

Minutes of the Board of Trustees

July 13, 2023

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, July 13, 2023, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

The following Board members were present:

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

Others present:

| | |
|---|------------------------------|
| Brian Guthrie, TRS | Rick Pleasant, CVS Caremark |
| Andrew Roth, TRS | Rene Paulson, Elite Research |
| Heather Traeger, TRS | Amy Daily, ESI |
| Jase Auby, TRS | Lindsay Luelf, ESI |
| Don Green, TRS | TJ Geers, ESI |
| Barbie Pearson, TRS | Tolv Adeoye, Adobe |
| Katrina Daniel, TRS | Mark Robbins, HDS |
| Amanda Jenami, TRS | Tom Counts, HDS |
| Merita Zoga, TRS | Bonnie Vaylor, HDS |
| Lori LaBrie, TRS | Joann Coccoaro, MMS |
| Katherine Farrell, TRS | Michelle Rodriguez, HMS |
| Suzanne Dugan, Cohen Milstein | Adam Morris, HMS |
| Dr. Keith Brown, Board Investment Advisor | |
| | Michael Clayton, SAO |
| | Steve Alexander, BCBS TX |
| | Karen Haywood, BCBS |
| | Marcy McLanzo, UHC |
| | Pamela McPeters, TCTA |
| | Brock Gregg, TRTA |

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 administrative matters including approval of the May 2023 proposed meeting minutes – Jarvis V. Hollingsworth.

On a motion by Ms. Sissney, seconded by Mr. Ball, the Board unanimously voted to approve the May 2023 proposed meeting minutes as presented.

3. 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, investment matters, strategic planning, legislative, trustee elections, personnel matters and Moving Forward Together Update.**
- B. Board operational matters, including a review of draft agendas for upcoming meetings.**
- C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.**

Mr. Brian Guthrie reviewed upcoming and past conferences and meetings. He provided an update to the new construction activities in Alpha-Bravo. He said the Health Division is scheduled to move into Alpha shortly and that the Bravo exterior should be completed next month. Mr. Guthrie announced the Trustee election for the retiree and at-large positions were certified and the results were sent to the Governor. He concluded the report by reviewing items for September and December Board meetings.

4. Receive an update regarding the 88th Regular Legislative Session – Merita Zoga and Addison Crank

Ms. Merita Zoga provided an overview of the 88th Regular Legislative Session. She said it was a record-breaking session with the number of bills filed, over 8,000. She said the General Appropriations Act, House Bill (HB) 1, provided the final phase of contribution increases from the State to the TRS Pension Trust Fund. She said in 2019 the legislature passed Senate Bill (SB) 12 which offered incremental increases to the Fund to ensure its actuarial soundness. She shared that TRS was invited along with retirees to the Governor's bill signing of SB 10. She said the legislature also provided over \$588 million for the TRS-ActiveCare fund to help keep premiums low. She reported four new riders and the deletion of two riders. Ms. Zoga reviewed the important legislations regarding TRS Investment Management Division (IMD), Health Division and other legislation that impacted all state agencies.

Mr. Guthrie thanked Chair Hollingsworth for appearing before the legislature on TRS' behalf and Trustee Elliott for appearing on behalf of the new trustees for the confirmation hearing. He commended Ms. Zoga and Ms. Addison Crank for all of their hard work this session.

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

Ms. Lori LaBrie reviewed the Ombuds communications received from January to May 2023. She reported the Office received 277 communications during the period. She reviewed the top three large-scale agency issues for April and May as COLA, health care and social security. For January to May 2023 she reported there were 102 point-in-time complaints which was down from a total of 115 last year.

