

Minutes of the Board of Trustees

September 16, 2021

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, September 16, 2021, 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
Barbie Pearson, TRS
Katrina Daniel, TRS
Amanda Jenami, TRS
Martin Cano, TRS
Katherine Farrell, TRS
Jeff Bain, TRS
Lauren Burroughs, TRS

Keith Brown, Investment Advisor
Suzanne Dugan, Cohen Millstein
Michael McCormick, AON
Steve Voss, AON
Dennis Gold

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 2021 proposed meeting minutes;

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

On a motion by Ms. Sissney, seconded by Mr. Corpus, the Board unanimously voted to approve the following meeting dates for the calendar year 2022:

- February 17 – 18, 2022 (Austin, TX)
- April 28 – 29, 2022
- July 14 – 15, 2022
- September 15 – 16, 2022
- December 8 – 9, 2022

Mr. Hollingsworth announced items 2c and 2d would be taken up together.

- b. Consider the election of the Board Vice Chair; and**
- 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 noted September is when the Board generally elects the vice chair and also consider the Board approving and consenting to the Chair's recommendation for committee members and committee chairs. He stated given where things stood in the appointments process, he would like to recommend allowing the current vice chair and the committee chairs to remain the same for now in order not to go through too much flux. Once new trustees are appointed then at that time he said he thought it more appropriate to have a discussion about the Board's vice chair and committee members and chairs.

On a motion by Mr. Nance, seconded by Mr. Elliott, the Board voted to approve continuing as is with the vice chair, committees and committee chairs assignments.

Board Vice Chair	Nanette Sissney
Committee	Committee Chair, Members
Audit Compliance and Ethics	Moss, Ball, Elliott, Sissney
Benefits	Ball, Moss, Nance, Sissney, Walls
Budget	Sissney, Corpus, Elliott, Nance
Compensation	Nance, Ball, Elliott, Hollingsworth
Investment Management	Corpus, Hollingsworth, Moss, Sissney, Walls
Policy	Elliott, Corpus, Hollingsworth, Nance Walls
Strategic Planning	Walls, Ball, Corpus, Hollingsworth, Moss

3. Resolution recognizing the service of Dennis Gold – Jarvis V. Hollingsworth.

Mr. Hollingsworth said during his first term of service as Chair on the Board he worked with Mr. Dennis Gold who is an amazing employee who has seen the system through a lot of changes over the years.

On a motion by Mr. Corpus, seconded by Ms. Sissney, the Board voted unanimously to adopt the following resolution recognizing Mr. Gold's service to the System:

Whereas, Dennis Gold joined the Teacher Retirement System of Texas in March 1993 and served in a number of roles throughout his tenure, most recently as TRS's senior investment counsel; and

Whereas, his experience, acumen, dry wit, warm compassion and deep knowledge made him a go-to person for senior leaders across the organization and a welcome participant in any meeting; and

Whereas, his eager willingness to assist with any given legal task, coupled with his broad and deep understanding of the law and his ability to synthesize and then simplify complex legal and business issues made Dennis truly a lawyer's lawyer; and

Whereas, as interim general counsel, Dennis oversaw all legal services and compliance at TRS, including those related to pension benefits, trust investments and the two health care funds; and

Whereas, Dennis was instrumental in setting up the Teacher Retirement Investment Company of Texas, TRICOT, as we know it, in London and supporting every aspect of its daily operations and growth; and

Whereas, he was a major contributor in the creation of the non-TRS worker program and the myriad of issues contained therein; and

Whereas, Dennis served as a wealth of institutional knowledge for the Organizational Excellence team over the years; and

Whereas, he was a major creator of the legal and policy framework supporting the creation of the Professional Investment Management Division, including use of derivatives, hedge funds, external management and private assets; and

Whereas, Dennis could always be relied upon to be the voice of reason, bringing a calm and reassuring presence to every meeting no matter how difficult the topic and would go out of his way to meet his counterparts halfway; and

Whereas, Dennis brought a mastery of the English language and a knowledge of the elements of style that few could ever match; and

Whereas, he has been a beloved friend and mentor, always willing to listen and provide his guidance on an issue, sending memes before memes were cool, providing extensive Microsoft Word lessons, and leveraging it in ways that baffled even the most accomplished users, and always maintaining an open door policy to all; and

Whereas, Dennis always stayed relevant and up-to-date, whether it was with the recent news or the latest technology updates, and made others feel important by engaging with his full attention and encouraging their curiosity; and

Whereas, he exemplified the values of TRS, especially candor, maintained the highest standards of professionalism, and cultivated highly effective working relationships with TRS managers and the Board; and

Whereas, throughout his years of service to the Retirement System and its members, Dennis's approach to working has embodied the fiduciary duties of loyalty and care, always placing the Retirement System and its participants first, and will greatly be missed by all of his colleagues.

And now, therefore, be it resolved that the Board of Trustees and staff of the Teacher Retirement System of Texas recognize the accomplishments and contributions of Dennis Gold at TRS during his highly successful career with the Retirement System and express their sincere appreciation on behalf of TRS members, both present and future.

And be it further resolved that a copy of this resolution be presented to Dennis Gold and entered into the record of the Board for September 16, 2021.

Mr. Hollingsworth then proceeded to read a commendation to Mr. Gold on his retirement from Governor Gregg Abbott and First Lady Cecilia Abbott.

Mr. Brian Guthrie read a resolution in honor of Mr. Gold's retirement from Senator Joan Huffman.

Mr. Gold provided words of thanks noting the mission is supporting public educators and that had always been part of his motivation. He said it was a pleasure and a privilege to do this work.

Ms. Heather Traeger concluded by presenting Mr. Gold with a flag that was flown over the Capitol on his day of retirement along with a plaque of recognition.

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

Mr. Andrew Roth provided updates on return to office efforts, the status of the diversity equity and inclusion tool procurement process. Mr. Roth concluded his report with a list of executive council's outside leadership or board activities that are relevant to the Teacher Retirement System.

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

Ms. Caasi Lamb noted that state statute requires the Board to annually evaluate the performance of the actuary during the previous year. She reported GRS prepared and presented the required annual valuation last December and also prepared similar presentation for legislative staff and for associations as well. She said GRS also provided the GASB required reporting schedule GASB 67 and 68 and then during session GRS updated the actuarial valuation and provided actuarial analysis on a number of pieces of legislation dealing with benefit enhancements and changes to employment after retirement laws. She stated GRS continued to be responsive to staff and met all contractual requirements regarding the delivery of materials.

