

April 2023

RETAINING EXCELLENCE

Compensation Committee Meeting



**Teacher Retirement System of
Texas**

1000 Red River Street
Austin, Texas
78701-2698

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES
AND
COMPENSATION COMMITTEE**

*(Committee Chair and Members: Mr. Nance, Chair;
Mr. Ball, Mr. Elliott, Mr. Hollingsworth, and Mr. Williams)*

*All or part of the April 27, 2023, meeting of the TRS Compensation Committee and Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have a quorum and the presiding officer of the meeting physically present at the following location, which will be open to the public during the open portions of the meeting: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5th Floor, Boardroom.***

The open portions of the April 27, 2023, meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the meeting is provided at www.trs.texas.gov. A recording of the meeting will be available at www.trs.texas.gov.

AGENDA

April 27, 2023 – 2:30 p.m.

1. Call roll of the Committee members.
2. Consider the approval of the proposed minutes of the December 2023, committee meeting – Committee Chair.
3. Receive an overview of the Compensation Committee’s Calendar Year 2023 Work Plan – Shunne Powell.
4. Receive an update on staffing, turnover, and implementation of the TRS Classification Plan – Shunne Powell.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Compensation Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because a quorum of the Board may attend the Committee meeting, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

TAB 2

**Minutes of the Compensation Committee
December 8, 2022**

The Compensation Committee of the Board of Trustees of the Teacher Retirement System of Texas met on December 8, 2022, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

Committee members present:

Mr. James D. Nance, Chair
Mr. John Elliott
Mr. Jarvis V. Hollingsworth

The following Committee member attended virtually:

Mr. Michael Ball

Other TRS Board Members present:

Mr. David Corpus
Mr. Christopher Moss
Ms. Nanette Sissney
Mr. Robert H. Walls, Jr.

Others who participated:

Brian Guthrie, TRS
Andrew Roth, TRS
Heather Traeger, TRS
Don Green, TRS
Jase Auby, TRS
Janet Bray, TRS
Christine Bailey, TRS
Katherine Farrell, TRS
Suzanne Dugan, Cohen Milstein

Compensation Committee Chair, Mr. James D. Nance, called the meeting to order at 1:05 p.m.

1. Call roll of Committee members.

Ms. Farrell called the roll. A quorum was present.

2. Consider the approval of the proposed minutes of the September 2022 committee meeting – Chair.

On a motion by Mr. Elliott, seconded by Mr. Hollingsworth, the committee approved the proposed minutes for the September 2022 Compensation Committee meeting as presented.

3. Receive an update on staffing, turnover, and implementation of the TRS Classification Plan– Janet Bray.

Ms. Janet Bray provided an overview of staffing and recruiting. She noted the extremely competitive labor market with the unemployment rate for the nation as 3.7 percent and 2.7 percent in Austin. She reported for FY 22 TRS hired 285 employees with a net gain of 99 and a 33 percent improvement over FY 21. She said for FY 23 to date TRS has hired 83 new employees, primarily in Benefits Services and are on target to hire 70 more in January. Mr. Bray noted turnover as still a challenge. She reported FY 22 finished at 18 percent, which was better than state average of 24.3 percent but still above the pre-pandemic rate of 13.3 percent.

Ms. Bray reported that the classification plan was now in Phase 2 with the compensation team beginning a second round of market reviews, updated salary studies and where appropriate equity adjustments will be made during the current merit process.

With no further business before the Committee, the meeting adjourned at 1:19 p.m.

Approved by the Compensation Committee of the Board of Trustees of the Teacher Retirement System of Texas on April ____, 2023.