6. Review and consider procurements and contracts, including the following – Shannon Gosewehr:

A. Receive Procurement and Contracts Update; and

B. Consider accepting the Procurement and Contracting Report.

Ms. Shannon Gosewehr announced that TRS has improved its procurement and contract management practices to such an extent that the State Auditor's Office (SAO) determined no additional monitoring was warranted for the program. She said a few years ago TRS received "an additional monitoring warranted" rating from the SAO with regard to contract management and termination. She said the increased utilization of competitive bidding; the implementation of PAVES; improved contract risk assessment questionnaire at renewal to include vendor performance; and strengthening of the contract management workforce and the establishment of an enhanced contract monitoring plan made the difference in the improved status. Ms. Gosewehr stated that Senate Bill 1246 included an exemption for TRS from several of the state procurement requirements. She said Procurement and Contract, the Contract Management Office and Legal & Compliance over the next couple of months will evaluate revisions but do not know exactly what that will look like and are hopeful to provide an update at the next quarterly meeting. In response to Mr. William's inquiry, Mr. Guthrie stated his perspective is to be very selective in how the flexibility is applied moving forward and only do it in situations where there is truly a competitive issue or some competitive advantage at stake with proper monitoring and documentation.

Ms. Gosewehr reviewed the status of requisitions compared to last year noting significant improvement due to transparency enabled by PAVES. She provided a HUB outreach update noting TRS has spent over \$7 million with HUB vendors, a 21 percent increase from last year. She noted the Contract Management Office is conducting contract management training for employees in the business units performing those tasks. She concluded with reviewing the quarterly contract report.

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

At 9:20 a.m., Mr. Hollingsworth announced the board would recess to take up the scheduled committee meetings and then will reconvene the Board in the afternoon.

At 4:15 p.m., Mr. Hollingsworth announced the Board meeting as reconvened and agenda item 7 would be taken up.

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

At 4:16 p.m. Mr. Hollingsworth announced the Board would recess into executive session for agenda item 7 under Sections 551.074, and 551.071, to discuss personnel matters and consult with legal counsel as needed.

At 6:00 p.m., the Board reconvened in open session.

At 6:02 p.m., Mr. Hollingsworth announced the Board stands in recess until the conclusion of the ACE Committee tomorrow morning.

July 14, 2023

The Board of Trustees of the Teacher Retirement System of Texas met on July 14, 2023, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

The following Board members were present:

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

Others present:

| | |
|---|------------------------|
| Brian Guthrie, TRS | Tim Lee, TRTA |
| Andrew Roth, TRS | Marcy Cann, TRTA |
| Don Green, TRS | Mike McCormick, AON |
| Heather Traeger, TRS | Laurie Patton, EY |
| Jase Auby, TRS | Kendall Thompson, EY |
| Barbie Pearson, TRS | Michael Clayton, SAO |
| Katrina Daniel, TRS | Truvia Navkal, TRTA |
| Amanda Jenami, TRS | Ella Gauthier, TRTA |
| Katy Hoffman, TRS | Dr. Mary Widmier, TRTA |
| Frank Williams, TRS | Brock Gregg, TRTA |
| Shunne Powell, TRS | Rick Pleasant, CVS |
| Katherine Farrell, TRS | |
| Kristi Glasgall, TRS | |
| Michelle Gray, TRS | |
| Christine Bailey, TRS | |
| J.R. Morgan, TRS | |
| Suzanne Dugan, Cohen Milstein | |
| Dr. Keith Brown, Board Investment Advisor | |

At 9:57 am the Chair reconvened the board meeting.

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

Mr. Tim Lee, Executive Director of Texas Retired Teachers Association (TRTA), expressed appreciation for the work that TRS, specifically Brian Guthrie, had done during the legislative session to do something for retired public school employees that have never been done in the history of the State of Texas.

Ms. Marcy Cann, representing TRTA, expressed appreciation of the excellent job of educating the legislature and the fun of being there together to have the bill signed by the Governor.

9. Receive the report of the Strategic Planning Committee on its July 13, 2023 meeting – Committee Chair.

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

The Strategic Planning Committee met on July 13, 2023. The committee approved the proposed minutes of April 2023 meeting.

The executive director provided an update on his areas of focus for fiscal year 2023. Mr. Don Green and Ms. Michelle Pagan provided background information and an overview of the proposed fiscal year 2024 areas of focus in alignment with the key accountabilities and strategic plan.

Mr. Green, along with strategic plan objective owners, discussed and reviewed the results forum information for the 2023-2027 TRS Strategic Plan objectives. The objectives included: advancing and enhancing IT systems and services, enhancing the Information Security program, fostering a culture of fiduciary responsibility and ethical conduct, improving and maintaining effective procurement and contract management practices, and developing a centralized data management framework for digital and physical data.