6. Receive Ombuds Quarterly Complaint Report – Katherine Farrell.

Ms. Katherine Farrell provided a summary of the activity of the quarter which included traffic through the Ombuds office and agency wide communications. She noted traffic was considered all

communications and not just a complaint. She indicated the increase observed this quarter in traffic corresponded with the publication of the TRS News announcing the implementation of the Ombuds office. Ms. Farrell then reviewed the complaints received for the quarter.

7. **Review and consider procurements and contracts, including the following – Martin Cano and Kendall Courtney:**
 - a. **Receive Procurement and Contracts Update;**
 - b. **Consider Procurement and Contracting Report; and**
 - c. **Consider extension of the State Street Custody Agreement and Securities Lending Authorization Agreement.**

Mr. Martin Cano presented a status update. He said the Procurement and Vendor E-System (PAVES) was successfully implemented and went live in August. He reported the TRS Procurement and Contract Management Guide was finalized in July, posted to the TRS internal website and linked to the Comptroller of Public Accounts website in early August. Training for agency contract managers as it relates to the guide will begin soon. He said the audit recommendations for Procurement and Contracts are on track.

Mr. Cano stated a report has been created pursuant to the Board Procurement Policy that includes TRS contracts with a value equal to or greater than \$1 million or more a year. He said there are 32 executed contracts that meet these criteria, seven of which are health care contracts, in addition to three solicitation that meet this criteria scheduled for FY 2022.

Ms. Heather Traeger stated the contract with the custodian and securities lending agent, that is State Street, is set to expire this July. She said the Investment Management Division, the business unit sponsoring the contract, is seeking an 18 month extension for that contract in order to permit adequate time to conduct the RFP.

On a motion by Mr. Nance, seconded by Ms. Sissney, the Board unanimously voted to adopt the following resolution approving the 18 month extension of the State Street custody agreement:

**Resolution of Board of Trustees
Relating to the Extension of the State Street Custody and
Securities Lending Agreement**

WHEREAS, Texas Government Code §825.101 provides that the Teacher Retirement System (“TRS”) Board of Trustees (“Board”) is responsible for the general administration and operation of the retirement system, and §825.103(d) provides that the Board has exclusive authority over the purchase of goods and services using trust funds;

WHEREAS, Texas Government Code §825.207(e) and §825.303(a) provide that the Board may select one or more commercial banks or other entities to serve as custodian of TRS’ assets and to lend TRS’ securities under rules adopted by the Board;

WHEREAS, The TRS Bylaws, subsection 1.7(p), state that the Board will select one or more custodian banks to provide custodial services for TRS assets;

WHEREAS, The TRS Bylaws, subsection 4.1.2(f), state that the Executive Director shall recommend to the Board the selection of the custodian for securities;

WHEREAS, The TRS Board Procurement Policy states that the Board will consider and authorize contracts with one or more custodian banks to provide custodial and security lending services for TRS assets;

WHEREAS, Section 2.3 of the TRS Securities Lending Policy states that the Board will, in addition to the custodian, select the lending agent to perform the securities lending function;

WHEREAS, State Street Bank and Trust Company ("State Street") has been providing custodial and securities lending services for the TRS pension trust fund since September 2002;

WHEREAS, The current agreements with State Street, the Custody Agreement and the Securities Lending Authorization Agreement, were originally each dated August 1, 2015 and set to expire on July 31, 2020 (the "Agreements");

WHEREAS, In April 2020, the Board authorized a two-year extension of the Agreements, extending the expiration to July 31, 2022;

WHEREAS, TRS will be issuing a Request for Proposal (RFP) for these services in September 2021 and, given the time needed to conduct the solicitation, present staff recommendations to the Board, negotiate new agreements, and allow time for a transition period (as needed), a new contract for these services will require additional time beyond the current terms of the Agreements; and

WHEREAS, TRS staff has reviewed and evaluated the performance of State Street and recommends that State Street continue to serve as master custodian of TRS' assets and securities lending agent for TRS during this time period.

Now, therefore be it

RESOLVED, That the Board hereby authorizes the Executive Director or his designee to extend the existing Agreements until December 31, 2023;

RESOLVED, That the Executive Director or his designee is hereby authorized to negotiate such amendments or modifications relating to the services to be provided by State Street under the Agreements during the extended term on such terms and conditions as they deem necessary or desirable and in the best interest of TRS;

RESOLVED, That the Board finds the extension of the State Street Agreements represents the best overall value for TRS based on qualifications, experience, proposed contract terms and conditions, proposed fees, and other relevant factors;

RESOLVED, That the Executive Director and his designees are hereby authorized to execute and deliver any and all documents and do any and all things they deem reasonably necessary or desirable and in the best interest of TRS to negotiate and execute the extension on the same or better financial terms as those in the existing Agreements and on such other terms and conditions deemed by the Executive Director or his designee to be in the best interest of TRS; and

RESOLVED, That nothing in this resolution may be construed as a contract, an offer to contract with a power of acceptance that would form a contract, or an acceptance of an offer to contract, and TRS is not and will not be legally bound to any agreement unless and until the Executive Director has executed and delivered definitive agreements relating to the subject matter, as applicable.

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

At 8:56 am, Mr. Hollingsworth announced the Board would recess until 8:00 am tomorrow.

September 17, 2021

The Board of Trustees of the Teacher Retirement System of Texas met on September 17, 2021 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
Christopher Moss
James Nance
Robert H. Walls, Jr.

Others present:

Brian Guthrie, TRS	Jonathan Scofield, EY
Andrew Roth, TRS	Richard Holt, EY
Don Green, TRS	Keith Brown, Investment Advisor
Heather Traeger, TRS	Joe Newton, GRS
Jase Auby, TRS	Dan Sibilik, GRS
Barbie Pearson, TRS	Michael McCormick, AON
Katrina Daniel, TRS	Brock Grett, TRTA
Amanda Jenami, TRS	Leroy DeHaven, TRTA
Monica Bernal, TRS	Jordan Ash, Private Equity Stakeholder Project
Lang, TRS	Eric Anthony Sanchez, Refresco employee
Katherine Farrell, TRS	Ms. Acevedo, Refresco employee
Billy Lowe, TRS	Craig Campbell, Austin Retired Teachers
Jennifer Whitman, TRS	Association
Adam Fambrough, TRS	
Suzanne Dugan, Cohen Milstein	

At 8:02 am the Chair reconvened the board meeting and without objection called up Agenda Item 8.

