

Minutes of the Board of Trustees

December 9, 2020

The Board of Trustees of the Teacher Retirement System of Texas met on December 9, 2020 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	Mr. David Hinds
Andrew Roth, TRS	Mr. Ron Hinds
Don Green, TRS	
Heather Traeger, TRS	
Jase Auby, TRS	
Barbie Pearson, TRS	
Katrina Daniel, TRS	
Amanda Jenami, TRS	
Kevin Wakley, 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 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 September 2020 proposed meeting minutes; and

On a motion by Mr. Corpus, seconded by Mr. Nance, the board unanimously approved the minutes of the September 2020 Board Meeting, as presented.

b. Setting, rescheduling or canceling future Board meetings; and

Mr. Hollingsworth stated the proposal on the table was to move the December 2021 meeting up a day to December 7 and 8th from December 9 and 10. He also noted the proposal included expanding the upcoming February board meeting to include February 24th in case there is a need to meet virtually.

On a motion by Ms. Sissney, seconded by Mr. Elliott, the Board unanimously approved moving the December 2021 meeting dates to December 7 and 8, 2021 and expanding the February meeting to include February 24th if held virtually.

c. Consider election of the Board Vice-Chair

Mr. Hollingsworth stated each year the board elects the Board vice chair. He said the current vice chair of the Board is Ms. Sissney and she has indicated an interest to serve again for the upcoming calendar year 2021. He asked if there was any other interest from any other Board member. Not hearing nay, Mr. Hollingsworth moved that Ms. Sissney be considered as the vice chairman of the Board of Trustees for the Teacher Retirement System of Texas. Mr. Hollingsworth asked if any opposition, hearing none, the motion passed by acclamation.

At 8:08 am, Mr. Hollingsworth recessed the Board Meeting, noting the Board would reconvene after the scheduled committee meetings to take up the Hinds Appeal.

At 11:58 am, Mr. Hollingsworth reconvened the Board Meeting.

3. Consider the administrative appeal of David L. Hinds.

Mr. Hollingsworth announced the next item was to consider the administrative appeal of Mr. David L. Hinds in David L. Hinds v. Teacher Retirement System of Texas SOAH Docket NO. 323-19-1748, TRS Docket No. 19-01. He said Mr. Hinds appeals the decision of TRS executive Director Brian Guthrie denying Mr. Hind's appeal and adopted without changes the findings of fact and conclusions of law from the proposal for decision issued by Sarah Starnes, administrative law judge for the State Office of Administrative Hearings. Mr. Hollingsworth noted the primary issue is whether Mr. Hinds exceeded the limits on employment after retirement in the month of February 2014, and therefore forfeited his annuity payment for that month. He said each party will have five minutes to make their presentation to the Board with a one minute rebuttal from Mr. Hinds. Mr. Hollingsworth stated Mr. Hinds was represented by Mr. Ronald D. Hinds, and TRS staff was represented by Assistant General Counsel Kevin Wakley.

Mr. Ron Hinds argued that after speaking with a TRS representative to receive assurance he agreed to work as a substitute teacher in 2014 to assist the Amarillo Independent School District when the orchestra teacher was out for chemotherapy. Mr. Ron Hinds referenced TRS' own internal documents B43, 41 and 44 confirming that Mr. David Hinds made this call on January 17 and did speak to a TRS representative. Mr. Hinds further argued that Suzuki was a private entity, 100% funded by the parents of the children who are trying to learn to play the violin, could not count against Mr. David Hinds in terms of satisfying the provision of the Government Code and referenced pages 12, 13, 27, 28, 50-53 of TRS' own exhibits.

