

## **Minutes of the Board of Trustees**

**September 16, 2020**

The Board of Trustees of the Teacher Retirement System of Texas met on September 16, 2020 via videoconference in accordance with the Governor's authorization concerning suspension of certain Open Meeting law requirements in response to the COVID-19 (Coronavirus) disaster.

### **The following Board members were present:**

Jarvis V. Hollingsworth, Chair  
Nanette Sissney, Vice Chair  
Michael Ball  
David Corpus  
John Elliott  
Christopher Moss  
James Dick Nance  
Robert H. Walls, Jr.

### **Others present:**

Brian Guthrie, TRS  
Andrew Roth, TRS  
Don Green, TRS  
Heather Traeger, TRS  
Jase Auby, TRS  
Barbie Pearson, TRS  
Katrina Daniel, TRS  
Amanda Jenami, TRS  
Rebecca Merrill, TRS  
Kevin Wakley, TRS  
Katherine Farrell, TRS  
Suzanne Dugan, Cohen Milstein

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. Hollingsworth provided welcoming remarks noting this was the third time the Board convened by videoconference under the Governor's Office's authorization concerning suspension of certain Open Meetings law requirements in response to COVID-19. Mr. Hollingsworth reviewed the schedule for the next three days. He congratulated Ms. Traeger who was joining the meeting in the capacity as the new general counsel of the Teacher Retirement System.

**2. Consider the following administrative matters including:**  
**a. Approval of the July 2020 proposed meeting minutes; and**

On a motion by Mr. Corpus, seconded by Mr. Nance, the board unanimously approved the minutes of the July 2020 Board Meeting, as presented.

**b. Setting, rescheduling or canceling future Board meetings including considering dates for the calendar year 2021; and**

Mr. Hollingsworth that just like previous meetings, the December Board meeting may need to be virtual. He proposed that if the meeting is held virtually, it be expanded to cover three days which would include December 9<sup>th</sup>. He said also before them were the calendar year 2021 proposed dates.

On a motion by Ms. Sissney, seconded by Mr. Corpus, the Board unanimously approved the calendar year 2021 meeting dates and expanding the December meeting to include December 9<sup>th</sup> if held virtually.

Calendar Year 2021 Meeting Dates:

- February 25-26, 2021 (Austin, TX)
- April 15 – 16, 2021
- July 15 – 16, 2021
- September 16 – 17, 2021
- December 9 – 10, 2021

**c. Consider consenting to the Board Chair's appointment of committee members, and receive the Board Chair's public announcement of committee chairs**

Mr. Hollingsworth stated he proposed no changes for the next fiscal year 2021, and that the assignments to remain the same with respect to the chairs of each committee.

On a motion by Mr. Nance, seconded by Mr. Moss, the Board unanimously voted to approve the proposed committee members for the fiscal year 2021.

Committees for Fiscal Year 2021	
Audit Compliance and Ethics	Chris Moss, Chair; Michael Ball, John Elliott, Nanette Sissney
Benefits	Michael Ball, Chair; Chris Moss, Dick Nance, Nanette Sissney, Robert Walls
Budget	Nanette Sissney, Chair; David Corpus, John Elliott, Dick Nance
Compensation	Dick Nance, Chair; Michael Ball, John Elliott, Jarvis Hollingsworth
Investment Management	David Corpus, Chair; Jarvis Hollingsworth, Chris Moss, Nanette Sissney, Robert Walls

Policy	John Elliott, Chair; David Corpus, Jarvis Hollingsworth, Dick Nance, Robert Walls
Strategic Planning	Robert Walls, Chair; Michael Ball, David Corpus, Jarvis Hollingsworth, Chris Moss

### **3. Consider the administrative appeal of David L. Hinds.**

Mr. Hollingsworth announced this item will not be taken up and will be rescheduled for the December meeting.

At 8:08 am, Mr. Hollingsworth recessed the Board Meeting for the day.

