

Minutes of the Board of Trustees

February 17, 2022

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, February 17, 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
Michael Ball
David Corpus
John Elliott
James Nance

Others present:

Brian Guthrie, TRS	Suzanne Dugan, Cohen Millstein
Andrew Roth, TRS	Keith Brown, Investment Advisor
Heather Traeger, TRS	Steve Voss, AON
Jase Auby, TRS	Michael McCormick, AON
Don Green, TRS	David Rosenfeld
Barbie Pearson, TRS	Kate Merrill
Katrina Daniel, TRS	Jack Smith
Amanda Jenami, TRS	Melva Smith
Janet Bray, TRS	Jeffrey Aronowitz, Private Equity Stakeholder Project
Martin Cano, TRS	Aneta Molenda, Private Equity Stakeholder Project
Lori LaBrie, TRS	Daniella Stromberg, Private Equity Stakeholder Project
Katherine Farrell, TRS	Phil Miller, Private Equity Stakeholder Project
Bernie Bozzelli, TRS	Dr. Craig Campbell, ARTA
Billy Lowe, TRS	
Jennifer Whitman, TRS	
Adam Fambrough, TRS	
Katie Linczer, TRS	

Mr. Hollingsworth 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 with Mr. Moss and Mr. Walls being absent.

2. Consider the following administrative matters, including approval of the December 7-8, 2021 proposed meeting minutes – Jarvis V. Hollingsworth

Mr. Hollingsworth noted that the meeting had been condensed from two days to one due to scheduling issues and therefore agenda items will be called out of order today. He then called on Mr. Ball who had an announcement.

Mr. Ball announced his recent retirement from Fort Worth ISC, and since he is no longer an active member, until a replacement is appointed, he would continue to serve as a holdover trustee on an ongoing basis. Mr. Hollingsworth stated they will be reporting the change of status to the Governor's Office as well as to the Attorney General's Office. He thanked Mr. Ball for his continued to service on the Board.

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

3. Resolution memorializing the service of Rebecca Merrill – Jarvis V. Hollingsworth.

Mr. Hollingsworth prior to reading the resolution recognized Ms. Rebecca Merrill's family in the audience:, her husband, David Rosenfeld, her daughter, Kate Merrill, and her parents Mr. and Mrs. Jack Smith.

Resolution

Whereas, Rebecca Katherine Smith Merrill Rosenfeld joined the Legal Department of the Teacher Retirement System of Texas (TRS) in August 2010, after spending the first half of her career as an attorney and policy analyst with the Public Utility Commission, Governor's Office, and the city of Dallas; and

Whereas, she then became Director of Special Projects in 2013, and was promoted to TRS' first Chief Strategy Officer the following year; and

Whereas, she oversaw strategic planning, enterprise risk management, actuarial policy, external communications, and content for the popular brochure - *A Great Value for All Texans* - illustrating the economic benefits TRS and our members provide to the State of Texas; and

Whereas, Rebecca was instrumental in promoting the statutorily required *Strategic Plan* and worked diligently to bring meaning to it by regularly communicating, measuring, and reporting on TRS' goals and objectives. She was integral in the development of the TRS Board of Trustees Strategic Planning Committee in 2018 which enhanced discussion of TRS strategy and Board input on a wide array of issues involving strategy and major projects, but most importantly focused on the mission of TRS; and

Whereas, Rebecca created a sense of shared ownership in the *Strategic Plan* by leading an educational campaign so that all employees – from the front line to the executives – understood how their work contributed to the mission of TRS. She believed this work would help TRS to become a more intentional and resilient organization; and

Whereas, Rebecca also worked extensively on special projects and pension policy matters; particularly during a critical time facing all pension systems. She developed a study comparing the TRS defined benefit plan to a defined contribution plan that provided salient information used by the 83rd Legislature to pass landmark legislation that stabilized the TRS pension fund and set it on a path to actuarial soundness; and

Whereas, Rebecca developed an elegant methodology that clearly demonstrates that defined benefit plans are more cost effective, offer more value and less risk, and provide greater benefits at a lower cost than alternative structures. Her groundbreaking work provided a model for pension systems around the country to conduct similar studies that contributed greatly to the retirement security for teachers and public employees nationwide; and

