

Minutes of the Board of Trustees

September 15, 2022

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, September 15, 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, Vice Chair
Michael Ball
David Corpus
John Elliott
James Nance
Robert H. Walls, Jr.

Others present:

Brian Guthrie, TRS
Andrew Roth, TRS
Heather Traeger, TRS
Jase Auby, TRS
Don Green, TRS
Amanda Jenami, TRS
Barbie Pearson, TRS
Katrina Daniel, TRS
Caasi Lamb, TRS
Janet Bray, TRS
Martin Cano, TRS
Katherine Farrell, TRS
Suzanne Dugan, Cohen Millstein

Ray Perryman, The Perryman Group
Keith Brown, Investment Advisor
Steve Voss, AON
Michael McCormick, AON
Marcy Cann, TRTA President
Jane Eixmann, TRTA
Eli Melendrez, Texas AFT
John Goodall, PRB
Tim Lee, TRTA
Steve Alexander, BCBSTX
Karen Hegood, BCBS
Mary McKenzie, UHC
Kevin Smith, Crowe, LLP
Joe Newton, GRS

Mr. Hollingsworth called the meeting to order at 8:00 a.m.

1. Call roll of Board members.

Ms. Farrell called the roll. A quorum was present, Mr. Moss was absent.

2. Consider the following administrative matters:

a. Approval of the July 2022 proposed meeting minutes;

On a motion by Mr. Corpus, seconded by Mr. Nance, the Board voted to approve the July 2022 proposed meeting minutes as presented.

b. Excusing Board Member absences from the July Board meeting; and

On a motion by Mr. Ball, seconded by Mr. Corpus, the Board voted to excuse the absence of Mr. Walls from the July 14, 2022, meeting.

c. Setting, rescheduling or canceling future Board meetings including considering dates for the calendar year 2023.

On a motion by Mr. Nance, seconded by Ms. Sissney, the Board voted to approve the following meeting dates for the calendar year 2023:

- February 16 – 17, 2023 (Austin, TX)
- April 27 – 28, 2023
- July 13 – 14, 2023
- September 14 – 15, 2023
- December 7 – 8, 2023

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, strategic planning, legislative and updates on Moving Forward Together and TRS' Legislative Appropriations Request.**
- B. Discuss stator divestment and contracting applicability and requirements related to SB 13 and SB 19.**
- C. Board operational matters, including a review of draft agendas for upcoming meetings.**
- D. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.**

Mr. Brian Guthrie reviewed upcoming and past conferences including legislative hearings. He reviewed the Fall TRTA district meetings where a TRS representative would be attending each to provide an update and answer questions. Mr. Guthrie reported that a number of huddles where they meet with all staff members in small groups just concluded. He said discussion topics included return to office, launching the new MyTRS, and the new classification system. Since the last meeting, he noted, the legislative appropriations request (LAR) was submitted, and he reviewed key components. He reviewed new headquarters milestones for the Alpha and Bravo construction. Mr. Guthrie then reviewed the upcoming December Board meeting proposed agenda items and sought input for the February Board meeting. He concluded by noting later in the day there will be a discussion in executive session to receive legal advice from the general counsel regarding Senate Bill 13 and 19 from the 87th Legislative Session that created new requirements regarding investment, divestment and contracting.

4. Receive an update on the economic impact of TRS pension and healthcare payments on the Texas economy – Caasi Lamb and Dr. Ray Perryman, The Perryman Group.

Ms. Caasi Lamb provided background on the impact analysis TRS performs every other year. She noted this year the report added the impact of the supplemental payments paid out earlier this calendar year. She said this information is incorporated in the Value Brochure scheduled to come out later next month. Dr. Ray Perryman reviewed the recent census data and the need to attract and retain people in the teaching profession. He touched on how COVID affected comparing year over year numbers. He then discussed the economic impact, the direct, indirect and the induced. He said for direct payments made from TRS three main programs, over \$19 billion was paid out.

