

**December 2023**

TRUSTEES

## **TRS Board of Trustees Meeting**



**Teacher Retirement System of  
Texas**

1000 Red River Street  
Austin, Texas  
78701-2698

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING  
BOARD OF TRUSTEES**

**AGENDA**

**December 7, 2023 – 8:00 a.m.**

**December 8, 2023 – 8:00 a.m.**

*All or part of the December 7 - 8, 2023 meeting of the TRS 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 the presiding officer and a quorum 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, 5<sup>th</sup> Floor, Boardroom.***

*Members of the public may provide virtual public comment by registering first with the Board Secretary by submitting an email to [publiccomment@trs.texas.gov](mailto:publiccomment@trs.texas.gov) identifying the name of the speaker and topic, no later than 5:00 pm on December 7, 2023.*

*The open portions of the Board meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the Board meeting is provided at [www.trs.texas.gov](http://www.trs.texas.gov). A recording of the meeting will be available at [www.trs.texas.gov](http://www.trs.texas.gov).*

*NOTE: The Board may take up any item posted on the agenda during its meeting on December 7 - 8, 2023 beginning at the time and place specified on this agenda.*

1. Call roll of Board members.
2. Consider the following administrative matters – Jarvis V. Hollingsworth:
  - A. Approval of the September 2023 proposed meeting minutes; and
  - B. Excusing Board Member Absences from September 2023 Meeting.
3. Resolution recognizing the service of Grace Mueller as Chair of the Retiree Advisory Committee – Jarvis V. Hollingsworth.
4. 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, personnel matters and Moving Forward Together update.
  - B. Board operational matters, including a review of draft agendas for upcoming meetings.
  - C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.

5. Consider the purchase of directors' and officers' liability insurance, fiduciary liability insurance and employment practices liability insurance – Brian Guthrie.
6. Receive TRS Quarterly Ombudsman's Report – Lori LaBrie.
7. Review and consider procurements and contracts, including the following – Shannon Gosewehr, Blender Hill, and Kathy Bridgeman:
  - A. Receive Procurement and Contracts Update;
  - B. Consider accepting the Procurement and Contracting Report; and
  - C. Discuss Board Contract Management Process.
8. Receive the Deputy Director's update – Andrew Roth.

**NOTE:** *The Board meeting likely will recess after the last item above to take up posted committees and will resume December 7, 2023, Thursday afternoon, to take up items listed below.*

9. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director and Chief Audit Executive - Jarvis V. Hollingsworth.

**NOTE:** *The Board meeting likely will recess after the last item above and will resume December 8, 2023, Friday morning, to take up items listed below.*

10. Provide an opportunity for public comment – Jarvis V. Hollingsworth.
11. Consider the administrative appeal of Barbara Washington – Heather Traeger and Nicholas Gonzalez.
12. Consider selecting a firm to conduct the statutorily required actuarial audit 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 – Andrew Roth and Janice Ehlert.
13. Receive the report of the Benefits Committee on its December 7, 2023 meeting and consider the following - Committee Chair:
  - A. Approve resolution directing staff to prepare for and issue a cost-of-living adjustment consistent with the provisions of Senate Bill 10 as passed by the 88<sup>th</sup> Texas Legislature and authorized by the passage of the constitutional amendment (HJR 2);
  - B. Acceptance of the Medical Board Meeting minutes of July and September 2023 meetings; and
  - C. Approval of the Benefit Payments for September to November 2023.
14. Receive the report of the Policy Committee on its December 7, 2023 meeting and consider adoption of the following: – Committee Chair
  - A. Consider proposed amendments to the Bylaws of the Board of Trustees;

- B. Consider proposed amendments to the Designation of Key Employees Policy;
- C. Consider proposed amendments to the TRS Rules in Chapter 31 of Title 34, Part 3 of the Texas Administrative Code:
  - 1. §31.5 Notice and Forfeiture Requirements for Certain Service Retirees
  - 2. §31.6 Second EAR Warning Payments.
- 15. Receive the report of the Budget Committee on its December 7, 2023 meeting – Committee Chair.
- 16. Receive the report of the Strategic Planning Committee on its December 7, 2023 meeting – Committee Chair.
- 17. Receive the report of the Compensation Committee on its December 7, 2023 meeting – Committee Chair.
- 18. Receive the report of the Investment Management Committee on its December 7, 2023 meeting – Committee Chair.
- 19. Receive the report of the Audit, Compliance, and Ethics Committee on its December 7, 2023 meeting – Committee Chair.
- 20. Receive the TRS Pension Trust Fund Actuarial Valuation for the fiscal year ending August 31, 2023 – Joe Newton and Lewis Ward, Gabriel, Roeder, Smith & Co.
- 21. Receive the TRS-Care Actuarial Valuation and Other Post-Employment Benefits (OPEB) reports for the fiscal year ending August 31, 2023 – Joe Newton and Lewis Ward, Gabriel, Roeder, Smith & Co.
- 22. Receive the annual evaluation of Gabriel, Roeder, Smith & Co. as the provider of pension actuarial and consulting services and discuss upcoming pension actuarial items – Janice Ehlert.
- 23. Receive an update on the TEAM Program – Andrew Roth, Billy Lowe, Jennifer Whitman and Adam Fambrough.
- 24. Receive an update from the TEAM Program Independent Program Assessment (IPA) Vendor – Laurie Patton, EY.
- 25. Receive Quarterly Information Security Update – Frank Williams.
- 26. Review the report of the General Counsel on pending and contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, investment matters and open records and on legal or regulatory matters involving certain TRS vendors, investment managers, or other counterparties – Heather Traeger and J.R. Morgan.

The Board may convene in Executive Session under the following, but not limited to:

- A. Texas Government Code, Section 551.071: Consultation with Attorney;
- B. Texas Government Code, Section 551.072: Deliberation Regarding Real Property;
- C. Texas Government Code, Section 551.074: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees including but not limited to the Executive Director, Chief Audit Executive, Chief Investment Officer.
- D. Texas Government Code, Section 551.076: Deliberation Regarding Security Devices or Security Audits;
- E. Texas Government Code, Section 551.089: Deliberation Regarding Security Devices or Security Audits; or
- F. Texas Government Code, Section 825.115: Applicability of Certain Laws;
- G. Texas Government Code, Section 825.3011: Certain Consultations Concerning Investments.

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

**September 14, 2023**

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

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

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

### **Others present:**

Brian Guthrie, TRS  
Andrew Roth, TRS  
Heather Traeger, TRS  
Jase Auby, TRS  
Don Green, TRS  
Amanda Jenami, TRS  
Barbie Pearson, TRS  
Katrina Daniel, TRS  
Shunne Powell, TRS  
Shannon Gosewehr, TRS  
Kelli Sauls, TRS  
LaTresa Stroud, TRS  
Katherine Farrell, TRS  
Suzanne Dugan, Cohen Millstein

Steve Voss, AON  
Michael McCormick, AON  
Keith Brown, Investment Advisor  
Keith Robinson, Focus Consulting  
Liz Severyns, Focus Consulting  
Josh Wilson, Mercer  
Susan Lemke, Mercer  
Beaman Floyd, TASA  
James Hallmark, TASA  
Steve Alexander, BCBS TX  
Karen Haywood, BCBS TX

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

#### **1. Call roll of Board members.**

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

#### **2. Consider the following administrative matters:**

##### **a. Approval of the July 2023 proposed meeting minutes;**

On a motion by Mr. Corpus, seconded by Mr. Nance, the Board voted unanimously to approve the July 2023 proposed meeting minutes as presented.

**b. Setting, rescheduling or canceling future Board meetings including considering dates for the calendar year 2024.**

On a motion by Mr. Williams, seconded by Mr. Ball, the Board voted unanimously to approve the following meeting dates for the calendar year 2024:

- February 15 – 16, 2024
- April 25 – 26, 2024
- July 18 – 19, 2024
- September 19 – 20, 2024
- December 5 – 6, 2024

**3. Review and Discuss the Executive Director’s report on the following matters – Brian Guthrie:**

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

Mr. Brian Guthrie reviewed upcoming and past conferences. He reviewed the Fall TRTA district meetings where a TRS representative would be attending each to provide an update and answer questions. He provided an overview of how different committees during the day’s meeting would address barriers to entry to allow a school district, Killeen ISD, who is on a different plan year, to eventually join TRS-ActiveCare. He said the Policy Committee will consider rules that were posted under his authority in August that create an interim plan for a district to join and have special coverage until a district can join ActiveCare. He said Benefits Committee staff will propose special rates for this transitional period for just Killeen ISD.