### **September 17, 2020**

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#### **The following Board members were present:**

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Nanette Sissney, Vice Chair  
Michael Ball  
David Corpus  
John Elliott  
Christopher Moss  
James Nance  
Robert H. Walls, Jr.

#### **Others present:**

Brian Guthrie, TRS  
Andrew Roth, TRS  
Don Green, TRS  
Jase Auby, TRS  
Amanda Jenami, TRS  
Barbie Pearson, TRS  
Katrina Daniel, TRS  
Rebecca Merrill, TRS  
Heather Traeger, TRS  
Eric Lang, TRS  
Katherine Farrell, TRS

Keith Brown, Investment Advisor  
Suzanne Dugan, Cohen Millstein  
Keith Robinson, Focus Consulting

At 9:26 a.m. the Chair reconvened the board meeting.

4. **Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Audit executive or Chief Investment Officer – Jarvis V. Hollingsworth.**
  - a. **Discuss and consider the evaluation, compensation and duties of the Executive Director.**
  - b. **Discuss and consider the compensation and duties of the Chief Investment Officer.**
  - c. **Discuss and consider the compensation and duties of the Chief Audit Executive.**

Mr. Keith Robinson with Focus Consulting provided an overview of the process of how the executive evaluations were conducted. He noted the process kicked off in June and July where online competency ratings and Board interviews were conducted. He said the results were aggregated in July and in August the executives received the feedback not only from the Board but also from peers and direct reports.

Mr. Hollingsworth announced Agenda Item 5 would be taken up next for its public presentation and then the Board would recess to take up Agenda Items 4, 5 and 19 in executive session.

5. **Receive an update and consider long-term facilities planning on potential new building, potential renovations or sale of the Red River campus, and leases at 816 Congress and Indeed Tower, including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie, Andrew Roth and Eric Lang.**

Mr. Brian Guthrie provided an overview of where things stood regarding long-term facilities planning. He reiterated the vision and goals of the long-term facilities as primarily a need for space. He said that the organization has been growing for decades. He reported a significant study was done on whether the current facilities could be renovated to accommodate this and future growth; however, it is very costly. He said the solution should be cost-effective and have canvassed the market to identify the most cost-effective solution. Mr. Guthrie stated his overriding vision is to see all Austin headquarters staff occupy facilities that TRS owns by 2025.

Mr. Andrew Roth provided greater detail of space issues and growth of state, members and TRS staff. He noted TRS first ran out of space in its current headquarters building in 2008, at which point Investment Management Division (IMD) leased space at 816 Congress. Mr. Roth then reviewed the diligence activities that have been conducted over the past year. He provided the different activities specifically relative to the Red River campus such as engaging CBRE to do a workplace program study and Colliers to conduct an appraisal of Red River. He said Studio 8, an architect firm, was engaged to reaffirm what CBRE had done and build on it by doing COVID-driven developments and assess the overall agency work from home strategy. Mr. Guthrie then

spoke to working from home and how once the new normal is established there will not be a corresponding reduction of space needs due to working from home more. In response to Ms. Sissney's inquiry, Mr. Guthrie asserted that the future will need greater flexibility and for Red River to be the long-term solution, which is doable but expensive, provides less flexibility given the space than if in a new facility.

Mr. Eric Lang discussed the activity on IMD leases. In February he said the Board authorized the renewal of 816 Congress and the sublease of the Indeed space. The renewal lease at 816 Congress, he said, was delayed due to COVID but negotiations have renewed and are targeting a signing date likely in October. He reported the landlord of 816 Congress extended the renewal option to October 31<sup>st</sup>. As for Indeed Tower, he reported Cushman and Wakefield was hired to sublease the space which is actively being marketed.

