

Minutes of the Board of Trustees

December 8, 2022

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, December 8, 2022, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

The following Board members were present:

Jarvis V. Hollingsworth, Chair
Nanette Sissney
David Corpus
John Elliott
Chris Moss
James Nance
Robert H. Walls, Jr.

The following Board member attended virtually:

Michael Ball

Others present:

Brian Guthrie, TRS	Suzanne Dugan, Cohen Millstein
Andrew Roth, TRS	Keith Robinson, Focus Consulting
Heather Traeger, TRS	Keith Brown, Investment Advisor
Jase Auby, TRS	Steve Voss, AON
Don Green, TRS	Michael McCormick, AON
Barbie Pearson, TRS	Grace Mueller, RAC
Katrina Daniel, TRS	Mary Melanzu, UHC
Amanda Jenami, TRS	Rene Paulson, Elite Research
Janet Bray, TRS	Karen Haywood, BCBS
Martin Cano, TRS	Hillary Eckford, SAO
Lori LaBrie, TRS	Bill Hunger, SAO
J.R. Morgan, TRS	
Michelle Gray, TRS	
Katherine Farrell, TRS	

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.

2. Consider the following administrative matters:

a. Approval of the September 2022 proposed meeting minutes; and

On a motion by Mr. Walls, seconded by Mr. Elliott, the Board voted to approve the September 2022 proposed meeting minutes as presented.

b. Consider excusing Trustee’s absences from the September 2022 meeting.

On a motion by Ms. Sissney, seconded by Mr. Nance, the Board voted to excuse Mr. Moss’ absence from the September 16, 2022 board meeting.

c. Setting, rescheduling or canceling future Board meetings including considering dates for June 2023 meeting.

On a motion by Mr. Corpus, seconded by Mr. Nance, the Board voted to add June 6, 2023 to the board meetings dates for calendar year 2023.

- February 16 - 17, 2023
- April 27 – 28, 2023
- June 6, 2023
- July 13 – 14, 2023
- September 14 – 15, 2023
- December 7 – 8, 2023

3. Resolution recognizing the service of Janet Bray – Jarvis V. Hollingsworth.

Mr. Hollingsworth read the following resolution into the record:

Resolution

Whereas, Janet Bray joined the Human Resources Department of the Teacher Retirement System of Texas (TRS) in May 2012, after working almost 19 years at the Texas Comptroller of Public Accounts. She began her career at the Comptroller’s office as an attorney in the Hearings Division and then moved to the General Counsel’s Office. After leaving for five years of civil litigation in the private sector, she returned to the Comptroller’s Office and transitioned into Human Resources - eventually, overseeing that department in 2005; and

Whereas, Janet, a Michigan native, received her B.A. in Advertising from Michigan State University. She relocated to Texas and worked for Samsonite Corporation. She became a licensed attorney, receiving her J.D. from The University of Texas School of Law where she was President of the Thurgood Marshall Legal Society; and

Whereas, she earned a Senior Professional in Human Resources Certification (SPHR), an SHRM Senior Certified Professional (SHRM-SCP), and is a Proscicertified Change Manager. She completed the Transformative Leadership Program through The University of Texas at Austin and the University of Adelaide; and

Whereas, Janet was named as one of the National Diversity Council’s 2016 Most Powerful Business Women in Texas in 2016 and serves on the Executive Planning Committee for the Annual Public Pension Human Resources Roundtable for IPMA-HR; and

Whereas, she was an active member of the Executive Council who maintained the highest standards of professionalism and played an invaluable role for TRS; and

Whereas, Janet’s 10 years at TRS have been highlighted by exceptional growth, extraordinary engagement, and stellar leadership related to serving members through talent resources. She elevated the Human Resources function to a department focused on driving excellence through our employees; and

Whereas, Janet was a trailblazing executive who brought impeccable credentials with best practices, turning what had been “Human Resources” into true Organizational Excellence. She has led the team to modernize HR systems, digitize records and training, utilize technology to help streamline processes and create a better employee experience for TRS staff; and