He reviewed new headquarters milestones for the Alpha and Bravo construction. Mr. Guthrie then reviewed the upcoming December Board meeting proposed agenda items and sought input for the February Board meeting. He concluded by reviewing the strategic plan campaign to connect employees’ daily work to the bigger strategic plan.

**4. Receive Quarterly Ombudsman’s Report – Lori LaBrie.**

Ms. Lori LaBrie provided the ombuds report from January to July. She said in total for this period there were 361 communications: 256 ombuds emails, 56 ombuds phone line calls and 49 Compact with Texans. She reported the social media top trending topics were centered around health care, COLA and annuity payments. She then reviewed the point-in-time complaints.

5. **Review and consider procurement and contracts, including the following – Shannon Gosewehr:**
  - A. Receive Procurement and Contracts Update;**
  - B. Consider Procurement and Contracting Report; and**
  - C. Consider Historically Underutilized Business (HUB) Goals for FY 2024.**

Ms. Shannon Gosewehr reviewed activities towards developing alternative procurement processes pursuant to Senate Bill 1246 that exempted TRS from certain procurement requirements, to make it faster and more efficient. For the Contract Management Office, she said, they continue to train business staff on contract management requirements and meeting monthly with each business unit to review contract issues. She reviewed the solicitations and contracts quarterly board report noting no new executed health contracts and two new contracts with two fiscal year '23 solicitations.

Ms. Gosewehr provided an update on the HUB report. She reported there were 13 – 14 outreach activities. She said for FY '23 TRS spent almost \$15 million with HUB vendors, which was over 30 percent of the eligible expenditures, close to \$3 million more than last year. She said TRS met or exceeded its goal in three of the four categories, with professional services being the exception. Further discussion was had on next fiscal year goals with the suggestion to amend staff's recommendation to raise the HUB goals as follows: commodities to 35, other services to 10 and special trade to 50.

On a motion by Ms. Sissney, seconded by Mr. Nance, the Board unanimously voted to adopt the FY 2024 HUB Goals as presented by staff with modifications as discussed:

**Resolution  
Adopting Historically Underutilized Businesses (HUB)  
Program Goals for FY 2024  
September 15, 2023**

**Whereas**, TRS staff developed proposed HUB goals for fiscal year 2024 for the Board to consider; and

**Whereas**, The Board has received and discussed the proposed HUB goals, and the Board desires to adopt TRS' HUB goals for fiscal year 2024; now, therefore, be it

**Resolved**, That the Board hereby adopts the following HUB expenditure goals for fiscal year 2024:

Commodities - 35%  
Other Services – 10%  
Professional Services – 10%  
Special Trade – 50%

On a motion by Mr. Ball, seconded by Mr. Walls, the Board unanimously voted to accept the procurement and contracting report, as presented by staff.



**6. Receive the Deputy Director's update – Andrew Roth.**

Mr. Andrew Roth reviewed research from the National Association of State Retirement Administrators (NASRA) regarding the full funding status of the pension trust. He reported only a small fraction of systems are fully funded and TRS is in the median, which is just under 77 percent. He discussed the return assumption, noting researchers feel that given the higher inflation in recent years and the federal goal of keeping it at two percent that may have the effect of pausing the downward trend in return assumptions. Mr. Roth reviewed contribution rates of the systems. He concluded sharing examples of additional education TRS has provided to members about financial awareness.

At 9:20 a.m. Mr. Hollingsworth announced the board would recess to take up the scheduled committee meetings

At 2:24 p.m. Mr. Hollingsworth reconvened the board meeting.

**7. Receive an overview of the compensation process for Board Direct reports – Shunne Powell; Josh Wilson and Susan Lemke, Mercer.**

Ms. Susan Lemke reviewed the process of gathering data and methodology to set benchmarks for the four positions that report directly to the Board.

**8. Receive an overview of the evaluation process for Board Direct reports – Shunne Powell; Keith Robinson and Liz Severyns, Focus Consulting.**

Mr. Keith Robinson reviewed the process of direct report evaluations for the four Board Direct reports.

**9. Consider personnel matters including the appointment, employment, evaluation, compensation, performance, duties, discipline or dismissal of the Executive Director, Chief Audit Executive, Chief Investment Officer, and Ombudsman and consider the salary limits of the Executive Director and Chief Investment Officer listed in the schedule of exempt positions in the General Appropriations Act for the 2024 and 2025 Biennium – Jarvis V. Hollingsworth.**

At 2:31 p.m. Mr. Hollingsworth announced the board would adjourn into executive session under the following agenda items and sections of the Government Code: item 9 under Section 551.071 and 551.074 to discuss personnel matters and consult with legal counsel as needed.

At 9:55 p.m., Mr. Hollingsworth reconvened the board meeting in open session.

At 9:56 p.m., Mr. Hollingsworth announced the Board would recess until tomorrow.

## **September 15, 2023**

The Board of Trustees of the Teacher Retirement System of Texas met on September 15, 2023 in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

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

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

### **Others present:**

Brian Guthrie, TRS	Michael McCormick, AON
Andrew Roth, TRS	Steve Voss, AON
Don Green, TRS	Keith Brown, Investment Advisor
Heather Traeger, TRS	Lauri Patton, EY
Jase Auby, TRS	Chris Gibson, EY
Barbie Pearson, TRS	Darren Muse, Milliman
Katrina Daniel, TRS	Brent Jensen, Milliman
Amanda Jenami, TRS	Kirsten Schatten, Segal
Shunne Powell, TRS	Ken Vieira, Segal
Yimei Zhao, TRS	Abraham Barretto, Retiree virtual
Katherine Farrell, TRS	Beaman Floyd, TASA
J.R. Morgan, TRS	
Billy Lowe, TRS	
Jennifer Whitman, TRS	
Adam Fambrough, TRS	
Suzanne Dugan, Cohen Milstein	

At 9:34 am the Chair reconvened the board meeting and without objection called up Agenda Item 9.

9. **Consider personnel matters including the appointment, employment, evaluation, compensation, performance, duties, discipline or dismissal of the Executive Director, Chief Audit Executive, Chief Investment Officer, and Ombudsman and consider the salary limits of the Executive Director and Chief Investment Officer listed in the schedule of exempt positions in the General Appropriations Act for the 2024 and 2025 Biennium – Jarvis V. Hollingsworth.**

On a motion by Mr. Nance, seconded by Ms. Sissney, the Board voted to adopt the following resolution increasing the base salary for the Ombuds by 3.175, effective October 1, 2023.

**September 15, 2023**

**Resolution Increasing the Base Salary of the Ombuds**

**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(g)(3) of the Board's bylaws provides that the Board shall be responsible for the selection, replacement, dismissal, performance evaluation, and compensation of the Ombuds in consultation with the Executive Director;

**Whereas**, Subsection 1.7(c) 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; and

**Whereas**, The Board wishes to increase the base salary of the Ombuds; now, therefore be it

**Resolved**, That the Board hereby increases the base salary of the Ombuds as follows:

*Ombuds' base salary (the incumbent is Lori LaBrie):*

Increase the base salary amount effective October 1, 2023 by 3.175%; 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.

On a motion by Mr. Corpus, seconded by Mr. Walls, the Board voted to adopt the following resolution increasing the base salary for the Chief Investment Officer by 11.538 percent, effective October 1, 2023.

**September 15, 2023**

**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(g)(4) of the Board's bylaws provides that the Board shall be responsible for the compensation of the Chief Investment Officer in consultation with the Executive Director;

**Whereas**, Subsection 1.7(i) 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(c) 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 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

**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, 2023 by 11.538%; 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 to adopt the following resolution increasing the not-to-exceed amount listing in the GAA of \$550,000, increasing the base salary amount for the Executive Director, effective October 1, 2023 by 10 percent, and determine that the Executive Director's leadership performance score is 25 percent and therefore awards a leadership performance incentive payment, effective January 1, 2024, in the amount of \$125,000.