Whereas, Rebecca was always striving to ensure our members, active and retired, understood the options available to them and how best to prepare for retirement. She advocated for the creation, and oversaw the development of the well-received TRS Financial Awareness Video Series; and

Whereas, through pure determination (and lots of diet coke) she led TRS through the initial Sunset review process which included many late hours finalizing the Self-Evaluation Report submitted in 2019 that positioned TRS to successfully emerge from the Sunset Review in a better and stronger position to serve our members; and

Whereas, Rebecca had a gift for making public presentations by clearly and concisely communicating complex policies and facts. She had a remarkable ability to think like an attorney without sacrificing clarity or practicality; and

Whereas, throughout her years in leadership, Rebecca's colleagues held her in the highest esteem for her affable nature and strong work ethic. She was admired for her approach to managing the Strategy Office and working with Trustees, elected officials, and various stakeholders; and

Whereas, she was the epitome of diplomatic candor, never afraid to walk into the Executive Director's office and suggest that he may need to change tactics, or that he should consider other options that were more viable, practical or just plain better; and

Whereas, Rebecca's quick wit, warm smile, and dedication to TRS made her a pleasure to work with. She championed enterprise leadership, helping to break down siloed thinking and promoting a leadership culture where TRS executives see the big picture and act collectively to create purpose, strategy, and value across the organization. Her vision, bright mind, and willingness to "wade in" will be sorely missed; and

Whereas, Rebecca was a beautiful soul who touched all that she met. She was passionate about her work, but even more so about her faith and family –

especially her beloved daughter Kate and husband David. She always encouraged those close to her to do their best at work, but also make sure to spend quality time making memories with family because time is precious. Though her time on this earth was cut short, her impact on TRS, our members, and her colleagues will be known for years to come. She will be dearly missed;

Now, therefore, be it resolved, that the board of trustees and staff of the Teacher Retirement System of Texas recognizes, posthumously, the accomplishments and contributions of Rebecca Katherine Smith Merrill Rosenfeld during her storied career with the retirement system and expresses appreciation on behalf of TRS members both present and future,

And be it further resolved, that the Teacher Retirement System of Texas extends its sympathy to Rebecca's family after her death on November 11, 2021 and decrees that they be presented a copy of this resolution, which is entered into the record of the board for February 17, 2022.

On a motion by Ms. Sissney, seconded by Mr. Nance, the board unanimously approved the resolution with the following standing voice vote:

Ms. Sissney: Aye.

Mr. Ball: Aye.

Mr. Corpus: Aye

Mr. Elliott: Aye.

Mr. Nance: Aye.

Chair Hollingsworth: Aye.

After a moment of silence, Mr. Hollingsworth then provided Mr. Guthrie an opportunity to provide his and staff's perspective. Mr. Guthrie then read the resolution signed by Dade Phelan, Speaker of the House, and a letter from Governor Greg Abbott to the Merrill Family. Mr. Guthrie stated it was his privilege, honor and a very sad day to stand and share thoughts on behalf of himself and staff that worked with Rebecca closely over the years. He said Rebecca was a special soul, she inspired so many people and that she was passionate about her work, taking great pride in serving the teachers of Texas. He said it was his privilege to be Rebecca's colleague and friend for the last 20 years. She was a trusted friend and part of his kitchen cabinet in his role as ED. Mr. Guthrie noted that the flag flying over the Capitol today was being done so in Rebecca's honor.

Mr. David Rosenfeld thanked everybody from TRS for all the gifts and support during Rebecca's sickness. Mrs. Smith said on behalf of Rebecca's father, Jack, and herself, she thanked TRS and the Board saying Rebecca loved working at TRS.

Mr. Hollingsworth called for a brief recess.

Mr. Hollingsworth then called up agenda item 2 without objection.

2. **Consider the following administrative matters, including approval of the December 7-8, 2021 proposed meeting minutes – Jarvis V. Hollingsworth.**

On a motion by Mr. Elliott and seconded by Mr. Nance, the Board voted to approve the proposed minutes of the December 7-8, 2021 meeting as presented.

Mr. Hollingsworth then called up agenda item 4 without objection.