Whereas, she created and built a change management function that offers individual employees a personalized feedback experience, expanded learning and development agencywide, and championed a move to a new TRS classification system; and

Whereas, Janet was a caring leader who modeled the way for her leadership team as well as for the agency as a whole. She has led with humility and accountability, and is welcoming and approachable with a charismatic smile that puts you at ease; and

Whereas, since joining TRS, Janet has supported the hiring of many employees. TRS had a total workforce of 548 employees when she started employment with TRS and has grown to over 1,000 employees today; and

Whereas, being a daughter of two educators, Janet kept the TRS membership front and center of her thinking and was proud to work for an organization dedicated to serving teachers; and

Whereas, Janet will be remembered for her dedication to TRS, her wit, and her vision for leading TRS into a destination employer that received “Top Workplace” almost every single year of her tenure as Chief Organizational Excellence Officer; and

Whereas, she will also be remembered for her top level dedication as a senior executive and for her careful consideration of issues affecting employees as individuals with an eye toward compassion, fairness and the best possible balance of consideration between people and the organization;

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 Janet Bray at TRS during her 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 Janet Bray and entered into the record of the board for Dec. 8, 2022.

On a motion by Mr. Nance, seconded by Mr. Walls, the Board unanimously approved the proposed resolution.

Ms. Bray expressed her appreciation and stated it was a privilege to serve the educators of the State of Texas.

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.**
- 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 reviewed the five key accountabilities relating to his areas of focus that relate to the agency’s strategic plan. He noted that staff’s presentations will have a visual reminder of the key accountability that is being addressed in the presentation. He noted the opening of the El Paso Regional Office as of November 14th and that Trustees Ball and Sissney were in attendance for the opening. He provided an update on the progress of the new headquarters. Mr. Guthrie recognized the Finance Division receiving the Triple Crown Award from the Government Finance Officers Association and TRS for being awarded Top Workplace again. He concluded by reviewing items for February and April Board meetings.

5. Receive TRS Quarterly Ombudsman’s Report – Lori LaBrie.

Ms. Lori LaBrie provided the Ombudsman’s quarterly report. She noted for the time period from January to October the office had received 561 communications. She reported the top issues of interest on social media were Social Security and the Windfall Elimination Provision (WEP), annuity payments and health care.

6. Review and consider procurement and contracts including the following:

- A. Receive Procurement and Contracts Update;**
- B. Consider an extension of Board Executive Assessment contract with Focus Consulting Group, Inc., 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; and**
- C. Consider accepting the Procurement and Contracting Report.**

Mr. Martin Cano presented a status update regarding the Procurement and Vendor e-Systems (PAVES) enhancements. Ms. Shannon Gosewehr provided an update on the Contract Management Office. She reported that the move of contract management administration out of the business units and into the Contracts Management Office was proceeding according to plan.

Mr. Cano stated that the contract extension related to the executive assessment was up for consideration. He noted the recommended extension allows the vendor, Focus Consulting, appropriate time to conduct a full cycle review using the new time frames. He said the extension

allows TRS time to implement a new contract which is now in the RFP process, without disrupting the current process.

On a motion by Mr. Corpus, seconded by Mr. Elliott, the Board unanimously voted to extend the Focus Consulting contract, that currently expires August 31, through the end of December 31, 2023.

Mr. Cano reviewed the quarterly contracts report noting there are currently 25 executed contracts which meet the value of \$1 million or more a year, along with an additional nine executed health care contracts, and four FY 23 current solicitations.

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

7. Receive the Deputy Director's update – Andrew Roth.

Mr. Andrew Roth provided an overview of how resource needs, such as operating budget and FTEs, for fiscal year 2024 were ascertained. He noted the budget development process will kick off next month in January and go through June of 2023. He then reviewed on a preliminary basis that the main requests will come from both Benefits and Information Technology, both focusing on ongoing improvements to customer services.

At 9:30 a.m., Mr. Hollingsworth announced without objection that the board meeting would recess to take up the posted committee meetings and would reconvene later in the day.

At 4:56 p.m., Mr. Hollingsworth reconvened the board meeting. He announced agenda items 8,9 and 10 would be taken up with only 9 and 10 having public presentations.