**September 15, 2023**

**Resolution Increasing the Base Salary of and Awarding a Leadership Performance Incentive Payment to 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(g)(1) 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(i) 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(c) 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;

**Whereas**, The Executive Director Performance Incentive Pay Plan provides that the Board may award a Leadership Performance Incentive Payment based on the Board's assessment of key accountabilities tied to the areas of focus for the Executive Director; 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 compensation for that position, and the Board wishes to increase the Executive Director's base salary above the not-to-exceed amount and award the Executive Director a Leadership Performance Incentive Payment; now, therefore be it

**Resolved**, That effective October 1, 2023, 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 to \$550,000.00

**Resolved,** That the Board hereby increases the base salary of the Executive Director and authorizes a one-time payment and a Leadership Performance Incentive Payment as follows:

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

Increase the base salary amount effective October 1, 2023 by 10%; and

*Leadership Performance Incentive Payment to the Executive Director (the incumbent is Brian K. Guthrie):*

The Board has determined that the Executive Director's Leadership Performance score is 25%, and therefore awards a Leadership Performance Incentive Payment effective January 1, 2024 in the amount of \$125,000;

**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.

11. **Receive the report of the Policy Committee on its September 14, 2023 meeting and consider adoption of the following – Committee Chair:**
  - A. **Proposed amendments to the Investment Policy Statement;**
  - B. **Proposed amendments to the General Authority Resolution;**
  - C. **Proposed amendments to the Employment at Will Policy;**
  - D. **Proposed New TRS Rule § 41.53 relating to Special Transitional Plan in Subchapter C of Chapter 41 of Title 34, Part 3 of the Texas Administrative Code; and**
  - E. **Proposed repeal of the following TRS rule sin Chapter 41 of Title 34, Part 3 of the Texas Administrative Code:**
    - i. **§41.15 Requirements to Bid on Group Long-Term Care Insurance Under Chapter 1576 of the Insurance Code.**
    - ii. **§41.16 Coverage Offered Under the Texas Public School Employees and Retirees Group Long-Term Care Insurance Program**
    - iii. **§41.17 Definitions**
    - iv. **§41.18 Eligibility for the Texas Public School Employees and Retirees Group Long-Term Care Insurance Program**
    - v. **§41.19 Initial Enrollment Periods for Texas Public School Employees and Retirees Group Long-Term Care Insurance Program**
    - vi. **§41.20 Effective Date of Coverage Under the Texas Public School Employees and Retirees Group Long-Term Care Insurance Program**

Ms. Allred, Acting Committee Chair, provided the following report of the Policy Committee:

The Policy Committee met on September 14, 2023. The committee approved the proposed minutes of its July 2023 meeting.

The committee discussed the proposed amendments to the Investment Policy Statement, including the proposed modification to authorize derivative transactions between Trust portfolios. The committee recommended to the Board adoption of the proposed amendments to the Investment Policy Statement.

The committee recommended to the Board adoption of the proposed amendments to the General Authority Resolution.

The committee recommended to the Board adoption of the proposed amendments to the Employment at Will Policy.

The committee recommended to the Board adoption of the proposed New TRS Rule 41.53 relating to special transition plan in Subchapter C of Chapter 41 of Title 34, Part 3 of the Texas Administrative Code.

The committee recommended to the Board adoption of the proposed repeal of the TRS rules in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code relating to long-term care insurance.

The committee authorized for publication in the Texas Register notice amending TRS rules in Chapter 31 of Title 34, Part 3 of the Texas Administrative Code relating to employment after retirement.

The committee adopted the proposed updates to the Policy Review Schedule

Ms. Allred concluded her report with the following motions:

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

On a motion by Ms. Allred, the Board voted to adopt the proposed amendments to the General Authority Resolution, as recommended by the Policy Committee.

On a motion by Ms. Allred, the Board voted to adopt the proposed amendments to the Employment at Will Policy, as recommended by the Policy Committee.

On a motion by Ms. Allred, the Board voted to adopt the proposed new TRS Rule 41.53 relating to the special transitional plan in Subchapter C of Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, as recommended by the Policy Committee.

On a motion by Ms. Allred, the Board voted to adopt the proposed repeal of the TRS rules in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code relating to long-term care insurance, as recommended by the Policy Committee.

**12. Receive the report of the Benefits Committee on its September 14, 2023 meeting and consider adoption, approval or acceptance of the following – Committee Chair:**

**A. Acceptance of the Medical Board Meeting minutes of May 2023 meeting;**

**B. Approval of the Benefit Payments for June to August 2023;**

- C. Appoint members to the Retiree Advisory Committee, including Chair and Vice Chair;**
- D. Adopt TRS ActiveCare Individually Underwritten Rates for an employer entering during a transitional year.**

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

The Benefits Committee met on September 14, 2023. The committee approved the proposed minutes of the Benefits Committee for the July 13, 2023 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 2023.

Ms. Barbie Pearson also provided an update on benefit payments for the fourth quarter of fiscal year 2023. The committee recommends to the Board the approval of benefit payments for June through August 2023.

The committee received an update from Ms. Pearson on Benefit Services operations for July through September of fiscal year 2023. The report included an update on Benefit Services operations for fiscal year 2022. The report also included updates on service levels for all key member service areas, staffing updates, and an update on the one-time stipend paid to retirees in September 2023.

Next the committee received an update from Ms. Katrina Daniel, chief health care officer. First, Christina Juarez, health plan engagement manager, presented staff recommendations to fill three vacancies for expired terms on the Retiree Advisory Committee, including filling the chair and vice chair positions. Ms. Juarez described the process by which staff evaluated applicants which focuses on qualifications, experience and geographic distribution. The committee adopted the staff recommendations.

Ms. Daniel invited Kirsten Schatten, consulting actuary from Segal, to join her in recommending TRS-ActiveCare rates for Killeen ISD for the transition plan year from January 1, 2024 through August 31, 2024 for their transitional plan year. The committee is recommending the Board adopt ActiveCare rates for Killeen ISD, as proposed by staff.

Finally, Ms. Daniel provided the committee with an update on quarter three and quarter four Health Division accomplishments.

Mr. Williams concluded the report with the following motions:

On a motion by Mr. Williams, the Board voted to accept the Medical Board's meeting minutes for May 2023, as recommended by the Benefits Committee.

On a motion by Mr. Williams, the Board voted to approve the benefit payments for June through August 2023, as recommended by the Benefits committee.



On a motion by Mr. Williams, the Board voted to approve the following resolution appointing members to the Retiree Advisory Committee, including the chair and vice chair, as recommended by the Benefits committee:

RESOLUTION  
FILLING VACANCIES ON THE RETIREE ADVISORY COMMITTEE AND  
NAMING A NEW CHAIRMAN AND VICE CHAIRMAN  
September 15, 2023

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

**Whereas**, Subchapter I of Chapter 1575 (Sections 1575.401 through 1575.408) of the Insurance Code creates the Retiree Advisory Committee (“RAC”), whose duties include holding public hearings on group coverage, and recommending to the trustee minimum standards and features for TRS-Care and desirable changes in rules and legislation affecting TRS-Care;

**Whereas**, Section 1575.402 of the Insurance Code mandates the RAC be composed of seven members appointed by the trustee: one member who is an active school administrator, one member who is a retired school administrator, two members who are active teachers, and three members who are retired teachers;

**Whereas**, Section 1575.403 of the Insurance Code establishes that RAC members serve staggered four-year terms. The terms of the active school administrator, active teacher, and two retired teachers expire on February 1, 2002, and every fourth year after that date; and the remaining three members’ terms expire February 1, 2004, and every fourth year after that date;

**Whereas**, Section 1575.404 of the Insurance Code requires the trustee to fill vacancies on the RAC by appointing a person who meets the qualifications applicable to the vacated position;

**Whereas**, the terms of current RAC member Grace Mueller, as a retired teacher RAC member; Dr. H. John Fuller, as a retired school administrator; and Sherry Miller as an active teacher RAC member, will come to an end on January 31, 2024, and it is necessary for the Board to appoint new RAC members to fill their vacancies;

**Whereas**, the Board acknowledges the service provided by these exiting RAC members, and releases them from their duties at the end of their terms, as stated before, with sincere gratitude for their dedication and service;

**Whereas**, the Bylaws of the Board of Trustees of the Teacher Retirement System of Texas require the Board of Trustees to designate the chairman and vice chairman of the RAC;

**Whereas**, this Board of Trustees desires to nominate three new members to the RAC, and name a new Chairman and a new Vice Chairman; now, therefore, be it

**Resolved**, That the Board appoints Mary Ann Whiteker as a retired teacher RAC member, whose appointment will begin on February 1, 2024;

**Resolved**, That the Board appoints Tonya Davis as a retired school administrator RAC member, whose appointment will begin on February 1, 2024;

**Resolved**, That the Board appoints Sherry Miller as an active teacher RAC member, whose appointment will begin on February 1, 2024;

**Resolved**, That the Board appoints Nancy Byler as the new Chairman of the RAC effective on February 1, 2024; and

**Resolved**, That the Board appoints Dr. Mary Widmier as the new Vice Chairman of the RAC effective on February 1, 2024.