Mr. Green also provided an overview of the enterprise stoplight report.

Ms. Sunitha Downing, and Dr. Rene Paulson from Elite Research, provided survey results from the reporting employer satisfaction survey.

- 10. Receive the report of the Benefits Committee on its July 13, 2023 meeting and consider adoption, approval or acceptance of the following – Committee Chair:**
- A. Consider resolution directing staff to prepare for and issue the limited by age one time-stipend consistent with the provisions of Senate Bill 10 as passed by the 88th Texas Legislature Regular Session**
 - B. Acceptance of the Medical Board Meeting minutes;**

- C. Consider the appointment of members of the Medical Board;**
- D. Consider the approval of the Benefit Payments for March 2023 – May 2023;**
- E. Consider adoption of the plan design for the TRS-Care Standard Plan for FY 2024.**

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

The Benefits Committee met on July 13, 2023. The committee approved the proposed minutes of the Benefits Committee for the April 27, 2023 meeting.

Ms. Barbie Pearson, Chief Benefits Officer, provided information regarding the one-time stipend with the provisions of Senate Bill 10, as passed by the 88th Texas Legislature and signed by the governor on June 13, 2023.

Ms. Pearson recommended to the committee to recommend to the Board to consider the adoption of the resolution directing staff to prepare for and issue the one-time stipend.

Ms. Barbie Pearson provided an update on the Medical Board. The committee recommends to the Board acceptance of the Medical Board meeting minutes for March 2023.

Next, Mr. Adam Fambrough, senior director of Benefit Processing, presented staff's recommendation for the committee to consider recommending to the Board the appointment of Dr. Alice Cox to the Medical Board for a two-year term beginning September 1, 2023 through August 31, 2025.

Ms. Barbie Pearson provided an update on the benefit payments for the third quarter of fiscal year 2023. The committee recommends to the Board the approval of benefit payments for March through May 2023.

The Committee received an update from Ms. Pearson on Benefit Services operations for the for the nine months of fiscal year 2023. The report included updates on the number of members and employers served from September 2022 through May 2023. This report also included updates on service levels for all key member service areas, staffing updates, and an update on the deployment of the death claim and retirement process from the legacy mainframe into TRUST.

Next the Committee received an update from Ms. Katrina Daniel, Chief Health Care Officer, on the Health Division plan changes, operations and claims audit.

First, Ms. Meaghan Bludau, Chief of Staff for the Health Division, described changes needed for the TRS-Care standard plan to ensure it remains compatible with health savings accounts. The committee voted to recommend the benefit changes.

Ms. Bludau and Ms. Monica Bernal, Senior Director of Operations for the Health Division, then went on to update the committee on Health Benefits plan operations and upcoming engagement activities.

Finally, Mr. Jeff Bain, Director of Health Contracts, along with Mr. Adam Morris from Gainwell Technologies and Mr. Todd Coulter from Health Plan Data Solutions, presented the most recent claims audit results 10 for TRS-Care and TRS-ActiveCare.

Mr. Williams concluded the report with the following motions:

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution directing the staff to prepare for and issue the limited by age one-time stipend consistent with the provisions of Senate Bill 10.

**RESOLUTION APPROVING THE ISSUANCE OF A ONE-TIME STIPEND
AUTHORIZED IN SENATE BILL 10 AND FUNDED IN HOUSE BILL 1
July 13-14, 2023**

Whereas, Senate Bill 10 (SB 10) was passed by the 88th Legislature, Regular Session, and signed by the Governor on June 14, 2023;

Whereas, Section 2 of SB 10 is effective immediately and requires the Teacher Retirement System of Texas (TRS) to pay a one-time stipend of a retirement or death benefit in accordance with the provisions set forth in that section and sets out specific instructions regarding who is eligible to receive the stipend and the amount and timing of that payment;

Whereas, House Bill 1 (HB 1) was passed by the 88th Legislature, Regular Session, and signed by the Governor with an effective date of September 1, 2023;

