

Minutes of the Board of Trustees

December 7, 2021

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, December 7, 2021, 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
Michael Ball
David Corpus
John Elliott
James Nance
Robert H. Walls, Jr.

The following Board member attended virtually:

Jarvis V. Hollingsworth, Chair

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
Janet Bray, TRS
Martin Cano, TRS
Lori LaBrie, TRS
Katherine Farrell, TRS
Bernie Bozzelli, TRS
Billy Lowe, TRS
Jennifer Whitman, TRS
Adam Fambrough, TRS

Keith Robinson, Focus Consulting
Keith Brown, Investment Advisor
Jonathan Scofield, EY
Richard Holt, EY
Steve Voss, AON
Michael McCormick, AON

Others attending virtually:

Luke Bierman, Cohen Millstein

Mr. Hollingsworth provided a welcome and explained he was attending the meeting virtually due to unavoidable circumstances. He noted due to his physical absence, Ms. Sissney had graciously agreed to preside over the meeting as the acting Board Chair.

Ms. Sissney called the meeting to order at 8:02 a.m.

1. Call roll of Board members.

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

2. Consider the following administrative matters:

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

On a motion by Mr. Corpus, seconded by Mr. Elliott, the Board unanimously voted to approve the September 2021 proposed meeting minutes as presented.

b. Consider excusing Trustee's absences from the September 2021 meeting.

On a motion by Mr. Nance, seconded by Mr. Walls, the Board unanimously voted to excuse Mr. Moss' absence from the September 16, 2021 board meeting.

3. Resolution recognizing the service of Bernie Bozzelli – Jarvis V. Hollingsworth.

Ms. Sissney invited Bernie Bozzelli forward as she read the following resolution into the record:

Resolution

Whereas, Bernie Bozzelli joined the Teacher Retirement System of Texas (TRS) in May 1995 as an internal auditor and permanently joined the trading group in 1997. He became the Investment Management Division's (IMD) Head of Trading in 2010; and

Whereas, during Bernie's 24 years in the trading group he participated in over a trillion dollars of trades across the stock, derivative and foreign exchange markets; and

Whereas, during his time as leader he modernized the trading team by implementing the latest technology, driving best practices, and using data to constantly improve the quality of execution. His care for his team was always on display both in his fishbowl office at 816 Congress or in his closet at 1000 Red River; and

Whereas, Bernie served over a decade on the IMD's Management Committee including as its chairman and regularly shared his bullish market outlook while training the committee on the importance of a reverse head and shoulders formation; and

Whereas, he also served as an Internal Investment Committee member since 2013 and read every page of the 427 investment recommendations before the committee during his tenure. He evaluated and rendered his vote on \$113 billion of capital investment; and

Whereas, when Bernie became Head of Trading, the Dow was at 10,428, and as of today, it is just under 36,000; The stock market produced a 360% return due to Bernie's leadership; and

Whereas, he was an expert real estate investor as evidenced by his prescient investments in single family housing; and

Whereas, Bernie's love of the mission was only rivaled by his love of Longhorn football and landing a five-pound bass. He could always be found with a fishing pole on hand whenever he was close to a body of water. Luckily, in the next stage of his life, there will be ample time to fish the lakes of South Carolina; and

Whereas, when Bernie embarks on the next exciting chapter of his life, he should indeed reflect with pride on his accomplishments. He was always diligent, fair, and true to his view of the best interest of the teachers of Texas;

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 Bernie Bozzelli at TRS during his highly successful career with the retirement system and express their sincere appreciation on behalf of TRS members both present and future,

And be it further resolved, that a copy of this resolution be presented to Bernie Bozzelli and entered into the record of the board for Dec. 7, 2021.

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

Mr. Bozzelli expressed his appreciation and stated he was the lucky one for he was able to work his entire career at an organization like TRS with an awesome and righteous mission, to serve the teachers of Texas.

4. Chief Operations and Administration Officer (COAO) update including update on the El Paso Regional Office – Andrew Roth.