Mr. Roth provided further detail regarding the option of consolidating IMD with Red River and renovating the facility. He said this would require a largescale construction that would be expensive. Mr. Long discussed the options being considered for a new headquarters location outside of the Red River site. He stated more discussion about financial analysis and costs will be discussed in closed session due to negotiations with third parties. Mr. Guthrie concluded by stating over the next several months the analysis will continue to be refined with a staff recommendation in December. He stated staff was seeking to amend the resolution that provided authority to negotiate further and gather information with respect to an additional developer.

Mr. Hollingsworth announced the Board would recess and go into executive session on items number 4, personnel matters; item number 5, matters relating to real property and the long-term facilities discussion; and item number 19, to consult with and receive legal advice.

On a motion by Mr. Moss, seconded by Mr. Elliott, the Board unanimously found that deliberating or conferring on long-term space planning activities in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person.

At 10:50 a.m., Mr. Hollingsworth announced the Board would go into executive session under the following agenda items and sections of the Government Code: item 4 under Section 551.074, to receive an update regarding personnel matters including the appointment, employment, evaluation, compensation, performance, duties, discipline or dismissal of the executive director, chief audit executive or chief investment officer; and item 5, under Sections 825.1156, 551.071 and 551.072, to discuss Board procurement matters, real property and consult with legal counsel as needed; and under item 19 under Section 551.071, to consult with legal counsel.

At 2:17 p.m., Mr. Hollingsworth reconvened the Board Meeting.

On a motion by Mr. Elliott, seconded by Mr. Corpus, the Board unanimously approved the following resolution related to long term space planning for the TRS administrative headquarters:

## **Resolution of Board of Trustees**

**September 17, 2020**

### **Relating to Long Term Space Planning for the TRS Administrative Headquarters**

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

**WHEREAS**, TRS performed due diligence activities and presented to the TRS Board of Trustees (the “Board”) on the following: space planning and long-term facilities options, engaged a broker, architect, and an owner’s representative, conducted a workplace study and an employee perspectives survey to evaluate the long-term facilities planning needs of the agency;

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

**WHEREAS**, TRS received and evaluated the developer RFP proposals for a new TRS main campus;

**WHEREAS**, TRS staff discussed the RFP proposals with the Board at the December 2019 Board meeting, provided relevant information to the Board, and presented an evaluation to the Board concerning the selection of developer RFP proposals;

**WHEREAS**, The Board considered the evaluation made by TRS staff of the developer proposals submitted in response to the RFP;

**WHEREAS**, at the December 2019 Board meeting, the Board considered the TRS staff evaluations of and consultant advice of CBRE, Inc. related to the developer RFP proposals and voted to delegate to the Executive Director to begin initial negotiations with two selected finalists and named a third finalist, if necessary;

**WHEREAS**, the Governor of Texas issued a disaster proclamation for the State of Texas relating to the COVID-19 pandemic on March 13, 2020, and on March 16, 2020, TRS restricted public access to TRS offices and directed the majority of TRS employees to work remotely;

**WHEREAS**, TRS staff advised the Board at the April 2020 Board meeting that negotiations for the new administrative headquarters were suspended because of the COVID-19 pandemic;

**WHEREAS**, TRS staff advised the Board at the July 2020 Board meeting that a new workplace study was conducted to refine space needs in light of work-from-home considerations;

**WHEREAS**, in August 2020, given the changed market conditions expected to result from the COVID-19 pandemic, TRS performed additional due diligence activities, including requesting updated proposals from the developer RFP respondents to reflect updated pricing and terms;

**WHEREAS**, TRS staff discussed the updated proposals with the Board at the September 2020 Board meeting, provided relevant information to the Board, and presented an evaluation to the Board recommending the selection of developer proposals; and

**WHEREAS**, it being understood that the Board's selection of finalists pursuant to this resolution shall not be construed as a final decision relating to the developer RFP on this solicitation, which remains pending subject to approval of a final selection and action to authorize execution of a final definitive contract by the Board at a future meeting;

Now, therefore, be it

**RESOLVED**, That the Board hereby authorizes and instructs the Executive Director or his delegatee, with the assistance of TRS employees and TRS's broker and owner's representative, to expend funds and to take all actions and do all things necessary or desirable to continue negotiations on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of TRS for a final, proposed contract for the purchase of real property and for the design and build of a new administrative headquarters for TRS with the following finalists:   A  ,   B  , and   C  ;

**RESOLVED**, it being understood that the Board's selection of finalists pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until a full and final written contract is successfully negotiated and executed by both parties after approval by the Board at a future meeting; and

**RESOLVED**, that the final contract's material terms and conditions will be presented to the Board at a future date for a final decision.