Mr. Kevin Wakley argued it was undisputed that Mr. David Hinds exceeded the number of days allowed under the half-time or less standard for the month at issue. He said Mr. Hinds during that month was combining both part-time work and substitute work and that under the statute he exceeded the allowed number of workdays in that month. Mr. Wakley argued that even if Mr. Hinds was provided incorrect information by the TRS counselor, the administrative law judge made clear in her proposal for decision, the concept of equitable estoppel does not apply against a state agency. Mr. Wakley argued the Suzuki music program at Amarillo Community College (ACC) was employment by ACC and must be counted for the employment-after-retirement purposes. He noted ACC pays the instructors, reports them to TRS both as active members and as retirees. Mr. Wakley argued the source of the funding is not determinative of whether employment existed. He stated it is very common for private grant money to fund teacher or professor positions and that does not determine whether or not those teachers or professors are working for the public university or public school. Mr. Wakley closed by thanking Mr. Hinds for his 40 years of service to the Texas public schools. He noted that retirees that inadvertently run afoul of the return to work limits present sympathetic cases, Mr. Hinds is no exception. However, in following the law the Board must uphold Mr. Guthrie's position and deny the appeal.

Mr. Ron Hinds in rebuttal argued that if Suzuki's numbers were not included in the calculation, then there is no case. He reiterated Suzuki is a private entity, not one penny comes from public funds to support it. He stated at some point cannot a person rely on TRS and what they tell them in a conversation as to what they can and cannot do. He concluded by asking the Board to do the right thing here and rescind this decision and relieve David Hinds of any responsibility for payback.

After a short question and answer period, at 12:22 pm, Mr. Hollingsworth announced the Board will go into executive session under Section 551.071 to discuss the administrative appeal of David L. Hinds and consult with legal counsel as needed.

At 12:38 pm, Mr. Hollingsworth reconvened the Board in open meeting.

On a motion by Mr. Moss, and seconded by Mr. Corpus, the board unanimously voted to deny the appeal and uphold the executive director's decision.

At 12:41 p.m., Mr. Hollingsworth recessed the meeting until 8:00 a.m. tomorrow morning.

December 10, 2020

The Board of Trustees of the Teacher Retirement System of Texas met on December 10, 2020 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
Andrew Roth, TRS
Don Green, TRS
Jase Auby, TRS
Amanda Jenami, TRS
Barbie Pearson, TRS
Katrina Daniel, TRS
Heather Traeger, TRS
Eric Lang, TRS
Katherine Farrell, TRS
Billy Lowe, TRS
Jennifer Whitman, TRS
Adam Fambrough, TRS
Eric Lang, TRS
Suzanne Dugan, Cohen Millstein

Michael Johnson, Bridgepoint Consulting

At 9:10 a.m. the Chair reconvened the board meeting.

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

Ms. Jennifer Whitman reviewed the TEAM dashboard updated for the month of November. She noted all releases currently are on schedule and in green status, including the Health Insurance Line of Business (HILOB) release. She said key status update for this month center around the

first major release. She said the quality assurance testing team had begun their final rounds of regression testing on schedule on November 2nd with the UAT entry quality gate scheduled for January 21, which is a quality milestone prior to beginning user testing. She reported after the quality gate there will be multiple rounds of user acceptance testing to ensure the system meets business needs and perform all business processes with no interruption in customer service when go live with the application. Ms. Whitman noted other items for this month were the posting of a solicitation to bring an external vendor in to create and run performance test against the Pension Line of Business web self-service release scheduled to go live in Spring of 2022.

Mr. Adam Fambrough reported on the remaining Phase 2 functionality. He reported good progress is being made with continued work on feedbacks and enhancements to the production TRUST system. He reported 148 maintenance and enhancement releases since TRUST go-live in October of 2017; closing almost 1,200 RER defects since go live. He said because of the system enhancements, ongoing training and employer familiarization of the RE portal, there is a decrease in the number of days required to complete reports by the REs.

Mr. Billy Lowe noted that Michael Johnson with Bridgepoint will be presenting the last IPA report. He thanked Michael and his team for all of their support for the TEAM program.

5. Receive an update from the TEAM Program Independent Program Assessment (IPA) Vendor – Michael Johnson, Bridgepoint Consulting.

Mr. Hollingsworth introduced the agenda item by noting Bridgepoint served as the Board's independent oversight authority since December 2012. He extended appreciation on behalf of the Board of Trustees and staff for all of the work Bridgepoint has done over the years.