On a motion by Mr. Williams, the Board voted to adopt the following resolution approving the TRS-ActiveCare individually underwritten rates for an employer entering during a transitional year, as proposed by the Benefits Committee:

**RESOLUTION APPROVING RATES FOR NEW SPECIAL  
TRANSITIONAL PLAN APPLICANT  
September 15, 2023**

**Whereas**, Chapter 1579, Insurance Code (the “Texas School Employees Uniform Group Health Coverage Act”), governs the Texas School Employees Group Benefits Program, hereinafter referred to as TRS-ActiveCare, and authorizes the Teacher Retirement System of Texas (TRS), as trustee, to implement and administer TRS-ActiveCare, as described in the statute;

**Whereas**, Section 1579.052, Insurance Code, allows the trustee to adopt rules relating to, and to administer TRS-ActiveCare, and take the actions it considers necessary to devise, implement, and administer TRS-ActiveCare;

**Whereas**, Section 1579.101, Insurance Code, allows the trustee to establish by rule health plans for group coverages for employees participating in TRS-ActiveCare and their dependents;

**Whereas**, under such authority, and in the interest of accommodating eligible entities desiring to elect to participate in TRS-ActiveCare but that may find it challenging because they have plan years which do not align with TRS-ActiveCare’s plan year, which runs from September 1st to August 31st of each year, TRS proposed to the Policy Committee of the Board, which recommended that the Board adopt a new rule 41.53 to Title 34 of the Texas Administrative Code, which creates a Special Transitional Plan for such entities;

**Whereas**, having fulfilled all administrative procedures required to adopt this new rule 41.53 and the Board having authorized its adoption;

**Whereas**, based on the proposed new rule 41.53, the Killeen Independent School District (ISD) manifested interest in a Special Transitional Plan to begin on January 1, 2024, and provided the required information under Section 41.45 so that TRS can provide a quote for such plan;

**Whereas**, TRS staff and consultants assisting staff (the “Consultants”) evaluated the information submitted by Killeen ISD under new rule 41.53, and have determined the appropriate rates applicable to a Special Transitional Plan that would be issued to Killeen ISD from January 1, 2024 to August 31, 2024, until their enrollment in the regular TRS-ActiveCare plan effective on September 1, 2024;

**Whereas**, the Board considered the information provided by TRS staff and the Consultants and desires to approve the recommendations by TRS staff and the Consultants; now, therefore, be it

**Resolved**, That the Board hereby adopts and authorizes the following rates for a Special Transitional Plan to be issued to Killeen ISD, from January 1, 2024 to August 31, 2024:

*Killeen Jan - Aug 2024 Rates*  
*Rates Effective: January 1, 2024*

		Monthly Premium
Primary	Single	\$538.00
	EE/SP	\$1,453.00
	EE/CH	\$915.00
	Family	\$1,829.00
Primary+	Single	\$631.00
	EE/SP	\$1,642.00
	EE/CH	\$1,074.00
	Family	\$2,085.00
HD	Single	\$552.00
	EE/SP	\$1,491.00
	EE/CH	\$939.00
	Family	\$1,878.00

**Resolved**, That the Board hereby authorizes the Executive Director or his designees to take any actions that are necessary or advisable to implement the premium rates as adopted or authorized herein, and to take any actions that are necessary or advisable to otherwise devise, implement, and administer the Special Transitional Plan for Killeen ISD in accordance with new rule 41.53, until further action by the Board. This resolution shall not be interpreted as a commitment for TRS to issue a Special Transitional Plan. Killeen ISD will be required to timely submit a full application for the Special Transitional Plan and an election to participate in the regular TRS-ActiveCare plan effective on September 1, 2024, in accordance with new rule 41.53 and rule 41.30.

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

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

The Investment Management Committee met on September 14, 2023. The first item was the adoption of the minutes.

Jase Auby and Mohan Balachandran began with his CIO update. The second quarter 2023 performance review was then presented by Steve Voss and Mike McCormick of Aon. Concluding the Investment Management Committee, James Nield and Stephen Kim presented the semiannual risk report.

**14. Receive the report of the Strategic Planning Committee on its September 14, 2023 meeting – Committee Chair.**

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

The Strategic Planning Committee met on September 14, 2023.

The committee adopted the minutes of its July 2023 meeting.

Mr. Brian Guthrie, executive director, provided an update on his proposed areas of focus for fiscal year 9 2024 and noted revisions to the number of areas of focus and deliverables since presented in July 2023.

Mr. Don Green, chief financial officer, and Ms. Michelle Pagan, director of enterprise risk strategy and performance, reviewed the results forum information for the 2023-2027 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. Mr. Green also provided an overview of the enterprise spotlight report and highlighted new reporting on risk level trending for the risk categories.

Ms. Beth Hallmark, senior director of communications, provided an update on the member and employer outreach plan.

- 15. Receive the report of the Compensation Committee on its September 14, 2023 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 2023 – 2024 Performance Period; and**
  - B. Proposed continuation and adoption of the Investment Management Division’s and TRICOT’s Performance Incentive Pay Plan for the 2023 – 2024 Performance Period adoption.**

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

The Compensation Committee met on September 14, 2023. The committee approved the proposed minutes of its July 2023 meeting.

The committee considered recommending to the Board continuation and adoption of the Investment Management Division’s and TRICOT’s performance incentive pay plans for the 2023 – 2024 performance periods. Katy Hoffman, chief of staff from the Investment Management Division, and Josh Wilson and Susan Lemke, with Mercer Consulting, presented related information.

The committee unanimously voted to recommend to the Board continuation and adoption of Investment Management Division's performance incentive pay plan for the 2023-2024 performance period.

The committee unanimously voted to recommend to the Board continuation and adoption of TRICOT's performance incentive pay plan for the 2023-2024 performance period.

The committee considered recommending to the Board continuation and adoption of the Executive Director's performance incentive pay plans for the 2023 – 2024 performance periods. Shunne Powell, chief organizational excellence officer, and Josh Wilson and Susan Lemke, with Mercer Consulting, presented related information.

The committee unanimously voted to recommend to the Board continuation and adoption of amendments to the executive director's performance incentive pay plan for the 2023-2024 performance period, including adding a modification to the evaluation process.

Mr. Nance concluded his report with the following motions:

On a motion by Mr. Nance, the Board voted to adopt the resolution continuing and adopting the Investment Management Division's performance pay plans for the 2023 – 2024 performance period, as recommended by the Compensation Committee.

September 15, 2023

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, 2023, 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 pay plans for the 2023 – 2024 performance period, as recommended by the Compensation Committee.

**September 15, 2023**

**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

**Whereas**, Consistent with those objectives, the Board adopted the initial version of the Plan in 2021; Now therefore, be it

**Resolved**, That effective for the annual performance period beginning October 1, 2023, the Board hereby adopts the Plan as presented by staff.

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

Mr. Nance then moved for the Board to adopt the proposed resolution continuing and adopting the executive director's performance pay plan for the 2023 – 2024 performance period, as recommended by the Compensation committee.

**September 15, 2023**

**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 related to completion of goals linked to TRS’s Strategic Plan and outlined in the Areas of Focus;
- Ensures TRS can attract, motivate, and retain top-performing executive leadership; 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, 2023; now, therefore be it

**Resolved,** That effective September 14, 2023, the Board hereby readopts the Executive Performance Incentive Pay Plan, as presented by Staff, including the key accountabilities and areas of focus.

**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.

16. **Receive the report of the Audit, Compliance, and Ethics Committee on its September 15, 2023 meeting including considering the adoption of the Audit Plan for Fiscal Year 2024 – Committee Chair:**

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

The Audit, Compliance and Ethics Committee met earlier this morning. The committee approved the minutes of the July 14, 2023 meeting.

The State Auditor’s Office auditors presented their plan for the audit of the annual comprehensive financial report for fiscal year 2023. Crowe, LLP auditors presented their plan for the TRS Investment Company, the TRICOT audit.

The general counsel and chief compliance officer, and the senior compliance counsel presented routine compliance reports.

The chief audit executive presented proposed audit plan for fiscal year 2024. Audit staff presented updates on Internal Audit’s data analytics program and prior audit recommendations. The audit staff also presented the results of follow-up reviews of the Historically Underutilized Business Program and IT contract oversight.

The committee then went into executive session to discuss the results of the review of cyber controls and the audit of MyTRS. The committee then reconvened in open session to receive certain administrative reports.

To conclude her report, Mr. Walls had the following motion:

On a motion by Mr. Walls, the Board voted to adopt the proposed plan for fiscal year 2024, as recommended by the ACE Committee.

**10. Provide an opportunity for public comment – Jarvis V. Hollingsworth.**

Mr. Abraham Barretto, a retiree, appeared virtually to express his concern regarding his complaints as to the processing of his retirement and denial of TRS-ActiveCare insurance when assured by TRS reps multiple times he would receive it.

Mr. Beamon Floyd, representing the Texas Association of School Administrators, commended TRS staff for ongoing efforts to work with stakeholders and specifically to commend staff on their work on the transitional plan.

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

Ms. Jennifer Whitman announced TEAM program is down to one remaining release on the roadmap, the annuity payroll and tax reporting release. She said it remains on schedule and remains under budget.