Whereas, HB 1 appropriates \$1,645,000,000 to TRS in fiscal year 2024 to provide for the one-time stipend in accordance with the requirements of SB 10, and SB 10 provides that TRS shall issue the supplemental payment only if the Board of Trustees ("Board") finds that the Legislature appropriated money to TRS in an amount sufficient to provide the supplemental payment;

Whereas, Government Code § 821.006 requires the pension fund's unfunded accrued actuarial liability to have a projected amortization period of less than 31 years in order for TRS to issue a benefit enhancement, such as a one-time stipend. According to the actuarial analysis for the impact of SB 10, the expected amortization period for the fund is 27 years;

Whereas, SB 10 requires that the one-time stipend to be payable no later than September 2023;

Whereas, The Benefits Committee recommends that the Board direct TRS staff to prepare for and issue the one-time stipend in September 2023 and in accordance with the provisions in SB 10, but only if the Board of Trustees finds that the Legislature appropriated money to TRS in an amount sufficient for provide the stipend;

Whereas, The Benefits Committee further recommends that the Board find that in HB 1 the Legislature appropriated money to TRS in an amount sufficient for provide the one-time stipend in SB 10;

Whereas, The Board desires to adopt the recommendations of the Benefits Committee; now, therefore, be it

Resolved, That the Board hereby adopts the recommendation of the Benefits Committee and finds that in HB 1 the Legislature appropriated money to TRS in an amount sufficient for provide the one-time stipend in SB 10; be it

Further resolved, That the Board directs TRS staff to prepare for and issue the one-time stipend in September 2023 and in accordance with the provisions in SB 10.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution appointing members to the Medical Board.

RESOLUTION TO APPOINT TRS MEDICAL BOARD MEMBER

Whereas, Texas Government Code section 825.204 requires the Board of Trustees of the Teacher Retirement System of Texas to appoint a Medical Board composed of three physicians to perform services under contracts with TRS;

Whereas, The term of one of the current three members will expire August 31, 2023;

Whereas, TRS staff recommends that the Board of Trustees reappoint Dr. Alice Cox as a member of the TRS Medical Board effective September 1, 2023 for a two-year term that ends on August 31, 2025; now therefore be it resolved

Resolved, That the Board of Trustees reappoints Dr. Alice Cox for a two-year term beginning on September 1, 2023 and expiring on August 31, 2025; and

Resolved, That the Executive Director, or his designee, is hereby authorized to negotiate, with the assistance and advice of legal counsel, a contract renewal for Medical Board services with Dr. Cox and, if negotiations are deemed by the Executive Director in his discretion to be successful, then the Executive Director or his designee is hereby authorized to execute a contract renewal with Dr. Cox for two years coinciding with the term of their appointment and according to such terms, conditions, and fees as the Executive Director may deem in his discretion to be appropriate and to provide the best overall value for TRS, and to execute and deliver all such other documents that the Executive Director may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to incur, approve, and pay any budgeted expenses or costs associated with such contract and deemed in the discretion of the Executive Director to be reasonably necessary or advisable with respect to such contract.

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

On a motion by Mr. Williams, the Board unanimously voted accept the Medical Board's meeting minutes for March 2022 meeting, as recommended by the Benefits Committee.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution approving benefit changes for TRS-Care Standard Plan for Fiscal Year 2024.

**RESOLUTION APPROVING BENEFIT CHANGES FOR THE TRS-CARE
STANDARD PLAN AFTER IRS GUIDELINES**

July 13, 2023

Whereas, Chapter 1575, Insurance Code (the “Texas School Retired Employees Group Benefits Act”), governs the Texas School Retired Employees Group Benefits Program, hereinafter referred to as TRS-Care, and authorizes the Teacher Retirement System of Texas (TRS), as trustee, to implement and administer TRSCare, as described in the statute;

Whereas, the TRS-Care Standard plan is a High Deductible Health Plan (HDHP) that TRS provides under Chapter 1575 for retired public school employees and eligible dependents who do not qualify for Medicare coverage;