4. Review and Discuss the Executive Director's report on the following matters – Brian Guthrie:

- A. Administrative operational matters, including updates on financial, audit, investments, legal, staff services, board administration activities, special projects, risk assessment, workforce matters, long term facilities including El Paso Regional Office, Red River headquarters and new headquarters.**
- 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 how the February meeting is designed for trustee training, education and a deeper dive into salient issues that Trustees need to know. He reviewed upcoming and past conferences, noting that the Trustees were provided a list of conferences for the up coming year. He provided an update on headquarters. For the Alpha building the core and shell construction is complete and the team hopes to start the interior build-out this summer as scheduled. For Bravo, the earth-moving work has begun, preparing the site for the laying of the foundation, which should happen in the next couple of months. For Red River disposition effort, he reported the offering memorandum was released yesterday to the market and offers are due by April. For the El Paso office, he said the lease was signed earlier this month with the Education Service Center in El Paso and the team is currently in the process of training the regional office director and six counselors.

Mr. Guthrie reviewed TRS' workforce. He noted the workforce is comprised of 16 percent baby boomers, 29 percent are considered Gen X, and 53 percent Millennials and 2 percent Gen Z. He reported the current tenure is below seven years which is symptomatic of some of the turnover experienced recently. He said the turnover rate is alarming at 14.6 percent, the state turnover is currently at 23 percent.

Mr. Guthrie provided an updated spotlight report that typically is talked about in the Strategic Planning Committee. He noted the category for business continuity was most recently reclassified as an enterprise risk due to the enterprise-wide involvement in this function, and recent improvements and enhancements related to business continuity and disaster recovery planning. He pointed out the budget category was changed from stable to increasing due to inflation and watching very carefully the impact of supply chain issues as we are building our new headquarters.

Mr. Guthrie recognized Ms. Barbie Pearson as the president of the Board of the National Pension Education Association. He also noted he was selected to participate on an advisory council at the LBJ School to refine and improve their executive master's program. Mr. Guthrie announced TRS winning Top Workplace for the United States.

Mr. Guthrie reviewed the upcoming board meeting proposed agendas, noting many items from the originally two-day meeting condensed to one this February will now be taken up in April.

5. Receive an overview of the proposed Fiscal Year 2023 – 2027 Strategic Plan Goals, Objectives and strategies – Caasi Lamb.

Ms. Caasi Lamb provided background of the Strategic Plan that the state required TRS to submit in the even-numbered years. She reviewed how the executive council (EC) met and discussed priority issues facing the organization that provides a guide for the updates to the Strategic Plan. Ms. Lamb then reviewed the proposed updates to the goals, objectives and strategies contained in the Strategic Plan. She said the plan will be brought back to the April Board meeting for consideration with the suggested changes she received.

6. Receive an update on Customer Service Improvement Plan – Brian Guthrie, Andrew Roth, Barbie Pearson, Janet Bray and Chris Cutler.

Mr. Guthrie introduced the update by stating staff had a number of different items related to customer service improvement. He noted the sea change in terms of how to implement the authority the Board has given staff to add additional employees, additional resources to customer service.

Mr. Andrew Roth reviewed the five key areas of opportunity to focus on as a team to improve customer service. Ms. Barbie Pearson provided an in-depth review of the analysis done to identify opportunities including process improvements, system enhancements, procedures or policy changes needed for each of the five key areas. Mr. Roth stated this is a three-year holistic plan that concludes with the final deployment of the TRUST system in FY 25.

Ms. Jennifer Whitman reviewed the roadmap the TEAM Program has developed with the intent of deploying multiple releases over the course of this calendar year. She said the releases will contain features and functionality specifically targeted toward the key areas of improvement outlined by Ms. Pearson. Mr. Billy Lowe reviewed the resources needed to be successful with such releases. Mr. Adam Fambrough provided a demonstration of the new MyTRS. Ms. Janet Bray reviewed the talent acquisition roadmap for hiring Benefit Services in the Austin area. Mr. Roth noted how the overtime in Benefit Services for FY 21 equated to 22 FTEs based on pay. He concluded by stating with the increase in staff for one line-of-business area impacts the shared services such as payroll and benefits.

Mr. Hollingsworth then called up agenda item 8 without objection.

8. Receive the Ombudsman's Annual Report – Lori LaBrie.

Ms. Lori LaBrie reviewed the function and purpose of the Ombudsman's Office. She referenced the newly created Ombud's web page and reviewed the incoming communications to the Ombuds Office. Ms. LaBrie then reviewed how a communication is evaluated as a complaint and the types of complaints that have come in over the past year. She concluded by noting the office is fully established, functioning and members are utilizing the office on a daily basis.