Katherine H. Farrell
Secretary of the TRS Board of Trustees

Date

TAB 3



Compensation Committee Workplan Overview

**Shunne Powell, Chief Organizational
Excellence Officer**

April 2023





MEMBER Focused



TALENT Effectiveness

Committee Workplan

Informative (Receive)

Pre-Action (Review)

Action (Consider)

*Approved by committee only

February

April

May

July

September

December

Receive an update on staffing, turnover, and the TRS Classification Plan

Receive an overview of the Compensation Committee's Calendar Year 2023 Work Plan

Receive an update on staffing, turnover, and the TRS Classification Plan

Review changes to Executive Director Incentive Plan (if needed)

Review changes to Investment Management Incentive Pay Plans (if needed)

Receive an update on staffing, turnover, and the TRS Classification Plan

Consider approving Executive Director Incentive Plan (including Areas of Focus)

Consider approving Investment Management Incentive Pay Plans

Receive an update on staffing, turnover, and the TRS Classification Plan

Schedule as of March 2023.
Note: all committee schedules are subject to change

Fiscal Year 2023

Fiscal Year 2024

Overall Timing by Committees



	February	April	July	September	December
Compensation Committee			Proposed Changes to Incentive Plans (ED and Investment)	<ul style="list-style-type: none"> Adoption of ED Incentive Plans (includes AOF) Adoption of Investment Incentive Plans 	
Strategic Planning Committee	Proposed changes to Strategic Plan	Adoption of Strategic Plan	Proposed changes to ED's Areas of Focus	Review of ED's Areas of Focus*	
Full Board			Overview of evaluation process for Board Direct Reports	Actions for Board Direct Reports: <ul style="list-style-type: none"> Review performance evaluations Consider changes to compensation for board direct reports Consider incentive pay amount for ED 	

*Note: Areas of Focus are not formally adopted in Strategic Planning Committee, but rather adopted as an appendix of the ED Incentive Compensation Plan

Board Direct Reports – Evaluation and Compensation Timeline

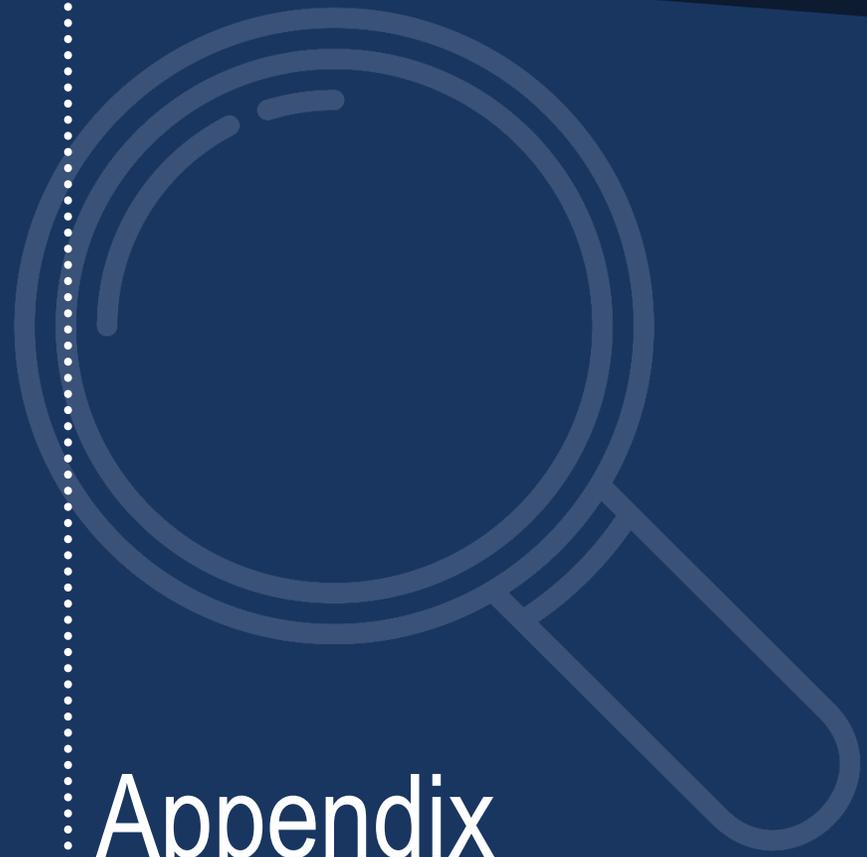


How are positions evaluated?			Board receives an overview of the evaluation process and materials (Full Board)		
When do performance discussions occur?				Board reviews results of completed performance evaluations (Full Board)	
When are compensation changes discussed?				Board considers and determines base compensation for direct reports (Full Board)	