Whereas, it has been the purpose of TRS since the implementation of TRS-Care Standard that such plan be a “qualified” HDHP, as such term is defined by the Internal Revenue Service (IRS), so that retired school employees and their eligible dependents who benefit from it may use such coverage to qualify themselves to make tax-deductible deposits into a Health Savings Account (HSA) if they choose to do so and otherwise qualify under IRS rules to make such deposits;

Whereas, the IRS periodically revises the requirements that HDHPs must meet so that they qualify individuals covered by them to make tax-deductible HSA deposits;

Whereas, through an official publication from the IRS called Revenue Procedure 2023-23, the IRS released the inflation adjusted minimum requirements that will apply to qualified HDHPs in the year 2024, which include an annual deductible of not less than \$1,600 for self-only coverage and not less than \$3,200 for family coverage, and annual out-of-pocket expenses that do not exceed \$8,050 for self-only coverage and \$16,100 for family coverage;

Whereas, to keep TRS-Care Standard as a qualified HDHP, TRS is required to make the adjustments to the benefits identified below for the 2024 plan year, commencing on January 1, 2024;

Whereas, TRS staff and consultants assisting staff (the “Consultants”) have reviewed the IRS requirements and compared them to the current TRS-Care Standard benefits and recommend that the Board approve the changes below so that the TRS-Care Standard plan keeps its status as a “qualified HDHP” under IRS rules;

Whereas, The TRS Board of Trustees (“Board”) desires to adopt the recommendations of TRS staff and the Consultants; now, therefore, be it

Resolved, That the Board hereby adopts and authorizes the following benefit changes, subject to all other plan requirements and restrictions, for TRS-Care

Standard beginning in the 2024 plan year commencing on January 1, 2024 and thereafter, until further action by the Board:

| TRS-Care Standard | | |
|--------------------------------------|-----------------------------------|------------------------------------|
| Plan Feature | Current 2023 Plan Year | Proposed 2024 Plan Year |
| Individual In-Network Deductible | \$1,500 | \$1,600 |
| Family In-Network Deductible | \$3,000 | \$3,200 |
| Individual Out-of-Network Deductible | \$3,000 | \$3,200 |
| Family Out-of-Network Deductible | \$6,000 | \$6,400 |

11. Receive the report of the Compensation Committee on its July 13, 2023 meeting – Committee Chair.

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

The Compensation Committee met July 13, 2023. The committee approved the proposed minutes of its April 2023 meeting.

The committee received an update on staffing and turnover, a timeline regarding the annual evaluation of Board direct reports, and the TRS classification plan from Shunne Powell, Chief Organizational Excellence Officer, and Monica Durham, Talent Manager, and Christine Bailey, Director of Compensation and Workforce Analytics.

The committee received an overview of TRS compensation, including determination, evaluation and philosophy for compensation and an update from the Board's compensation consultant from Shunne Powell, Chief Organizational Excellence Officer, and Christine Bailey, Director of Compensation and Workforce Analytics.

The Board also received an overview of compensation services to be provided by the Board's compensation consultant from Josh Wilson and Susan Lemke from Mercer Consulting.

12. Receive the report of the Budget Committee on its July 13, 2023 meeting and consider adoption of the following – Committee Chair:

- A. Consider the adoption of the proposed fiscal year 2024 pension trust fund administrative operations budget, general provisions, and resolution authorizing transfer of pension trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2024 budget;**
- B. Consider the adoption of the proposed fiscal year 2024 administrative operations budgets and general provisions for the TRS health benefits funds (retired and active plans).**
- C. Consider the statutory certification of estimated state contributions to the State Comptroller of Public Accounts to be received by the retired school employees group health benefit fund for the fiscal year ending August 31, 2024.**

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

The Budget Committee met July 13, 2023. The committee approved the minutes of the April 2023 Budget Committee meeting.

Mr. Don Green and Ms. Kendall Courtney presented an overview of the commission sharing arrangement expenditures and the continued transition to match those eligible expenses with the revenues generated through the Pension Trust Fund.

Mr. Don Green then presented an overview of the proposed administrative operating budget of \$292.6 million for fiscal year 2024 and the associated general provisions.

The proposed fiscal year 2024 budget is approximately 4.9 percent more than the current fiscal year '23 budget and is within the appropriated levels and FTE flexibility provided by the General Appropriations Act.