Mr. Andrew Roth provided an update on the Regional Office in El Paso. Ms. Barbie Pearson introduced Tony Pena, the new Director of the Regional Office. Mr. Roth reported the El Paso Office was on track and on schedule to begin serving members in the spring of 2022.

Mr. Roth then discussed talent management. He said across the enterprise there was a higher rate of turnover, and an increased rejection of employment offers. He reported that the additional resources provided by the Trustees were continuing to be hired and trained as allowed by the constraints of the FTE cap. He noted Pension Benefits leadership is reviewing the possibility of hiring contact center employees statewide as that team has successfully worked remotely since the start of the pandemic.

5. Receive TRS Quarterly Complaint Report – Lori LaBrie.

Ms. Lori LaBrie introduced herself providing her background, referenced the training she's received at TRS and how she looks forward to listening and learning more about the members. Ms. Katherine Farrell provided a summary of the activity of the third calendar quarter which included traffic through the Ombuds office and agency wide communications.

6. Review and consider procurements and contracts, including the following – Martin Cano:

A. Receive Procurement and Contracts Update;

B. Consider Procurement and Contracting Report.

Mr. Martin Cano presented a status update noting training continues for the Procurement and Vendor e-Systems (PAVES). He reported that fifty-one TRS employees took the State Contract Management training and thirty-three became certified contract managers. He said the Comptroller of Public Accounts completed their contracts audit with TRS receiving a compliant rating.

Mr. Cano reviewed the Contract Procurement report.

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

7. Receive an update on the TEAM Program – Brian Guthrie, Billy Lowe, Jennifer Whitman and Adam Fambrough.

Ms. Jennifer Whitman provided an overview on the TEAM Program dashboard regarding schedule, scope and budget. She highlighted two successful releases for calendar year 2021, the health insurance line of business (HILOB) system release in April and the pension line of business payment address release in October. She noted for calendar year 2021 the program is under projected expenditures, the delta comprised of lapsed salary costs.

Mr. Billy Lowe provided a review of the recent release in October, the pension line of business payment address functionality. He reported the go live defect score was 54 which was significantly below the threshold 225 defect score.

Mr. Adam Fambrough reviewed the value derived from the release and noted the teams worked very collaboratively. He noted this payment address release was a foundational release which will be built upon for future releases.

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

Mr. Jonathan Scofield provided an overview of the cube methodology, the grading scale EY uses to evaluate projects, and shared next steps. He reported the evaluation of a 5.44, a rating increase since the last report. He said the increase is due to a mixture of improved program governance, product management and technical solutions. He said the team has moved from a quarterly look at risk to monthly noting this will make a big difference. He also noted improvements to planning methodology as well. He stated current risks are legislative session delays, multiple sources of program data, and how manual processes can decrease the efficiency of the team.

At 9:28 a.m., Ms. Sissney announced the board would recess to take up the scheduled committee meetings and then will reconvene the Board to take up the executive evaluations.

At 3:09 p.m., Ms. Sissney announced the Board meeting as reconvened and agenda items 9 and 10 would be taken up together.

- 9. Receive a presentation on the evaluation process of the Executive Director, Chief Audit Executive and Chief Investment Officer – Janet Bray and Keith Robinson.**
- 10. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Audit Executive and Chief Investment Officer, or Ombudsman:**

- A. Discuss and consider the evaluation, compensation, and duties of the Executive Director, including exceeding the salary limits listed in the schedule of exempt positions in the General Appropriations Act of the 2022 and 2023 Biennium;**
- B. Discuss and consider the evaluation, compensation, and duties of the Chief Investment Officer, including exceeding the salary limits listed in the schedule of exempt positions in the General Appropriations Act of the 2022 and 2023 Biennium;**
- C. Discuss and consider the compensation and duties of the Chief Audit Executive.**

Ms. Janet Bray introduced Mr. Keith Robinson and announced next annual evaluation process would add a fourth person, the new ombudsman. Mr. Keith Robinson reviewed the steps taken for the evaluations which began in August. He said an online competency rating as well as a performance rating with all of the Trustees and variety of direct reports, peers and others within the agency. He reported once the data is collected reports are reviewed with each executive going through the findings and discuss a bit about historically how they have improved over the past few years.