Mr. Michael Johnson thanked TRS for the working relationship with the team and the Board. Mr. Johnson stated he would reflect on the control as that have been put in place through the shift of delivery from an external vendor to an internal vendor. He noted the internal team has started delivering on the Phase 2 items. He said a critical milestone for the Board to monitor is the first production release which is scheduled for Q-2 of calendar 2021. He said all indications are in the right direction. Mr. Johnson reviewed the dashboard outlining the key areas of focus, ensuring controls are in place for scope, cost, schedule and quality. He reported the controls have been established and are appropriately being monitored by the internal team. He concluded by saying the key is execution, focusing on the internal team and making sure they have the resources needed to accomplish the goals.

6. Receive an update and consider long-term facilities planning on potential new building, including the potential final selection of a developer for the main campus and the associated costs, 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. Brian Guthrie provided an overview of where things stood regarding long-term facilities planning. He said the vision of the long-term facilities and why they are undertaking this effort is to decrease the leased space footprint and generate significant savings to the fund. He noted this effort in terms of trying to get out of lease space by 2025 is consistent with the Texas Facilities Commission efforts to consolidate agency facilities and minimize leased offices. He said a necessity for additional space is driving this initiative. He referenced the pandemic and currently how currently a majority of TRS staff are working from home while noting this will not always continue to be the case. He said the current work-from-home percentage, which is approximately 65 to 70 percent of the workforce is not sustainable in the long term.

Mr. Guthrie reported the status quo, in other words doing the same or doing nothing, is the most expensive option in the long term. He also said normal operations will not return until probably the summer of 2021 with widespread distribution of the vaccine. He stated a return to what we know as “normal” not only impacts how we do business, but it also impacts what solution is selected and when we select it.

Mr. Guthrie reviewed information covered and actions taken during the past board meetings. He also reviewed FTE growth that has been fairly constant and consistent with population growth since 2000. He stated compared to our equivalently sized peers who have significantly more FTEs, TRS also ranked eighth of thirteen regarding service provided to our members by CEM benchmarking service.

Mr. Guthrie reported on the subleasing activity. He said Indeed Tower is expected to be completed in late first quarter of 2021 and Cushman & Wakefield is aggressively marketing the space to any suitors.

Mr. Andrew Roth stated that in addition to the considerations listed of growing staff, growing membership and constrained space, there is a window of opportunity that will soon close to be considered. He said they identified through the current procurement a solution that will likely go away in six to twelve months, which would also avoid the cost of the current lease for IMD at 816 Congress. He stated a delay in the current long-term facilities effort means there will be fewer, less viable, or more expensive options in the future if the current procurement closes and the process must start all over again. He stated that if the decision is made not to move forward that instead of turning around immediately and initiating a new procurement, it would be wise to wait for a period of time to start the process over again.

Mr. Roth reviewed the costs for remaining with the status quo and with a new headquarters. He reported for IMD to remain in 816 Congress and for headquarters to remain status quo for another five years the costs would be approximately \$33 million and for 10 years would be \$78 million. He noted costs for leasing adds up quickly as does maintenance on an aging building. He stated a new headquarters would be a generational solution, eliminating the need for leasing and certain expected maintenance expenses at Red River.

Mr. Guthrie concluded by reviewing a proposed timeline for the board to review options and making determinations.

In response to Ms. Sissney's inquiry, Mr. Guthrie stated the regional office in El Paso was included in the Legislative Appropriation Request and recommended by the Sunset Commission. However, he said the El Paso regional office would not have a significant impact on the volume of visits here in Austin for those members do not make the trip to Austin.

On a motion by Mr. Ball, seconded by Mr. Moss, the board unanimously voted that deliberating or conferring on the 816 lease, Indeed Tower, developer selection or other facility related Board procurement in open meeting related to item 6 would have a detrimental effect on the position of the Retirement System in negotiations with third parties.

At 10:34 a.m., Mr. Hollingsworth announced the Board would go into executive session under the following agenda items and sections of the Government Code: item 6 under Sections 825.115(e), 551.071 and 551.072, to discuss Board procurement matters, real property and consult with legal counsel as needed; and under item 7 under Section 551.071, to consult with legal counsel.

At 12:26 p.m., Mr. Hollingsworth reconvened the Board Meeting.

- 7. 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 12:27 p.m., Mr. Hollingsworth recessed the meeting until 8:00 a.m. tomorrow morning.

