

## **Minutes of the Board of Trustees**

**April 27, 2023**

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, April 27, 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. Hollingsworth, Chair  
Nanette Sissney  
Brittney Allred  
Michael Ball  
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  
Katy Hoffman, TRS  
Eric Lang, TRS  
Grant Walker, TRS  
Jennifer Wenzel, TRS  
Dale West, TRS  
Wayne Speer, TRS  
J.R. Morgan, TRS  
Katherine Farrell, TRS  
Dr. Keith Brown, Board Investment Advisor

Steve Voss, AON  
Michael McCormick, AON  
Suzanne Dugan, Cohen Milstein  
Luke Bierman, Cohen Milstein  
Ashley Dunning, Nossaman  
Ginger Papesch, NNI  
Hope Berry, UCB  
Karen Haywood, BCBS  
Dean Huggler, BCBS  
Maggie Irwin, NNI

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. Corpus was absent.

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

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

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

**b. Setting rescheduling or canceling future Board meetings including considering moving the June to May 2023 meeting.**

On a motion by Ms. Sissney, seconded by Mr. Elliott, the Board unanimously voted to amend the meeting schedule to move the June 6, 2023 meeting to May 30, 2023.

**3. Resolution recognizing the service of Trustee Christopher S. Moss – Jarvis V. Hollingsworth.**

This item was not taken up.

**4. Consider the Administrative Appeal of Janet Ross, including considering whether to hear oral arguments from the parties – Heather Traeger.**

Ms. Heather Traeger stated that the first issue before the Board was to consider whether to hear oral arguments or to consider the case on appeal based on the administrative record pursuant to TRS Rule 43.45. She said the staff recommendation is to not hold oral arguments. Ms. Traeger reported the issue at hand was a jurisdictional question which can be determined based upon the evidentiary record and noted the briefing provided by the parties did not reference the jurisdictional issue but the decedents mental capacity and undue influence.

On a motion by Mr. Ball, seconded by Mr. Nance, the Board unanimously voted to not hear oral arguments on the appeal.

Ms. Traeger then provided background on the substantive matter before the Board. She said the petitioner, Ms. Ross, claims that she should be the beneficiary for there was undue influence or mental capacity concerns on behalf of the retiree who completed the beneficiary designation form. Ms. Traeger said TRS had received the form completed properly, consistent with TRS rules and procedures. She said the executive director denied the appeal, upheld the decision of the administrative law judge who concluded that TRS did not have the authority to decide this particular question of mental capacity and undue influence. Ms. Traeger said the Board may accept, deny or modify the proposed findings of fact and proposed conclusions of law. She recommended the Board consider those items in executive session based on the advice of counsel to help form its decision.

Mr. Hollingsworth noted that there were several executive session items on the mornings agenda and would recess into a consolidated executive session once the public presentations concluded.

**5. Consider the engagement of a provider of fiduciary counsel and related services 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 the negotiations with a third person – Heather Traeger.**

Ms. Traeger reported that the current fiduciary counsel, Cohen Milstein, was selected in 2019 through an RFQ process. She said in December 2022 another RFQ was issued and two highly qualified and known fiduciary counsels were selected to be interviewed by the Board.

Ms. Suzanne Dugan and Mr. Luke Bierman representing Cohen Milstein provided background on their firm and an overview of views and services offered as fiduciary counsel.

Ms. Ashley Dunning representing Nossaman firm provided background on her firm and an overview of views and services offered as fiduciary counsel.

Mr. Hollingsworth announced the Board would retire into executive session later to deliberate on this item once all public presentations for executive session items were provided.

- 6. Consider the role, performance and engagement of Board Investment Advisor AON 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 the negotiations with a third person – Katy Hoffman.**

Ms. Katy Hoffman provided the background of the services provided by the two investment consultants to the Board including Aon. She noted in 2018 the Board entered into a contract for an initial five-year term with two optional one-year extensions. She concluded by recommending recessing into executive session for further deliberations.