It includes the cost of staffing previously approved for the customer service improvement initiative and cost savings of approximately \$1.2 million by converting current contracted staffing to TRS FTEs. The recommended fiscal year 2024 budget includes 37 new FTEs and funding for the Investment Management Division modernization program and the fraud prevention tool.

Mr. Ball concluded his report with the following motions:

On a motion by Mr. Ball, the Board unanimously voted to adopt the fiscal year 2024 budget Trust Fund administrative operations budget, general provisions and resolution authorizing the transfer of Pension Trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2024 budget, as recommended by the Budget Committee.

Resolution

Authorizing Expenditure and Transfer of Trust Funds For Pension Trust Fund Administrative Operations July 14, 2023

Whereas, Section 825.312 of the Government Code provides that the retirement system shall pay from the expense account of the retirement system account for the pension trust fund all administrative expenses of the retirement system that are required to perform the fiduciary duties of the board;

Whereas, Section 825.313(d) of the Government Code provides that the TRS Board of Trustees (board) may authorize transferring from the interest account to the expense account of the retirement system an amount necessary to cover TRS' operating expenses for the fiscal year that are required to perform the fiduciary duties of the board;

Whereas, Rider 15, "Contingent Appropriation of Pension Trust Funds for GASB Statement Implementation," of the TRS bill pattern in the State General Appropriations Act, 88th Legislature provides that upon a finding of fact by the TRS board that additional resources are necessary to implement accounting guidelines

related to Governmental Accounting Standards Board statements and pronouncements;

Resolved, That the board approves the amendments to the General Provisions for the Pension Trust Fund Administrative Operations, including a change to the performance pay plans maximum award of \$69.3 million.

Resolved, That the board finds the expenditure of pension trust funds for operating expenses in Fiscal Year 2024 including the changes listed below are required to perform the fiduciary duties of the board in administering the retirement system in the amount of \$254,022,500, as approved today in the Fiscal Year 2024 Budget and General Provisions for the Pension Trust Fund Administrative Operations, as amended, plus such additional amounts as may be necessary for the following expenditures and changes to the General Provisions:

- To pay the actual amount of performance incentive compensation payable up to \$69.3 million in Fiscal Year 2024, if any; and
- To reimburse reasonable and necessary employee transportation and other expenditures necessary for employees to attend orientation, training and staff development activities conducted at TRS headquarters; and
- To achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by such General Provisions adopted by the board; and to implement GASB statements; and
- To pay operating expenses incurred as a result of reductions made during the 88th Legislature and changes in market conditions as may be required to ensure funding levels remain sufficient for ongoing agency key initiatives.

Resolved, That the staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the retirement system under the approved budget for Fiscal Year 2024, but not to exceed the amount of \$254,022,500 plus, any additional amounts necessary to pay performance incentive compensation payable in Fiscal Year 2024 and, as applicable, to achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by the General Provisions adopted by the board.

On a motion by Mr. Ball, the Board unanimously voted to adopt the proposed fiscal year 2024 administrative operations budget and general provisions for the TRS Health Benefits Fund, retired and active plans, as recommended by the Budget Committee.

On a motion by Mr. Ball, the Board unanimously voted to adopt the state contribution certifications for TRS-Care for fiscal years 2024, as recommended by the Budget Committee.

13. Receive the report of the Policy Committee on its July 13, 2023 meeting and consider adoption of the following – Committee Chair:

- A. **Adoption of amendments to the Policy on Negotiated Rulemaking and Alternative Dispute Resolution; and**
- B. **Adoption of the proposed amendments to the following TRS rules in Chapters 25, 29, and 47 of Title 34, Part 3 of the Texas Administrative Code:**
 - 1. **§ 25.162. State Personal or Sick Leave Credit;**

2. § 25.302, relating to Calculation of Actuarial Costs of Service Credit;
3. § 25.303, relating to Calculation of Actuarial Cost for Purchase of Compensation Credit;
4. § 29.11, relating to Actuarial Tables;
5. § 29.21, relating to Beneficiary Tables;
6. § 29.71, relating to Tables;
7. § 47.17, relating to Calculation for Alternate Payee Benefits Before a Member's Benefit Begins

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

The Policy Committee met on July 13, 2023. The committee approved the proposed minutes of its April 2023 meeting.

