identifying cost savings for the fiscal year. He then stated that there were currently 735 FTEs with 23 vacancies for pension, and 107 FTEs for health care with 16 vacancies.

11. Receive the report of the Policy Committee on its April 14, 2021 meeting and consider adoption of the following: – Committee Chair
A. Amendments to the Litigation Policy; and

B. Adoption of a resolution amending on an emergency basis TRS Rule 31.1, relating to Employment After Retirement Definitions, in Title 34, Part 3 of the Texas Administrative Code.

Mr. Nance, Acting- Committee Chair, provided the following report of the Policy Committee:

The Policy Committee met on April 14, 2021. The committee approved the proposed minutes of its December 2020 meeting.

Staff conducted the policy review for the litigation policy per the policy review schedule and recommended no changes to the litigation policy at this time.

After concluding that adoption is necessary because of critical staffing shortage faced by Texas school districts in conjunction with the unprecedented learning loss caused by the COVID-10 pandemic, which presents imminent peril to the public health, safety or welfare of the State of Texas, the committee also recommended to the Board adoption of a resolution amending on an emergency basis TRS Rule 31.1 relating to employment after retirement definitions.

Mr. Nance concluded his report with the following motion:

On a motion by Mr. Nance, the Board unanimously approved the adoption of the resolution amending on an emergency basis TRS Rule 31.1 relating to employment after retirement definitions in Title 34, Part 2 of the Texas Administrative Code., as recommended by the Policy Committee.

RESOLUTION ADOPTING EMERGENCY RULE AMENDMENTS
April 16, 2021

WHEREAS, school districts, legislators, and other Teacher Retirement System of Texas (TRS) stakeholders have reported to TRS that Texas schools face an emergency staffing shortage for summer school this year. Specifically, as a result of widespread and severe learning loss caused by the COVID-19 pandemic, school districts have reported a greatly expanded need for summer school capacity and programming during Summer 2021;

WHEREAS, in addition to this expanded need for summer school, school districts also report a decrease in interest from current staff to continue teaching during the summer session after completing a full year of teaching through the COVID-19 pandemic;

WHEREAS, the combination of these factors has created a critical staffing shortage for school districts throughout Texas for Summer 2021;

WHEREAS, Texas remains in a declared state of disaster based on the COVID-19 pandemic. On March 13, 2020, the Governor of Texas issued a proclamation certifying that COVID-19 poses an imminent threat of disaster and declaring a state of disaster for all counties in Texas. In the proclamation, the Governor authorized the use of all available resources of state government and political subdivisions that are reasonably necessary to cope with this disaster, and the

Governor has renewed the disaster declaration each month since March 2020, most recently on April 5, 2021;

WHEREAS, current TRS rules define a “substitute” only to include a person who serves on a temporary basis in the place of a current employee(s) or in a vacant position for up to 20 days so long as the retiree is paid no more than the daily rate set by the employer;

WHEREAS, Government Code § 824.602(j) requires the Board of Trustees (Board) of the TRS to adopt rules regarding the employment of a TRS retiree as a substitute and Government Code § 824.601(f) authorizes TRS to adopt rules as necessary to implement the laws relating to employment after retirement;

WHEREAS, the Policy Committee of the Board has recommended to the Board to adopt, on an emergency basis, the amendments, attached hereto, to Rule 31.1, which is located in Title 34, Part 3, Subchapter A, Chapter 31 of the Texas Administrative Code; now, therefore, be it

RESOLVED, that the Board hereby:

- (1) Finds that the critical staffing shortage faced by Texas school districts in conjunction with the unprecedented statewide learning loss caused by the COVID-19 pandemic presents imminent peril to the public health, safety, and welfare of the state of Texas;
- (2) Finds that temporarily expanding the definition of “substitute” under 34 Texas Administrative Code § 31.1 to include temporary employment of a TRS service retiree with a school district during the summer of 2021 if the employment is only expected or contracted to last for the summer will assist Texas school districts with this critical staffing shortage and expand their access to all available resources necessary to cope with COVID-19 disaster;
- (3) Finds that the TRS Actuary of Record, Gabriel, Roeder, Smith & Company, has determined that this amendment will not have a detrimental impact on the TRS pension fund;
- (4) Adopts amendments to 34 Texas Administrative Code § 31.1, as marked on the attached, incorporated text, on an emergency basis without prior notice or hearing;
- (5) Adopts amendments to 34 Texas Administrative Code § 31.1 to become effective immediately upon filing with the Secretary of State;
- (6) Finds that the adopted amendments to 34 Texas Administrative Code § 31.1 shall remain effective for 120 days;
- (7) Authorizes the Executive Director, in accordance with Government Code § 2001.034, to extend the effectiveness of the adopted amendments of 34 Texas Administrative Code § 31.1 for a period of up to 60 days after the end of the initial 120 day period to ensure that the adopted amendments remain in effect through August 31, 2021; and authorizes TRS staff to prepare and file all appropriate forms or documents with the Secretary of State to effectuate this extension and to publish notice of such extension in the *Texas Register*;
- (8) Authorizes TRS staff to prepare and to file with the Secretary of State’s office in proper form and based on this order the adopted emergency rule preamble and the adopted emergency rule texts, including preparing and filing other rulemaking documents as required for publication in the *Texas Register*, and to make any technical changes required for publication of the adopted emergency rule documents;

- (9) Incorporates the published texts of the rule and preambles, board and committee meeting materials attached or related to this resolution by this reference as though set forth at length herein verbatim;
- (10) Requires TRS staff to take all appropriate measures to make the adopted emergency rule known to all persons affected by the rule; and
- (11) Authorizes the Chairman of the Board to sign an order showing the action of the Board.

12. **Receive the report of the Investment Management Committee on its April 14, 2021 meeting – Committee Chair.**

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

The Investment Management Committee met on April 14, 2021. The committee adopted the minutes of its December 2020 meeting.

Jase Auby began with his CIO update. The fourth quarter 2020 performance review was presented by Steve Voss and Mike McCormick with Aon. Dale West and Brad Gilbert then provided an annual update of public markets. Following we received an annual review on the public SPN by J.B. Daumerie. Concluding the Investment Management Committee, James Nield provided a review of the semiannual risk report.

13. **Receive the report of the Audit, Compliance, and Ethics Committee on its April 15, 2021 – Committee Chair.**

Mr. Moss, Committee Chair, provided the following report of the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met on Thursday, April 15, 2021 via videoconference. The committee approved the minutes of the December 10, 2020 Audit, Compliance and Ethics Committee.

The general counsel and chief compliance officer presented routine compliance reports and the TRS complaint report.

Internal Audit staff presented the results of audits on the HUB program and real estate operations. Staff provided an update on Internal Audit's data analytics program and outstanding audit and consulting recommendations and some administrative reports.

The committee went into executive session at 9:11 a.m. to discuss Internal Audit reports on the procurement process and information security controls. The committee reconvened in open session at 10:31 a.m. and concluded the meeting at 10:34 a.m.

14. **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, mid-year actuarial valuation and personnel matters.**

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

Mr. Guthrie provided an overview of general updates, past and upcoming conferences. He announced the Trustee Election was underway and will conclude in May. He provided a legislative update. Mr. Corpus was confirmed by the full Senate and expect the same for Trustee Walls and Ball by next week. He reviewed the provisions that are in the TRS Sunset legislation and possible amendments.

Mr. Guthrie reported on the mid-year actuarial valuation. He said the trust fund went from \$165 billion at the end of August 31st to about \$177 billion at the end of February 28th . He said the unfunded liability went down, the funded ratio went up and the funding period also went down from 27 to 26 years.

He announced that Barbie Pearson is the new president-elect of the National Pension Education Association and that Katie Hoffman was named to the CII Board.

Mr. Guthrie concluded by reviewing the proposed items for the July and April Board meetings.

Mr. Hollingsworth announced Agenda items 3 and 4 will be taken up next.