Mr. Hollingsworth announced the Board would retire into executive session later on this item once all public presentations for executive session items were provided. He then announced without objection, taking up agenda item 8.

- 8. Discuss and consider an investment in Bridge Industrial 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 third parties or put the retirement system at a competitive disadvantage in the market – Eric Lang, Grant Walker and Jennifer Wenzel.**

Mr. Grant Walker reviewed why this investment was being brought to the Board for approval. He said the proposed \$1.5 billion total commitment to Bridge exceeded the .5 percent limitation established in the Investment Policy Statement, requiring Board approval. Mr. Walker noted the remainder of the material was confidential and recommended the item be brought up during executive session.

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

There was no public presentation for this item.

Mr. Hollingsworth announced the Board would retire into executive session.

On a motion by Mr. Ball, seconded by Ms. Allred, the Board unanimously voted to find under Texas Government Code Section 825.115(e) for agenda items 5 and 6 that deliberating or conferring in an open meeting would have a detrimental effect on the position of the Retirement System in negotiations with a third person.

On a motion by Mr. Elliott, seconded by Ms. Sissney, the Board unanimously voted to find under Texas Government Code Section 8205.3011(b)(1) for agenda item 8 that deliberating or conferring in an open meeting would have a detrimental effect on the position of the Retirement System in negotiations with a third party or put the Retirement System at a competitive disadvantage in the market.

At 9:12 a.m. Mr. Hollingsworth announced the Board would go into executive session on the following agenda items and sections of the Government Code: item number 4 under Section 551.071; items 5 and 6 under Sections 825.115 (e) and 55.071; and finally, item 9 under Section 551.071.

At 10:57 a.m. Mr. Hollingsworth reconvened the Board meeting in open session and would vote on the following motions:

On a motion by Mr. Ball, seconded by Mr. Nance, the Board unanimously voted on item number 4 to deny the appeal of Janet Ross, uphold the executive director's order that denied Ms. Ross' appeal, and adopt without changes the findings of fact and conclusions of law of the administrative law judge and authorize the chair to sign the order on the Board's behalf.

On a motion by Mr. Nance, seconded by Mr. Elliott, the Board unanimously voted on item number 5 to approve the following resolution selecting the law firm of Cohen Milstein to serve as the Board's fiduciary counsel:

**Resolution of Board of Trustees**  
**April 27, 2023**  
**Relating to the Selection and Payment of Fiduciary Counsel**

**WHEREAS**, TRS Bylaws subsection 1.7(n) provides that the Board of Trustees (Board) of the Teacher Retirement System of Texas (TRS) shall select and evaluate fiduciary counsel;

**WHEREAS**, The current fiduciary counsel contract expires on August 31, 2023;

**WHEREAS**, The Board every four years, issues a request for qualifications (RFQ) to select new fiduciary counsel for the Board. The RFQ for fiduciary counsel was issued on December 1, 2022;

**WHEREAS**, TRS conducted a competitive procurement for fiduciary counsel services, and the finalists provided presentations to the Board of Trustees on April 27, 2023;

**WHEREAS,** Pursuant to Section 825.203 of the Government Code, upon selection by the Board, a contract with the selected fiduciary counsel will be submitted to the Office of the Attorney General for approval;

Now therefore, be it

**RESOLVED,** That the Board hereby selects the law firm of Cohen Milstein to serve as fiduciary counsel;

**RESOLVED,** That the Board authorizes the Executive Director or a designee to negotiate, with the assistance of legal counsel, an outside counsel contract with fiduciary counsel for a term of two fiscal years commencing on September 1, 2023, having determined that the firm provides the best overall value to TRS for the required services, and to obtain approval from the Office of the Attorney General (“OAG”) for the engagement of such outside counsel; and, if negotiations are deemed by the Executive Director in his discretion to be successful, then the Executive Director is hereby authorized to execute such contract with fiduciary counsel, and from time to time amend or modify, if needed, on such terms and conditions as the Executive Director may deem in his discretion to be in the best interest of TRS, and further to execute and deliver all such other documents that the Executive Director may deem necessary or appropriate to effect this resolution as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to incur, approve, and pay any budgeted expenses or costs associated with such contract and deemed in the discretion of the Executive Director, or his designee, to be reasonably necessary or advisable with respect to such contract;