The committee recommended to the Board adoption of the proposed amendments to the policy on negotiated rulemaking and alternative dispute resolution.

The committee recommends to the Board adoption of the proposed amendments to the TRS rules in Chapters 25, 29 and 47, all 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 unanimously voted to adopt the proposed amendments to the policy on negotiated rulemaking and alternative dispute resolution, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to unanimously to adopt the proposed amendments to the TRS rules, as listed on the agenda, in Chapters 25, 29, and 47 Title 34, Part 3 of the Texas Administrative Code, as recommended by the Policy Committee.

14. Receive the report of the Investment Management Committee on its July 13, 2023 meeting – Committee Chair.

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

The Investment Management Committee met on July 13, 2023. The committee approved the proposed April 2023 minutes.

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

Following, Eric Lang and Tim Koek presented the private markets update, Ryan Zafereo provided the review of energy, natural resources and infrastructure, Neil

Randall presented the private equity, and Grant Walker provided a review for real estate.

Concluding the Investment Management Committee, Katie Hoffman and Brad Gilbert reviewed proposed modifications to the Investment Policy Statement.

15. Receive the report of the Audit, Compliance, and Ethics Committee on its July 14, 2023 meeting – Committee Chair.

Mr. Walls, Committee Chair, provided the following report of the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met earlier this morning. The Committee approved the minutes of the April 28, 2023, Audit Compliance and Ethics Committee meeting.

The committee then received reports from the Texas State Auditor's Office on the results of its audit of TRS's fiscal year 2022 other post-employment benefits and the TRS employer pension liability allocation schedules.

The general counsel and chief compliance officer and senior compliance counsel presented their TRS compliance report.

Internal Audit staff presented the results of the audits of reporting employer processes and external public portfolio operations and provided a status update on prior audit recommendations.

The committee then went into executive session to discuss the results of the analysis of healthcare services covered outside of eligibility periods. The committee reconvened the meeting in open session to receive certain administrative reports.

16. Receive an update from the Deputy Director – Andrew Roth.

Mr. Andrew Roth focused his update on what TRS was doing to engage with members. He reported Benefits and Communications recently partnered to encourage members to post to their social media pictures of their visit with TRS. In an effort to prioritize establishing relationships with new members, he said there is a new web page created exclusively for new members. He said the page has information about benefits, health benefits and other important things for new members to aware of, including a link to a quick start guide. He announced the launch of a new TRS Instagram account with a broader focus.

17. Receive an update on the TEAM Program – Andrew Roth, Chris Cutler, Billy Lowe, Jennifer Whitman, Adam Fambrough.

Ms. Jennifer Whitman started the TEAM Program update with a broad overview. She said there remains one release on the road map and the status is green. She reported the retirement application and death claims processing was released at the end of April and by May it was

determined the release was in a good place from a stabilization perspective. She said a new reporting measure on the dashboard was the percentage of the scope of work completed. She noted as of two weeks ago it was 38 percent completed.

18. Receive an update from the TEAM Program Independent Program Assessment (IPA) Vendor – Laurie Patton and Richard Holt, EY

Ms. Laurie Patton reported the retirement and death claims release was ahead of schedule in terms of winding down and completing the release and resolving all incidences. She said the focus now is on the payroll benefit release which is targeted for Q2 2025. She said where activities are altered in order to speed up releases a technical debt incurred, and they are making recommendations to track this as a metric. She commented there is a strong culture that continues to make improvements—for example a retrospective, consisting of lessons learned at the end of sprints, was recently implemented.

Mr. Kendall Thompson reviewed the five-point scale used to measure TRS' Agile maturity. He said most organizations currently operate at a Level 3, which is hybrid Agile. He said the current target for TRS is to operate at a Level 3.

Mr. Hollingsworth announced, without objection, taking up the public presentations of agenda items 20 and 21 prior to going into executive session for agenda items 19, 20, 21 and 22.