Mr. Hollingsworth then called up agenda item 7 without objection.

- 7. Receive an update TRS health plans including key legislation and consider the adoption of a resolution directing staff to apply funds appropriated by Senate Bill 8 as passed by the 87th Texas Legislature in the Third Called Special Session to issue a one-time payment for TRS-Care and offset future plan year premium costs for TRS-ActiveCare participants – Katrina Daniel and Monica Bernal.**

Ms. Monica Bernal provided some highlights of TRS-Care and ActiveCare customer service based on 2021 stats. She reported 85 to 90 percent of the total call volume is handled by the health care vendors and the rest is handled directly by the HIB operations department. She noted the health care vendors are held to very high standards in their servicing, they have performance guarantees. She said they and TRS staff meet or exceed their targets, month over month.

Ms. Katrina Daniel discussed the engagement effort among the school districts and participants in ActiveCare. She said Senate Bill 1444 allows districts to leave ActiveCare for the first time by December 31, 2021. She said they worked hard to provide the districts information for them to make an informed decision. She reported ActiveCare retained 90 percent of the business. Ms. Bernal reported that House Bill 2022 provided TRS-Care individuals who left the plan between 2017 -2019 and who are Medicare eligible the opportunity to re-enroll into TRS-Care. She reported as of January 1st 324 individuals have enrolled back into the plan.

Ms. Daniel discussed the funds that the federal government set aside to cover COVID costs. She reported the legislature had designated nearly \$300 million for our members. She stated that due to TRS-Care having a positive fund balance, they are able to return that money to the members in the form of a check, to act as a premium offset. She said that equates to sending out 180,000 checks of \$448.12 by mid-March. She said the balance of the \$286 million will go to ActiveCare to offset premium costs by five percent for the coming plan year.

On a motion by Mr. Corpus, seconded by Ms. Sissney, the Board unanimously voted to approve the following resolution to authorize a one-time payment of \$448.12 to TRS retirees or surviving spouses in March of 2022:

**Resolution Approving the Issuance of a One-Time Payment for TRS-Care
Retirees and to Offset Future Plan Year Premium Costs for TRS-ActiveCare
as authorized and funded by Senate Bill 8 of the 87th Legislature, 3rd
Special Session
February 17, 2022**

WHEREAS, Senate Bill 8 (SB 8), relating to making supplemental appropriations and giving direction regarding appropriations, was passed by the State of Texas 87th Legislature, Third Called Special Session, and signed by the Governor of Texas with an immediate effective date of November 8, 2021;

WHEREAS, through the adoption of SB 8, the Texas Legislature appropriated \$286,337,761 to the Teacher Retirement System of Texas (TRS) from money

received by the State of Texas from the Coronavirus State Fiscal Recovery Fund (42 U.S.C. § 802) established under the American Recovery Rescue Plan Act of 2021 ("ARPA") (Pub. L. No. 117-2), for the purpose of providing funding during the two-year period beginning on the effective date of the Act for coronavirus-related claims in the TRS-Care and TRS-ActiveCare programs;

WHEREAS, through such appropriation, it is the intent of the Legislature that premiums for TRS-Care and TRS-ActiveCare plan coverage not increase as a result of coronavirus-related claims, and that such premiums be calculated and adjusted taking into consideration the appropriated funds;

WHEREAS, because of the appropriated funds, the claims experience under the TRS-Care program has improved enough to justify TRS giving a one-time payment of \$448.12 to eligible retirees and surviving spouses enrolled in TRS-Care as of January 1, 2022;

WHEREAS, because of the appropriated funds, TRS may also offset future plan year premium costs resulting from Coronavirus-related care and improve affordability for the TRS-ActiveCare program;

WHEREAS, TRS staff has made recommendations to the Board of Trustees (Board) that the Board direct TRS staff to prepare for and issue the one-time payment in March 2022 and to offset future plan year premium costs for TRS-ActiveCare participants, in accordance with the provisions in SB 8; and

WHEREAS, the Board desires to adopt the recommendations of TRS staff; now, therefore, be it