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

Mr. Guthrie introduced the item by sharing that the team will be rolling out the first significant implementation of new functionality under TEAM that was developed all in-house. He said this has been a collaborative process not only with IT but will the business unit, the health insurance division, have been heavily involved in the development from day one. Mr. Chris Cutler concurred saying a lot of work has happened to prepare for the health insurance line of business, HILOB, to launch April 19th.

Ms. Jennifer Whitman reviewed the TEAM dashboard. She reported three of the six roadmap releases are currently on schedule which are HILOB, two pension line of business system releases. She said the two pension releases are payment address which will go live fall of this year and web self-service is scheduled to go live in spring of 2022.

Ms. Monica Bernal provided a more in depth update on HILOB. She said the platform will house enrollment and eligibility information for all TRS-Care participants, replacing the thirty-year old legacy system. Mr. Adam Fambrough described the cut-over process and noted they are taking lessons learned from Phase 1 and are applying them to the HILOB cutover.

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

Mr. Johnathan Scofield provided a recap on the methodology and approach and reviewed the grading scale used to establish a baseline. He noted the baseline is not how the team is faring as far as delivery, it is a pure agile assessment. He said the initial report is based on the first six weeks of their TEAM program assessment. He reported the starting score was 4.11 for the program governance, the product management and the technical solution. He said the score is not about going to a 10. He said the team was super welcoming, super collaborative, open and focused on success. In response to Mr. Walls inquiry, Mr. Scofield said it was too early to identify a trend.

Mr. Hollingsworth announced taking up agenda item 15 next.

15. Discuss TRS Active-Care FY2022 PPO and HMO Rates and Benefits – Katrina Daniel.

Ms. Daniel referenced the discussion previously had during the Benefits Committee on the topic of needing to delay the board adoption of TRS-ActiveCare rates and benefits from April to July. The delay is necessary to provide more data to develop more accurate rates. She said when setting rates, unknowns and uncertainties result in the need to use a certain amount of conservatism in developing the rates, translating to higher rates for members. Ms. Daniel said the unknown of the legislature coupled with other unknowns, such as the COVID pandemic. Ms. Kirsten Schatten agreed that the plan was facing unknowns beyond the COVID but also Districts of Innovation issue adds additional risks. Ms. Melanie Ingleby stated that additional time would allow for more certainty in the rates.

Mr. Hollingsworth stated pushing the rates off until July puts the districts and members in a difficult position. Mr. Guthrie stated a meeting in early June after the legislative session had concluded would allow staff to bring a recommendation on rates based upon what the legislature may have done. Mr. Ball concurred with Mr. Guthrie's analysis that an early-June decision would be very helpful to the districts.

16. Receive an update and consider long-term facilities planning on potential new building, potential renovations or sale of the Red River campus, and leases at 816 Congress and Indeed Tower, including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie, Andrew Roth and Eric Lang.

Mr. Guthrie introduced the item by stating the continued focus is on long-term facilities options and subleasing the Indeed Tower. Mr. Andrew Roth reviewed the rationale for a generational solution and the need for a new headquarters. He noted there were continued expressions of interest from various entities in the market for subleasing the Indeed Tower space. He reported that at Red River critical maintenance projects were initiated such as the sump pump replacement project, fire suppression maintenance and developing five and seven-year facilities plans. He provided a status of remote work noting the strengths and challenges remain the same. He said with social distancing restrictions they can accommodate about 60 percent of staff at Red River and at 816, about 650

employees overall. He noted on any given day, this will require 40 percent of Red River staff to be working remotely.

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, open records – Heather Traeger.**

At 10:15 a.m., Mr. Hollingsworth announced the meeting would go into executive session pursuant to Section 551.071, to consult with legal counsel as needed.

At 10:28 a.m., Mr. Hollingsworth announce the meeting reconvened.

At 10:30 am, Mr. Hollingsworth adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 3rd DAY OF JUNE 2021.

ATTESTED BY:

Katherine H Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

June 5, 2021
Date