20. Consider the role, performance and engagement of Board Investment Advisor, Dr. Keith Brown 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 the negotiations with a third person – Brian Guthrie.

Mr. Guthrie provided the history and background of the Board Investment Advisor. He said Dr. Keith Brown has served in this role since 2022. His current contract was signed in 2017 for a five-year term with two one-year renewals. He recommended exercising the second of the one-year extension.

On a motion by Mr. Ball, seconded by Mr. Walls, the Board unanimously voted to approve the final one-year extension on Dr. Brown's contract.

21. Consider an investment engagement with private equity manager, 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 the negotiations with third parties or put the retirement system at a competitive disadvantage in the market – Eric Lang, Neil Randall and William Carpenter.

Mr. Neil Randall stated the reason this investment opportunity was in front of the Board was for it exceeded the manager threshold limit within the Investment Policy Statement (IPS). He reported the investment was presented and approved at the June IIC meeting within IMD.

On a motion by Ms. Sissney, seconded by Mr. Corpus, the Board unanimously voted to find that deliberating or conferring on item number 21 would have a detrimental effect on the position of the retirement system in negotiations with third parties or put the retirement system at a competitive disadvantage in the market.

At 10:49 a.m., Mr. Hollingsworth announced the Board would go into executive session under the following agenda items and sections of the Government Code: item number 19 under Sections 551.076 and 551.089 to discuss TRS data protection and security; item 21 under Section 825.3011(b)(1) and 551.071 to discuss an investment engagement with a private equity manager, including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system; and finally item number 22 under Section 551.071, to consult with legal counsel as needed.

At 12:46 p.m., Mr. Hollingsworth reconvened the open meeting.

On a motion by Mr. Corpus, seconded by Mr. Nance, the Board unanimously voted to adopt the following resolution:

**Board of Trustees
Resolution Regarding an Investment in Project Lupe
July 14, 2023**

Whereas, The Investment Policy Statement (“IPS”) Section 1.3(c) established the Internal Investment Committee to review, consider, and authorize investments for the Private Markets Portfolio;

Whereas, IPS Appendix B limits the amount that may be initially allocated or committed to a single manager organization, and requires prior TRS Board of Trustees (“Board”) authorization to exceed that limit;

Whereas, The Investment Division, acting through the Internal Investment Committee, has recommended that, consistent with the provisions of IPS Sections 1.3(c) and Appendix B, the Board authorize the Investment Division to transfer private equity fund interests to a vehicle managed by Neuberger Berman or affiliates and receive back cash payments and up to \$1.4 billion in subordinated notes (the “Allocation”); now, therefore be it;

Resolved, That the Board hereby expressly authorizes the initial allocation or commitment with respect to the Allocation contemplated hereby, consistent with the requirement of IPS Appendix B that any such allocations or commitments in excess of 0.5% of the total fund value require prior authorization of the Board;

Resolved, That the Investment Division be and hereby is authorized to negotiate the requisite legal agreements for the Allocation in various investment vehicles on substantially the same, or better, terms and conditions than those presented to the Board, and, if negotiations are deemed by the Investment Division, in its discretion, to be successful, then the Investment Division is hereby authorized to execute such definitive documents on such terms and conditions as the Investment Division may deem, in its discretion, to be in the best interest of TRS, and to execute and deliver all such other documents and agreements that the Investment Division may deem

to be successful, then the Investment Division is hereby authorized to execute such definitive documents on such terms and conditions as the Investment Division may deem, in its discretion, to be in the best interest of TRS, and to execute and deliver all such other documents and agreements that the Investment Division may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents and agreements; and

Resolved, That the investments approved hereby and the authority granted in these resolutions to implement the approved investments does not supersede, waive, or otherwise affect the investment allocations set forth in the table in IPS Section 1.6.

19. Receive quarterly update on TRS Data Protection and Security update – Frank Williams, Kristi Glasgall, Martin Cano and Beth Hallmark.

This agenda item had no public presentation.

20. 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.

This agenda item had no public presentation.

At 12:47 p.m., Mr. Hollingsworth adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 14th DAY OF SEPTEMBER 2023.

ATTESTED BY:

Katherine H. Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

9/15/23
Date