- 5. Discuss and consider personnel matters including the appointment, selection, compensation, duties, discipline or dismissal of the Executive Director, the Chief Investment Officer, Chief Audit Executive 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.**

Mr. Guthrie reviewed the timing of the evaluation process. He said the evaluations were moved to December during COVID in order to receive full data's worth of fiscal year information. He said staff is proposing to move the evaluations back to September to sync everything up. Mr. Andrew Roth stated in 2020 the evaluations were moved from July to December, however, that has led to some timing issues. Ms. Janet Bray discussed the three primary elements for a successful assessment process: strategic linkage, clear assessment tool and ongoing review. Ms. Bray stated the trustees would continue to receive for consideration the customer satisfaction survey, the reporting partners survey, the member satisfaction surveys and the CEM benchmark data. Mr. Guthrie said the use of the 360 assessments would continue but staff proposed bringing this process in-house rather than use the vendor. Ms. Bray concluded with a review of how this year's evaluation would be in December and next year staff proposed to bring the evaluation in house and moved to September.

At 9:35 a.m. Mr. Hollingsworth announced the board would recess to take up the scheduled committee meetings.

- 6. Receive an update from Organizational Excellence regarding Executive Succession Planning for members of the Executive Committee, including the Chief Information Officer – Janet Bray.**

At 3:58 p.m. Mr. Hollingsworth reconvened the board meeting.

At 4:00 p.m. Mr. Hollingsworth announced the board would adjourn into executive session under the following agenda items and sections of the Government Code: item 3.B under Section 551.071 to consult with legal counsel as needed; item 5 under Section 551.071 and 551.074 to discuss personnel matters and consult with legal counsel as needed; and item 6 under Section 551.074 to discuss personnel matters.

At 6:05 p.m., Mr. Hollingsworth reconvened the board meeting in open session.

At 6:05 p.m., Mr. Hollingsworth announced the Board would recess until 8:00 am tomorrow.

September 16, 2021

The Board of Trustees of the Teacher Retirement System of Texas met on September 16, 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, Vice Chair
Michael Ball
David Corpus
John Elliott
James Nance
Robert H. Walls, Jr.

The following Board member was present virtually:

Christopher Moss

Others present:

Brian Guthrie, TRS	Lonnie Hollingsworth, representing Sally Volgamore
Andrew Roth, TRS	Phyllis Ruffin, Retiree & TX AFT member
Don Green, TRS	Eli Melendrez, TX AFT
Heather Traeger, TRS	Marcy Cann, TRTA
Jase Auby, TRS	Jane Eixmann, TRTA
Barbie Pearson, TRS	Michael McCormick, AON
Katrina Daniel, TRS	Steve Voss, AON
Amanda Jenami, TRS	Chris Gibson, EY
Janet Bray, TRS	Neill Masterson, EY
Kevin Wakley, TRS	Greg Thistlewaite, EY
Lori LaBrie, TRS	Keith Brown, Investment Advisor
Martin Cano, TRS	
La Tresa Stroud, TRS	
Jessica Brown, TRS	
Katherine Farrell, TRS	
Kathy Bridgeman, TRS	
Billy Lowe, TRS	
Jennifer Whitman, TRS	
Adam Fambrough, TRS	
Suzanne Dugan, Cohen Milstein	

At 8:00 am the Chair reconvened the board meeting and without objection called up Agenda Item 8.

7. Consider the administrative appeal of Sally Volgamore – Kevin Wakley and Heather Traeger.

Mr. Hollingsworth introduced the appeal of Sally Volgamore in the matter of Sally Volgamore v. Teacher Retirement System of Texas, The State Office of Administrative Hearings (SOAH), Docket NO. 323-21-1716. Ms. Volgamore appealed the decision of TRS Executive Director Brian Guthrie denying her appeal and adopted without changes the findings of fact and conclusions of law from the proposal for decision that was issued by the Administrative Law Judge (ALJ) Daniel Wiseman of SOAH. Mr. Hollingsworth noted the primary issue raised is whether Ms. Volgamore should be considered a grandfathered member for purpose of retirement annuity calculations. He said the appeal sought a determination that TRS Rule 51.12 is invalid. The ALJ determined that neither SOAH nor TRS had the authority to declare its own rules invalid and denied Ms. Volgamore's appeal on the basis that TRS could not grant her relief that she was seeking and Mr. Guthrie's decision upholds that position. He said each party will have five minutes to make their presentation with a one-minute rebuttal from Ms. Volgamore who was represented by Mr. Lonnie Hollingsworth, Jr. TRS staff was represented by Assistant General Counsel Kevin Wakley.