8. Provide an opportunity for public comment.

Mr. Jordan Ash, representing Private Equity Stakeholder Project, expressed concern regarding TRS' investment partner PAI Partners, a private equity firm that is a co-owner of Refresco.

Mr. Anthony Sanchez, Refresco employee, expressed concern about TRS' investment in Refresco and its unsafe working conditions.

Ms. Acevedo, Refresco employee, through an interpreter expressed concern about TRS' investment in Refresco and its unsafe working conditions.

Mr. Craig Campbell, Austin Retired Teachers Association, expressed appreciation for the 13th check but concerned that the COLA did not pass. He recommended that compensation for TRS employees undergo the same actuarial analysis performed for COLAs. He also recommended models for the Ombuds office.

Mr. Leroy DeHaven, president of Texas Retired Teacher Association (TRTA), expressed appreciation to the Governor and Texas Legislature for the supplemental payment. He expressed concern about the new TRS building, understanding the agency needs more space as TRS grows, making it more difficult for retirees to receive a COLA in the near future.

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

- A. Administrative operational matters, including updates on financial, audit, legal, staff services, special projects, strategic planning, legislative and personnel matters.**
- B. Board operational matters, including a review of draft agendas for upcoming meetings.**
- C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.**

Mr. Brian Guthrie reviewed upcoming conferences. He provided an update on the implementation of the Sunset legislation. He noted this was the second year the agency huddles, where employees can provide direct feedback to Brian and Andrew, were done virtually. Mr. Guthrie concluded by reviewing the upcoming December Board meeting proposed agenda items and sought input for the February Board meeting.

10. Receive the report of the Strategic Planning Committee on its September 16, 2021 meeting – Committee Chair.

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

The Strategic Planning Committee met on September 16, 2021.

The committee adopted the minutes of its July 2021 meeting.

Ms. Caasi Lamb provided background information on development of the Executive Director's proposed Fiscal Year 2022 Areas of Focus and alignment with the strategic plan. The Executive Director laid out and discussed his proposed Areas of Focus and priorities for Fiscal Year 2022.

Ms. Lamb, along with strategic plan objective owners, discussed and reviewed the results forum information for the 2021-2025 TRS Strategic Plan objectives. The objectives included: improving pension funding and health care funding communications, improving communication regarding 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.

- 11. Receive the report of the Benefits Committee on its September 16, 2021 meeting and consider adoption, approval or acceptance of the following – Committee Chair:**
 - A. Adopt resolution directing staff to prepare for and issue the supplemental payment consistent with the provisions of Senate Bill 7 as passed by the 87th Texas Legislature in the Second Called Session;**
 - B. Acceptance of the Medical Board Meeting minutes of May 2021 meeting;**
 - C. Approval of the Benefit t Payments for June 2021 – August 2021;**
 - D. Appointments of members to fill upcoming vacancies on the Retirees Advisory Committee (RAC), including RAC Vice Chair.**

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

The Benefits Committee met on September 16, 2021. The committee approved the proposed minutes of the Benefits Committee for the July 15, 2021 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 2021.

Ms. Barbie Pearson provided an update on benefit payments for June through August 2021. The committee recommends to the Board the approval of benefit payments for June through August. 2021.

The committee received an update from Ms. Pearson on Benefit Services operations for the fourth quarter of fiscal year 2021. This report included an update on Benefit Services workload, including a discussion on the inactive accounts policy, as outlined in the Sunset legislation as passed by the legislature in the 87th Legislative Session.

Next the committee received an update from Ms. Katrina Daniel, chief health care officer, on both TRS-Care and TRS-ActiveCare. Kyle McKay, Health Care Data Analytics manager, provided the committee with the results of research he conducted of health care benefits offered by public education employers outside of TRS-ActiveCare.

Finally Meaghan Bludau, TRS health chief of staff, provided the committee with staff recommendations to fill vacancies and expired terms of four Retirees Advisory Committee positions, including the vice chair position. The committee recommends to the Board approval of the RAC nominees.

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 2021 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 2021, as recommended by the committee.

On a motion by Mr. Ball, the Board unanimously voted to appoint the nominees to the Retirees Advisory Committee, as recommended by the committee.

At the conclusion of his report, Mr. Ball stated he had another item to report that was not taken up in the Benefits Committee meeting. Item 3A in the Benefits agenda was to consider recommending to the Board adoption of a resolution directing staff to prepare for an issue of a one-time supplemental payment consistent with the provisions of Senate Bill 7 as passed by the 87th Texas Legislature. Mr. Ball reported that Governor Abbott signed House Bill 5 into law yesterday with an immediate effective date which provides the funding for Senate Bill 7. Therefore, he announced that the Board may at this time consider adoption of the resolution without committee action as authorized by the by-laws under Section 1.7(c). He concluded by saying that it was his honor and privilege to make the following motion.

On a motion by Mr. Ball, seconded by Ms. Sissney, the Board unanimously voted to adopt the following resolution directing staff to prepare for and issue a supplemental payment.

**RESOLUTION CONDITIONALLY APPROVING THE ISSUANCE OF A
SUPPLEMENTAL PAYMENT AUTHORIZED IN SENATE BILL 7 AND FUNDED
IN HOUSE BILL 5**

September 16-17, 2021

Whereas, Senate Bill 7 (SB 7) was passed by the 87th Legislature, Second Called Session, and signed by the Governor with an immediate effective date of September 9, 2021

Whereas, House Bill 5 (HB 5) was passed by the 87th Legislature, Second Called Session, and signed by the Governor with an immediate effective date of September 16, 2021

Whereas, SB 7 requires the Teacher Retirement System of Texas (TRS) to make a one-time supplemental payment of a retirement or death benefit in accordance with the provisions set forth in the bill and sets out specific instructions regarding who is eligible to receive the supplemental payment and the amount and timing of that 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 supplemental payment. According to the actuarial analysis for the combined impact of SB 7 and HB 5, the expected amortization period is less than 26 years;

Whereas, HB 5 instructs the Legislature to appropriate funds TRS in an amount equal to the cost of the supplemental payment and SB 7 instructs TRS not to issue the supplemental payment until the Legislature appropriates those funds to TRS;

Whereas, once the legislation authorizing and funding the supplemental payment bills take effect, the funds to issue the supplemental payment must be received and certified by TRS and programming must take place to distribute the amounts.