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

Others present:

Brian Guthrie, TRS	Veronica Sance
Andrew Roth, TRS	Craig Campbell
Don Green, TRS	Daniel Goodmon
Heather Traeger, TRS	Robert Farrell
Jase Auby, TRS	Jonathan Scofield, EY
Barbie Pearson, TRS	Doug Holt, EY
Katrina Daniel, TRS	Doug Doer, Grant Thornton
Amanda Jenami, TRS	Ivy Bela, Grant Thornton
Katherine Farrell, TRS	Joe Newton, GRS
Suzanne Dugan, Cohen Millstein	Dan Sibilik, GRS

Mr. Hollingsworth called the meeting to order at 8:00 a.m. Ms. Farrell called the roll. A quorum was present.

8. Provide an opportunity for public comment.

Ms. Veronica Sance expressed concern over the impacts of the sale of the Baldwin Hills Crenshaw Mall to LIVWRK. She said she is a resident of the community and is one of the approximately 67,000 residents that will be highly displaced if the sale of the mall goes through to LIVWRK.

Mr. Craig Campbell expressed concern over the long-term facilities planning focus on centralization. He supports regional offices for members to sit down with TRS counselors. He

noted building bridges not buildings should be the priority. He also provided a list of items to be included in the surveys referenced in the communication plan. He stated the investment managers bonuses of \$13.1 million drew the ire of members. He concluded with request for a COLA.

9. Receive the report of the Benefits Committee on its December 9, 2020 meeting and consider approval of the Benefit Payments for September 1, 2020 to November 30, 2020– Committee Chair.

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

The Benefits Committee met on December 9, 2020. The committee approved the proposed minutes of the Benefits Committee for the September 16, 2020 meeting.

Ms. Barbie Pearson provided an update on the benefit payments for September through November 2020. The committee recommends to the Board the approval of benefit payments for September through November 2020.

The committee received an update from Ms. Pearson on Benefit Services operations for first quarter of fiscal year 2021. This report included increasing workload and trends in benefits for the first quarter of fiscal year 2021, and a short video related to the newly designed annual statements sent to members.

Next the committee received an update from the chief health care officer, Ms. Katrina Daniel, on the quarterly performance of TRS-Care and TRS-ActiveCare, including the impact of COVID and the implementation of new plans and rates to begin January 1, 2021.

Mr. Ball concluded his report with the following motion:

On a motion by Mr. Ball, the Board unanimously voted to approve benefit payments for September 1, 2020 through November 30, 2020, as recommended by the Benefits Committee.

- 10. Receive the report of the Policy Committee on its December 9, 2020 meeting and consider adoption of the following: – Committee Chair**
- A. Proposed amendments to TRS Rule 47.17 Calculation of Alternate Payee Benefits Before a Member’s Benefit Begins, in Chapter 47 of Title 34, Part 3 of the Texas Administrative Code; and**
 - B. Proposed Member Engagement Policy.**

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

The Policy Committee met on December 9, 2020. The committee approved the proposed minutes of its September 2020 meeting.

The committee recommended to the Board adoption of the proposed amendments to TRS Rule 47.17 pertaining to the calculation of alternate payee benefits before a member's benefit begins, as provided in Title 34, Part 3 of the Texas Administrative Code.

The committee recommended to the Board adoption of the proposed Member Engagement Policy.

Mr. Elliott concluded his report with the following motions:

On a motion by Mr. Elliott, the Board unanimously approved the adoption of the proposed amendments to TRS Rule 47.17 pertaining to the calculation of alternate payee benefits before a member's benefit begins, as provided in Title 34, Part 3 of the Texas Administrative Code., as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board unanimously approved the adoption of the Member Engagement Policy, as recommended by the Policy Committee.

Mr. Hollingsworth announced agenda item 12 would be taken up next.

12. Receive the report of the Investment Management Committee on its December 9, 2020 meeting – Committee Chair.

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

The Investment Management Committee met on December 9, 2020. The committee adopted the minutes of its September 2020 meeting.

Jase Auby began with his CIO update. The third quarter 2020 performance review was presented by Steve Voss and Mike McCormick with Aon. James Nield then provided an annual update of the risk and portfolio management.