Mr. Adam Fambrough reviewed the roadmap for the MyTRS member portal and shared the functionality that was recently delivered. He said enhanced messaging opportunities for TRS to post messages on the log-in screen and internally on MyTRS are now live. He said all communications for new registrants are defaulted to email communications, meaning if TRS issues a letter, an email will be sent to alert member to view it on MyTRS versus TRS physically mailing it. He noted a member could opt out of the setting and elect to have the letter mailed. Mr. Fambrough provided a look back on the history of the program, what the annuity and payroll tax reporting release will provide and shared the go live date of June 2025.

Ms. Whitman reviewed the analysis undertaken for re-baselining effort. She referenced several environmental factors that had potential to impact the release including recent legislation. Mr. Billy Lowe discussed the alterations made in order to keep the go-live date of June 2025 for the annuity and payroll tax reporting release.

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

Ms. Laurie Patton stated the foundation of EY's work is looking at how TRS staff is implementing agile principles, their analysis of TRS' work and benchmarking that against leading practices. She highlighted how TRS has had a strong continuous leadership team to oversee this engagement and



the consistency, velocity increases, and a focus on continuous improvement. She then provided a review of Agile principles.

19. **Consider selecting the Health Actuarial Contract 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 – Katrina Daniel.**

Ms. Yimei Zhao reviewed the scope of work sought of the Health Actuarial contract, the procurement team and the timeline for the RFP resulting in the top two candidates being brought before the Board today.

Mr. Darren Muse and Mr. Brent Jensen presented on behalf of Milliman.

Ms. Kirsten Schatten and Mr. Ken Vieira presented on behalf of Segal.

Ms. Katrina Daniel noted staff has worked extensively with both companies and recommended that both of the actuarial firms be selected.

On a motion by Ms. Sissney, seconded by Mr. Ball, the Board voted to adopt the following resolution selecting Milliman and Segal for the Health Actuarial.

**RESOLUTION SELECTING COMPANIES FOR  
HEALTHCARE ACTUARIAL SERVICES  
September 15, 2023**

**Whereas**, Subtitle C of Title 8 of the Texas Government Code governs the Teacher Retirement System of Texas (“TRS”) and authorizes the TRS Board of Trustees (the “Board”) to administer TRS;

**Whereas**, Chapter 1575 of the Insurance Code (the “Texas Public School Retired Employees Group Benefits Act”), governs the Texas Public School Retired Employees Group Insurance Program, hereinafter referred to as TRS-Care, and Chapter 1579, Insurance Code (the “Texas School Employees Uniform Group Health Coverage Act”), governs the Uniform Group Coverage Program, hereinafter referred to as TRS-ActiveCare, both of which authorize the Teacher Retirement System of Texas (TRS), as trustee, to implement and administer TRS-Care and TRS-ActiveCare, as described in the statutes;

**Whereas**, TRS issued a Request for Proposals (“RFP”) to interested entities for Healthcare Actuarial Services for TRS-Care and TRS-ActiveCare, which was posted on May 22, 2023 (Solicitation No. TRS000420);

**Whereas**, the actuarial services to be provided shall include ongoing actuarial consultation, actuarial valuation, and actuarial related recommendations for plan design and premiums, as well as cost containment and best practices in the healthcare industry to support TRS in its ability to provide choice in medical and pharmacy plans as well as any other benefit options TRS is required to provide by law (e.g., dental and vision), that result in the lowest cost, highest quality, and best patient experience for our members;

**Whereas**, TRS received and evaluated proposals under the RFP;

**Whereas**, TRS staff provided relevant information to the Board, and TRS staff presented an evaluation to the Board concerning the selection of two top ranking respondents to provide healthcare actuarial services;

**Whereas**, on September 15, 2023, the two top ranking respondents gave presentations to the Board in open session and the Board convened in closed session to deliberate;

**Whereas**, after evaluating the respondents' proposals and presentations, TRS staff recommends both, Milliman and Segal, for Board consideration and selection as the contractors to provide Healthcare Actuarial Services to TRS as representing the best overall value for TRS;

**Whereas**, The Board has considered the evaluation and recommendations made by TRS staff related to selecting the candidates for Healthcare Actuarial Services; Now, therefore, be it

**Resolved**, That the Board hereby selects Milliman to provide healthcare actuarial services for a two-year term to commence on the day of the last signature of the contract with three optional one-year renewals, subject to successful negotiation and execution of a final agreement for the implementation and provision of healthcare actuarial services on the same or better financial terms as presented to the Board;

**Resolved**, That the Board hereby also selects Segal to provide healthcare actuarial services for a two-year term to commence on the day of the last signature of the contract with three optional one-year renewals, subject to successful negotiation and execution of a final agreement for the implementation and provision of healthcare actuarial services on the same or better financial terms as presented to the Board;

**Resolved**, That the Board hereby authorizes the Executive Director or his designees to expend funds and to take any actions deemed by him or his designees that are necessary or advisable to implement the Board's selection of Milliman and Segal for healthcare actuarial services, and to continue with negotiations and finalize a contract with each contractor with terms and conditions deemed by the Executive Director or his designees to be in the best interest of the TRS-Care and TRS-ActiveCare programs, as well as to amend, modify, or extend the contracts. The Board's selection of Milliman and Segal 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 between TRS and each contractor.

20. **Receive Quarterly Information Security Update – Frank Williams.**

This item was not taken up.

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, and on legal or regulatory matters involving certain TRS vendors, investment managers, or other counterparties – Heather Traeger and J.R. Morgan.**

Mr. Hollingsworth announced Ms. Sissney would take over the chair when the Board meeting went into executive session.

At 11:23 a.m., Mr. Hollingsworth announced the Board would go into executive session for Agenda Item 21 under Section 551.071 to consult with legal counsel as needed.

At 11:42 a.m., Ms. Sissney reconvened the board meeting in open session.

At 11:43 a.m., Ms. Sissney adjourned the meeting.

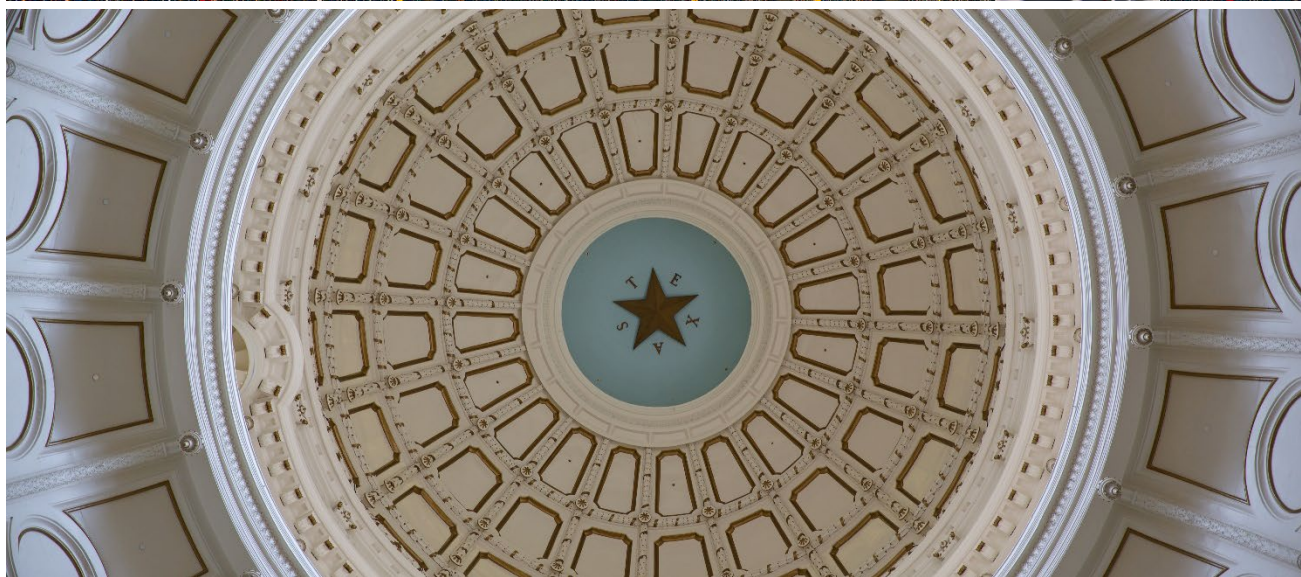
APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM  
OF TEXAS ON THE \_\_ DAY OF DECEMBER 2023.