Whereas, based on prior member feedback, a January 2022 disbursement date will allow TRS to apply member's individual tax withholding preferences to the one-time supplemental payment, will defer taxation on the one-time supplemental payment to the 2022 tax year, and will provide eligible annuitants additional time to make any necessary tax or financial planning adjustments for the subsequent tax year.

Whereas, The Benefits Committee has made a recommendation to the Board of Trustees ("Board") that the Board direct TRS staff to prepare for and issue the supplemental payment in January 2022 and in accordance with the provisions in SB 7, but only upon receipt by TRS of the funds appropriated by the Legislature to fund the one-time supplemental payment;

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

Resolved, That the Board hereby adopts the recommendation of the Benefits Committee and directs TRS staff to prepare for and issue the supplemental payment in January 2022 and in accordance with the provisions in SB 7, but only upon receipt by TRS of the funds appropriated by the Legislature to fund the supplemental payment; *be it*

Further resolved, That the authority delegated unto TRS staff under this resolution shall terminate upon the commencement of the February 2022 TRS Board meeting should the supplemental payment not have been issued by that date.

12. Receive the report of the Compensation Committee on its September 16, 2021 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 2021 – 2022 Performance Period; and**
- B. **Proposed continuation and adoption of the Investment Management Division' and TRICOT's Performance Incentive Pay Plan for the 2021 – 2022 Performance Period adoption of a new TRICOT Performance Incentive Pay Plan for the 2021 – 2022, and adoption of a resolution regarding delegation of authority for TRICOT.**

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

The Compensation Committee met on September 16, 2021. The committee approved the proposed minutes of its September 2020 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 2021-2022 performance period. The committee discussed and recommended do the Board continuation and adoption of Investment Management and TRICOT's performance incentive pay plan for the 2021-2022 performance period, and the adoption of a resolution regarding delegation of authority to TRICOT.

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 amendments to the executive director's performance incentive pay plan for the 2021-2022 performance period, as recommended by the Compensation committee.

**September 17, 2021
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(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;
- 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, 2021; now, therefore be it

Resolved, That effective September 17, 2021, 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 voted to adopt the resolution continuing and adopting the amendments to the Investment Management Division's performance incentive pay plan for the 2021-2022 performance period, as recommended by the Compensation Committee.

TEACHER RETIREMENT SYSTEM OF TEXAS BOARD RESOLUTION
September 17, 2021
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, 2021, 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.

On a motion by Mr. Nance the Board voted to adopt the resolution continuing and adopting the TRICOT's performance incentive pay plan for the 2021-2022 performance period, as recommended by the Compensation Committee.

TEACHER RETIREMENT SYSTEM OF TEXAS BOARD RESOLUTION
September 17, 2021
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, 2021, 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 TRS employee, or otherwise alters the employment contract between TRICOT and TRICOT employees.

On a motion by Mr. Nance, the Board voted to adopt the resolution regarding delegation of authority for TRICOT, as recommended by the Compensation Committee.

**Resolution Regarding Delegation of Authority to Act as
Shareholder Representative for Subsidiary
Teacher Retirement Investment Company of Texas Ltd.
September 17, 2021**

Whereas, The Teacher Retirement System of Texas ("TRS") organized and is the sole shareholder of an operating subsidiary, Teacher Retirement Investment Company of Texas Ltd., a company limited by shares and organized under the laws of England and Wales in the United Kingdom, and having offices in London, United Kingdom ("TRICOT");

Whereas, TRICOT provides investment advisory services to TRS with respect to TRS's investments in the United Kingdom, Europe and elsewhere, and TRICOT provides such services exclusively to and on behalf of TRS, under an intercompany agreement between TRS and TRICOT;

Whereas, The Board of Trustees ("Board") has determined that it is in the best interest of TRS to designate a shareholder representative having authority and discretion to act on behalf of TRS as the sole shareholder of TRICOT; and

Whereas, The Board desires to designate the Executive Director as the shareholder representative for TRICOT, specify duties to be performed by the shareholder representative, and delegate general and specific authority to the Executive Director relating to matters requiring action by or on behalf of TRS as the sole shareholder of TRICOT; **Now therefore, be it**

Resolved, That the Board hereby designates the Executive Director (including a successor or interim Executive Director) as TRS's shareholder representative for TRICOT with authority and discretion, when acting in that capacity in accordance with these resolutions, to take any and all actions necessary or desirable for the prudent operation and administration of TRICOT in accordance with applicable laws of the United Kingdom, and to execute and deliver all documents, resolutions, statutory reports, certificates, designations, agreements, governmental filings, and appointments as may be necessary or desirable on behalf of TRS as the sole shareholder of TRICOT;

Resolved, That, in addition to the preceding resolution and not by way of limitation, the Executive Director, acting as TRS's shareholder representative as provided in these resolutions, be and hereby is exclusively authorized and directed, in his or her sole discretion, to adopt and approve all TRICOT shareholder resolutions, amendments to TRICOT's Articles of Association, documents, policies, schedules, general employment policies, employee compensation, programs of benefits, and pension plans for TRICOT employees in the United Kingdom, in accordance with applicable laws of the United Kingdom, and to execute and deliver any shareholder resolutions necessary or desirable for the adoption and implementation of TRICOT's employment-related policies, schedules, and plans under these resolutions;

Resolved, That the Executive Director, acting as TRS's shareholder representative as provided in these resolutions, be and hereby is authorized and directed to adopt a shareholder resolution appointing a senior manager in the TRS Executive Division (including a successor or interim manager) to serve as the sole director of TRICOT without additional compensation until he or she resigns and a successor has been duly appointed and qualified;

Resolved, That the Board hereby further directs the Executive Director, as the shareholder representative, in conjunction with the TRS budgeting processes, to develop and submit for Board consideration an annual budget for TRICOT's operations during the following TRS fiscal year, and to submit for Board consideration any interim amendments to the TRICOT budget as may be necessary or desirable;

Resolved, That the Board hereby further directs the Executive Director, as the shareholder representative, to (a) develop and submit for annual Board consideration a performance pay plan for TRICOT employees ("TRICOT Plan") that is, to the fullest extent permitted by laws of the United Kingdom, substantially similar to the TRS Performance Pay Plan for Investment Management Division employees in the United States including reporting requirements, as adopted or amended by the Board from time to time, (b) submit for Board consideration any interim amendments to the TRICOT Plan as may be necessary or desirable, in accordance with TRICOT Plan rules and restrictions on timing of amendments, and (c) implement the TRICOT Plan and any amendments approved by the Board;

Resolved, That the Executive Director is hereby directed to submit and present to the Board periodic reports about TRICOT's operations, including expenditures and annual audit reports, on at least an annual basis and more often as directed by the Board; and **Resolved,** That if the Executive Director (including a successor or interim Executive Director) is or will be unavailable to act as the shareholder representative, he or she may designate the Chief Operations and Administration Officer or the Chief Financial Officer as an alternate shareholder representative with authority to act on behalf of TRS as the shareholder representative under these resolutions in accordance with the Executive Director's directions.