Executive Director – Incentive Compensation Timeline



	February	April	July	September	December
How are goals established and areas of focus (AOF) determined?	Board reviews proposed updates/changes to the Strategic Plan (Strategic Planning Committee)	Board approves updates to the Strategic Plan (Strategic Planning Committee)	Areas of Focus for FY 24 are laid out for the Board to review (Strategic Planning Committee)	Final version of Areas of Focus presented to the Board (Strategic Planning Committee)	
How is progress towards those goals and AOF tracked?		Board receives Results Forum Report (Q1) (Strategic Planning Committee)	Board receives Results Forum Report (Q2) (Strategic Planning Committee)	Board receives Results Forum Report (Q3) (Strategic Planning Committee)	Board receives Results Forum Report (Q4) (Strategic Planning Committee)
How is the incentive plan reviewed and approved?			Board receives a report of proposed changes to the incentive plan (Compensation Committee)	Board reviews and adopts ED Incentive Plan, which includes AOF discussed in Strategic Planning Committee (Compensation Committee)	
How is incentive compensation determined?				Board considers incentive pay amount for Executive Director (Full Board)	



Appendix

ED Incentive Plan Overview



2022-2023 Proposed ED Incentive Plan	
Leadership Performance (MAO up to 50%)	
5 Key Accountabilities	<ul style="list-style-type: none"> • Member Focused • Leadership Effectiveness • Talent Effectiveness • Continuous Improvement • Operational Effectiveness
12 Areas of Focus	<ul style="list-style-type: none"> • 12 Strategic Plan Objectives • 1 Strategic Plan Strategy
52 Success Measures	<ul style="list-style-type: none"> • 33 Deliverables (qualitative) • 19 KPIs (quantitative)
Supplemental Reports and Data	<ul style="list-style-type: none"> • Customer Satisfaction Survey • CEM service levels • Member Satisfaction Survey • Reporting Entity Partners Survey • Employee Engagement Survey (Energage) • Voluntary turnover versus State average (State Auditor's Office)
Investment Management Oversight (MAO up to 50%)	
	Weight
<ul style="list-style-type: none"> • Percent of Target Alpha Achieved 	100%
Total MAO = 100%	

*Note: Board determines award based on Key Accountabilities, Areas of Focus, 360 assessments and other related data

TAB 4



Organizational Excellence Talent Update

Shunne Powell, Chief Organizational Excellence
Officer
Michelle Gray, Deputy Chief Organizational
Excellence Officer