RESOLVED, that the Board hereby adopts the recommendation of TRS staff and authorizes a one-time payment to eligible retirees and surviving spouses enrolled in TRS-Care as of January 1, 2022, in accordance with SB 8; and directs TRS staff to prepare for and to issue in March 2022 to eligible retirees and surviving spouses enrolled in TRS-Care as of January 1, 2022 a \$448.12 one-time payment in accordance with SB 8; and be it

FURTHER RESOLVED, that the Board directs TRS staff to issue the one-time payment to the TRS-Care eligible retirees and surviving spouses that receive annuity payments by direct deposit . Otherwise, the Board directs TRS staff to issue the one-time premium payment to eligible retirees and surviving spouses through a physical check to be mailed to the eligible retiree's and surviving spouse's address of record on TRS' file; and be it

FURTHER RESOLVED, that the Board hereby adopts the recommendation of TRS staff and authorizes an offset to future plan year premium costs for TRS-Active-Care participants, in accordance with SB 8.

Mr. Hollingsworth then called up agenda item 13 without objection.

13. Provide an opportunity for public comment.

Mr. Jeffrey Aronowitz, representing the Private Equity Stakeholder Project, spoke on behalf of the Greenbrook Tenant Coalition. He expressed concern regarding the Texas State Board of Education investing in a private equity firm that in turn invested money into Greenbrook Partners who is using harassment tactics to push tenants out of their homes.

Ms. Aneta Molenda, representing the Private Equity Stakeholder Project, spoke on behalf of the Greenbrook Tenant Coalition. She expressed concern over Greenbrook Partners who increased her rent by 50 percent when her lease ended leaving her in an impossible situation as Omicron surged.

Ms. Daniella Stromberg, representing the Private Equity Stakeholder Project, spoke on behalf of the Greenbrook Tenant Coalition. She expressed concern over Greenbrook Partners giving her no rent concessions and forcing her into bankruptcy.

Mr. Phil Miller, representing the Private Equity Stakeholder Project, spoke on behalf of the Greenbrook Tenant Coalition. He expressed concern over Greenbrook Partners management of the building he resides in noting a number of neighbors received non-renewal notices in the middle of a pandemic.

Dr. Craig Campbell, legislative Chair for ARTA, expressed concern over the economic status of the TRS retiree, requested a survey be performed, and the need for a cost of living adjustment (COLA).

Mr. Hollingsworth then called up agenda item 21 without objection.

21. Receive an update and consider an amendment to the proxy voting services contract with ISS related to the use of certain proxy voting benchmarks – Ryan Leary.

Mr. Ryan Leary provided an update on the proxy voting guidelines. He reported the TRS Proxy Committee evaluated the new ISS benchmark policy guidelines for 2022. He said the committee is recommending that TRS use a custom policy with custom voting guidelines that make modifications to the benchmark policy guidelines sections on climate change and special purchase acquisition company (SPAC) mergers. He provided further background on the proposed modifications. Mr. Leary concluded by stating a custom policy enables voting according to TRS' best economic interests.

Dr. Brown supported the adoption of the proposal noting voting is very much an asset of the System and it is important for the Board to retain control over how that asset is managed when the voting policy is not aligned with your interests.

Mr. Steve Voss added such a small change allows IMD's investment beliefs and philosophies to be executed vis-à-vis proxy voting.

Ms. Suzanne Dugan stated the voting of these rights that are the proxy voting, that's pertinent to the shares, is a fiduciary duty. She noted the proxy voting policy specifically allows to customize.

On a motion by Mr. Nance, seconded by Mr. Ball, the board voted to approve the following resolution to amend the proxy voting services contract with ISS.