ATTESTED BY:

\_\_\_\_\_  
Katherine H. Farrell  
Secretary to the TRS Board of Trustees

\_\_\_\_\_  
Date

**TAB 4**



# Executive Director's Report

**Brian Guthrie**

December 7, 2023





General Updates  
Moving Forward Together Update  
Special Honors and Acknowledgments  
Upcoming Board Meeting Agenda

### **Upcoming Conferences and Meetings:**

- December 13 – 14, 2023: NCTR 2023 Customer Service Workshop, Virtual
- January 16, 2024: EC Retreat at Alpha, Austin, TX
- February 24 - 26, 2024: NASRA Winter Meeting, Washington, D.C.
- February 28, 2024: TRS/ERS Emerging Manager Conference, Virtual

### **Past Meetings and Updates:**

- October 7 – 10, 2023: 101<sup>st</sup> NCTR Annual Conference, La Jolla, CA
- October 22 – 25, 2023: NCPERS 2023 Fall Conference, Las Vegas, NV
- November 16, 2023: TRS SPN, Austin, TX
- December 6, 2023: End of 88<sup>th</sup> (4<sup>th</sup>) Legislative Session



# One TRS: Moving Forward Together

## ALPHA CONSTRUCTION STATUS



## BRAVO SHELL CONSTRUCTION STATUS





## KEY UPCOMING MILESTONES

Milestone	Target Date
Bravo Office Shell Construction Complete	January 2024
Bravo Tenant Improvement Construction Start	December 2023
Bravo Move-In	Early 2025

### Bravo Office Shell

- The construction team is correcting exterior window systems

### Bravo Tenant Improvement Construction

- TRS finalized the contractual agreement to allow tenant improvement work to begin

## Special Honors and Acknowledgments



### **Regional Office Project Team**

In the 2021 legislative session, TRS was authorized to open the first regional office in El Paso, Texas, which added another department under Benefit Services. Many factors had to be considered and processes implemented to ensure the security of our members' information. Other logistics included finding an office that would properly accommodate members' office visits, technology set up, and hiring and training employees.

This has been a member-focused project to meet our members where they are, and we have received so many positive comments from our members in the El Paso area. This would not have been possible without the collaboration and hard work of a project team comprised of staff from several different agency departments.

**Please join me in congratulating the members of the Regional Office Project Team on their accomplishments and contributions!**

## Special Honors and Acknowledgments



### **TRS-Active Care Engagement and Enrollment Team-Health Division**

Several districts have approached TRS to discuss entering TRS-ActiveCare. There were challenges posed for districts who wanted to enter the program. The TRS-ActiveCare Engagement and Enrollment Team (ACE Team), within the Health Division, identified solutions to address timing, process requirements and costs. This year, the ACE Team put together a work plan to inform a rule that gives TRS authority to implement this new transitional plan.

Killeen ISD will be the first district to enter TRS-ActiveCare under this process. Earlier this year, the ACE Team prepared a briefing for the district's benefit committee and board. They reviewed their claims experience to develop specific rates and conducted several informational meetings with the district. The Killeen ISD Board of Trustees voted in July to enter TRS-ActiveCare under the transitional plan. This change will save the district a projected \$53M in the first five years.

The work of the ACE Team has embodied TRS' Core Value of Member Focus by continuously increasing the value of health benefits for employers who, in turn, will be in a better position to attract and retain high-quality educators and staff.

**Please join me in congratulating the members of the ACE Team in the Health Division on their accomplishments and contributions!**

## Top Workplace

- This year TRS ranked # 4 in the large employer category!
- TRS was the first state agency to win this designation and has won it more times than any other agency
- Recognition comes entirely from employee feedback in a survey of 15 culture drivers
- Drivers measure employees' opinions of agency values, employee/manager communication, and ability to innovate and operate efficiently
- TRS also received recognition in the following categories: Appreciation, Compensation & Benefits, Employee Well-Being, Leadership and Professional Development



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# Upcoming Board Agenda

## **February 15, 2024**

Benefits

Health

IMD

Data Management and Protection Update

## **February 16, 2024**

Ombuds Annual Report

Proposed Rules for Vision & Dental plans

Actuarial Valuation and Assumptions

Ethics/Fiduciary Training

# Upcoming Board Agenda

## April 27 - 28, 2024

### April 27, 2024

#### **Benefits Committee**

- Operational Updates
- Approval of Benefits
- Medical Board Minutes

#### **Investment Management Committee**

- CIO Update
- 4<sup>th</sup> Quarter Performance Review
- Annual Review of Public Mkts
- Strategic Asset Allocation

#### **Budget Committee**

- FY2024 mid year and FTE Report

#### **Policy Committee**

- Litigation Policy
- Trustee External Communication policy

#### **Strategic Planning Committee**

- Results Forum Report Out
- Update Strategic Plan (if needed)

#### **ACE Committee**

- Internal Audit and Compliance Reports

### April 28, 2024

#### Committee Reports

ED Report

Ombuds Report

Procurement Report

Operational Updates

Deputy Director Report

Information Security Update

**TAB 5**

# MEMORANDUM

To: TRS Board of Trustees

Through: Brian Guthrie, Executive Director  
Martin Cano, Assistant Deputy Director

From: Heather Traeger, General Counsel  
Shannon Gosewehr, Chief of Business Administration  
Derrick Guzman, Risk Manager

Date: November 17, 2023

Subject: Directors & Officers Liability (“D&O”) and Employment Practices Liability (“EPL”) Insurance, Fiduciary Liability, and International Package Policies (hereinafter, “Insurance”)

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## REQUESTED ACTION

Staff recommends that the Board approve the delegation to the Executive Director to purchase Insurance for TRS as discussed herein. Staff also recommends that the Board ratify the previous purchase of Insurance made by the Executive Director in order to maintain necessary and appropriate insurance coverage.

The recommended delegation relates to the Board of Trustees’ authority under Texas Government Code Section 825.112 providing that the Board may self-insure or purchase any insurance, including fiduciary and liability coverage for trust assets or for the trustees, employees and agents of the board of trustees, in amounts the Board considers reasonable and prudent.

## BACKGROUND

TRS annually obtains Insurance as a part of its administrative and operational function. The Board last evaluated Insurance coverage amounts in 2015 (for a Fiscal Year 2016 renewal) and approved the Executive Director purchasing Insurance with coverage limits of up to \$25 million under each policy for the fiscal year.

### Coverages

TRS utilizes the statewide shared insurance services program administered by the State Office of Risk Management (“SORM”) for most operational insurance coverage.<sup>1</sup> Carriers must meet certain eligibility requirements to participate and be selected in the SORM program. These requirements and certain contractual provisions in the SORM program are designed to protect the integrity of the state pool formed by participating agencies. Because the statewide program represents a significant market share, has

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<sup>1</sup> A state agency subject to the Texas Labor Code, Chapter 412, must purchase its insurance through SORM (or follow their rules on purchasing non-sponsored lines). TRS is not subject to Chapter 412 but has historically elected to use the SORM insurance services because of the benefits provided: administrative oversight, RFP of services, pricing and claims administration, and competitive rates.



sovereign immunity, and is stabilized by the participation rules, carriers are able to offer significantly lower premiums and custom coverage options unique to state agency risks.<sup>2</sup>

TRS has purchased non-profit D&O and EPL coverage and Fiduciary coverage through the SORM program for insurance since 2004. EPL coverage is a separate policy but is classified as a sublimit of the D&O Policy. These policies, which include custom endorsements and sub-limits specific to TRS operations, are provided to address the management and fiduciary obligations of executives (including Trustees, Directors, and Officers) and employees in the course of their duties while performed on behalf of TRS as defined and provided under the terms of the policies. Beginning in FY16, TRS added the additional line of coverage to expand the U.S.-based policies to TRICOT and to travel (“International Package Policies”).

The Insurance covers various sources of potential liability for TRS and its officers, employees, and trustees that arise from its operations. A non-exhaustive breakdown of the types of claims and penalties that TRS could face related to employment law, regulatory actions, and other statutory and administrative claims is attached as an appendix to this memorandum. TRS will assert coverage in all applicable cases; TRS also may have defenses that it can assert for the claims at issue. There could be additional liability or expenses involved in establishing Insurance coverage and asserting applicable defenses. Accordingly, there is still risk attendant with defending against such claims or penalties. Further, TRS may need or choose to request outside counsel representation in addition to or instead of representation by the Office of the Attorney General (“OAG”), as there may be instances in which the OAG may deny representation based on subject matter expertise, conflicts of interest, or claims in state courts outside of Texas. Legal expenses incurred in this situation may be reduced or eliminated by the Insurance.

#### Carrier Representatives

The current insurer for this U.S. coverage is Westchester Fire Insurance Company (Chubb); A.M. Best rated A++XV. The current insurer for the International Package Policies is Insurance Company of PA. The current broker is Arthur J. Gallagher Risk Management Services, Inc. (“Gallagher”).