April 27, 2023



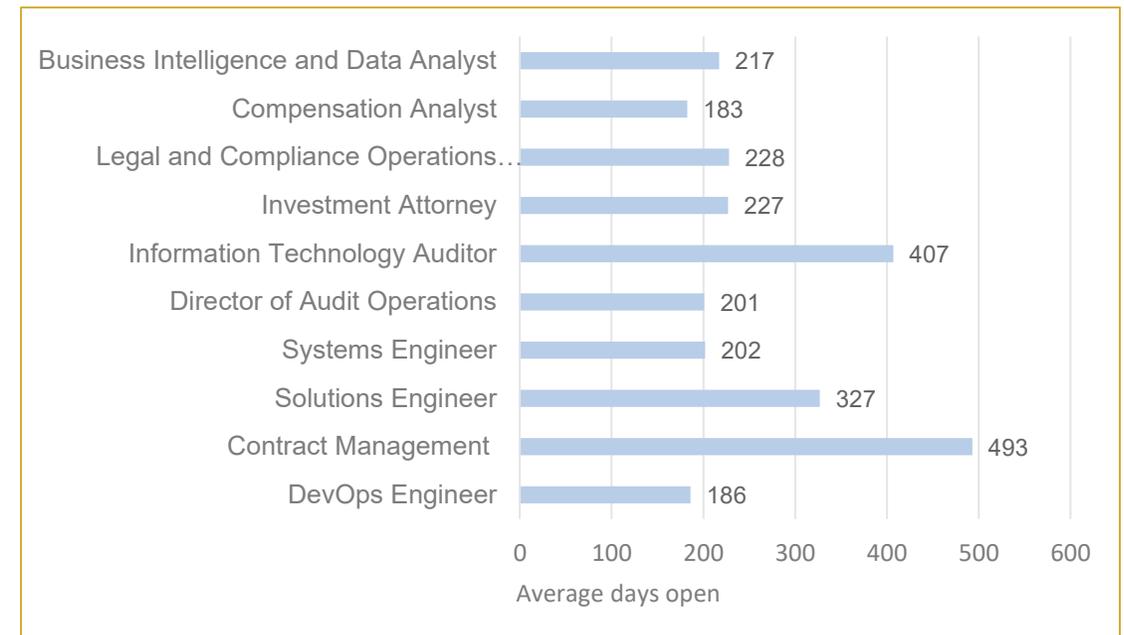
Hard to fill positions



Positions are defined as difficult to fill when they have been open for 6 or more months.

There are typically multiple factors that contribute to a position being hard to fill.

- Niche or very specific role
- Roles with multiple skill sets required-ex-developer with security skill sets
- Positions that require mid or senior level prior experience
- Highly competitive labor market
- Candidate relocation
- Compensation