Mr. Lonnie Hollingsworth, general counsel of Texas Classroom Teachers Association, representing Ms. Volgamore, argued that Senate Bill 1691 in the 79th Legislature was the bill that changed the calculation of TRS Benefits from the best three-year average to the best five-year average. He reviewed the requirements of the new law and the grandparent clause. He further argued in adopting rules TRS had no authority to change the grandparent clause that was in SB 1691. He stated the SOAH ALJ ruled that the ALJ had no authority to invalidate the rule. He said they are being told on the other hand that the petition for rule change cannot be considered because a hearing is pending.

Mr. Wakley provided background to SB 1691 noting the TRS fund at that point in time was in difficult shape and the legislature stepped in and made changes that in essence reduced benefits for the members. Mr. Wakley argued that Ms. Volgamore did not meet the requirements of the TRS rules to be considered grandfathered when she retired. As such, the only legal avenue for Ms. Volgamore to obtain the relief she is seeking is for the applicable TRS rule be declared invalid from its inception. He argued that Texas law is very clear that such a legal determination, to invalidate an agency's rule, lies solely with the Texas courts.

Mr. Lonnie Hollingsworth, in his one-minute rebuttal, argued the law is not clear as to the authority to rule that a rule is invalid in an administrative process.

After a short question and answer period, at 8:24 a.m., Mr. Jarvis V. Hollingsworth announced the Board would go into executive session under Section 551.071 to discuss the administrative appeal of Sally Volgamore and consult with legal counsel as needed.

Mr. Lonnie Hollingsworth, counsel to Ms. Volgamore, objected to any discussion of the matter in executive session.

The Board recessed as announced by Mr. Jarvis V. Hollingsworth.

At 8:54 am, Mr. Hollingsworth reconvened the Board in open meeting.

After another short question and answer period, on a motion by Mr. Nance, and seconded by Mr. Ball, the board unanimously voted to adopt the proposed order denying the administrative appeal of Sally Volgamore v. Teacher Retirement System of Texas, SOAH Docket No. 323-21-1716, and affirming the Executive Director's decision adopting the findings of fact and conclusions of law of the SOAH ALJ without changes and authorizing the chair to sign the order reflecting the action of the Board.

Mr. Hollingsworth announced taking up agenda item 7.

7. Provide an opportunity for public comment.

Ms. Phyllis Ruffin, representing the Texas AFT retirees, expressed the need for a cost-of-living adjustment (COLA).

Mr. Lonnie Hollingsworth, representing Ms. Sally Volgamore, argued TRS did not have the statutory authority to adopt the rule with the additional criterion of "while a member of TRS" to the grandparent clause that is nowhere in the statute in Senate Bill 1691.

9. Discuss and consider petition to adopt amendments to Title 34, Part 3, Chapter 51, Rule § 51.12, and Chapter 29, Rule § 29.1, pursuant to Texas Gov't Code § 2001.021 and Title 34, Part 3, Chapter 23, Rule § 23.4 – Heather Traeger.

Ms. Heather Traeger stated rulemaking petition before the Board pertains to the previous appeal that was denied. Ms. Traeger explained that while the Board has denied the appeal, the appeals process is not complete. She further explained that Ms. Volgamore may still file a motion for rehearing and potentially seek judicial review from a district court. She said staff recommends denial of the petition for rulemaking for it is important for the district court to rule on whether TRS has the ability to invalidate its rule. She said once guidance from the court is given then if Ms. Volgamore pursues, at that time it would be appropriate for the Board to consider the rulemaking petition.