**RESOLVED,** That the Board authorizes the Executive Director, prior to August 31, 2025, to seek necessary approval from the OAG to engage outside counsel under a new contract for the FY26-FY27 biennium and to bring that to the Board for consideration no later than August 31, 2025.

and

**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.

On a motion by Ms. Sissney, seconded by Ms. Allred, the Board unanimously voted on agenda item 6 to approve the following resolution to a two-year extension of the contract with Aon Hewitt Investment Consulting Inc., including the next strategic asset allocation study:

**Resolution to Extend the Contract for Board Investment Advisor Services  
April 27, 2023**

**Whereas,** Section 1.3(a) of the Board’s Investment Policy Statement states that the Board selects a Board Investment Advisor to provide investment advice and

related services primarily to the Board and, in aid of the services provided to the Board, to the Investment Management Division;

**Whereas,**At the July 2018 meeting of the Board of Trustees, the Board selected Aon Hewitt Investment Consulting, Inc. as representing the best overall value for TRS and authorized the Executive Director and his designees to negotiate, with the assistance and advice of legal counsel, an agreement with Aon Hewitt Investment Consulting, Inc. to serve as the Board Investment Advisor under the Investment Policy Statement for an initial term not to exceed five (5) years beginning with fiscal year 2019, with one or more options to extend for up to two additional years, on substantially the same terms discussed with the Board; and

**Whereas,** The current contract with Aon Hewitt Investment Consulting is scheduled to expire on August 31, 2023;

**Whereas,**Aon Hewitt Investment Consulting, Inc. has performed as required under the contract, including performing the statutorily required Investment Practices and Performance Review. Aon's assistance will be important going forward as the Board begins the next Strategic Asset Allocation study; now, therefore, be it

**Resolved,** That the Board authorizes and instructs the Executive Director or his delegee, with the assistance of TRS employees, to negotiate, with the assistance and advice of legal counsel, to take all actions and do all things necessary or desirable to negotiate a two -year extension of the contract with Aon Hewitt Investment Consulting, Inc., and to amend other such terms and conditions deemed by the Executive Director to be in the best interest of TRS;

**Resolved,** That the Board authorizes the Executive Director or his delegee to execute and deliver all such other documents that the Executive Director and legal counsel may deem necessary or appropriate to implement this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to incur, approve, and pay any budgeted expenses or costs associated with each of such agreements and deemed in the discretion of the Executive Director to be reasonably necessary or advisable with respect to each agreement;

and

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

On a motion by Mr. Ball, seconded by Ms. Sissney, the Board unanimously voted on item number 8 to approve the following resolution regarding an investment in Bridge Platform for an initial allocation and commitment with respect to the allocation contemplated, consistent with IPS Appendix B for allocations in excess of .5 percent of the total fund value:

**Resolution Regarding an Investment in Bridge Platform**  
**April 27, 2023**

**Whereas,** The Investment Policy Statement (“IPS”) section 1.3(c) established the Internal Investment Committee to review, consider, and authorize investments for the Private Markets Portfolio;

**Whereas,** IPS Appendix B limits the amount that may be initially be allocated or committed to a single manager organization, and requires prior TRS Board of Trustees (“Board”) authorization to exceed that limit;

**Whereas,** The Investment Division, acting through the Internal Investment Committee, has recommended that, consistent with the provisions of IPS Sections 1.3(c) and Appendix B, the Board authorize the Chief Investment Officer (“CIO”) to allocate an amount of up to \$1,500 million (plus returned capital) (the “Allocation”) to Bridge Industrial or affiliates; now, therefore be it;