At 3:14 p.m., Ms. Sissney announced the board would recess for agenda items 10A – C under Sections 551.071 and 551.074 of the Government Code to discuss personnel matters and consult with legal counsel, as needed.

At 6:02 p.m., Ms. Sissney reconvened the Board meeting.

At 6:03 p.m., she noted there was no more scheduled business before the Board and announced the board would recess until tomorrow morning.

December 8, 2021

The Board of Trustees of the Teacher Retirement System of Texas met on December 8, 2021 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
Michael Ball
David Corpus
John Elliott
James Nance
Robert H. Walls, Jr.

The following Board member attended virtually:

Jarvis V. Hollingsworth, Chair

Others present:

Brian Guthrie, TRS	Keith Brown, Investment Advisor
Andrew Roth, TRS	Joe Newton, GRS
Don Green, TRS	Dan Sibilik, GRS
Heather Traeger, TRS	Steve Voss, AON
Jase Auby, TRS	Jordan Ash, Private Equity Stakeholder Project
Barbie Pearson, TRS	Craig Campbell, Austin Retired Teacher
Katrina Daniel, TRS	Association
Amanda Jenami, TRS	Leroy DeHaven, TRTA President
Caasi Lamb, TRS	Beatriz Rodriguez, Refresco employee
Martin Cano, TRS	
Katherine Farrell, TRS	
Carolyn Perez, TRS	
Michelle Barnett, TRS	
Addison Reagan, TRS	

Others attending virtually:

Luke Bierman, Cohen Millstein

At 9:30 am the Acting-Chair reconvened the board meeting and without objection called up Agenda Item 11.

11. Provide an opportunity for public comment.

Mr. Jordan Ash, representing Private Equity Stakeholder Project, continued to express concern regarding TRS' investment partner PAI Partners, a private equity firm that is a co-owner of Refresco.

Dr. Craig Campbell, Austin Retired Teachers Association, was unable to attend but left written comments on cost of living adjustments and the ombudsman's role.

Mr. Leroy DeHaven, president of Texas Retired Teacher Association (TRTA), expressed appreciation to the Governor and Texas Legislature for the supplemental payment. He expressed concern about the impact inflation is having on TRS retirees' income and support a review on the economic benefit if the Legislature were to authorize a pension increase for members.

Ms. Beatriz Rodriguez, Refresco employee, through an interpreter expressed concern about TRS' investment in Refresco and its unsafe working conditions.

Ms. Sissney announced taking up agenda items 12 and 13 together.

12. Receive the TRS Pension Trust Fund Actuarial Valuation for the fiscal year ending August 31, 2021 – Joe Newton and Dan Siblik, GRS.

13. Receive the TRS-Care Actuarial Valuation and Other Post-Employment Benefits (OPEB) reports for the fiscal year ending August 31, 2021 – Katrina Daniel.

Mr. Joe Newton presented the valuation update for this year, as of August 31, 2021. He said the report takes in the financial data, demographic data and the current benefit provisions and contribution provisions to determine the health of the fund. He reported the unfunded liability came in at \$47.6 billion. He stated this was very significant for the unfunded liability was not predicted to come down until 2028 to 2030 time frame. He reported the funding ratio was close to 79.1 percent and the funding period went down to 23 years, a three year acceleration on that metric.

Mr. Dan Siblik stated the market value return on the assets, which was 25 percent for the plan year, far exceeded the assumed 7.25 percent. He noted this was equivalent to three years of contributions. Mr. Newton explained the smoothing of the returns and how the 23-year funding period contains a cushion of \$20 billion deferred gains. He said the cushion could be used in various ways such as lowering the assumed rate of return to 6.6 percent and still be full funded over the 23-year period. He also noted keeping the rate at 7.25 percent is not an inconsistent position. Mr. Newton then reviewed the mortality rate. He noted the consistent results for 2016 through 2019 and a surge in the summer of 2020. He stated the mortality rate increased to 20 to 25 percent for the retiree group.