13. **Receive the report of the Policy Committee on its September 16, 2021 meeting and consider adoption of the following – Committee Chair:**
 - A. **Proposed amendments to the Investment Policy Statement;**
 - B. **Proposed amendments to the Key Employee and General Authority Resolutions; and**

C. Proposed repeals, new rules and amendments of the TRS rules in Chapter 31 and 41 of Title 34, Part 3 of the Texas Administrative Code:

- i. [REPEAL] SUBCHAPTER A. GENERAL PROVISIONS**
- ii. [REPEAL] §31.1. Definitions**
- iii. [REPEAL] §31.2. Monthly Certified Statement**
- iv. [REPEAL] §31.3. Exceptions Apply only to Effective Retirements**
- v. [REPEAL] SUBCHAPTER B. EMPLOYMENT AFTER SERVICE RETIREMENT**
- vi. [REPEAL] §31.11. Employment Resulting in Forfeiture of Service Retirement Annuity**
- vii. [REPEAL] §31.12. Exceptions to Forfeiture of Service Retirement Annuity**
- viii. [REPEAL] §31.13. Substitute Service**
- ix. [REPEAL] §31.14. One-half Time Employment**
- x. [REPEAL] §31.15. Full-time Employment after 12 Consecutive Month Break in Service**
- xi. [REPEAL] SUBCHAPTER C. EMPLOYMENT AFTER DISABILITY RETIREMENT**
- xii. [REPEAL] §31.31. Employment Resulting in Forfeiture of Disability Retirement Annuity**
- xiii. [REPEAL] §31.32. Half-time Employment Up to 90 Days**
- xiv. [REPEAL] §31.33. Substitute Service Up to 90 Days**
- xv. [REPEAL] §31.34. Employment Up to Three Months on a One-Time Only Trial Basis**
- xvi. [REPEAL] §31.35. Disability Retiree Report of Excess Compensation**
- xvii. [REPEAL] §31.36. Forfeiture of Disability Retirement Annuity Payments Due to Excess Compensation**
- xxviii. [REPEAL] §31.37. Applicability of Excess Compensation Provisions to Employment in Texas Public Educational Institutions**
- xix. [REPEAL] §31.41. Return to Work Employer Pension Surcharge**
- xx. [NEW] Subchapter A: General Provisions**
- xxi. [NEW] Rule 31.1. Definitions**
- xxii. [NEW] Rule 31.2. Monthly Certified Statement**
- xxiii. [NEW] Rule 31.3. Return-to-Work Employer Pension Surcharge**
- xxiv. [NEW] Rule 31.4. Employment Resulting in Forfeiture of Retirement Annuity**
- xxv. [NEW] Rule 31.5. Notice and Forfeiture Requirements for Certain Service Retirees**
- xxvi. [NEW] Rule 31.6. Second EAR Warning Payments**
- xxvii. [NEW] Subchapter B: Exceptions to Employment After Retirement**
- xxviii. [NEW] Rule 31.11. Exceptions to Forfeiture of Retirement Annuity**
- xxix. [NEW] Rule 31.12. Substitute Service**
- xxx. [NEW] Rule 31.13. One-half Time Employment**
- xxxi. [NEW] Rule 31.14. Full-time Employment after 12 Consecutive Month Break in Service**
- xxxii. [NEW] Rule 31.15. Tutors under Education Code § 33.913**

- xxxiii. **[NEW] Rule 31.16. Positions in a Disaster Area**
 - xxxiv. **[NEW] Rule 31.17. Federally-Funded COVID-19 Personnel**
 - xxxv. **[NEW] Rule 31.18. Employment Up to Three Months on a One-time Trial Basis**
 - xxxvi. **[NEW] Rule 31.19. Combining EAR Exceptions**
 - xxxvii. **[NEW] Rule 31.20. Combining EAR Exceptions and the Employer Surcharge**
 - xxxviii. **[NEW] Subchapter C: Disability Retiree Compensation Limits**
 - xxxix. **[NEW] Rule 31.31. Disability Retiree Report of Excess Compensation**
 - xl. **[NEW] Rule 31.32. Forfeiture of Disability Retirement Annuity Payments Due to Excess Compensation**
 - xli. **[NEW] Rule 31.33. Applicability of Excess Compensation Provisions to Employment in Texas Public Educational Institutions**
- D. Proposed repeals, new rules and amendments of the TRS rules in Chapter 43 of Title 34, Part 3 of the Texas Administrative Code:**
- i. **[AMEND] Rule 43.1. Administrative Review of Individual Requests**
 - ii. **[AMEND] Rule 43.45. Proposals for Decision, Exceptions, and Appeals to the Board of Trustees**
- E. Proposed repeals, new rules and amendments of the TRS rules in Chapter 41 and 41 of Title 34, Part 3 of the Texas Administrative Code:**
- i. **[AMEND] §41.30. Participation in the Health Benefits Program under the Texas School Employees Uniform Group Health Coverage Act by School Districts, Other Educational Districts, Charter Schools, and Regional Education Service Centers**
 - ii. **[AMEND] §41.33. Definitions**
 - iii. **[AMEND] §41.35 Plans of Group Coverage**
 - iv. **[AMEND] §41.36 Enrollment Periods for TRS-ActiveCare**
 - v. **[AMEND] §41.45. Required Information from School Districts with More than 1,000 Employees**
 - vi. **[AMEND] §41.52. Expulsion from TRS-ActiveCare**
 - vii. **[NEW] §41.41. One-Time Reenrollment Opportunity**

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

The Policy Committee met on September 16, 2021. The committee approved the proposed minutes of its July 2021 meeting.

The committee conducted the required review of the Board's Investment Policy Statement, referred to as the Statement. The staff recommended eight proposed modifications to that statement. The committee recommended to the Board adoption of proposed amendments to the statement.