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

There was no public discussion for this item.

9. 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, and Ombudsman and consider the salary limits of the Executive Director and Chief Investment Officer listed in the schedule of exempt positions in the General Appropriations Act of the 2022 and 2023 Biennium – Jarvis V. Hollingsworth.

Ms. Janet Bray noted the Board contracts currently in the solicitation process for the following services: executive assessment, executive coaching and compensation consultant. She then

provided a high level overview of the evaluation process for this year and what to expect for next year when the evaluation process occurs on a different timeline.

Ms Bray introduced Mr. Keith Robinson who 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 was collected Focus would generate reports and reviewed them with each executive.

At 5:04 p.m., Mr. Hollingsworth announced the board would recess for agenda items 8 under Section 551.071, to consult with legal counsel as needed; agenda item 9 under Section 551.074 and 551.071, to discuss personnel matters and consult with legal counsel, as needed; and agenda item 10 under Section 551.074, to discuss personnel matters.

At 8:39 p.m., Mr. Hollingsworth reconvened the Board meeting.

On a motion by Mr. Corpus, seconded by Mr. Moss, the Board unanimously voted to adopt the following resolution regarding the Executive Director's compensation, effective January 1, 2023:

Resolution Increasing the Base Salary of and Awarding a One-Time Merit Payment to the Executive Director

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(g)(1) of the Board's bylaws provides that the Board shall be responsible for the selection, job description, assignment of duties, performance evaluation, compensation and discipline, including dismissal, of the Executive Director;

Whereas, Subsection 1.7(i) of the Board's bylaws provides that the Board shall set the not-to-exceed amounts in the exempt salary schedule in consultation with the Compensation Committee and the executive director;

Whereas, Subsection 1.7(c) 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;

Whereas, The General Provisions of TRS' annual administrative operations budget adopted by the Board provide that the Board will set the salary rate for the Executive Director;

Whereas, The upper limit of the Executive Director's annual compensation is set out as a not-to-exceed amount in the Schedule of Exempt Positions in TRS' bill pattern in the current General Appropriations Act ("GAA"), and Rider 8 of TRS' GAA bill pattern provides that, notwithstanding the limitations on exempt positions contained in Article IX of the GAA, the Board may determine the salaries of the positions listed in TRS' Schedule of Exempt Positions without limitation; and

Whereas, The GAA not-to-exceed amount for the Executive Director is not sufficient for the Board to exercise its discretion in setting the compensation for that position, and the

Board wishes to increase the Executive Director's base salary above the not-to-exceed amount and award the Executive Director a one-time merit payment; now, therefore be it

Resolved, That effective January 1, 2023, the Board hereby adopts the following GAA not-to-exceed amount for the Executive Director:

Executive Director: Increase the not-to-exceed amount listed in the GAA to \$ 543,000 ;

Resolved, That the Board hereby increases the base salary of the Executive Director and authorizes a one-time merit payment as follows:

Executive Director's salary (the incumbent is Brian K. Guthrie):

Increase the base salary amount effective January 1, 2023 by \$ _____; or

Increase the base salary amount effective January 1, 2023 by 25 %; and

One-time merit payment to the Executive Director (the incumbent is Brian K. Guthrie):

Award a one-time merit payment effective January 1, 2023 in the amount of \$ 43,000 ; 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 Executive Director or any other employee holding a position in the Schedule of Exempt Positions.

On a motion by Mr. Moss, seconded by Mr. Walls, the Board unanimously voted to adopt the following resolution regarding the Chief Audit Executive's compensation, effective January 1, 2023:

Resolution Increasing the Base Salary of and 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(g)(2) 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(c) 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 increase the base salary of the Chief Audit Executive; now, therefore be it

Resolved, That the Board hereby increases the base salary of the Chief Audit Executive and authorizes a one-time merit payment as follows:

Chief Audit Executive's base salary (the incumbent is Amanda Jenami):

Increase the base salary amount effective January 1, 2023 by 19.93 %; or

Increase the base salary amount effective January 1, 2023 by \$_____;

and

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

Award a one-time merit payment effective January 1, 2023 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.