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

14. Receive an overview of the upcoming TRS of Texas Experience Study, including the purpose of the study and a presentation on Capital Market Assumptions – Caasi Lamb and Joe Newton, GRS.

Ms. Caasi Lamb provided background information regarding the experience study. She noted the study was statutorily required at least every five years but TRS performs it every four years. She

described the process of the actuary gathering the data, performing the analysis and making a set of recommendations for the Board to adopt a set of assumptions. She said the new assumptions will need to be adopted prior to the FY 22 valuation.

Mr. Newton provided further review of the process. He noted the investment return assumption is the one the Board has more flexibility in control and actual decision making. He said the valuation process previously discussed is based on a lot of assumptions about the future and new information and changing patterns have developed since the last experience study, referencing the Great Resignation as an example. Mr. Newton then discussed national trends and said there was a dramatic decline in investment expectations.

Mr. Steve Voss provided an update regarding the capital market assumptions for ten- and 30-year assumptions built upon income, growth and inflation. He stated for the ten year, there was a 6.9 percent return and for 30 year a 7.2 percent return. Mr. Newton then discussed the options in utilizing the deferred gains of \$20 billion to hedge long term and lower the assumption rate or keeping it the same and have the hedge for the short term. He said that was just one of many issues to be reviewed and he was not ready to make a recommendation at this time.

Mr. Voss continued by stating the inflation assumption over a 30-year period was at 2.2 percent. He said this was a forward-looking number and actual inflation over the last 12 months was slightly above six percent. He said it would moderate up and down but trend lower on a go-forward basis than what it has been in the last twelve months.

Mr. Guthrie concluded by stating the question of mitigating short term risk or long-term risk is one that can not be done in a vacuum. He noted stakeholders are very mindful and very concerned about future benefit enhancements. He said as fiduciaries they have to look at the long-term sustainability of the fund.

15. Receive the report of the Benefits Committee on its December 7, 2021 meeting and consider the following – Committee Chair:

- A. Acceptance of the Medical Board Meeting minutes of the July and September 2021 meetings; and**
- B. Approval of the Benefit t Payments for September 2021 to November 2021.**

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

The Benefits Committee met on December 7, 2021. The committee approved the proposed minutes of the Benefits Committee for the September 16, 2021 meeting.

The Committee received an update on the Medical Board. The committee recommends to the Board the acceptance of the Medical Board meeting minutes for July and September 2021.

The Committee also received an update on benefit payments for September through November 2021. The committee recommends to the Board the approval of benefit payments for September through November 2021.

The Committee received an update on Benefit Services operations for the first two months of the first quarter of fiscal year 2022. This report included an update on Benefit Services workload, including a discussion on the impact of the new positions approved for the back office processing and the incremental improvements in the response times as training and hiring continues for Benefit Services.

The Committee received an update from the Retirees Advisory Committee Chair on the most recent Retirement Advisory Committee meeting which occurred on October 18, 2021. The Committee received a general update on health plan administration and operations.

And finally, the Committee received an update on the claim audit reports for the self-insured TRS medical plans for the TRS-Care and TRS-ActiveCare.

Mr. Ball concluded the report with the following motions:

On a motion by Mr. Ball, the Board unanimously voted to accept the Medical Board's meeting minutes for July and September 2021 meetings, as recommended by the Benefits Committee.

On a motion by Mr. Ball, the Board unanimously voted to approve the benefit payments for September through November 2021, as recommended by the committee.

16. Receive the report of the Budget Committee on its December 7, 2021 meeting – Committee Chair:

Ms. Sissney, 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 15, 2021 Budget Committee meeting.