Following we received an annual update on the trading group presented by Bernie Bozelli and Demtrius Pope. Concluding the Investment Management Committee, Ashley Baum provided a review of the absolute return portfolio.

13. Receive the report of the Audit, Compliance, and Ethics Committee on its December 10, 2020 – 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 December 10, 2020 via videoconference. The committee approved the minutes of the September 17, 2020 Audit, Compliance and Ethics Committee.

State Auditor's Office staff presented the results of the audit of the TRS' Comprehensive Annual Financial Report, the CAFR, for fiscal year 2020. State Auditor's Office staff presented the results of the incentive compensation at TRS for plan year ending September 30, 2019.

Crowe, LLP auditors presented the results of the financial audit of TRS' investment company, TRICOT, for fiscal year 2020.

EY staff presented the results of its maturity assessment for the Unified Risk Management Program.

The general counsel and chief compliance officer presented routine compliance reports.

Internal Audit staff presented the results of audits from compliance with health care federal regulations, TRS use of leverage in asset allocation, and Investment Management Division's data system. Internal Audit staff also presented the Internal Audit annual report, a follow up on outstanding audit and consulting recommendations and various administrative reports.

Mr. Hollingsworth announced agenda item 11 would be taken up next.

11. Receive the report of the Budget Committee on its December 9, 2020 meeting – Committee Chair.

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

The Budget Committee met on December 9, 2020. The first item of business was the approval of the minutes from the July 15, 2020 Budget Committee meeting.

Ms. Duarte introduced the Comprehensive Annual Finance Report for fiscal year 2020 and provided an update on membership data. Ms. Duarte then passed the presentation to Ms. Zigmond, who provided a high-level overview of the 2020 CAFR, which showed a net position for the Pension Trust Fund of \$165.4 billion, compared to \$158 billion on last year's CAFR. Overviews of the TRS-Care and TRS-ActiveCare funds were also presented. Mr. Leith concluded the presentation with an overview of the investment data as recommended by the Texas Sunset Commission.

Mr. Don Green then presented a high-level overview of FY 2020 year-end budget. He explained the agency's effort in responding to legislative directives to identify cost savings and managing the economic ramifications of COVID-19. In June 2020 estimated savings was about 11 percent, the year-end savings were 16 percent for FY20.

In response to recommendations made by Internal Audit and the Texas Sunset Commission, cost benefit analysis of implementing a parallel investment accounting system was presented by Mr. Green, Mr. Leith, Ms. Bell, Ms. Jenami and Mr.

Subramanian with Cutter. Alternative solutions were discussed. An approach to enhance the current in-house solution by adding staff expertise and software was deemed to be the most prudent approach. Mr. Green will provide periodic updates to the Board on the progress of this implementation.

Mr. Hollingsworth announced agenda item 14 would be taken up next.

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, Sunset Update, and personnel matters.**
 - B. Update on COVID-19 and TRS operations.**
 - C. Board operational matters, including a review of draft agendas for upcoming meetings.**
 - D. 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 gave an update on Return to Office for TRS staff. He said staff since March continues to work from home but slowly the percentage of people onsite is increasing. He noted since the last Board Meeting they did reopen to the public with limited in-person counseling visits which began October 26. He said the number of visits a day are limited by the space. He said this was likely the new norm moving forward for the next several months and probably into early spring. Mr. Guthrie reported the in-person visits were closed the week after Thanksgiving in light of public health warnings and will do the same for after Christmas and New Year holidays.

Mr. Guthrie said the Sunset Commission hearing was the past Monday. He said it went very smoothly and wanted to thank everyone here at TRS, including the trustees, who contributed to that report. He thanked Sunset staff who were a pleasure to work with and the entire commission. He said the final hearing will be January 13, 2021, where the final report will be adopted.

Mr. Guthrie announced the nomination period for the Trustee Election was open until January 25th. He reported that Heather Traeger was named co-chair of the Regulatory Advisory Committee for the National Society of Compliance Professionals and that he is now immediate past president for NCTR and regional VP for NASRA. He was very pleased to announce that TRS was named a Top Workplace for 2020.