On a motion by Ms. Sissney, seconded by Mr. Corpus, the Board unanimously voted to adopt the following resolution regarding the Chief Investment Officer's compensation, effective January 1, 2023:

Resolution Increasing the Base Salary of and Awarding a One-Time Merit Payment to the Chief Investment Officer

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(g)(4) of the Board's bylaws provides that the Board shall be responsible for the compensation of the Chief Investment Officer in consultation with the Executive Director;

Whereas, Subsection 1.7(i) of the Board's bylaws provides that the Board shall set the not-to-exceed amounts in the exempt salary schedule in consultation with the Compensation Committee and the executive director;

Whereas, Subsection 1.7(c) 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;

Whereas, The General Provisions of TRS' annual administrative operations budget adopted by the Board provide that the Board will set the salary rate for the Chief Investment Officer;

Whereas, The upper limit of the Chief Investment Officer's annual compensation is set out as a not-to-exceed amount in the Schedule of Exempt Positions in TRS' bill pattern in the current General Appropriations Act ("GAA"), and Rider 8 of TRS' GAA bill pattern provides that, notwithstanding the limitations on exempt positions contained in Article IX of the GAA,

the Board may determine the salaries of the positions listed in TRS' Schedule of Exempt Positions without limitation; and

Whereas, The GAA not-to-exceed amount for the Chief Investment Officer is not sufficient for the Board to exercise its discretion in setting the compensation for that position, and the Board wishes to increase the Chief Investment Officer's base salary above the not-to-exceed amount and award the Executive Director a one-time merit payment; now, therefore be it

Resolved, That effective January 1, 2023 the Board hereby adopts the following GAA not-to-exceed amount for the Chief Investment Officer:

Chief Investment Officer: Increase the not-to-exceed amount listed in the GAA to \$ 762,000 ;

Resolved, That the Board hereby increases the base salary of the Chief Investment Officer and authorizes a one-time merit payment as follows:

Chief Investment Officer's salary (the incumbent is Jase Auby):

Increase the base salary amount effective January 1, 2023 by \$ _____; or

Increase the base salary amount effective January 1, 2023 by 18.18 %, and

One-time merit payment to the Chief Investment Officer (the incumbent is Jase Auby):

Award a one-time merit payment effective January 1, 2023 in the amount of \$ 112,000 ; 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 Investment Officer or any other employee holding a position in the Schedule of Exempt Positions.

On a motion by Mr. Nance, seconded by Mr. Elliott, the Board voted to adopt the following resolution regarding the Ombudsman's compensation, effective January 1, 2023:

Resolution Awarding a One-Time Merit Payment to the Ombuds

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(g)(3) of the Board's bylaws provides that the Board shall be responsible for the selection, replacement, dismissal, performance evaluation, and compensation of the Ombuds in consultation with the Audit Committee and the Executive Director;

Whereas, Subsection 1.7(c) 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 Ombuds; now, therefore be it

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

One-time merit payment to the Ombuds (the incumbent is Lori LaBrie):

Award a one-time merit payment effective January 1, 2023 in the amount of \$ 5,000 ; 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 Ombuds or any other employee.

10. Receive an update from Organizational Excellence regarding Executive Succession Planning for members of the Executive Committee, including the Chief Information Officer, Deputy Director and Chief Organizational Excellence Officer – Janet Bray and Michelle Gray.

There was no discussion for this item.

At 8:45 p.m., Mr. Hollingsworth recessed the meeting until 8:00 a.m. tomorrow morning, December 9, 2022.

December 9, 2022

The Board of Trustees of the Teacher Retirement System of Texas met on December 9, 2022 in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

The following Board members were present:

Jarvis V. Hollingsworth, Chair
Nanette Sissney
David Corpus
John Elliott
James Nance
Robert H. Walls, Jr.