**Resolved,** That the CIO or his designee be and hereby is authorized to negotiate the requisite legal agreements for the Allocation in various investment vehicles on substantially the same, or better, terms and conditions than those presented to the Board, and, if negotiations are deemed by the CIO or his designee, in its discretion, to be successful, then the CIO or his designee is hereby authorized to execute such definitive documents on such terms and conditions as the CIO may deem, in his discretion, to be in the best interest of TRS, and to execute and deliver all such other documents and agreements that the CIO or his designee may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents and agreements, and to incur, approve and pay any budgeted expenses or costs associated with such documents and agreements, and deemed in the discretion of the Executive Director and CIO to be reasonably necessary or advisable with respect to such documents and agreements; and

**Resolved,** That the Board hereby expressly authorizes the initial allocation or commitment with respect to the Allocation contemplated hereby, consistent with the requirement of IPS Appendix B that any such allocations or commitments in excess of 0.5% of the total fund value require prior authorization of the Board; and

**Resolved,** That the investments approved hereby and the authority granted in these resolutions to implement the approved investments does not supersede, waive, or otherwise affect the investment allocations set forth in the table in IPS Section 1.6. All investments shall be considered for purposes of the Total Manager Organization limits in the IPS Appendix B.

**7. Discuss and consider amendments to the Proxy Guidelines – Dale West and Wayne Speer.**

Mr. Dale West and Mr. Wayne Speer provided background of the Board’s Proxy Voting Policy. Mr. West said the Board appoints the proxy advisor and in 2020 the Board renewed its relationship with Institutional Shareholder Services, ISS, reserving the right to instruct the Proxy Committee to vote differently than recommended by ISS. He noted in prior years, TRS dissented very sparingly, if at all, but this year TRS disagreed with ISS on 20 votes. He said ISS appeared to tilt its benchmark policy slightly in a direction from a strict focus on shareholder return. He

reported ISS has created a new shareholder focus set of guidelines called the Global Board Aligned Proxy Voting Guidelines. Mr. Speer reported the Proxy Committee had evaluated the new guidelines and determined they are an improvement and are consistent with the Trust's objectives of controlling risk and achieving a long-term rate of return with fiduciary standards.

On a motion by Mr. Walls, seconded by Mr. Nance, the Board unanimously voted to approve the following resolution:

**RESOLUTION CONCERNING MODIFICATIONS TO THE BENCHMARK  
GUIDELINES FOR PURPOSES OF TRS PROXY VOTING**

**April 27, 2023**

**WHEREAS**, Pursuant to the TRS Proxy Voting Policy, the Board of Trustees (the "Board") of the Teacher Retirement System of Texas ("TRS") shall retain a reputable, independent proxy advisory service (the "Proxy Advisor") to analyze proxy issues, make voting recommendations, and vote proxies as TRS' agent;

**WHEREAS**, Under the Board Procurement Policy, the Board considers and authorizes the selection of one or more proxy advisors;

**WHEREAS**, On July 17, 2020, the Board selected Institutional Shareholder Services (ISS) as TRS' proxy advisor and determined that engaging the firm represented the best overall value for TRS;

**WHEREAS**, On February 17, 2022, the Board approved voting TRS proxies based on the ISS Benchmark Policy voting with additional custom guidelines related to climate-related criteria for evaluating directors, climate action plans, restrictions on business with fossil fuel companies, and Special Purpose Acquisition Company (SPAC) mergers (the "custom voting policy");

**WHEREAS**, On March 15, 2023, ISS published a new specialty set of voting guidelines, the Global Board-Aligned Proxy Voting Guidelines;

**WHEREAS**, the Global Board-Aligned guidelines are designed to enable proxy holders to vote in a manner than upholds foundational corporate governance principles as a means of protecting and maximizing their investments;

**WHEREAS**, IMD Proxy Committee recommends the Board replace the current custom voting policy with the new ISS Global Board-Aligned Proxy Voting Guidelines for purposes of TRS proxy voting pursuant to the TRS Proxy Voting Policy;

**RESOLVED**, That the Board approves voting TRS proxies consistent with the new ISS Global Board-Aligned Proxy Voting Guidelines;

**RESOLVED**, That the Executive Director or a designee, with the assistance of legal counsel, is authorized to negotiate an amendment to the current contract with ISS, the Proxy Advisor, to include the aforementioned voting benchmark that is consistent with the best interests of TRS.