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

Mr. Hollingsworth announced two speakers who previously signed up to provide public comment were now available and would allow them time to speak.

8. Provide an opportunity for public comment.

Mr. Damien Goodmon, board member of Downtown Crenshaw Raising and member of the advisory committee for Capri Urban Investors, expressed concern regarding TRS' investment in an iconic commercial center in the center of Los Angeles Black community. He stated Downtown Crenshaw Rising remains the most natural buyer and most capable manager of the asset and large scale redevelopment.

Mr. Robert Farrell, retired member of the Los Angeles City Council, requested the Board to consider Mr. Goodmon's request.

Mr. Hollingsworth announced agenda item 15 would be taken up next.

15. Review the TRS Pension Trust Fund Actuarial valuation for the fiscal year ending August 31, 2020 – Joe Newton and Dan Sibilik, GRS.

Mr. Joe Newton began by stating this was probably the strongest actuarial valuation this system has had in a couple of decades as far as where we are and where we are expected to go and seeing things on the horizon. Mr. Dan Sibilik provided an overview of the valuation. He reported the estimated market return for the year was 7.24 percent, which is almost exactly what the assumption was at 7.25.

Mr. Sibilik reviewed the contribution schedule for the base rate with projections up to 2025. He said that TRS with the ultimate rate of 9.51 is the lowest contribution rate among its peers. He discussed the impact of COVID up to August 31, 2020. Ms. Sibilik then reviewed the unfunded actuarial accrued liability. He noted this year's valuation is slightly better than last years by being fully funded one year earlier than predicted last year. Mr. Newton stated the main reason the unfunded liability is expected to pay off one year sooner this year is because of the head count increases which led to payroll growing much faster than expected. He said fewer retirements occurred than was expected creating a \$300 million gain. He noted there is still quite a few years away before the unfunded liability is starting to come down, noting it actually grows for the first few year prior to it starting to come down.

Mr. Newton reviewed the Board's funding policy adopted last year. He said policy provides TRS with the ability to communicate the support of contributions and benefit policies that will systematically decrease the unfunded over time in order to achieve a funded ration that is equal to or greater than 100 percent. He then reviewed modeling as to when TRS would need to ask for greater contributions. Mr. Newton concluded by TRS are on a better road, needing the policy process to continue to work. He said the Board's funding policy provides a strong mechanism for protecting the system.

16. Review the TRS-Care Actuarial Valuation and Other Post-Employment Benefits (OPEB) reports for the fiscal year ending August 31, 2020 and receive an overview and update on TRS-Care and TRS-ActiveCare – Katrina Daniel and Joe Newton, GRS.

Mr. Newton stated the OPEB is an accounting exercise. He said there is no requirement to pre-fund the benefits. He reported the net OPEB liability decreased from \$47 billion in 2019 down to \$38 billion in 2020. He noted one of the reasons for the change was the Medicare Advantage premiums that TRS negotiated with the vendor for five years had a significant impact to the liability. Mr. Newton reviewed what advanced funding of the benefits would look like.

Ms. Katrina Daniel provided a review of the annual report on the performance of TRS health plans. She stated that these benefits will experience more than \$150 million annual across the plans. She reported they are finishing the installment of new vendors in the TRS-Care Standard plan for non-Medicare retirees enrolled in care, and then the Medicare Advantage plan. She reviewed the impact COVID has had on the plans. She noted members have deferred care they normally would have sought but have had significant costs due to COVID. Ms. Daniel discussed the size of the health plans and how, as the largest commercial purchaser and second largest purchaser in Texas behind the Medicaid program, they are able to wield the purchasing power into savings. She said the reduction in the OPEB liability has also resulted in an improved fund balance. Ms. Daniel concluded by reviewing TRS-ActiveCare. She stated ActiveCare compared to what districts outside of ActiveCare are purchasing, is 12 percent below the median cost of those plans. She noted the significant value when compared with benefits and the cost of those benefits.

17. Consider the engagement of an Independent Program Assessment (IPA) vendor for the TEAM Program, 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 – Amanda Jenami.