At 2:23 p.m., Mr. Hollingsworth recessed the meeting until 8:00 a.m. tomorrow morning.

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### **The following Board members were present:**

Jarvis V. Hollingsworth, Chair  
Nanette Sissney, Vice Chair  
Michael Ball  
David Corpus  
John Elliott  
Christopher Moss  
James Dick Nance  
Robert H. Walls, Jr.

### **Others present:**

Brian Guthrie, TRS	Michael Johnson, Bridgepoint Consulting
Andrew Roth, TRS	Keith Brown, Investment Advisor
Don Green, TRS	Suzanne Dugan, Cohen Millstein
Heather Traeger, TRS	Luke Bierman, Cohen Milstein
Jase Auby, TRS	Craig Campbell
Barbie Pearson, TRS	Luis Sanchez, Unite Here Local 11
Katrina Daniel, TRS	Odell Thomas, Unite Here Local 11
Amanda Jenami, TRS	Jordan Fein, Unite Here Local 11
Rebecca Merrill, TRS	
Katherine Farrell, TRS	
Billy Lowe, TRS	
Jennifer Whitman, TRS	
Adam Fambrough, TRS	

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

### **6. Provide an opportunity for public comment.**

Mr. Craig Campbell expressed concern over TRS investment in Leonard Green & Associates, TRS' lack of response to the Scott Burns article criticizing TRS' investment practices, the Indeed Tower fiasco and TRS investment salaries, and how the TRS-Care surplus is not being used to lower retirees burden.



Mr. Luis Sanchez, Unite Here Local 11 expressed concern regarding TRS investment with PAI Partners through PAI Europe which owns Areas at LAX Airport for he was laid off from Areas due to the pandemic and will be losing health insurance shortly.

Mr. Odell Thomas, Unite Here Local 11 expressed concern regarding being laid off by an Areas restaurant in Chicago O'Hare and had his health insurance cut off in the middle of a global health crisis.

Mr. Jordan Fein, representing Unite Here Local 11 expressed concern regarding environmental, social and government risk related to TRS investment manager PAI Partners. He said during an unprecedented global health pandemic, Areas is refusing requests to pay for health care benefits for its laid-off airport concession workers even though most of Area's competitors have all agreed to extend health care payments.

**7. Receive the report of the Strategic Planning Committee on its September 16, 2020 meeting – Committee Chair.**

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

Our Chief Strategy Officer, Rebecca Merrill, discussed alignment of the Executive Director's areas of focus for fiscal year 2021 with the TRS strategic plan. She also reviewed the strategic plan results forum process and calendar for the 2021 fiscal year. Then our Executive Director, Brian Guthrie provided an overview and an update on his proposed areas of focus and priorities for the 2021 fiscal year. And then our Chief Organizational Excellence Officer, Janet Bray, and our director of Diversity, Equity and Inclusion, Kellie Sauls, discussed their strategic plan accomplishments for the last fiscal year and provided an overview of their program priorities for the next fiscal year. Then Ms. Merrill reviewed the enterprise risk management spotlight report for the current quarter.

**8. Receive the report of the Benefits Committee on its September 16, 2020 meeting and consider approval of the Benefit Payments for June 1, 2020 to August 31, 2020– Committee Chair.**

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

The Benefits Committee met on September 16, 2020. The committee approved the proposed minutes of the Benefits Committee for the July 15, 2020 meeting.