**RESOLVED**, That the Executive Director or a designee, in implementing this resolution in the best interests of TRS, may execute contract amendments and other ancillary instruments that the Executive Director or a designee may deem necessary or appropriate and to incur, approve, and pay reasonable and necessary budgeted expenses or costs associated with the executed contract and any amendment.

10. **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.**
  - 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 including the midyear actuarial update. He said, as of February 28<sup>th</sup>, the funding period went up by one year but the Trust remains under 31 years, meeting the statutory definition of actuarial soundness and allowing benefit enhancements to be considered by this Legislature. He announced that Mr. Elliott, Ms. Allred and Mr. Williams were recently confirmed by the Senate. He reported on the upcoming Trustee Elections, noting the election ends on May 5<sup>th</sup> for the At-Large and Retiree positions. He gave an update on Alpha-Bravo’s progress. Mr. Guthrie concluded by reviewing items for May and July Board meetings.

At 11:50 a.m., Mr. Hollingsworth announced the Board would recess to take up the scheduled committee meetings and reconvene on Friday, April 28, 2023 with Ms. Sissney as presiding.

**April 28, 2023**

The Board of Trustees of the Teacher Retirement System of Texas met on April 28, 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:**

Nanette Sissney, Acting Chair  
Brittney Allred  
Michael Ball  
John Elliott  
Christopher Moss  
James D. Nance  
Robert H. Walls, Jr.  
Elvis Williams

**Others present:**

Brian Guthrie, TRS	Steve Voss, AON
Andrew Roth, TRS	Mike McCormick, AON
Don Green, TRS	Laurie Patton, EY
Heather Traeger, TRS	Chris Gibson, EY
Jase Auby, TRS	Jim Baker, Private Equity Stakeholder Project
Barbie Pearson, TRS	Nancy Glick, National Consumer League
Katrina Daniel, TRS	
Amanda Jenami, TRS	
Shannon Gosewehr, TRS	
Katherine Farrell, TRS	
Nick Gonzalez, TRS	
Jennifer Whitman, TRS	
Adam Fambrough, TRS	
Billy Lowe, TRS	
Lori LaBrie, TRS	
Kristi Glasgall, TRS	
Suzanne Dugan, Cohen Milstein	
Dr. Keith Brown, Board Investment Advisor	

At 12:28 p.m. Ms. Nanette Sissney, Acting Chair reconvened the board meeting.

**11. Provide an opportunity for public comment – Jarvis V. Hollingsworth.**

Mr. Jim Baker representing Private Equity Stakeholder Project expressed concern with TRS investments with real estate firm Blackstone that has faced scrutiny from investors over child labor at portfolio company Packers Sanitation.

Ms. Nancy Glick representing the National Consumers League expressed concern over under-treatment of obesity care and urged TRS to continue to include treatment of AOMs in TRS health plans.

Ms. Sissney announced without objection taking up agenda item 16.

- 16. Receive the report of the Policy Committee on its April 27, 2023 meeting and consider the following – Committee Chair:**
  - A. Adopting the proposed amendments to the Code of Ethics for Contractors and associated forms: Conflict of Interest Disclosure and Request for Determination (Disclosure Statement), Annual Ethics Compliance Statement, Disclosure Statement for Financial Services Providers and Expenditure Reporting Form for Contractors;**
  - B. Consider adoption of the proposed amendments to the following TRS rules in Chapter 25 of Title 34, Part 3 of the Texas Administrative Code – Heather Traeger and Nick Gonzalez:**
    - 1. §25.4. Substitutes**
    - 2. §25.6. Part-time or Temporary Employment**
    - 3. §25.25. Required Deposits**
    - 4. §25.31 Percentage Limits on Compensation Increases**
    - 5. §25.35 Employer Payments for New Members**
    - 6. §25.36 Employer Payments for Members Not Covered under the Federal Old-Age, Survivors, and Disability Insurance Program**
    - 7. §25.113 Transfer of Credit between TRS and ERS.**
    - 8. §25.123 Certification**
    - 9. §25.131 Required Service**
    - 10. §25.152 Eligibility, Cost, and Payment for Developmental Leave Credit**
    - 11. §25.172 Optional Retirement Program**

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

The Policy Committee met on April 27, 2023. The committee approved the proposed minutes of its December 2022 meeting. The committee received an overview of the Policy Committee's calendar year 2023 work plan.

