

Minutes of the Board of Trustees

December 7, 2023

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, December 7, 2023, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

The following Board members were present:

Jarvis V. Hollingworth, Chair
Nanette Sissney
Brittney Allred
Michael Ball
David Corpus
John Elliott
James D. Nance
Robert H. Walls, Jr.
Elvis Williams

Others present:

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

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

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

1. Call roll of Board members.

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

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

2. **Consider the following administrative matters:**
 - a. **Approval of the September 2023 proposed meeting minutes; and**

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

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

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

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

Mr. Hollingsworth read the following resolution into the record:

Resolution

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

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

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

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

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

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

Now, therefore, be it resolved, that the board of trustees and staff of the Teacher Retirement System of Texas recognize the accomplishments and contributions of Grace Mueller and express appreciation on behalf of TRS participants both present and future,

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

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

4. **Review and Discuss the Executive Director’s report on the following matters – Brian Guthrie:**
 - A. **Administrative operational matters, including updates on financial, audit, legal, staff services, special projects, strategic planning, legislative and personnel matters and Moving Forward Together Update.**
 - B. **Board operational matters, including a review of draft agendas for upcoming meetings.**
 - C. **Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.**

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

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

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

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

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

EMPLOYMENT PRACTICES LIABILITY INSURANCE THROUGH THE STATE
OFFICE OF RISK MANAGEMENT

December 8, 2023

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

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

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

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

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

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

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

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

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

6. Receive TRS Quarterly Complaint Report – Lori LaBrie.

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

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

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

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

Mr. Gosewehr reviewed the Contract Procurement report.

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

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

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

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

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

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

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

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

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

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

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

December 8, 2023

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The following Board members were present:

Jarvis V. Hollingworth, Chair
Nanette Sissney
Brittney Allred
Michael Ball
David Corpus
John Elliott
James D. Nance
Elvis Williams

Others present:

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

At 8:00 am the Chair reconvened the board meeting.

1. Call roll of Board members.

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

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

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

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

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

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

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

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

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

12. Consider selecting a firm to conduct the statutorily required actuarial audit including considering a finding that to deliberate or confer in open meeting would

have a detrimental effect on the position of the retirement system in negotiations with a third person – Andrew Roth and Janice Ehlert.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ms. Barbie Pearson, chief benefits officer, provided an update on the Medical Board. The committee recommends to the Board the acceptance of the Medical Board meeting minutes for July and September 2023.

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

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

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

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

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

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

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

Mr. Williams concluded the report with the following motions:

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

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

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

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

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

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

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

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

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

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

The Policy Committee met on December 7, 2023.

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

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

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

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

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

Mr. Elliott concluded his report with the following motions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

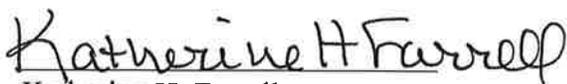
25. Receive Quarterly Information Security Update- Frank Williams.

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

At 11:19 a.m., Ms. Sissney announced with no more scheduled business before the Board adjourned the meeting.

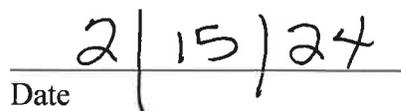
APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE __ DAY OF FEBRUARY 2024.

ATTESTED BY:



Katherine H. Farrell

Secretary to the TRS Board of Trustees


Date