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

February 17, 2022

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

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

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

WHEREAS, On July 17, 2020, the Board authorized the Executive Director or a designee, with the assistance of legal counsel, to negotiate and to execute a contract with the ISS that is consistent with the best interests of TRS for an initial term not to exceed five (5) years in duration beginning on December 1, 2020 or as soon thereafter as practicable, with one option for an extension not to exceed a total of one (1) year;

WHEREAS, ISS annually conducts a global policy review process and updates the ISS Benchmark Proxy Voting Guidelines for the upcoming year;

WHEREAS, IMD Proxy Committee reviews updates to the ISS Benchmark Proxy Voting Guidelines, confirms the updates are appropriate for TRS, and prepares a summary to the Board to highlight key changes;

WHEREAS, IMD Proxy Committee reviewed the 2022 updates to the ISS Benchmark Proxy Voting Guidelines to ensure alignment with TRS’ objectives;

WHEREAS, IMD recommends modifications to the ISS Benchmark Proxy Voting Guidelines for purposes of TRS proxy voting pertaining to climate change and Special Purpose Acquisition Company (SPAC) mergers;

WHEREAS, IMD Proxy Committee recommends the Board institute a custom policy with ISS to vote proxies according to the Board’s directions; now, therefore, be it

RESOLVED, That the Board approves voting TRS proxies through a custom policy for voting guidelines related to climate: 1) Following management

recommendations with regard to action plans, including management recommendations on related shareholder proposals; 2) Opposing management and shareholder proposals that seek to restrict business with fossil fuel companies if contrary to shareholder value maximization; and 3) Generally removing climate-related criteria for evaluating directors and voting in director elections.

Mr. Hollingsworth then called up agenda item 11 without objection.

11. Receive and consider an update from Organizational Excellence – Andrew Roth, Janet Bray and Chris Bailey:

a. TRS Classification Review

Ms. Janet Bray provided background as to how the pandemic, the great resignation or the great reassessment, has affected the workforce in general and TRS' workforce specifically. She reported from September 2021 to December 2021, TRS paid out for departing employees \$1.3 million in accrued leave and overtime. She said there are currently 142 vacancies at TRS. She stated last year TRS hired 160 employees but lost 151 to attrition. She said the State Classification System limits TRS' ability to offer market-competitive compensation packages. She noted the last salary change to the State Plan was six years ago.

Ms. Bray said in 2019 there was a proposal to the Board to leave the State Classification System and create a TRS-specific system modernizing TRS compensation practices. She said there was a plan to bring additional information in April 2020 but the pandemic intervened and diverted attention. She stated a new structure would provide TRS with the agility to address shifts in the market and allow a system that is unique to TRS. She noted there will be governance and guidelines that will go along with this system and it will parallel the State's system wherever possible. Ms. Bray reviewed other state agencies that operate outside the State Classification System. Ms. Chris Bailey described the proposed process to transfer from the State to a TRS classification system. She noted this would be a two-to-three year implementation.

On a motion by Mr. Nance, seconded by Mr. Corpus, the board voted to approve the following resolution with Ms. Sissney voting no:

**Resolution Implementing a TRS-Specific Classification System
February 17, 2022**

WHEREAS, Chapter 654 of the Texas Government Code provides the Position Classification Plan ("Plan") which provides the salary structure for specified state employments. Section 654.011, which identifies the agencies required to use the State Classification Plan, does not apply to the Teacher Retirement System of Texas ("TRS");

WHEREAS, Chapter 659, Subchapter K of the Texas Government Code sets forth the provisions related to promotions, reclassifications, and other adjustments to salary for employees of the executive or judicial branch of state government.

WHEREAS, Section 825.208(b) of the Texas Government Code specifies that TRS is exempt from Chapter 659, Subchapter K of the Government Code, including the use of the state classification schedule, to the extent the TRS Board determines an exemption is necessary for the performance of fiduciary duties;

WHEREAS, TRS engaged with Deloitte Consulting in late June 2019 to assess TRS' classification structure and approach to compensation;

WHEREAS, TRS staff updated the Board on the classification and compensation review during the December, 2019 Board meeting; and

WHEREAS, One of the objectives set forth in TRS' Strategic Plan 2021-2025 is to attract, retain, and develop a diverse and highly competent staff;
Now, therefore, be it

Resolved, Based on the results of the classification and compensation review, the Board determines that it is necessary for the performance of fiduciary duties to implement a classification plan specific to TRS which will ensure TRS can meet future business needs;

Resolved, Further, the Board determines that an exemption from the Plan is necessary in order to be able to implement a specific plan to recruit and retain a qualified workforce, by providing a structure that increases flexibility, allows for TRS to adapt to changes in the market, and increases efficiency and reduces administrative burden.

Resolved, The Board authorizes the Executive Director, or his designee, to take all necessary actions to remove TRS employees from the Plan and to begin full implementation of a classification plan specific to TRS.