The committee recommended to the Board adoption of the proposed amendments to the key employee and general authority resolutions to reflect changes to some job titles. The

committee recommended to the Board adoption of the proposed amendments to the proposed key employee and general authority resolutions.

The committee conducted a review of the Board's policy review schedule and approved that schedule as presented by staff. The committee recommended to the Board adoption of proposed repeals, new rules, and amendments of the TRS rules in Chapter 31 and Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, without changes, to be effective November 1, 2021.

The committee recommended to the Board adoption of the proposed amendments to the TRS rules in Chapter 43 of Title 34, Part 3 of the Texas Administrative Code, without changes, to be effective 20 days after filing with the Texas Register.

The committee recommended to the Board adoption of proposed new rules and amendments to the TRS rules in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, without changes, to be effective 20 days after filing with the Texas Register.

The committee recommended to the Board adoption of the proposed outreach plan.

The committee recommended to the Board the adoption of the amendments to the Board Procurement Policy to change the threshold amount for contracts subject to Board approval to those with an estimated value of \$1 million per year, provide quarterly reports to effectuate approval, remove reference to the internal assessment, add statutory updates, and name change for the TRS Guide.

The committee authorized the publication in the Texas Register notice of the proposed repeals, new rules and amendments of the TRS rules in Chapter 31, Chapter 41 and Chapter 43 of Title 34, Part 3 of the Texas Administrative Code.

And finally, the committee authorized for publication in the Texas Register notice of the proposed repeals, new rules and amendments of the TRS rules in Chapter 41 of 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 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 key employee and general authority resolutions as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed repeals, the new rules and amendments of the TRS rules in Chapters 31 and 41 to Title 34, Part 3 of the Texas Administrative Code, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments of the TRS rules in Chapters 43 to Title 34, Part 3 of the Texas Administrative Code, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to adopt the proposed amendments of the TRS rules in Chapters 43 to Title 41, Part 3 of the Texas Administrative Code, as recommended by the Policy Committee.

14. Receive the report of the Investment Management Committee on its September 16, 2021 meeting – Committee Chair.

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

The Investment Management Committee met on September 16, 2021. The first item was the adoption of the minutes.

Next, Jase Auby began with his CIO update. The second quarter 2021 performance review was then presented by Steve Voss and Mike McCormick of Aon. To conclude 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 16, 2021 meeting and consider adoption of proposed Audit Plan for Fiscal Year 2022 – Committee Chair.

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 16, 2021 in the 5th Floor Boardroom. The committee approved the minutes of the July 2021 Audit, Compliance and Ethics Committee.

State Auditor's staff presented reports on their planned audit of the annual comprehensive financial report for fiscal year 2021 and the results of the audit of fiscal year 2020 employer pension and other post-employment benefit liability allocation schedules.

Crowe, LLP staff presented a report on their planned financial audit of TRS's investments company, TRICOT.

The general counsel and chief compliance officer presented routine compliance reports. The chief audit executive presented the proposed audit plan for fiscal year 2022. The committee recommends to the Board of Trustees to adopt the proposed audit plan for fiscal year 2022.

Internal Audit staff presented the results of audit on personal trading, status of prior audit recommendations, Internal Audit's strategic plan for fiscal year 2022 through fiscal 2024, and some administrative reports.

The committee went into executive session to discuss the Internal Audit report on health insurance benefits contract oversight at 3:35 p.m. The committee reconvened in open session at 4:57 p.m. and concluded the meeting at 5:02 p.m.

To conclude his report, Ms. Sissney had the following motion:

On a motion by Ms. Sissney, the Board voted to adopt the proposed plan for fiscal year 2022, as recommended by the ACE Committee.

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

Ms. Jennifer Whitman provided an overview on the TEAM Program dashboard. She noted the next upcoming release is payment addresses scheduled to go live next month on October 25. She reported there were delays noted in the previous status updates regarding the web self-service release. It was initially scheduled to go-live March 22nd but now they moved it to the planned contingency date of April 25th. She said the delays were due to bringing in a third-party vendor to do testing as well as substantial technical changes resulting from the recent legislative session. She noted that due to the contingency date already being identified and planned for, it will not impact the other release dates down the road from a timeline and schedule perspective. She reviewed the TEAM budget update, she said a new graph was being implemented that provides more information and context.

Mr. Don Green provided further budget information. He reported over the life of the TEAM project the estimated total spend as \$219.5 million. For the fiscal year 2021, \$15.7 million of the \$17.9 million budgeted was spent. He said the difference was due to staffing turnover and one contract did not spend the money anticipated.

Mr. Adam Fambrough discussed the value they have witnessed from bringing the projects in-house since February 2020. He said they are releasing functionality in smaller increments so if there is a need to correct there is a smaller set of code to focus on fixing. Mr. Fambrough reviewed member and employer service improvements such as accepting electronic signatures for members so they can apply for refunds and retirements through MyTRS.

17. Receive an update from the TEAM Program Independent Program Assessment (IPA) Vendor – Jonathan Scofield and Richard Holt, EY.

Mr. Jonathan Scofield provided an overview of the cube methodology, the grading scale they are using and next steps. He said the scoring comes from his team over the past two months attending over 100 daily stand-ups with TRS delivery team. He reported the score was right in the middle at five. He said scope is under control and documented well. He said the score is comprised of three scores: program governance which was a 5.2, product management at a 5.0 and technical solution at a 4.8. He stated the TRS team was establishing end-user champions, setting targets and scores and really utilizing the stand-up meetings to seek clarification and bring up any challenges. He said areas of opportunity and risk were inefficient work planning and how resources are prioritized.

Mr. Moss joined the meeting virtually at 10:46 a.m.

18. Receive an update and consider long term facilities planning on potential new building, potential renovations or sale of the Red River campus, lease for regional office space in El Paso, Texas 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, Eric Lang.

Mr. Guthrie provided an overview of the long-term facilities history. He reported discussions began back in 2014 with the Board and then a pause button was hit in 2016, starting again in 2018. After three years of open meeting discussions, the Board this July gave permission to proceed with fully developing the Alpha/Bravo solution as an alternative to the current use of the Red River facilities and the leasing space at 816. He reported during the intervening months, staff has worked on that proposal and had made significant outreach with the members by providing information on Facebook including a Facebook live event. He said the Alpha/Bravo proposal is a solution with several benefits: it is outside of the downtown area; it is in East Austin; it is a generational solution for TRS that will improve member access.