On a motion by Mr. Ball, seconded by Mr. Nance, the board unanimously voted to deny Ms. Volgamore's rulemaking petition.

Mr. Hollingsworth announced taking up agenda item 12 next.

12. Receive the report of the Compensation Committee on its September 15, 2022 meeting and consider adoption of the following – Committee Chair:

- A. **Proposed continuation and adoption of the Executive Director's Performance Incentive Pay Plan for the 2022 – 2023 Performance Period; and**
- B. **Proposed continuation and adoption of the Investment Management Division's and TRICOT's Performance Incentive Pay Plan for the 2022 – 2023 Performance Period adoption.**

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

The Compensation Committee met on September 15, 2022. The committee approved the proposed minutes of its July 2022 meeting.

The committee discussed and recommended to the Board continuation and adoption of amendments to the executive director's performance incentive pay plan for the 2022-2023 performance period, including adding a modification to the evaluation process.

The committee discussed and recommended do the Board continuation and adoption of Investment Management Division's and TRICOT's performance incentive pay plan for the 2022-2023 performance period.

The committee received an update from Janet Bray, chief organizational excellence officer, Christine Bailey, director of Compensation and Workforce Analytics, on staffing, turnover and implementation of the TRS classification plan.

Mr. Nance concluded his report with the following motions:

On a motion by Mr. Nance, the Board voted to adopt the resolution continuing and adopting the Investment Management Division's and TRICOT's performance pay plans for the 2022 – 2023 performance period, as recommended by the Compensation Committee.

September 15, 2022

**RESOLUTION ADOPTING INVESTMENT MANAGEMENT DIVISION'S
PERFORMANCE PAY PLAN**

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

Whereas, Subsection 1.7(h) of the Board's bylaws provides that the Board shall establish a system for the equitable and effective compensation of Investment Management Division (IMD) employees;

Whereas, To remain competitive in attracting and retaining high caliber IMD employees, the Board has determined that it is in TRS's best interest to offer a compensation package that includes a competitive base salary and an opportunity to earn additional compensation through an IMD Performance Pay Plan (Plan);

Whereas, Consistent with those objectives, the Board adopted the initial version of the Plan in 2007; Now therefore, be it

Resolved, That effective for the annual performance period beginning October 1, 2022, the Board hereby adopts the amended Plan as presented by staff.

Resolved, That nothing in the adoption of this resolution alters the at-will nature of TRS employment for any employee, creates a contract between TRS and any TRS employee, or confers on any TRS employee the right to continued employment with TRS, including any employee holding a position in the Schedule of Exempt Positions.

September 15, 2022

RESOLUTION ADOPTING TEACHER RETIREMENT INVESTMENT COMPANY OF TEXAS LTD'S PERFORMANCE PAY PLAN

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

Whereas, Subsection 1.7(h) of the Board's bylaws provides that the Board shall establish a system for the equitable and effective compensation of Teacher Retirement Investment Company of Texas Ltd. (TRICOT) employees;

Whereas, To remain competitive in attracting and retaining high caliber TRICOT employees, the Board has determined that it is in TRS's best interest to offer a compensation package that includes a competitive base salary and an opportunity to earn additional compensation through a TRICOT Performance Pay Plan (Plan); Now therefore, be it

Resolved, That effective for the annual performance period beginning October 1, 2022, the Board hereby adopts the Plan as presented by staff.

Resolved, That nothing in the adoption of this resolution alters the nature of TRICOT employment for any employee, creates a contract between TRS and any TRICOT employee, or otherwise alters the employment contract between TRICOT and TRICOT employees.

Mr. Nance then moved for the Board to adopt the proposed resolution continuing and adopting the executive director's performance pay plan for the 2022 – 2023 performance period, as presented by staff, with the modification to discuss at the Board level whether it is internal or third party that facilitates the evaluation process, as recommended by the committee.