The following Board member attended virtually:

Michael Ball
Chris Moss

Others present:

Brian Guthrie, TRS	Suzanne Dugan, Cohen Millstein
Andrew Roth, TRS	Keith Brown, Investment Advisor
Don Green, TRS	Joe Newton, GRS
Heather Traeger, TRS	Dana Woolfrey, GRS
Jase Auby, TRS	Chris Gibson, EY
Barbie Pearson, TRS	Laura Patton, EY
Katrina Daniel, TRS	Greg Thistlewaithe, EY
Amanda Jenami, TRS	Joni Lozaon, CVS Health
Caasi Lamb, TRS	Eli Melendrez, Texas AFT
Martin Cano, TRS	Rita Runnels, TX AFT Retiree Plus
Katherine Farrell, TRS	Phyllis Ruffin, TX AFT Retiree Plus

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.

12. Receive the report of the Strategic Planning Committee on its December 8, 2022 meeting – Committee Chair.

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

The Strategic Planning Committee met on December 8, 2022. The committee approved the proposed minutes from the September 15, 2022 meeting.

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

Ms. Caasi 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; and evaluate automation and technology solutions to enhance existing processes.

Ms. Lamb also provided an overview of the Enterprise Stoplight Report and highlighted changes to the risk levels and trending risks.

13. Receive the report of the Benefits Committee on its December 8, 2022 meeting and consider the following – Committee Chair:

A. Acceptance of the Medical Board Meeting minutes of the July and September 2022 meetings; and

B. Approval of the Benefit Payments for September to November 2022.

Ms. Sissney, committee member, provided the following report of the Benefits Committee:

The Benefits Committee met on December 8, 2022. The committee approved the proposed minutes of the Benefits Committee for the September 15, 2022 meeting.

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

Ms. Barbie Pearson also provided an update on benefit payments for the first quarter of fiscal year 2023. The committee recommends to the Board the approval of benefit payments for September through November 2022.

The Committee received an update from Ms. Pearson on Benefit Services operations for the first quarter of fiscal year 2023. The report also included updates on the progress of the customer service improvement initiatives, improved service levels in Benefit Services, staffing update, and an update on the activities to date for the El Paso Regional Office. In addition, Ms. Pearson provided the annual report on the inactive accounts project.

Next the Committee received an update from Ms. Katrina Daniel, chief health care officer. First, Grace Mueller, chair of the Retirees Advisory Committee (RAC) Chair provided an update to the committee on the most recent RAC meeting. Then Ms. Daniel provided an update on TRS-ActiveCare enrollment, TRS-Care engagement, and fund balance projections.

Ms. Sissney concluded the report with the following motions:

On a motion by Ms. Sissney, the Board unanimously voted to accept the Medical Board's meeting minutes for July and September 2022 meetings, as recommended by the Benefits Committee.

On a motion by Ms. Sissney, the Board unanimously voted to approve the benefit payments for September through November 2022, as recommended by the committee.

14. Receive the report of the Budget Committee on its December 8, 2022 meeting – Committee Chair:

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

The Budget Committee met Tuesday, December 8th. The first item of business was approval of the minutes of the July 2022 Budget Committee meeting.

Ms. Janie Duarte introduced the Annual Comprehensive Financial Report (ACFR) for fiscal year 2022 and provided an update on membership data. Ms. Duarte then passed on the presentation to Ms. Ann Zigmond who provided a high-level overview of the 2022 ACFR which showed a net position for the Pension Trust Fund of \$184.2 billion.

Overviews of the TRS-Care and TRS-ActiveCare funds were also presented. Mr. Eddie Chan concluded the presentation with an overview of the investment asset allocation.

Mr. Green presented a high-level overview of the FY 2022 year-end budget and addressed unexpended balances. He concluded the presentation with an overview of fiscal year 2022 FTEs.

15. Receive the report of the Compensation Committee on its December 8, 2022 meeting – Committee Chair.

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

The Compensation Committee met on December 8, 2022. The committee approved the proposed minutes of its September 2022 meeting.

The committee received an update on staffing, turnover, and implementation of the TRS classification plan from Janet Bray, our chief organizational excellence officer.