The committee recommended to the Board adoption of the proposed amendments to the code of ethics for contractors and associated forms.

The committee recommended to the Board adoption of the proposed amendments to the TRS rules in Chapter 25 of Title 34, Part 3 of the Texas Administrative Code.

The Committee authorized for publication in the *Texas Register* notice of the proposed amendments to TRS Rules in Chapters 25, 29 and 47 of Title 34, Part 3 of the Texas Administrative Code.

And the committee authorized for publication in the *Texas Register* notice of proposed repeal of the TRS rules in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code.

Mr. Elliott concluded the committee report with the following motions:

On a motion by Mr. Elliott, the Board unanimously voted to adopt the amendments to the code of ethics for contractors and associated forms as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board unanimously voted to adopt the proposed amendments to the TRS rules in Chapter 25 of title 34, part 3 of the Texas Administrative Code, as recommended by the Policy Committee.

**17. Receive the report of the Investment Management Committee on its April 28, 2023 meeting – Committee Chair.**

Mr. Elliott, Committee Member, provided the following report of the Investment Management Committee:

The Investment Management Committee met on 7 April 28, 2023.

Jase Auby began with an overview of the Investment Management Committee's calendar year work plan for 2023. He then presented his CIO update.

Following that, the fourth quarter 2022 performance review was presented by Steve Voss and Mike McCormick of Aon Hewitt. The committee was then provided with an annual update of public markets presented by Dale West, Brad Gilbert and KJ VanAckeran. Steven Wilson presented a review for stable value hedge funds, and Ashley Baum provided a review for absolute returns.

Concluding the Investment Management Committee, James Nield and Stephen Kim provided a review of the semiannual risk report.

Ms. Sissney announced, without objection, that agenda item 12 would be taken up next.

**12. Receive the report of the Strategic Planning Committee on its April 27, 2023 meeting – Committee Chair.**

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

The Strategic Planning Committee met on April 15 27, 2023.

Mr. Don Green outlined the committee's work plan for the upcoming calendar year. Mr. Green then reviewed TRS's proposed updates to the 2023-27 Strategic Plan goals, objectives and strategies. The committee voted unanimously to recommend to the Board adoption of the proposed updates to the 2023-27 Strategic Plan goals objectives and strategies.

Mr. Green and Ms. Michelle Pagan provided an overview of TRS ERM program.

Lastly, Mr. Green, along with Strategic Plan objective owners, discussed and reviewed the results forum information for the 2023-27 TRS Strategic Plan objectives. The objectives included: increasing identification of underpayments and collection of future contributions; achieving the investment rate of return; improving customer service experience; and improving timeliness and accuracy of employer reported data.

Mr. Green also provided an overview of the enterprise stoplight report.

Ms. Allred concluded the committee report with the following motion:

On a motion by Ms. Allred, the Board unanimously voted to adopt the updated 2023-27 Strategic Plan goals, objectives and strategies, as recommended by the Strategic Planning Committee.

**13. Receive the report of the Benefits Committee on its April 27, 2023 meeting and consider the following – Committee Chair:**

- A. Acceptance of the Medical Board Meeting minutes of January and February 2023 meetings; and**
- B. Approval of the Benefit Payments for December 2022 to February 2023.**

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

The Benefits Committee met on April 27, 2023. The committee approved the proposed minutes of the Benefits Committee for the December 8, 2022, meeting.

Ms. Barbie Pearson, chief benefit officer, and Ms. Katrina Daniel, chief health care officer, presented the Benefits Committee work plan for the calendar year 2023.