Ms. Amanda Jenami provided an overview of the process followed in selecting the finalists that will present today to select the vendor to provide independent assessment of the TEAM Program risks and progress to ensure successful completion of the project. Ms. Jenami stated the vendors will be presenting in alphabetical order.

Mr. Doug Holt and Jonathan Scofield of EY provided a presentation on their experience, tools, and approach for serving as the Independent Program Assessment vendor.

Mr. Doug Doerr and Ms. Ivy Bela of Grant Thornton provided a presentation on their experience, tools, and approach for serving as the Independent Program Assessment vendor.

Mr. Hollingsworth announced taking up next agenda item 18 for the public presentation and then recessing into executive session for agenda items 17 and 18.

18. **Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Audit Executive, Chief Investment Officer, or General Counsel and Chief Compliance Officer – Jarvis V. Hollingsworth.**

a. Discuss and consider the evaluation, compensation, and duties of the Executive Director.

b. Discuss and consider the compensation and duties of the Chief Investment Officer.

c. Discuss and consider the compensation and duties of the Chief Audit Executive.

Mr. Keith Robinson provided a brief overview of the process for C-suite evaluations specific to the executive director, chief investment officer, and the chief audit executive.

Ms. Janet Bray discussed the timing of next year's evaluation process. She recommended the evaluation timeline for the executive director, chief investment officer and chief audit executive be shifted to the end of the calendar year, very much like how this year was handled. She said the current process kicks off in May and concludes with the July board meeting. She said the shift would have the process kick off in October after the end of the fiscal year and end with the December Board meeting. She stated this shift would allow the Board to evaluate performance data for the entire fiscal year. She noted the schedule does not affect the collection or calculation of either the IMD or executive director incentive plan.

Ms. Bray provided the history of the agency use of unclassified positions for positions that do not fit within the parameters of the state system. She noted the current unclassified positions were created in 2014, 2015 and 2018. Mr. Guthrie stated since Ms. Heather Traeger became the general counsel, they would like to make changes to the classifications within the Legal and Compliance Division. In particular, he said they would like to update the current unclassified chief compliance officer position and change the title to reflect Ms. Traeger's new role as general counsel, combining the classification into one as general counsel and CCO. He noted the CCO position will continue to be held by Ms. Traeger and the resulting full-time employee opening will then be used for the newly created deputy chief compliance officer position, which will also be an unclassified position.

Mr. Hollingsworth then announced the Board would recess into executive session for agenda items 17 and 18.

On a motion by Mr. Corpus, seconded by Mr. Elliott, the Board unanimously voted that deliberating or conferring on the engagement for the independent program assessment vendor for the TEAM Program in an open meeting would have a detrimental effect on the position of the Retirement System on negotiations with a third person.

At 11:01 am, Mr. Hollingsworth stated the Board will now go into executive session under the following agenda items and sections of the Government Code: item 17 under Section 825.11(b)(3) to discuss Board procurement matters related to the independent program assessment vendor, and item 18 under Section 551.074 to discuss and consider personnel matters related to the appointment, employment, evaluation, assignment of duties, discipline or dismissal of the executive director, the chief audit executive, the chief investment officer, or general counsel and chief compliance officer.

At 2:17 pm, Mr. Hollingsworth reconvened the Board.

On a motion by Mr. Moss, seconded by Mr. Ball, the Board unanimously voted to approve the following resolution authorizing the executive director to contract with EY to provide IPA services to the Board for the TEAM program:

**RESOLUTION REGARDING SELECTION OF TEAM INDEPENDENT PROGRAM
ASSESSMENT SERVICES AND RELATED CONTRACT AUTHORITY**

WHEREAS, The Board of Trustees (“Board”) of the Teacher Retirement System of Texas (“TRS”) is engaged in an electronic pension administration system modernization effort, TRS Enterprise Application Modernization (“TEAM”);

WHEREAS, The Board has determined that it is in the best interest of TRS to engage independent assistance with program assessment for the TEAM program;

WHEREAS, Section 825.101 of the Texas Government Code states that the Board is responsible for the general administration and operation of the retirement system, and Section 825.103 of the Texas Government Code states that the Board has exclusive authority over the purchase of goods and services using trust funds and shall control all aspects of information technology and associated resources relating to the retirement system;