16. Receive the report of the Policy Committee on its December 8, 2022 meeting and consider adoption of the following – Committee Chair:

- a. Consider proposed amendments to the Commission Credit Policy;**
- b. Consider proposed amendments to the Proxy Voting Policy;**
- c. Consider proposed amendments to the Securities Lending Policy;**
- d. Consider proposed amendments to the Member and Employer Outreach Plan;**
and
- e. Consider proposed amendments to the Board Training Policy.**

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

The Policy Committee met on December 8, 2022.

The committee approved the proposed minutes of its September 2022 meeting.

The committee recommended to the Board readoption of the commission credit policy without any changes.

The committee recommended to the Board continuation and adoption of the proxy voting policy, including any necessary amendments.

The committee recommended to the Board continuation and adoption of the securities lending policy, including any necessary amendments.

The committee recommended to the Board continuation and adoption of the members and employer outreach plan, including any necessary amendments.

The committee recommended to the Board continuation and adoption of the Board training policy, including any necessary amendments.

And finally, the committee authorized for publication in the Texas Register notice of the proposed amendments of the TRS rules in Chapter 25 of Title 34, Part 3 of the Texas Administrative Code as listed in the agenda.

Mr. Elliott concluded his report with the following motions:

On a motion by Mr. Elliott, the Board voted to readopt the commission credit policy without changes, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments to the proxy voting policy, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments to the securities lending policy, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments to the member and employer outreach plan, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments to the Board training policy, as recommended by the Policy Committee.

17. Receive the report of the Investment Management Committee on its December 8, 2022 meeting – Committee Chair.

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

The Investment Management Committee met on December 8, 2022. The committee approved the proposed minutes of the September 2022 meeting.

Jase Auby began with his CIO Update. Next, the Third Quarter 2022 Performance Review was then presented by Steve Voss and Mike McCormick of AON. Jaime Llano followed with an annual update of the trading group. Concluding the Investment Management Committee, the Annual Update of the Risk Portfolio Management was presented by James Nield and Mark Telschow.

18. Receive the report of the Audit, Compliance, and Ethics Committee on its December 8, 2022 meeting – Committee Chair.

Mr. Elliott, committee member, provided the following report of the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met on Thursday, December 8, 2022. The meeting started at 3:18 p.m. and was chaired by Trustee Moss.

The committee approved the minutes of the September 15, 2022, Audit Compliance and Ethics Committee meeting.

SAO auditors presented the results of the final audit of TRS ACFR for fiscal year 2022.

Crowe, LLP, Auditors presented the results of the financial audit of the TRS investment Company of Texas, TRICOT, for the fiscal year 2022. The General Counsel and Chief Compliance Officer presented routine compliance reports.

Internal Audit staff presented the following reports: analysis of free-standing emergency room providers billing patterns; review of internal fundamental public equity portfolio operations; follow-up of procurement; reporting employer testing.

Internal audit staff also presented the internal audit annual report for fiscal year 2022, the status of prior audit recommendations and various administrative reports.

The committee went into executive session at 4:30p.m. to discuss results of an audit on information systems inventory and data classification. The executive session ended at 4:53 p.m., after which the committee reconvened the meeting in open session. The meeting then adjourned at 4:55 p.m.

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

19. Receive the TRS Pension Trust Fund Actuarial Valuation for the fiscal year ending August 31, 2022 – Joe Newton and Dana Woolfrey, Gabriel Roeder, Smith & Co.

Mr. Joe Newton introduced Ms. Dana Woolfrey, who presented the valuation update for this year, as of August 31, 2022. She 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. She reported the market value returns over the past year were around negative 6.7 percent. She noted for the last five years the average return was 7.3 percent, which is close to the 7 percent assumed rate of return. Ms. Woolfrey reported the unfunded liability increased to \$52 billion. She said that

the increase was due to two key reasons. One being that pay increases were more than expected and the other as related to poor asset returns during fiscal year 2022. She reported the funded ratio, the ratio of assets to liabilities was 79 percent and the funding period is at 26 years.