At 9:12 a.m., Mr. Hollingsworth announced the Board would go into executive session for agenda items: 12.A under Section 551.074 of the Texas Government Code to discuss personnel matters and consult with legal counsel as needed and item 5 under Section 551.074 and 551071 of the Texas Government Code to discuss personnel matters and consult with legal counsel.

At 10:50 a.m., Mr. Hollingsworth reconvened the board in open session.

On a motion by Mr. Nance, amending his previous standing motion, and seconded by Mr. Ball, the Board voted to adopt the proposed resolution continuing and adopting the amendments to the executive director's performance incentive pay plan for the 2022-2023 performance period, as presented by staff with the modification to use a third-party vendor to facilitate the evaluation process, with Mr. Moss and Ms. Sissney voting against.

September 16, 2022

RESOLUTION ADOPTING EXECUTIVE PERFORMANCE INCENTIVE PAY PLAN

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

Whereas, Subsection 1.7(h) of the Board’s bylaws provides that the Board shall establish a system for the equitable and effective compensation of employees;

Whereas, To remain competitive in its efforts to attract and retain high caliber executives, the Board desires to offer a competitive compensation package that includes, not only a competitive base salary, but also an opportunity to earn additional rewards through an Executive Performance Incentive Pay Plan (“Plan”);

Whereas, Consistent with that desire, the Board adopted on November 19, 2015 the Plan, which rewards select executive management for performance and:

- Focuses on key objectives tied to the overall success of TRS;
- Aligns incentive potential to the achievement of TRS’ mission, goals, and objectives;
- Ties rewards to measurable success in high impact performance areas;
- Ensures TRS can attract, motivate, and retain top-performing executives; and

Whereas, The Board desires to continue the Plan and adopting performance categories, category weights, performance goals, and key performance indicators for the Plan year beginning October 1, 2022; now, therefore be it

Resolved, That effective September 16, 2022, the Board hereby adopts the Executive Performance Incentive Pay Plan, as presented by Staff, including the key accountabilities and areas of focus; and with the following modification to use a third party vendor to facilitate the evaluation process.

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.

10. Receive the report of the Strategic Planning Committee on its September 15, 2022 meeting – Committee Chair.

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

The Strategic Planning Committee met on September 15, 2022.

The committee adopted the minutes of its July 2022 meeting.

The chief strategy officer, Ms. Caasi Lamb, provided background and timing information on the Executive Director’s proposed Fiscal Year 2023 Areas of Focus and alignment with

the key accountabilities in the strategic plan. The Executive Director laid out and discussed his proposed Areas of Focus and priorities for Fiscal Year 2023.

Ms. Lamb, along with strategic plan objective owners, discussed and reviewed the results forum information for the 2021-2025 TRS Strategic Plan objectives. Those objectives included: improving pension funding and health care funding communications, improving communication around the impact of changing plan design, increasing the value of health care benefits, and improving the health of TRS members. Ms. Lamb also provided an overview of the Enterprise Stoplight Report and highlighted changes to the risk levels and trending risks. Ms. Lamb and Ms. Beth Hallmark then provided an update on the implementation of the member and employer outreach plan.

- 11. Receive the report of the Benefits Committee on its September 15, 2022 meeting and consider adoption, approval or acceptance of the following – Committee Chair:**
- A. Acceptance of the Medical Board Meeting minutes of May meeting;**
 - B. Approval of the Benefit Payments for June to August 2022.**

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

The Benefits Committee met on September 15, 2022. The committee approved the proposed minutes of the Benefits Committee for the July 14, 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 May 2022.

Ms. Barbie Pearson also provided an update on benefit payments for the fourth quarter of fiscal year 2022. The committee recommends to the Board the approval of benefit payments for June through August 2022.

The committee received an update from Ms. Pearson on Benefit Services operations for the fourth quarter of fiscal year 2022. This report included an update on Benefit Services operations for fiscal year 2022. The report also included updates on the progress of the customer service improvements initiative, improved service levels in benefit processing, staffing updates, and an update on the El Paso Regional Office.