Mrs. Duarte introduced the Annual Comprehensive Financial Report (ACFR) for fiscal year 2021 and provided an explanation on the name change and provided an update on membership data. Mrs. Duarte then passed on the presentation to Ms. Zigmond who provided a high-level overview of the 2021 ACFR which showed a net position for the Pension Trust Fund of \$201.8 billion including \$48.7 billion in additions and \$12.3 in deductions. Overviews of the TRS-Care and TRS-ActiveCare funds were also presented. Mr. Chan concluded the presentation with an overview of the investment asset allocation and provided an update to reporting changes per Legislative mandates.

Mr. Green presented a high-level overview of the FY 2021 year-end budget. He explained the agency efforts in responding to legislative directives to identify cost savings in managing the economic ramifications of COVID-19. Mr. Green then provided an update on the FY 2022 budget and considerations for potential funding concerns. Mr. Green also provided an update on the FY 2022 FTEs.

- 17. Receive the report of the Policy Committee on its December 7, 2021 meeting and consider adoption of the following – Committee Chair:**
- A. Proposed adoption of the Inactive Account Policy;**
 - B. Proposed amendments to the Trustee Ethics Policy, Employee Ethics Policy, Conflict of Interest Disclosure Statement, Disciplinary Action Disclosure statement, and Ethics Compliance Statement for Employees and Certain Contractors;**
 - C. Proposed adoption of new TRS rule 41.13, relating to One-Time Reenrollment Opportunity, in Subchapters A of Chapter 41 of Title 34, Part 3 of the Texas Administrative Code.**

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

The Policy Committee met on December 7, 2021.

The committee approved the proposed minutes of its September 2021 meeting.

The committee recommended to the Board adoption of the proposed Inactive Accounts Policy.

The committee recommended to the Board adoption of the proposed amendments to Trustee Ethics Policy, Employee Ethics Policy, Conflict of Interest Disclosure Statement, Disciplinary Action Disclosure Statement, and Ethics Compliance Statement for Employees and Certain Contractors.

The committee recommended to the Board adoption of proposed new TRS rule 41.13, relating to One-Time Reenrollment Opportunity, in Subchapter A of Chapter 41 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 Rule 25.21, relating to Compensation Subject to Deposit and Credit, in Subchapter B of Chapter 25 in Title 34, Part 3 of the Texas Administrative Code.

Mr. Elliott concluded his report with the following motions:

On a motion by Mr. Elliott, the Board voted to adopt the proposed Inactive Accounts Policy, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments to Trustee Ethics Policy, Employee Ethics Policy, conflict of Interest Disclosure Statement, Disciplinary Action Disclosure Statement, and Ethics Compliance Statement for employees and certain contractors, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed new TRS rule 41.13, relating to a One-Time Reenrollment Opportunity, in Subchapter A of Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, as recommended by the Policy Committee.

18. Receive the report of the Investment Management Committee on its December 7, 2021 meeting – Committee Chair.

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

The Investment Management Committee met on December 7, 2021. Jase Auby began with his CIO Update. The Third Quarter 2021 Performance Review was then presented by Steve Voss and Mike McCormick of Aon.

Next an Annual Update of Absolute Return was presented by Ashley Baum, followed by the Annual Update of Risk and Portfolio Management presented by James Nield and Mark Telschow.

Concluding the Investment Management Committee, Bernie Bozzelli and Jamie Llano presented the Annual Update of the Trading Group.

19. Receive the report of the Audit, Compliance, and Ethics Committee on its December 7, 2021 meeting and consider adoption of proposed Audit Plan for Fiscal Year 2022 – 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, 2021. The Committee approved the minutes of the September 16, 2021, 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 2021. The General Counsel and Chief Compliance Officer presented routine compliance reports.

Internal Audit staff presented the results of audits on the Special Opportunities Portfolio operations, information security training and awareness program, and the Internal Audit quality assurance and improvement program. Internal Audit staff also presented the Internal Audit annual report for fiscal year 2021, the status of prior audit recommendations and various administrative reports.