#### Cyber Liability Coverage Excluded

Privacy and Network Security (“Cyber”) Liability is not a coverage component of the Insurance. TRS continues regularly to review the option of Cyber coverage within the context of its data security program, including recently requesting and obtaining a Cyber quote for review.

#### Renewal

TRS renewed the Insurance effective November 1, 2023. TRS received a highly competitive quote through the SORM program from Chubb (Primary) and XL (Excess), which brought the overall renewal to a 1.32% (\$9,695.00) decrease in premium while maintaining the same limits, retentions, and coverages already in place. Further, TRIA (Terrorism Risk Insurance) was included at no cost.

The general coverage limits and premiums are summarized below.

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<sup>2</sup> One of the contractual provisions specifically requires the program carrier to “coordinate its insurance broker services to achieve the highest level of savings possible for the state of Texas.”

## D&O/FID/EPL & UK Foreign D&O

Coverage	Carrier	Aggregate Limit \$	Retention \$	Premium \$
Directors & Officers	Westchester Fire	15,000,000	100,000	129,000
XS Directors & Officers	XL Specialty Ins. Co.	10,000,000	15,000,000	190,600
Fiduciary	Westchester Fire	15,000,000	500,000	360,000
XS Fiduciary	XL Specialty Ins. Co.	10,000,000	15,000,000	Included
Employment Practices	Westchester Fire	10,000,000	250,000	45,388
Local Foreign D&O – UK Tax	Chubb European Group Ltd	1,000,000	100,000	3,953.68 474.32
			<b>TOTAL COST</b>	<b>729,415.00</b>

## International Package (Casualty, Property) Outside D&O & UK EPL

Coverage	Carrier	Aggregate Limit \$	Retention \$	Premium \$
Outside Directors & Officers	Illinois Union Insurance Co.	5,000,000	250,000	83,749
International Package Casualty – Travel, Auto, Accident or Sickness	Insurance Co. of PA	4,000,000	1,000	3,185
Property		250,000	2,500	Included
UK Employment Practices	American International Group, UK, Incl	10,000,000	250,000	3,364
			<b>TOTAL COST</b>	<b>90,298</b>

## DISCUSSION

In light of changes to the insurance market, the growth of TRS' operations, staff and membership, and the Board's oversight role regarding TRS administration, the Staff is seeking to review the Insurance and appropriate coverage levels with the Board and also to recommend delegating the function of obtaining the Insurance to the Executive Director within parameters determined by the Board.

According to SORM (via broker benchmarking) and other public sources, the market for certain of the Insurance policies has meaningfully changed in recent years. A sample of market information regarding current rates is attached as an appendix to this memorandum. Carriers are seeing sharp increases in D&O claims, including errors and omissions claims, for which they must pay the cost of defending. This has severely impacted the financial performance of D&O carriers and has resulted in carriers reducing both the D&O and Fiduciary coverage limits, requiring higher retention (deductible) levels and modest increases in premiums. EPL limits also have been trending downward. Accordingly, agencies like TRS have had to obtain coverage from multiple carriers to obtain the desired amounts.

As previously directed by the Board, TRS has sought Insurance with coverage limits of up to \$25M for the D&O, EPL, and Fiduciary policies at a cost to be negotiated by the Executive Director. While TRS has not had an Insurance claim paid out since (at least) 2015, TRS has had 19 claims reported (12 inactive, 7 active). Lack of claims history is

not necessarily indicative of nor precludes future claims. Further, TRS' risk profile has expanded meaningfully since the Board last identified the \$25M threshold, including growth in TRS' staff, members, and operations. Each of these categories can present an opportunity for claims.<sup>3</sup> From a personnel and member perspective, TRS staff levels have grown from a 635 headcount in 2015 to a 1123 headcount in 2023; and member levels have grown from approximately 1.5M in 2015 to approximately 2M in 2023. The Trust has grown from \$132.1B in July 2015 to \$181.7B in September of 2023. TRS operations have expanded significantly to encompass greater functionality and functions that open TRS to associated risks and liability. A small example of this expansion includes online functionality for members (MyTRS), a Regional Office, a UK subsidiary (TRICOT), ownership of Alpha and Bravo (which includes leased space open to the general public), use of Cloud and other technology systems that are "off-premises," and investments in new markets and new products. The liability associated with these functions are overlayed by a significant increase in the regulatory and legal obligations associated with these activities at state, federal, and international levels.<sup>4</sup>

Peer data provided by TRS' broker, Gallagher, in annual reports supports current TRS coverage levels by demonstrating similar or lower levels of coverage for smaller and less complex entities.<sup>5</sup> When reviewing Insurance for health care companies, financial entities, and private equity companies – all functions engaged in by TRS – the coverage levels vary greatly depending on operations. Peer Texas pensions' coverage are similarly variable. Additional data regarding benchmarking is included in an appendix to this memorandum.

The Staff also evaluated the risks and benefits of self-insuring and recommends obtaining coverage from an established and practiced vendor. An experienced vendor and documented policy, such as those provided through SORM, provide a finite scope of policy terms and limits supported by experienced underwriters and adjustors versed in market and legal expectations. The policy also may cover certain costs associated with claims review and pursuit of claims, and claims are not paid out of the trust (beyond the insurance premiums themselves). Importantly, the cost of insurance is minimal when compared to the benefits of such coverage to TRS.

Accordingly, Staff recommends continuing with the current upper limitation of \$25M as a reasonable and prudent maximum for each of the D&O, EPL, and Fiduciary policies based on consideration of TRS' risk profile, the insurance market, peer comparisons, continued projections of TRS growth, and TRS' claims history. On the lower end and, again, on the basis of these same factors, the Staff would not recommend a threshold

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<sup>3</sup> Insurance brokers, including TRS', specifically consider certain changes in operations in assessing entity risks and appropriate coverage and rates. These include, any newly assumed contractual liability, granting of indemnities, or hold harmless agreements; changes in any operation such as expansion to other states, new products; mergers and/or acquisitions of new companies or agencies; circumstances which may require increased liability insurance limits; and, changes or updates to employee policies or procedures.

<sup>4</sup> For example, on employment laws, "The trend of increasing workplace regulations by state and local governments continued throughout the second quarter of 2023." See <https://www.faegredrinker.com/en/insights/publications/2023/7/state-and-local-employment-law-developments-q2-2023>. In the securities regulation space, the U.S. Securities Exchange Commission has 37 rules that it is seeking to finalizing since June of 2023. <https://tax.thomsonreuters.com/news/sec-plans-to-finalize-30-proposed-rules-in-near-term/>. Further, new laws on privacy and protection of data and flowing from state and federal legislators and federal and international agencies and rulemaking bodies. <https://iapp.org/news/a/u-s-federal-privacy-legislation-in-2023-something-old-something-new/>.

<sup>5</sup> The non-profit classification has been used historically by TRS' broker to assess TRS and underwrite coverage. This past year, the broker identified a government benchmark.

below \$15M for D&O, \$20M for Fiduciary, and \$10M for EPL coverage. TRS will continue to pursue periodic benchmarking to monitor these factors.

In addition, Staff recommends that the Board delegate the function of obtaining Insurance to the Executive Director. Under statute, the Board may self-insure or purchase any insurance for trust assets or for the trustees, employees, and agents of the Board, in amounts that it considers reasonable and prudent. This statutory authority is captured in Section 1.1 of the TRS Bylaws, which tasks the Board with the general administration and operation of the retirement system. This same section provides the Board with the authority to delegate to the Executive Director the responsibility for all administrative functions. The corollary to that authority is found in Section 4.1.2, which provides that the Executive Director is responsible to the Board for the general administration of TRS in accordance with law and policies. Further, Section 5.1 of the Bylaws specifically speaks to the delegation of authority by the Board to the Executive Director for contracts for the purchase of goods and services subject to the applicable action of the Board. Accordingly, such delegation would be appropriate under law and policy. While the Board has delegated such authority on an annual basis in the past, due to the generally slower movement of the Insurance market, the Staff recommends a delegation to the Executive Director of 3 years, in the absence of any material market changes or changes to TRS' risk profile as determined by the Executive Director in consultation with the Board Chair. Staff believes that a 3-year review cycle of Insurance by the Board will permit the Board to reasonably and prudently assess the market and TRS needs based on its business and associated risks.

Finally, the Staff recommends that the Board ratify the previous purchase of Insurance made by the Executive Director in order to maintain necessary and appropriate insurance coverage.