Ms. Barbie Pearson, the chief benefit officer, provided an update on the Medical Board. The committee recommends to the Board the acceptance of the Medical Board meeting minutes for November 2022 and January 2023.

Ms. Pearson provided an update on benefit payments for the second quarter of fiscal year 2023. The committee recommends to the Board the approval of benefit payments for December 2022 through February 2023.

The committee received an update from Ms. Pearson on Benefit Services operations for the first six months of fiscal year 2023. The report included updates on the number of members and employers served in the first six months of fiscal year 2023. This report also included updates on service levels for all key member service areas, staffing updates and an update on the deployment of the death claims and retirement process from the legacy mainframe to TRUST. The new process will be similar for members but a major change for our processors. Ms. Pearson reported that she anticipates a dip in service levels while staff adapt to their new process.

Next, the committee received an update from Ms. Katrina Daniel, chief health care officer. Ms. Daniel presented the rebranding of the Health and Insurance Benefits Division to the TRS Health Division.

Christina Juarez, Health Division engagement manager, gave the Retiree Advisory Committee, known as RAC, update for Ms. Mueller, chair of the committee, who was unable to be present. Ms. Juarez also made the Benefits Committee aware of the upcoming need to appoint three new RAC members at an upcoming Board meeting.

Next, Ms. Monica Bernal, senior director of operations in the Health Division, discussed upcoming outreach efforts and progress with installing the new pharmacy benefit manager, Express Scripts, which will begin first for the TRS-ActiveCare on September 1, 2023.

Then Ms. Yimei Zhao, senior director of finance for the Health Division, presented recent savings of nearly \$80 million across the health plans resulting from contract oversight efforts.

Finally, trustees were informed of the TRS-Care and TRS-ActiveCare fund balances which were both healthy at this point.

Mr. Williams concluded the committee report with the following motions:

On a motion by Mr. Williams, the Board unanimously voted to accept the Medical Board meeting minutes for November 2022 and January 2023, as recommended by the Benefits Committee.

On a motion by Mr. Williams, the Board unanimously voted to approve the benefit payments for December 2022 through February 2023, as recommended by the Benefits Committee.

#### **14. Receive the report of the Budget Committee on its April 27, 2023 meeting – Committee Chair.**

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

The Budget Committee met Thursday, April 27, 17 2023. The first item of business was approval of the minutes of the December 2022 Budget Committee meeting.

Chief financial officer Mr. Don Green reviewed the Budget Committee work plan, which outlined the planned Budget Committee meetings for calendar year 2023.

Mr. Green also presented a high level overview of the fiscal year 2023 midyear budget status, as well as the FTE status report. He addressed the spending activity for the first six months of the fiscal year and the projected FTE cap variance.

Mr. Green presented a high level overview of the fiscal year 2024 administrative operating budget that's currently under development. He discussed the major budget impacts from legislative recommendations for fiscal year 2024. Mr. Green also discussed how staff will continue to review the budget and resource requests and intends to recommend a budget within appropriated levels and FTE limitations.

**15. Receive the report of the Compensation Committee on its April 27, 2023 meeting – Committee Chair.**

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

The Compensation Committee met on April 27, 2023. The committee approved the proposed minutes of its December 2022 meeting.

The committee received an overview of the Compensation Committee's calendar year 2023 work plan from Shunne Powell, chief organizational excellence officer.

The committee also received an update on staffing, turnover and implementation of the TRS classification plan from Shunne Powell who is our chief organizational excellence officer, and Michelle Gray, our deputy chief organizational excellence officer.

**18. Receive the report of the Audit, Compliance, and Ethics Committee on its April 28, 2023 meeting and consider adopting proposed revisions to the Fiscal Year 2023 Audit Plan – Committee Chair.**

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

The Audit, Compliance and Ethics Committee met on Friday, April 28, 2023, earlier today. The committee approved the minutes of the December 8, 2022, committee meeting.