20. Receive the report of the Strategic Planning Committee on its December 8, 2021 meeting – Committee Chair.

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

The Strategic Planning Committee met on December 8, 2021.

Ms. Caasi Lamb and representatives from the Public Policy Research Institute and Elite Research provided survey results from the Reporting Employer Satisfaction Survey and Member Satisfaction Survey.

Ms. Lamb, along with strategic plan objective owners, discussed and reviewed the results forum information for the 2021-2025 TRS Strategic Plan objectives. The objectives included: attract, retain, and develop a diverse and highly competent staff; identify appropriate solutions for TRS facilities and space requirements; and improve strategic communications. Ms. Lamb also provided an overview of the Enterprise Stoplight Report.

21. Receive update on “Moving Forward Together” stakeholder communications – Addison Reagan, Carolyn Perez, and Michelle Barnett.

Ms. Addison Reagan discussed the member and legislative outreach for the “Moving Forward Together” stakeholder communications. She reported presenting around the State at the 20 TRTA District Conferences, 60 legislative offices and all active and retiree organizations. She noted questions focused on the decision to move impacting the potential for a cost-of-living adjustment in the future. She said to address these concerns the analysis conducted by TRS’ third-party actuary was shared that there would be no negative impact to the actuarial health of the fund as a result of the move.

Ms. Carolyn Perez provided an update on external communications since the vote to move forward with the new headquarters. She noted the long-term facilities project has been rebranded as Moving Forward Together. She reported two high profile media mentions since the vote and over 50 comments on social media. She said the plan is to publish articles in all of TRS’ publications as significant milestones are hit such as moving divisions over to Alpha and when Bravo is nearing completion. She added in an effort to forge and cultivate a relationship with the Mueller community by giving an informational presentation on TRS to the Mueller Commission.

Ms. Michelle Barnett provided an overview of internal communications. She said this was a big change for the employees so they want to make sure they are both well-informed and appropriately engaged. She said an Agency-wide town hall meeting was held to provide information to employees about the Board decision as well as an update on progress. She reported an internal page, OCM Connect Intranet page, that will serve as the source of information throughout the project. She said a post move survey is planned to identify any obstacles or hurdles that were not anticipated and address them.

22. 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.**
- 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 an update on a monumental effort that took place last month, moving TRS computing services from Red River headquarters to a very secure data center facility. He said this move was both safer and more cost effective to have all TRS computing power moved to this location. By utilizing this space off-site it saves over 2,000 square feet of office space that would be at a significant expense to rebuild at the Mueller location. Mr. Guthrie concluded by reviewing items for February and April Board meetings.

23. Receive an update and consider long term facilities planning including the disposition of the Red River campus, status updates on the TRS headquarters project, leasing of Alpha office space and leases at 816 Congress 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, Martin Cano.

Mr. Guthrie provided an overview as to how things have progressed since the September meeting where the purchase of the two buildings in Mueller were approved. He reported the purchase and sales agreement (PSA) was signed. As part of signing the PSA, escrow amounts were submitted for approximately \$38 million. He said the top three floors of Alpha will be occupied by Health Insurance Benefits and Investment Management divisions, the other floors are planning to lease. He reported the design work for the Bravo building has started. He said at the end of the presentation they would be seeking to have the authority delegated to him to sign the potential leases. Ms. Traeger noted this was required because the Board procurement policy states any lease that exceeds three years in duration needs to go through the Board.

Mr. Andrew Roth reported that after closing, the developer will commit to a Guaranteed Maximum Price. He reiterated when the next payments for Alpha and Bravo would be due. He said Red River is anticipated to go on the market in January with CBRE engaged as the broker. Mr. Roth concluded by reporting that the Umlauf sculpture currently out front of Red River will move to the new building as a symbol of continuity.