WHEREAS, TRS Bylaws subsection 1.8(j) provides that the Board is responsible for monitoring and evaluating the effectiveness of the retirement system;

WHEREAS, TRS Bylaws subsections 5.6(b) and 5.6(e) delegate authority to 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, In 2012, TRS conducted a competitive procurement for Independent Program Assessment (IPA) services for the TEAM program and, at the December 2012 board meeting, the Board selected Bridgepoint Consulting;

WHEREAS, In 2020, TRS conducted a new competitive procurement for the TEAM program IPA services;

WHEREAS, The Board wishes to authorize the Executive Director to enter into a contract for IPA services for the TEAM program; now, therefore be it

Resolved, That the Board, pursuant to Sections 825.101 and 825.103 of the Texas Government Code, hereby authorizes the Executive Director of TRS or his designee to negotiate, with the assistance and advice of legal counsel, a contract with _____ EY _____ to provide IPA services to the Board for the TEAM program for a term to commence on January 1, 2021, or the date the contract is fully executed, and terminate on December 31, 2024; and, if negotiations are deemed in his or her discretion to be successful, then the Executive Director or his designee is hereby authorized to execute a contract on such terms and conditions as such officer may deem, in his or her 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 effectuate 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 reasonably necessary or advisable with respect to such contract or amendments.

Resolved, That if for any reason, the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract with _____ EY _____, then the Board hereby selects _____ Grant Thornton _____ to provide IPA services to the Board for the TEAM program, subject to the successful negotiation and execution of a final agreement, for a term to commence on January 1, 2021, or the date the contract is fully executed, and terminate on December 31, 2024.

Resolved, That once the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract with _____ EY _____, then the Board hereby authorizes the Executive Director or his designees to expend funds and to take all actions deemed by him or a designee to be necessary or advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize an acceptable contract with _____ Grant Thornton _____, the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director or a designee to be in the best interest of TRS, and from time to time to amend or modify the contract as deemed by the Executive Director or a designee to be in the best interest of TRS.

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 Mr. Moss and seconded by Mr. Corpus, the Board voted unanimously to approve the following resolution authorizing a one-time merit payment in the amount of \$20,000 to the chief audit executive, Amanda Jenami:

Resolution Awarding a One-Time Merit Payment to the Chief Audit Executive

Whereas, Section 825.208 of the Texas Government Code provides that, notwithstanding any other law, the Board of Trustees (“Board”) of the Teacher Retirement System of Texas ("TRS") shall approve the rate of compensation of all persons it employs;

Whereas, Subsection 1.7(u) of the Board’s bylaws provides that the Board shall be responsible for the selection, replacement, dismissal, performance evaluation, and compensation of the Chief Audit Executive in consultation with the Audit Committee and the Executive Director;

Whereas, Subsection 1.7(l) of the Board's bylaws provides that the Board may consider or take any action otherwise specified to be taken or considered by a committee; and

Whereas, The Board wishes to amend the compensation of the Chief Audit Executive; now, therefore be it

Resolved, That the Board hereby authorizes a one-time merit payment as follows:

One-time merit payment to the Chief Audit Executive (the incumbent is Amanda Jenami):

Award a one-time merit payment effective January 1, 2021 in the amount of \$ 20,000; and

Resolved, That nothing in the adoption of this resolution alters the at-will nature of employment that TRS has with any of its employees, creates a contract between TRS and any TRS employee, or confers on any TRS employee the right to continued employment with TRS, including the Chief Audit Executive or any other employee.

19. Chief Operations and Administration Officer (COAO) update – Andrew Roth.

Mr. Roth reviewed highlights in terms of things that were accomplished in 2020. He noted they had migrated the mainframe to a cloud-based provider that will exist for system. He said TRS took the TEAM project over from the vendor. He stated 90 percent of the operations moved to remote work by end of March and implemented stringent safety measures for those who remained onsite. Mr. Roth concluded by stating the diversity, equity and inclusion division is reviewing its strategic plan that includes performance metrics, specific milestones and an implementation schedule and timeline. He stated a procurement for a diversity and inclusion assessment service was underway that will provide a number of analytics related to diversity and inclusion for TRS.