Next the committee received an update from Ms. Katrina Daniel, chief health care officer. She provided an update on TRS-ActiveCare and TRS-Care performance. She highlighted TRS-ActiveCare annual enrollment, as well as outreach efforts to employers. For TRS-Care she described benefit enrichments and outreach for the coming plan year. Finally, Ms. Daniel updated the trustees on the pharmacy benefit manager procurement efforts and receipt of federal COVID relief funds.

Mr. Ball concluded the report with the following motions:

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

On a motion by Mr. Ball, the Board unanimously voted to approve the benefit payments for June through August 2022, as recommended by the committee.

13. Receive the report of the Policy Committee on its September 15, 2022 meeting and consider adoption of the following – Committee Chair:

- A. Proposed amendments to the Investment Policy Statement;**
- B. Proposed amendments to the Bylaws of the Board of Trustees;**
- C. Proposed amendments to the Corrections and Errors Resolution;**
- D. Proposed amendments to the Benefits Counseling Policy; and**
- E. Proposed amendments to the Pension Funding Policy.**

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

The Policy Committee met on September 15, 2022. The committee approved the proposed minutes of its July 2021 meeting.

The committee recommended to the Board adoption of the proposed amendment to the investment policy statement. The committee recommended to the Board adoption of the proposed amendments to the bylaws of the Board of Trustees. The committee recommended to the Board readoption of the correction and errors resolution without changes and readoption of the pension funding policy without changes. The committee conducted a review of the Board's policy review schedule and approved that schedule, as presented by staff.

Mr. Elliott concluded his report with the following five motions:

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

On a motion by Mr. Elliott, the Board voted to adopt the amendments to the bylaws of the Board of Trustees, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to readopt the corrections and errors resolution without change, as recommended by the Policy Committee.

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

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

14. Receive the report of the Investment Management Committee on its September 15, 2022 meeting – Committee Chair.

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

The Investment Management Committee met on September 15, 2022. The first item was the adoption of the minutes.

Jase Auby began with his CIO update. The second quarter 2022 performance review was then presented by Steve Voss and Mike McCormick of Aon. Concluding the Investment Management Committee, James Nield and Stephen Kim presented the semiannual risk report.

15. **Receive the report of the Audit, Compliance, and Ethics Committee on its September 15, 2022 meeting and consider the following – Committee Chair:**
 - A. **Proposed revisions to the Audit Charter; and**
 - B. **Proposed adoption of the Audit Plan for Fiscal Year 2023.**

Ms. Sissney, Acting-Committee Chair, provided the following report of the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met on Thursday, September 15, 2022 in the 5th Floor Boardroom. The committee approved the minutes of the July 14, 2022 Audit, Compliance and Ethics Committee.

The SAO auditors presented their plan for the audit of the annual comprehensive financial report for fiscal year 2022. Crow, LLP auditors presented their plan for the TRS Investment Company, TRICOT, audit.

The general counsel and chief compliance officer, and the senior compliance counsel presented routine compliance reports. The chief audit executive presented proposed revisions to the Audit Charter. The chief audit executive presented proposed audit plan for fiscal year 2023. The chief audit executive then presented an update on prior audit recommendations and some administrative reports.

To conclude her report, Ms. Sissney had the following motions:

On a motion by Ms. Sissney, the Board voted to adopt the proposed revisions to the Audit Charter, as recommended by the ACE Committee.

On a motion by Ms. Sissney, the Board voted to adopt the proposed plan for fiscal year 2023, as recommended by the ACE Committee.

16. Receive Quarterly Ombudsman's Report – Lori LaBrie.

Ms. Lori LaBrie provided the Ombudsman's Report covering January through July. She noted since January there were 398 communications to the Office. She presented the top three categories by month that received the most comments from members on social media. She said for the months of June and July there were respectively 18 and 24 point in time complaints and 157 point in time complaints as of January to July, with zero outstanding. Ms. LaBrie concluded with how the Ombuds office was attending the TRTA meetings across the state as community outreach for the office.