Mr. Hollingsworth then called up agenda item 9 without objection.

9. Receive annual ethics and fiduciary training – Heather Traeger, Alice McAfee and Suzanne M. Dugan, Cohen Milstein.

Ms. Heather Traeger, Ms. Alice McAfee and Ms. Suzanne Dugan, provided the annual ethics and fiduciary training focusing on transparency, conflicts of interest, the roles and responsibilities of the Trustees especially regarding the Open Meetings Act and the Public Information Act which all tied back to the Trustees fiduciary responsibilities.

Mr. Hollingsworth then called up agenda item 16 without objection.

16. Receive CIO Update including Fleet Strategy; Talent Management; Accomplishments; Notices; Awards; Key Dates and Upcoming Events; and Market Update – Jase Auby.

Mr. Jase Auby provided the CIO update and the semi-annual market update. He noted the Trust ended the calendar year 2021 at \$204 billion in value and it had a one-year return of 18.4 percent, exceeding the assumed actuarial rate by about 11 percent. He reviewed past meetings including the Emerging Managers Conference. He stated they are actively recruiting for 28 positions, 24 are due to vacancies. He concluded by providing the market update commenting on the markets in general.

Mr. Hollingsworth then called up agenda item 10 without objection.

10. Receive a Diversity, Equity and Inclusion Update – Kellie Sauls.

Ms. Kellie Sauls provided an overview of the DE&I's strategic plan, achievements for FY 21, goals and objectives for FY 22 and an update on the outstanding RFP to track metrics and measurement for DE&I. She reviewed the business case for diversity, stating when there is a strong culture of diversity and inclusion working together, there is a strong correlation to business outcomes.

Mr. Hollingsworth then called up agenda item 15 without objection.

15. Discuss Internal Audit's upcoming External Quality Assurance Review – Katie Linczer.

Ms. Amanda Jenami and Ms. Katie Linczer reviewed the External Quality Assurance plan that was described as an audit of the internal audit function at TRS. Ms. Jenami said the independent team assessment will be used, introduced the proposed team and the timeline.

Mr. Hollingsworth then called up agenda item 11 without objection.

11. Receive and consider an update from Organizational Excellence – Andrew Roth, Janet Bray and Chris Bailey:

b. Executive Succession Planning, including the Executive Director, Chief Investment Officer, Chief Audit Executive and the Executive Council Members.

Mr. Guthrie introduced this item stating to make sure an organization has a good succession plan is a fiduciary responsibility. He noted TRS had the process of updating its succession planning prior to the pandemic, paused during the pandemic, and is now back working on the process in earnest. He then described the process and assessments performed to identify and help to develop the high-profile, high-potential candidates or employees for each of the executive positions.

22. 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 matters, or other counterparties – Heather Traeger.

At 5:28 p.m., Mr. Hollingsworth announced the board would recess into executive session on the following agenda items and sections of the Government Code: Items 11.B to discuss executive succession planning, including Executive Director, Chief Investment Officer, Chief Audit

Executive and the Executive Council members under Section 551.074 of the Government Code for personnel; and Item 22, under Section 551.071 of the Government Code to consult with legal counsel.

At 6:23 p.m., Mr. Hollingsworth reconvened the Board meeting.

- 12. Receive an annual update on TRS Data Protection and Security – Andrew Roth, Frank Williams, Kristi Glasgall and Heather Traeger.**

This item was not taken up.

- 14. Receive governance and risk management training – Amanda Jenami.**

This item was not taken up.

- 17. Receive Merging Manager Annual Update – Kirk Sims.**

This item was not taken up.

- 18. Receive IMD Legal & Compliance Update – Heather Traeger and Denise Lopez.**

This item was not taken up.

- 19. Receive an overview of IMD Compensation – Horacio Zambrana, Christine Bailey; and Michael Vosler, McLagan.**

This item was not taken up.

- 20. Receive the annual update on ESG – Lauren Gellhaus; Meredith Jones and Steve Voss, AON.**

This item was not taken up.

At 6:24 p.m., Mr. Hollinsworth noted there was no more scheduled business before the Board and announced the meeting was adjourned.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM
OF TEXAS ON THE 29th DAY OF APRIL 2022.

ATTESTED BY:

Katherine H Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

April 29th, 2022

Date