The chief audit executive, Amanda Jenami, presented an overview of the Audit, Compliance and Ethics Committee's calendar year 2023 work plan. Then our general counsel, Heather Traeger, and chief compliance officer, also Heather Traeger, presented her compliance reports.

Internal Audit staff presented the results of the review of private equity portfolio operations and provided a status update on prior audit recommendations.

The committee then went into an executive session to discuss the results of the review of dependent eligibility for TRS-Care, the audit of malware protection and ransomware readiness, as well as to consider the chief audit executive's recommended revisions to the fiscal year 2023 Audit Plan. The committee then reconvened the meeting in open session to receive some administrative reports. The meeting adjourned at 11:56 a.m.

Mr. Walls concluded the committee report with the following motions:

On a motion by Mr. Walls, the Board unanimously voted to adopt the proposed revisions to the fiscal year 2023 Audit Plan, as recommended by the ACE Committee.

**19. Receive an update on the TEAM Program – Andrew Roth, Billy Lowe, Jennifer Whitman and Adam Fambrough. (27)**

Ms. Jennifer Whitman noted the update would be focused on the successful deployment of the retirement application processing and death claims release (RAP/DTH) that recently occurred. She quickly gave an update regarding the overall program noting there was one major release left on the TEAM Program roadmap, the annuity payroll and tax reporting release.

Mr. Adam Fambrough reported on the deployment saying it was the largest release since the Phase 1 go-live in 2017. He reviewed what work processes were included in the RAP/DTH release and the stages that were automated. He also reviewed how the end users, the retirement and claims processing teams, were readied for the release. Mr. Billy Lowe reviewed the operational approach to and execution of the release.

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

Ms. Laurie Patton stated she has witnessed continued improvement and applaud the transparency and willingness of the team to work collaboratively. Mr. Chris Gibson reviewed the training and preparedness of the team for the release led to arriving at such a success. He also discussed the CRM release that took place in February noting how well the communications took place. Ms. Patton concluded by noting next steps to continue to enhance and learn from successes and progress.

**21. Receive TRS Annual and Fourth Quarter Ombudsman's Report – Lori LaBrie.**

Ms. Lori LaBrie provided the annual report for calendar year 2022. She announced the Ombuds Office was now a member of the International Ombuds Association. She reviewed the number of communications, complaints the office received and plans for the next year. Ms. LaBrie also provided the quarterly update covering the months of January through March of 2023. She reported on the hot topics, complaints and communications.

**22. Review and consider procurements and contracts, including the following – Shannon Gosewehr:**

**A. Receive Procurement and Contracts Update;**

**B. Consider accepting the Procurement and Contracting Report.**

Ms. Shannon Gosewehr stated staff has been working hard to finalize all of the contracts TRS needs to be able to open Alpha in a few weeks. She provided an update on HUB outreach noting TRS has awarded work to 111 HUB vendors for a total of \$8.8 million worth of work. She also provided an update on the Contract Management Office.

Ms. Gosewehr reviewed the quarterly Procurement and Contracting report.

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



**23. Receive the Deputy Director's update – Andrew Roth.**

Mr. Andrew Roth reviewed the annual CEM report that provides a benchmark for large pension systems in the U.S. He noted TRS' service score rose slightly to above the peer median. He reported TRS has the largest number of active members of any pension fund in the U.S. and is fourth in the number of annuitants. Mr. Roth provided an update on the executive and professional coaching contracts the Board selected in February. He concluded with an update on the Enterprise Data Governance Council.

**24. Receive an annual update on TRS Cybersecurity – Kristi Glasgall.**

Ms. Kristi Glasgall provided a high-level overview of the in-depth defense perimeter security controls in place at TRS. She shared how in order to protect TRS and member data, the information security team applies a layered approach for defense monitoring and remediation.

At 2:28 p.m., with no more scheduled business before the Board Ms. Sissney adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 30<sup>th</sup> DAY OF MAY 2023.

ATTESTED BY:

Katherine H Farrell  
Katherine H. Farrell  
Secretary to the TRS Board of Trustees

May 31, 2023  
Date