Ms. Barbie Pearson provided an update on the benefit payments for June through August 2020. The committee recommends to the Board the approval of benefit payments for June through August 2020.

The committee received an update from Ms. Pearson on Benefit Services operations for fiscal year 2020. The report included the trends in benefits for fiscal year '20 and the changes in workload due to the pandemic.

The committee also received an update from Ms. Katrina Daniel on the health program performance and operations. The report began with an update from the Retiree Advisory Committee, provided by Vice Chair Dr. Bruce Gearing. He provided information on the Retiree Advisory Committee meeting held on August 18, 2020.

Next Ms. Daniel updated the Board on TRS-ActiveCare enrollment and the fund projections. She also provided an update on COVID cases and coverage in both TRS-Care and TRS-ActiveCare. The health care staff is watching the costs closely and will continue to update plan members on any coverage changes.

Ms. Carolyn Perez presented a draft of the proposed member engagement policy that is being developed in response to the Sunset Commission staff report. Ms. Perez noted that staff would bring the draft policy for final adoption at the December meeting.

Mr. Ball concluded his report with the following motion:

On a motion by Mr. Ball, the Board unanimously voted to approve benefit payments for June 1, 2020 through August 31, 2020, as recommended by the Benefits Committee.

9. **Receive the report of the Compensation Committee on its September 16, 2020 meeting and consider adoption of the following:**
  - A. **Proposed continuation and adoption of the Executive Director's Performance Incentive Pay Plan for the 2020 – 2021 Performance Period; and**
  - B. **Proposed continuation and adoption of the Investment Management Division's Performance Incentive Pay Plan for the 2020 – 2021 Performance Period; and**

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

The Compensation Committee met on September 16, 2020. The committee approved the proposed minutes of its September 2019 meeting.

The committee discussed and recommended to the Board continuation and adoption of the executive director's performance incentive pay plan for the 2020 – 2021 performance period. The committee discussed and recommended to the Board continuation and adoption of the investment management performance incentive pay plan for the 2020 – 2021 performance period.

Mr. Nance concluded his report with the following motions:

On a motion by Mr. Nance, the Board unanimously voted to approve the proposed resolution continuing and adopting the executive director's performance incentive pay plan for the 2020 – 2021 performance period, as recommended by the Compensation Committee.

## **TEACHER RETIREMENT SYSTEM OF TEXAS**

### **BOARD RESOLUTION**

**September 18, 2020**

#### **RESOLUTION READOPTING 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(i) 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;
- Creates a quantifiable structure to calculate executive rewards; and
- Ensures TRS can attract, motivate, and retain top-performing executives; and

**Whereas**, The Board desires to continue the Plan and readopt performance categories, category weights, performance goals, and key performance indicators for the Plan year beginning October 1, 2020; now, therefore be it

**Resolved**, That effective September 18, 2020, the Board hereby readopts the Executive Performance Incentive Pay Plan, as presented by Staff, including the performance categories, category weights, performance goals, and key performance indicators;

**Resolved**, That nothing in the adoption of this resolution alters the at-will nature of employment that TRS has with any of its employees, creates a contract between TRS and any TRS employee, or confers on any TRS employee the right to continued employment with TRS, including the

Executive Director or any other employee holding a position in the Schedule of Exempt Positions.

On a motion by Mr. Nance, the Board unanimously voted to approve the proposed resolution continuing and adopting the Investment Management Division's performance incentive pay plan for the 2020 – 2021 performance period, as recommended by the Compensation Committee.

**September 18, 2020**  
**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(i) 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;

**Resolved**, That effective for the annual performance period beginning October 1, 2020, 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.

**10. Receive the report of the Policy Committee on its September 16, 2020 meeting and consider adoption of the following: – Committee Chair**

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

The Policy Committee met on September 16, 2020. The committee approved the proposed minutes of its July 2020 meeting.