On a motion by Mr. Moss, seconded by Mr. Corpus, the Board unanimously voted to approve the following resolution delegating authority to the Executive Director to sign tenant leases in the Alpha Building:

Resolution of the Board of Trustees
Authorizing Actions Relating to Leasing Certain Commercial Office Space in
the Alpha Building of the New TRS Headquarters Campus

WHEREAS, Texas Government Code §821.007 provides that the buildings comprising the home office (referred to here as “administrative headquarters”) of the Teacher Retirement System (“TRS”) are under the control and custodianship of the retirement system;

WHEREAS, a Request for Proposal (“RFP”) was issued in 2019 to interested entities to solicit design and build proposals to develop a potential new administrative headquarters for TRS;

WHEREAS, TRS received and evaluated the RFP proposals for a new TRS administrative headquarters;

WHEREAS, at the September 2020 Board meeting, the Board by resolution authorized and instructed the Executive Director, or his delegee, to expend funds and to take all actions and do all things necessary or desirable to negotiate on the same or better financial terms as presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of TRS for a final, proposed contract for the purchase of real property and for the design and build of a new administrative headquarters for TRS with the finalists;

WHEREAS, From September 2020 through August 2021, TRS conducted extensive due diligence, including conducting space planning and workplace study activities, developing a cost-benefit analysis, engaging in stakeholder outreach, conducting an employee perspectives survey and negotiating and executing a non-binding term sheet with the top developer finalist;

WHEREAS, At the September 2021 Board meeting, the staff recommendation for the new TRS headquarters included the purchase of two buildings in the Mueller Business District, known as the “Alpha” and “Bravo” buildings. The plan presented included the leasing of certain office space in the Alpha building to other tenants;

WHEREAS, In September 2021, the Board authorized and instructed the Executive Director or his delegee, with the assistance of TRS employees and TRS’s broker and owner’s representative, to expend funds and to take all actions and do all things necessary or desirable to continue negotiations on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of TRS to finalize contracts for new administrative headquarters for TRS, including the purchase of the project known as the “Alpha” building and for the purchase of a design-and-build project known as the “Bravo” building;

WHEREAS, In September 2021, the Board authorized and instructed the Executive Director or his delegee, with the assistance of TRS employees and TRS’s broker and owner’s representative, to expend funds, procure all necessary goods or services, and to take all actions and do all things necessary or desirable to negotiate and sign all agreements related to the purchase and sale of Alpha and Bravo, including all ancillary agreements;

WHEREAS, TRS entered into a Membership Interest Purchase Agreement for the purchase of the Alpha building on November 10, 2021;

WHEREAS, TRS intends to occupy three floors of the Alpha building and lease out the other two floors to commercial office tenants;

WHEREAS, TRS is working with a commercial broker to market the available office space and, after closing and until all of the available space is leased, TRS will begin negotiating and entering into a lease agreements with prospective tenants;

Now, therefore be it

RESOLVED, That the Board of Trustees finds it is in the best value for TRS to lease space in the Alpha Building which will not be wholly occupied by TRS; and

RESOLVED, That the Executive Director be and hereby is delegated authority and directed to take any necessary actions to negotiate and execute one or more commercial office space leases for portions of the Alpha building that are not wholly occupied by TRS on such terms and conditions and for such period as the Executive Director in his discretion deems to be advisable and in the best interest of TRS and to use commercially reasonable efforts to negotiate the terms of such lease(s) with one or more qualified tenants; and

RESOLVED, That the Executive Director is authorized to (a) contract and pay for brokerage services and commissions for leases, (b) consider, negotiate, and agree to lease terms that the Executive Director deems reasonable and in the best interest of TRS, and (c) expend such budgeted and available TRS funds and enter any agreements and related documents as the Executive Director deems in his discretion to be reasonably necessary and advisable to achieve the objectives of these resolutions; 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; and

RESOLVED, That nothing in these resolutions 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 the retirement system 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.

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

At 11:48 a.m., Ms. Sissney announced the Board will go into Executive Session for agenda item 24 under Section 551.071 of the Government Code, to consult with legal counsel.

At 12:04 p.m., Ms Sissney reconvened the Board meeting and 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 2022.

ATTESTED BY:

Katherine H Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

2/17/22
Date