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

- A. Receive Procurement and Contracts Update;**
- B. Consider Procurement and Contracting Report.**

Mr. Martin Cano reported Procurements and Contracts (P&C) was very busy with over 1,500 transactions handled in fiscal year 2022. He noted there were 625 active contracts. He said the team completed the development of the online contract management training and it is now available for TRS staff.

For the quarterly contract report, Mr. Cano said, there were no contracts or solicitations that met the one million dollar or more threshold for the quarter. He said there was a FY22 contract summary for review and acceptance. Mr. Cano announced the creation of the contract management office to help ensure compliance with state and TRS regulations.

On a motion by Mr. Nance, seconded by Mr. Corpus, the Board voted to accept the procurement report as presented by staff.

18. Review and consider adoption of the Historically Underutilized Businesses (HUB) program goals for Fiscal Year 2023 – Martin Cano.

Mr. Cano reviewed the HUB program and the State requirements for the program. He reviewed the HUB utilization spending, noting there was a drop in spending from FY 21 to FY 22. He noted actual HUB expenditures that were eligible for HUB decreased as well from 29.95 to 28.9 percent. Mr. Cano reviewed the outreach efforts made this year such as networking events attended and a social media campaign created by communications. He concluded by stating staff proposed the goals for FY 23 remain the same.

On a motion by Ms. Sissney, seconded by Mr. Nance, the Board voted to approve the HUB goals resolution:

Whereas, TRS staff developed proposed HUB goals for FY23 for the Board to consider;
and

Whereas, The Board has received and discussed the proposed HUB goals, and the Board desires to adopt TRS' HUB goals for FY23; now, therefore, be it

Resolved, That the Board hereby adopts the following HUB expenditure goals for FY23:

- Commodities - 30%
- Other Services – 25%
- Professional Services – 10%
- Special Trade – 40%

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

Mr. Andrew Roth provided a highlight on the depth and breadth of activities that IT is engaged in for the lines of business and shared services. He noted the increase in staffing and pension benefits ratio for client services has increased over the last four years from one for every 76 employees to one for every 85 employees, a 10 percent increase in workload. He said in each one of the lines of business plus shared services there is an increase in IT innovation, support, and capacity as a foundational requirement for business success requiring an increasingly sophisticated and specialized technical skill set from IT staff. He concluded by noting there will be a strategic opportunity in the coming biennium to invest in IT resources.

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

Ms. Jennifer Whitman provided an overview on the TEAM Program dashboard. She noted the two remaining releases are retirement application and death claims processing and annuity payroll and tax reporting, with two customer service releases scheduled for October and December of this year. She said all of these efforts remain on schedule.

Ms. Whitman stated the preliminary results for FY 22 was under budget, final numbers will be available at the December meeting. Ms. Jessica Brown reported for the projected total cost for the entire lifespan of the TEAM Program to be at \$177.2 million with the remaining costs for the program to be allocated between fiscal years 2023 through 2025. She said this represents less than one percent increase.

21. Receive an update from the TEAM Program Independent Program Assessment (IPA) Vendor – Richard Holt, EY.

Mr. Greg Thistlewaite reported the overall program assessment as currently 6.9 out of 10 noting a .15 improvement since last report. He said the overall goal for the team within the agile framework is 7.5. He said a total of 52 recommendations have been made, 20 of them still open, 32 closed. He said the team has showcased the new risk management tools that help prioritize and estimate the risk backlogs for the product releases and maintenance which will be a benefit moving forward into more challenging phases. Mr. Thistlewaite reviewed the program governance and product management. He said program governance sits at 6.6 and product management is at 5.9. In response to Ms. Sissney's inquiry, Mr. Thistlewaite stated he is pleased with the progress the team is making every month.

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 managers, or other counterparties – Heather Traeger and J.R. Morgan.

There was no discussion on this item.

At 11:54 a.m., Mr. Hollingsworth adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM
OF TEXAS ON THE 9th DAY OF DECEMBER 2022.

ATTESTED BY:

Katherine H Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

12/9/22
Date