The committee then conducted the required review of the Board's investment policy statement and recommended to the Board adoption of the proposed amendments to that statement. The committee recommended to the Board adoption of the proposed amendments to the key employee and general authority resolutions.

The Committee authorized for publication in the Texas Register notice of proposed amendments to TRS Rule 47.17 pertaining to the calculation of alternate payee benefits before a member's benefit begins, as provided in Title 34, Part 3 of the Texas Administrative Code.

The committee recommended to the Board adoption of the proposed benefit counseling policy, and the committee conducted a review of the Board's policy review schedule and adopted proposed updates to that schedule.

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 Investment Policy Statement, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board unanimously voted to adopt the proposed amendments to the Key Employee and General Authority Resolutions, as recommended by the Policy Committee.

Mr. Hollingsworth announced agenda item 12 would be taken up next.

**12. Receive the report of the Audit, Compliance, and Ethics Committee on its July 16, 2020 meeting and consider proposed revisions to the FY 2020 Audit plan – Committee Chair.**

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

The Audit, Compliance and Ethics Committee met on September 17, 2020 via videoconference. The committee approved the minutes of the July 16, 2020 Audit, Compliance and Ethics Committee.

State Auditor's Office staff presented the committee with information on its planned audit of TRS' Comprehensive Annual Financial Report, the CAFR, for fiscal year 2020. SAO staff also presented the results of the audit of TRS' fiscal year 2019 other post-employment benefits and employer pension liability allocation schedules.

Kevin Smith, of Crowe, LLP, presented the committee with information on his team's plan for the financial audit of TRS' investment company, TRICOT, for fiscal year 2020.

The general counsel and chief compliance officer presented routine compliance reports.

The chief audit executive presented proposed revisions to the Internal Audit Charter and the proposed audit plan for fiscal year 2021 for the committee's consideration and recommendation for Board approval. The committee approved the proposed revisions to the Internal Audit Charter and recommended approval by the Board.

The Committee also approved the proposed audit plan for fiscal year 2021 as amended, to include the HUB program and personal trading audits, and recommended approval by the Board.

Internal Audit staff presented the results of audits on accounting operations, the 1099-R process, and the internal audit quality assurance improvement program self-assessment. Internal Audit Staff also presented an update on the implementation of prior audit and consulting recommendations and some administrative reports. The meeting adjourned at 9:25.

Mr. Moss concluded his report with the following motions:

Mr. Moss moved and the Board voted unanimously to approve the recommended revisions to the Internal Audit Charter as recommended by the Audit, Compliance and Ethics Committee.

Mr. Moss moved and the Board voted unanimously to approve the 2021 audit plan, as revised.

**11. Receive the report of the Investment Management Committee on its July 16, 2020 meeting – Committee Chair.**

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

The Investment Management Committee met on September 16, 2020. The committee adopted the minutes of its July 2020 meeting.

Jase Auby began with his CIO update. The second quarter 2020 performance review was presented by Steve Voss and Mike McCormick with Aon. Concluding the Investment Management Committee, James Nield and Steven Kim presented the semiannual risk report.

**13. 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, Sunset Update, and personnel matters.**
- B. Update on COVID-19 and TRS operations.**

- 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. Guthrie provided an overview of past and upcoming conferences. He gave an update on Return to Office for TRS staff. He said they continue to operate in Phase 2 and anticipate doing so at least until the end of the month. He said TRS would likely be open for the public and member visits by January 2021. He noted members have been patient and have not complained about the level of services received since going virtual. Mr. Guthrie reviewed engagement efforts with staff such as attending virtual huddles. He gave a legislative update regarding interim hearings and reports. He reviewed the TRS legislative appropriations request (LAR) which is due to the LBB and Governor's office next week. Mr. Guthrie concluded by reviewing the proposed items for the December and February Board meetings.