Mr. Newton reviewed what would be necessary for the unfunded liability decline, using a compound saving analogy. He gave the example that a one percent more of pay in contributions equaling a \$560 million a year in cost, would lower the funding period by five years and save \$18 billion. Mr. Newton concluded with a discussion on various approaches to a possible cost-of-living adjustments.

20. Receive the TRS-Care Actuarial Valuation and Other Post-Employment Benefits (OPEB) reports for the fiscal year ending August 31, 2022 –Joe Newton, Gabriel Roeder, Smith & Co.

Mr. Newton then reviewed the retired TRS-Care and OPEB value. He reported the net OPEB liability was \$27.1 billion. He noted the interest rates going up and the continued favorable claims experience have an impact. He said the fund was 12 percent funded.

Mr. Hollingsworth announced without objection taking up agenda item 11 to allow for public comment. He noted two retirees had signed up but were delayed due to traffic.

11. Provide an opportunity for public comment.

Ms. Rita Carden Runnels, Texas AFT Retiree Plus member, expressed reasons why a cost-of-living adjustment (COLA) was important to retirees who have not gotten a COLA since '04.

Ms. Phyllis Ruffin, Texas AFT retiree, expressed how a COLA is very important to the support staff, bus drivers, cafeteria workers where some are working three jobs and taking payday loans to make ends meet.

21. Receive the annual evaluation of Gabriel Roeder, Smith & Co. as the provider of pension actuarial and consulting services and discuss upcoming pension actuarial items – Caasi Lamb.

Ms. Caasi Lamb provided the statutorily required annual evaluation of the Board's actuary. This year she noted a trustee survey questionnaire on the performance of GRS was incorporated in the evaluation. She reviewed the types of work that GRS provided for TRS in the past fiscal year, including Mr. Newton providing subject matter expertise, acting and narrating for the actuarial video series. She stated based on the survey results, the Board unanimously agreed that GRS provided information in a clear and informative manner and in sufficient detail. She said from a staff perspective, GRS continues to be responsive to all requested information and has met all contractual requirements laid out in the contract.

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

Ms. Jennifer Whitman reviewed the total programs roadmap noting two remaining roadmap releases were on schedule. She said the retirement application and death claims processing release remains on schedule for go-live this coming spring 2023. The other release for annuity payroll and tax reporting also remains on schedule. She reported that as for the customer service improvement initiative the final deployment was the coming Sunday. For budget, Ms. Whitman noted the TEAM project was under budget for FY 2021, 2022 and currently had encumbered \$6.5 million of the \$15.1 million budget for FY 2023.

Mr. Billy Lowe reported on resource needs. He said that due to the current job market shift, all of the fourth quarter positions, which were critical, have been filled and that he feels positively about additional hires slated for the next two quarters. He also stated the team was prepared for potential system changes as a result of the current legislative session; however, if the changes are more extensive and complex than anticipated it may cause an impact to the projects.

Mr. Adam Fambrough reviewed activity that has occurred in MyTRS since going live in April 25, 2022. He said the most frequent transactions were secure messaging, appointment scheduling and document viewing. He said the team continues to look for ways to encourage members to register and use MyTRS. He then reviewed the features that are coming soon: the income tax changes related to the new IRS W-4P, beneficiary designations and a refund tracker which will show members what stage of the process a refund request is in the process.

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

Ms. Laurie Patton reported that EY's assessment continues to show a strong and continued improvement in bringing on functionalities. She discussed needed enhancements to the CRM (customer relationship management) application, and that the necessary functionality will be added in the February release. She said though this was not causing any risk to the overall schedule and delivery, EY was monitoring the work as CRM is an important workflow management tool for benefits staff. She then reviewed the scope, schedule and cost for the overall program. She said for scope everything was performing well in that area. For schedule, even with CRM, she said everything is tracking. From a cost perspective, she said the project continues to run under cost. She reported moving forward, EY would focus on the largest and most complex implementation to date, the retirement application and death claims release.

At 9:45 a.m., Mr. Hollingworth noting there was 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 17th DAY OF FEBRUARY 2023.

ATTESTED BY:

Katherine H Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

Feb. 17, 2023

Date