Mr. Guthrie noted this proposal demonstrates financial stewardship, many options were explored, including staying where we are. This proposal eliminates the need for leased space which is consistent with State philosophy which is also being pursued via the Capitol Complex. He reported the purchase price to be between \$250 to \$300 million total. He said this will be offset by significant savings on the administrative side that will be realized by moving into this new facility. For instance, there is significant maintenance at current headquarters estimated to be \$50 - \$75 million. He said avoiding lease costs over 20 years should save an additional \$120 to \$140 million. Additionally, selling the asset, current headquarters, would be on the conservative side anywhere from \$80 to \$100 million.

Mr. Guthrie responding to questions made earlier about the impact of new facilities would have on the legislature providing a cost of living adjustment (COLA) to members long term. He said TRS received a letter from the actuary that stated definitively this would not have a significant impact on the Trust Fund. He said they also reported it did not have a negative impact on the current funded status and it would not in any way interfere with the ability of members to get a COLA in the future if authorized by the legislature. He said he believes that given the economic analysis and given the actuarial analysis, the Alpha/Bravo proposal makes the most sense for the Fund moving forward.

Mr. Guthrie provided member feedback received. He said information was provided to members, legislators, and outside stakeholders. He said the reaction has been fairly positive from nay stakeholders but our members are concerned about receiving a COLA. He reported the total number of member feedback were 963 touch points.

Mr. Roth provided a timeline if the decision today was to move forward with the Alpha/Bravo proposal. The timeline included placing the Red River headquarters on the market.

On a motion by Mr. Nance, seconded by Mr. Walls, the board voted to find that deliberating or conferring on item number 18 in an open meeting would have a detrimental effect on the position of the Retirement System in negotiations with a third person.

At 11:15 a.m. Mr. Hollingsworth announced the board would go into executive sessions on the following agenda item and sections of the Government Code: Item number 18 under Sections 825.115(e), 551.071 and 551.072 to discuss procurement matters, real property and consult with legal counsel and other experts as needed.

At 12:17 p.m. Mr. Hollingsworth reconvened the Board in open meeting.

Mr. Elliott moved for the Board to adopt the resolution to select Shorenstein as the developer for the main campus, and authorize the executive director or his delegee to engage in negotiations necessary for the purchase of the real property for the design and build of a new main campus.

Ms. Sissney seconded the motion. She commented that weighing the options as a fiduciary, that while she is concerned about the timing and what office space is needed and what it will look like after the pandemic, that is a smaller percentage to the overriding percentage for the need for new facilities, primarily the economic argument, that is to get out of leasing space and own our own facilities is the controlling.

Mr. Ball commented that he wanted to reassure the members that there has been a significant amount of due diligence involved in arriving at this decision that is before the Board and there has been a significant amount of professional skepticism applied toward some of the assumptions that have been presented. He concluded by stating this will be a net benefit to the Pension Trust in the long term.

The board then voted unanimously to adopt the following resolution:

**Resolution of Board of Trustees September 17, 2021
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 (referred to here as “administrative headquarters”) 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 including associated cost-benefit analysis, engaged a broker, architect, and an owner’s representative, performed stakeholder outreach, conducted a workplace study and an employee perspectives survey to evaluate the long-term facilities planning needs of TRS;

WHEREAS, a Request for Proposal (“RFP”) was issued in 2019 to interested entities to solicit design and build proposals to develop a potential new administrative headquarters for TRS;

WHEREAS, TRS received and evaluated the RFP proposals for a new TRS administrative headquarters;

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 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 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 to reflect updated pricing and terms;

WHEREAS, at the September 2020 Board meeting, the Board by resolution authorized and instructed the Executive Director, or his delegee, 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 finalists;

WHEREAS, from September 2020 through July 2021, TRS conducted extensive due diligence, including negotiating and executing a non-binding term sheet with the top finalist;

WHEREAS, it was understood the final contract's material terms and conditions would be presented to the Board at a future date for a final decision; and

WHEREAS, TRS developed the Moving Forward Together communication outreach plan to provide information to TRS stakeholders about the long-term facilities project, including issues, concerns, options, costs, and project goals and timelines;
Now, therefore, be it

RESOLVED, That the Board hereby authorizes and instructs the Executive Director or his delegee, 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 to finalize contracts for new administrative headquarters for TRS with Shorenstein Realty Investors 11 LP, including the purchase of the project known as the “Alpha” building and for the purchase of a design-and-build project known as the “Bravo” building.

RESOLVED, That the Board hereby authorizes and instructs the Executive Director or his delegee, with the assistance of TRS employees, to transfer the funds authorized by the Board under to the selected custodian bank account and to perform all activities necessary to manage, monitor, and disburse funds from the account.

RESOLVED, That the Board hereby authorizes and instructs the Executive Director or his delegee, with the assistance of TRS employees and TRS's broker and owner's representative, to expend funds, procure all necessary goods or services, and to take all actions and do all things necessary or desirable to negotiate and sign all agreements related to the purchase and sale of Alpha and Bravo, including all ancillary agreements.

RESOLVED, That the Board hereby authorizes and instructs the Executive Director or his delegee, with the assistance of TRS employees and TRS's broker and owner's representatives, to take all actions and do all things necessary or desirable to conduct any activities needed to comply with any requirements needed from other governmental entities, including the City of Austin, Travis County, or any other local jurisdiction, as well as conduct all activities needed to comply with any contractual requirements, service agreements, or ordinances.

RESOLVED, That the Board's selection of the finalist 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 full and final written contracts are successfully negotiated and executed by both parties.

On a motion by Mr. Ball, and seconded by Mr. Nance, the board voted unanimously to adopt the proposed resolution making a fiduciary finding and selection of the custodian to authorize the transfer of Pension Trust funds of the approved main campus project cost and selection of a custodian bank.

**Resolution of Board of Trustees September 17, 2021
Authorizing Expenditure and Transfer of Funds for New Administrative
Headquarters for TRS and Selection of a Custodian Bank**

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; and

WHEREAS, Section 825.313(d) of the Government Code provides that the TRS Board of Trustees (the “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, The Board approved the selection of Shorenstein Realty Investors 11 LP to develop the new Administrative Headquarters for TRS and authorized the Executive Director to finalize contracts for the two properties known as “Alpha” and “Bravo” for a total cost of up to \$300,000,000.00;

WHEREAS, Under Sections 1.7(n)(1) and 5.3 of the Bylaws of the Board of Trustee (“Bylaws”), the Board selects the custodian or custodians to hold TRS assets;
Now, therefore, be it

RESOLVED, That the Board finds the expenditure of pension trust funds for operating expenses is required to perform the fiduciary duties of the Board in administering the retirement system in the amount not to exceed \$300,000,000.00, to pay all expenses related to the design and build of a new administrative headquarters for TRS, designated as the new administrative headquarters project.