- 14. Consider the annual evaluation of Gabriel, Roeder, Smith & Company as the prover of pension actuarial and consulting services and discuss upcoming pension actuarial items – Rebecca Merrill.**

Ms. Rebecca Merrill noted that State statute requires the Board to annually evaluate Gabriel, Roeder Smith (GRS) the pension actuarial consulting firm. She said staff prepared a memo describing what GRS has worked on over the last year for TRS. She reported GRS at the beginning of the fiscal year worked on the development of a funding policy for Board adoption. She said GRS prepared, without issue, the required valuations which includes the annual valuation presented last December and the GASB 67 and 68 data for those valuations. She also said GRS went through the actuarial audit that is required once every five years and there were no findings. Ms. Merrill noted this item did not require Board action.

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

Mr. Billy Lowe reviewed the timetable of releases and reported that all of the releases are on schedule as planned. He noted the switch to Agile methodology is serving them well. He said through this method the business units are involved throughout this process. Mr. Lowe discussed quality and how there are quality gate checks at various points long the way. He noted that quality is tracking well against these quality gates. He said they continue to work down the backlog of defects that were left over from the Phase 1 delivery.

Mr. Don Green discussed the TEAM budget methodology. He noted the two different approaches for the various phases of this project. The first method he said was used from FY12 to FY20 which designated direct and indirect support costs while the Perspecta contract was in place. He said this methodology was designed to be consistent with the way the legislature appropriated money for this project. The second methodology was used from February 2020 to July 2020. This method,

he said, was initiated after the Perspecta contract terminated and is how internal projects are traditionally budgeted as an operationalization of the project. Mr. Andrew Roth stated that even though the project has moved from a capital project to operationalizing the project, to be responsive to Bridgepoint, moving forward will revert back to the initial budgeting method. Mr. Green reviewed the difference of the methods indicating the delta is in how FTEs are reported. He emphasized that the change is in reporting, that there is no increase in budget.

Ms. Jennifer Whitman presented the dashboard that is to standardized the manner in which information is provided. She said the dashboard includes the schedule, scope, budget and key status updates including recent achievements and upcoming key goals and milestones.

**16. Receive an update from the TEAM Program Independent Program Assessment (IPA) Vendor – Michael Johnson, Bridgepoint Consulting.**

Mr. Michael Johnson noted the expansion in the timeline for TEAM to fourth quarter of calendar year 2024. He reported that there was good alignment between the business and IT. He said significant concerns were raised in regard to the budget and its clarity as it relates to the Board. He said the adjustment discussed to revert back to the method previously reported will allow the Board to more accurately see consistent reporting and monitor the costs going forward. He expressed significant concerns as to costs in that substantially all of the IT resources are being consumed in the execution of this program. He said one of the quality gates has not been hit and is working with management to understand how the quality gates will be exercised and will know by January of 2021 if that quality gate is met.

**17. Receive fiduciary training, including a presentation on ethics.**

Ms. Suzanne Dugan provided a fiduciary training with her colleague Dr. Luke Bierman. Ms. Dugan began with a survey of what traits would make a good trustee. She discussed the complexity of the role of a trustee and the obligations that come with fiduciary duty. She reviewed the fiduciary principles, relevant codes, case law, TRS board policies and provided historical background.

**18. Chief Operations and Administration Officer (COAO) update – Andrew Roth.**

Mr. Roth reviewed the Procurement and Contracts dashboard that was developed with the Strategy Office. He said that each division within operations will develop such a dashboard to provide same level of accountability and visibility. He noted the cost-benefit analysis for implementing an internal investment accounting system was underway which addresses a Sunset recommendation. He reported the senior leadership diversity, equity and inclusion training series had started. Mr. Roth referenced the new employment-after-retirement brochure.

**19. 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, open records, and Humana Insurance company of New York v. Teacher Retirement System of Texas.**



This item was not taken up for discussion.

At 10:37 am, Mr. Hollingsworth adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM  
OF TEXAS ON THE 9<sup>th</sup> DAY OF DECEMBER 2020.

ATTESTED BY:

Katherine H Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

Dec. 11, 2020

Date