Hard to fill solutions



Know your current candidates and reasons for declines

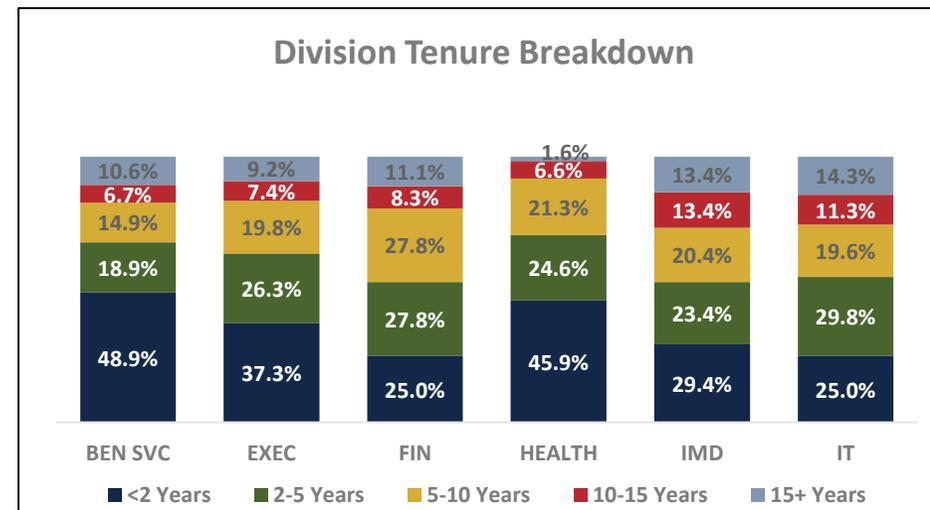
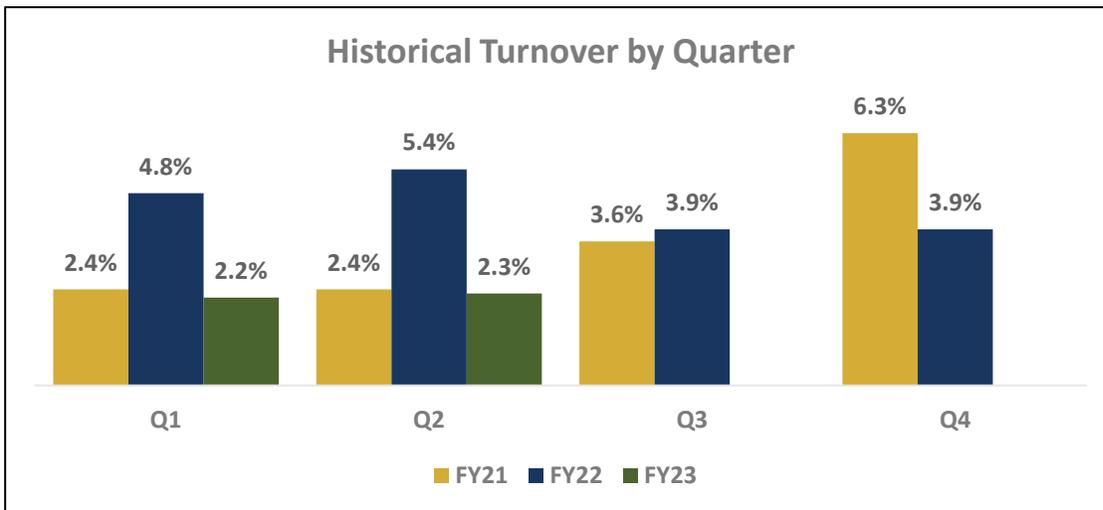
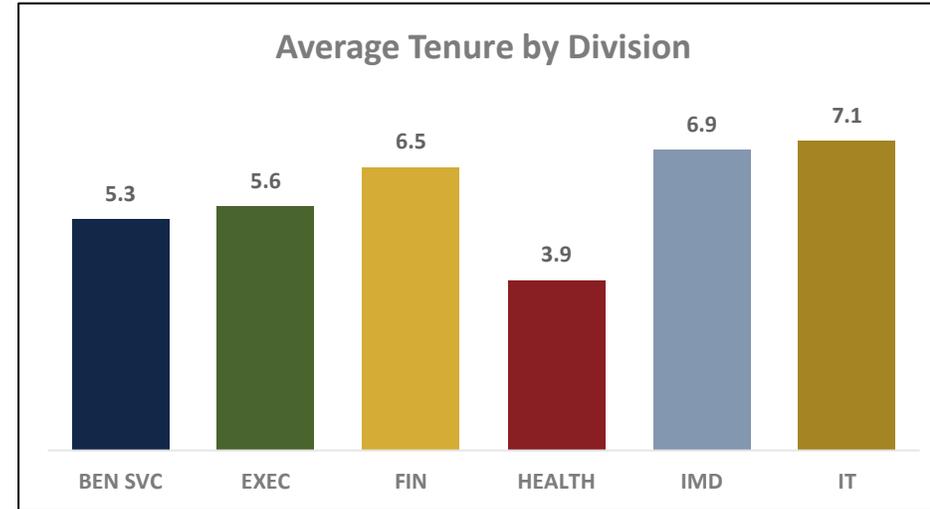
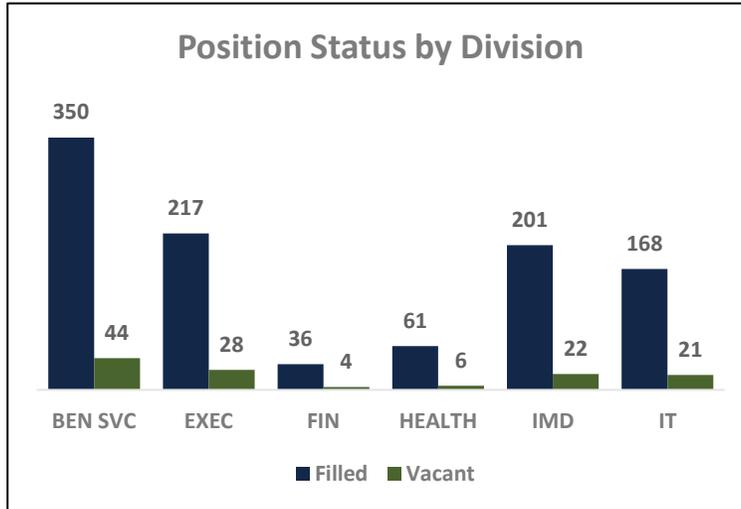
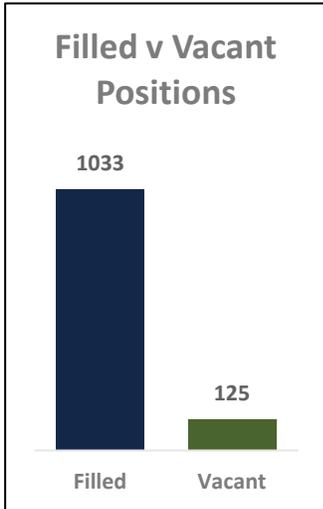
Evaluate candidates applying vs. candidates desired

Determine where there is room to compromise, if any

Make changes to job requirements, descriptions, or postings

Evaluate solutions including compensation, work location

Employee Headcount Information – as of FY23 Q2



FY23 Staffing Trends YTD