RESOLVED, That the Board selects JP Morgan as the custodian bank for the new administrative headquarters project.

RESOLVED, That staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the new administrative headquarters project under the approved budget, subject to a not to exceed in the amount of \$300,000,000.00.

RESOLVED, That staff is authorized to amend the fiscal year 2022 budget as approved under the Resolution Authorizing Expenditure and Transfer of Trust Funds for Pension Trust Fund Administrative Operations, dated July 15, 2021, to reflect this action.

Mr. Hollingsworth then announced taking up agenda item 20.

20. Discuss and consider personnel matters including the appointment, selection, compensation, duties, discipline, or dismissal of Ombudsman in consultation with the with the Executive Director, including to interview candidates and deliberate the selection of an Ombudsman – Brian Guthrie and Janet Bray.

Mr. Guthrie stated both candidates were in the building and ready to be interviewed in closed session.

At 1:04 p.m. Mr. Hollingsworth the board would go into executive sessions regarding agenda item 20, Ombuds interviews, under Section 551.071 and 551.074 to discuss personnel matters and to consult with legal counsel as needed.

At 3:03 p.m. Mr. Hollingsworth announced the board reconvened in open meeting.

On a motion by Mr. Nance, seconded by Mr. Ball, the board unanimously voted to adopt the resolution selecting Randon Wilkins to the position of Ombudsman of the Teacher Retirement System of Texas.

RESOLUTION REGARDING SELECTION AND HIRING OF OMBUDS

WHEREAS, House Bill 1585, 87th Regular Legislative Session ("HB 1585"), amends Chapter 825 of the Government Code to require the Teacher Retirement System of Texas ("TRS") Board of Trustees ("Board") to designate an ombudsman ("Ombuds") to assist TRS members and retirees by performing member and retiree protection and advocacy functions;

WHEREAS, HB 1585 received a vote of two-thirds of all members elected to each house and therefore took effect on May 26, 2021;

WHEREAS, The Board at the June 3, 2021 meeting directed the Executive Director to search for an Ombuds to fulfill the duties set forth in HB 1585;

WHEREAS, Section 1.7(g)(3) of the Board's Bylaws provides that the Board shall be responsible for the selection and compensation of the Ombuds in consultation with the Executive Director;

WHEREAS, TRS Bylaws subsection 4.1.2(c)(3) provides that the Executive Director is authorized by the Board to set the salary of the Ombuds within approved ranges and applicable laws; now, therefore, be it

Resolved, That, effective September 17, 2021, the Board hereby selects Randon Wilkins to fill the position of Ombuds, and the Board authorizes the Executive Director to extend terms for the monthly salary, as the Executive Director deems reasonable and in the best interest of TRS;

Resolved, That if the contingencies listed above are not satisfactorily met, negotiation with the above-selected candidate does not result in an offer of employment, or an offer of employment is not accepted by the above-selected, the Board hereby selects Lori LaBrie to fill the position of Ombuds. The Board authorizes the Executive Director to extend terms for the monthly salary, as the Executive Director deems reasonable and in the best interest of TRS; and

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

Mr. Hollingsworth announced agenda item 19 would be taken up next.

19. Discuss and consider personnel matters including the appointment, selection, compensation, duties, discipline or dismissal of the Executive Director, the Chief Investment Officer and Chief Audit Executive – Jarvis V. Hollingsworth.

At 3:06 p.m. Mr. Hollingsworth announced the board would adjourn into executive session for Agenda Item 19 under Sections 551.071 and 551.074 to discuss personnel matters and consult with legal counsel as needed.

At 4:02 p.m., Mr. Hollingsworth reconvened the Board in open session.

On a motion by Mr. Nance, seconded by Mr. Elliott, the board unanimously voted to adopt the resolution to increase the base salary of the Chief Investment Officer as indicated in the following resolution:

TEACHER RETIREMENT SYSTEM OF TEXAS BOARD RESOLUTION
September 17, 2021
Resolution Increasing the Base Salary of the Chief Investment Officer

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

Whereas, Subsection 1.7(v) of the Board's bylaws provides that the Board shall be responsible for the compensation of the Chief Investment Officer;

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

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

Whereas, The Board wishes to increase the Chief Investment Officer 's base salary; now, therefore be it

Resolved, That the Board hereby increases the base salary of the Chief Investment Officer as follows:

Chief Investment Officer's *base salary (the incumbent is Jase Auby)*:
Increase the base salary amount effective October 1, 2021 by 22.22%; and

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

On a motion by Mr. Ball, seconded by Mr. Walls, the board voted unanimously to adopt the motion to increase the base salary of the Executive Director as indicated in the following resolution:

TEACHER RETIREMENT SYSTEM OF TEXAS BOARD RESOLUTION
September 17, 2021
Resolution Increasing the Base Salary of the Executive Director

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

Whereas, Subsection 1.7(d) of the Board's bylaws provides that the Board shall be responsible for the selection, job description, assignment of duties, performance evaluation, compensation, and discipline, including dismissal, of the Executive Director;

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

Whereas, Subsection 1.7(l) of the Board's bylaws provides that the Board may consider or take any action otherwise specified to be taken or considered by a committee;

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

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

Whereas, The GAA not-to-exceed amount for the Executive Director is not sufficient for the Board to exercise its discretion in setting the salary rate for that position, and the Board wishes to increase the Executive Director's base salary above the not-to-exceed amount; now, therefore be it

Resolved, That effective October 1, 2021 the Board hereby adopts the following GAA not-to-exceed amount for the Executive Director:

Executive Director: Increase the not-to-exceed amount listed in the GAA by 12.63%

Resolved, That the Board hereby increases the base salary of the Executive Director as follows:

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

Increase the base salary amount effective October 1, 2021 by 12.63%; and

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

21. **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 – Heather Traeger.**

There was no discussion on this item.

At 4:04 p.m., Mr. Hollingsworth adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM
OF TEXAS ON THE 17th DAY OF DECEMBER 2021.

ATTESTED BY:

Katherine H Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

December 13, 2021
Date