## **APPENDIX A**

### **Examples of Types of Claims and Penalties**

As TRS has grown in total workforce headcount, size of membership and Trust, and physical locations (with regional offices, new headquarters, and UK subsidiary), the sources of potential claims and liabilities has grown as well. Below is a non-exhaustive breakdown of the types of claims and penalties that TRS and its officers, directors, and employees could face as a result of regular business operations. While TRS would assert all applicable defenses, including any available government immunity, there is still a reasonable amount of risk attendant with defending against such claims or penalties.

The State will generally indemnify and provide representation through the Office of the Attorney General (“OAG”) to current or former State officials when damages are based on an act or omission by the person in the course and scope of the person’s office, employment, or contractual performance. However, indemnification or representation may be denied when the official acts with willful or gross negligence, bad faith, or reckless disregard. The OAG also may deny coverage based on expertise, conflicts of interest with the AG, claims in state courts outside of Texas, or outside directorships involving a Federal act or tried outside of Texas. In addition, there may be situations where TRS may need or choose to request outside counsel representation in addition to or instead of representation by the OAG. These expenses should be considered along with the potential liability and penalties outlined below.

#### **Examples of Types of Claims**

<b>Employment Claims</b>	<p>A current or former employee may sue TRS for discrimination, retaliation, or other violation of state or federal employment laws, including Americans with Disabilities Act (ADA), Age Discrimination in Employment Act (ADEA), Title VII, Family Medical Leave Act (FMLA), and Equal Pay Act. Potential liability includes back pay, front pay, compensatory and punitive damages, attorneys’ fees, and other fines or penalties. There may be enterprise or individual manager liability depending on the claim asserted.</p> <p>In addition to current or former employees, non-TRS workers may bring claims to challenge their status as contract workers. Potential liability includes all of the items above as well as tax and benefit liabilities and penalties.</p>
<b>Tort Claims</b>	<p>A claim regarding injury in a car accident or an injury such as defamation or fraud.</p>
<b>Constitutional or “Ultra Vires”</b>	<p>A claim that TRS has violated someone’s rights.</p>

<b>Intellectual Property</b>	A claim that TRS has infringed someone's intellectual property, trademark or copyright.
<b>Vendor Protest</b>	A claim for equitable relief against the agency at the solicitation stage.
<b>Breach of Contract</b>	A claim for the amount owed on the contract. Awards may include attorney's fees.
<b>Fiduciary</b>	A claim of negligence, mismanagement, errors, or omissions in plan administration, and/or breach of fiduciary duty, including abuse of power, misappropriation, neglect or other breach of trust for failing to act in the best interest of TRS. Exists under state law and common law.
<b>Mandamus</b>	A claim to direct TRS to perform an action required by law. Awards may include attorney's fees and costs of suit.
<b>IRS</b>	A claim regarding IRS penalties in the case of under withheld taxes on pension payments.
<b>Privacy Information Act/Open Meetings Act</b>	A claim for failing to adhere to statutory requirements regarding public disclosure and transparency. OAD may not represent and awards may include attorney's fees.
<b>Health Benefit Plan Administration</b>	<p>These may come in different forms:</p> <ol style="list-style-type: none"> <li>1. A claim by a member or a health care provider alleging that a health plan benefit was wrongfully denied or underpaid based on the terms of the health benefit plan.</li> <li>2. A claim that a member's eligibility for coverage under a health plan was wrongfully denied.</li> <li>3. A claim that the health benefit plan coverage of a member was wrongfully terminated.</li> <li>4. A claim that TRS failed to adhere to legally-required administrative procedures in the administration of a health benefit plan.</li> <li>5. A claim that a member's Protected Health Information under the Health Insurance Portability and Accountability Act (HIPAA) or under Texas law was breached due to an error or omission of TRS or one of TRS' contractors.</li> </ol>

### Examples of Penalties

1. Health Insurance Portability and Accountability Act (HIPPA)

*Civil Liability*

Penalty Tier	Culpability	Min Penalty per Violation	Max Penalty per Violation	Maximum Penalty Per Year (Cap) (Official Capacity)
Tier 1	Lack of Knowledge	\$137	\$68,928	\$2,067,813
Tier 2	Reasonable Cause	\$1,379	\$68,928	\$2,067,813
Tier 3	Willful Neglect	\$13,785	\$68,928	\$2,067,813
Tier 4	Willful Neglect (not corrected within 30 days)	\$68,928	\$2,067,813	\$2,067,813

*Criminal Liability*

Penalty Tier	Description	Max Penalty (Individual Capacity)
Tier 1	Deliberately obtaining and disclosing PHI without authorization	up to one year in jail and a \$50,000 fine
Tier 2	Obtaining PHI under false pretenses	up to five years in jail and a \$100,000 fine
Tier 3	Obtaining PHI for personal gain or with malicious intent	up to 10 years in jail and a \$250,000 fine

*Civil Liability (State Penalties)*

Penalty Tier	Description	Max Penalty (Official Capacity)
Tier 1	Violations due to negligence	Up to \$5,000 per violation, per year
Tier 2	Knowing or intentional violation	Up to \$25,000 per violation, per year
Tier 3	Intentional violation for financial gain	Up to \$250,000 per violation, per year

**The maximum financial penalty is \$1.5 million per year in cases where there has been a pattern of noncompliance.**

2. Americans with Disabilities Act (ADA)/Uniformed Services Employment & Reemployment Rights Act (USERRA)

*Civil Liability*

Violation	Max Penalty (Official Capacity)
ADA Willful Violation	Up to \$75,000 for first occurrence  Up to \$150,000 for subsequent occurrences

USERRA Willful Violation	Liquidated damages equal to twice the amount of backpay due to the member.
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### 3. Security and Exchange Commission (SEC)

#### *Civil Liability*

<b>Violation</b>	<b>Max Penalty (Individual/Official Capacity)</b>
Any	\$9,753/\$89,291
Fraud, deceit, manipulation or deliberate or reckless disregard of a regulatory requirement	\$89,21/\$446,455
Fraud or manipulation, plus direct or indirect substantial losses to other persons or significant risk thereof	\$178,582/\$863,145

**Other administrative and judicial remedies may be sought for violations of securities laws.**

### 4. Privacy Information Act (PIA)/Open Meetings Act (OMA)

#### *Criminal Liability*

<b>Violation</b>	<b>Max Penalty (Individual Capacity)</b>
Destruction, Removal, or Alteration of Public Information.	A Misdemeanor punishable by confinement in a county jail for a minimum of three days and a maximum of three months, and a fine of not less than \$25 or more than \$4000.
Distribution or Misuse of Confidential Information.	A Misdemeanor punishable by confinement in a county jail for not more than six months, a fine of not more than \$1000, the fine and confinement, and constitutes Office Misconduct under the Texas Penal Code.
Failure or Refusal of Officer for Public Information to Provide Access to or Copying of Public Information.	A Misdemeanor punishable by confinement in a county jail for not more than six months, a fine of not more than \$1000, both the fine and confinement, and constitutes Official Misconduct under the Penal Code.



**APPENDIX B**  
**Market Color on Current Rates**

<b>Carriers are Reducing Capacity Limits</b>	
Fiduciary Liability: Limit reductions and retention increases are also occurring.	Gallagher State of the Market 2023
Fiduciary Coverage: Most carriers are closely monitoring the capacity they are offering, and \$5M primary limits are now more common than \$10M.	<a href="https://www.wtwco.com/en-us/insights/2022/12/insurance-marketplace-realities-2023-fiduciary-liability">https://www.wtwco.com/en-us/insights/2022/12/insurance-marketplace-realities-2023-fiduciary-liability</a>
EPL Coverage: Though the market for experienced primary EPL insurers is limited, the market for excess is broad with 30+ insurers.	Gallagher State of the Market 2023
EPL Coverage: Most insurers were not looking to grow or increase their exposure in EPL. Limits primary insurers offered typically didn't exceed \$5M, though excess EPL limits are easily purchased and competitively priced	<a href="https://www.ajg.com/us/news-and-insights/2022/dec/employment-practices-liability-market-conditions/">https://www.ajg.com/us/news-and-insights/2022/dec/employment-practices-liability-market-conditions/</a>
D&O Coverage: One of the biggest changes in the current marketplace is reduced capacity for public company D&O risks, making it much more difficult to build coverage towers than in prior years. Insurers are looking to restrict certain coverage and some are no longer offering \$10M limits; more markets are offering \$5M layers or even \$2.5M.	Gallagher State of the Market 2023
D&O Coverage: Some primary carriers are managing capacity and possibly increasing retentions, while total capacity remains ample for small and medium sized risks. Large(\$1B+) private companies may have much less capacity and significantly higher increases.	<a href="https://www.crcgroup.com/Tools-Intel/post/pandemic-accelerating-d-o-market-changes">https://www.crcgroup.com/Tools-Intel/post/pandemic-accelerating-d-o-market-changes</a>
<b>TRS Has not Paid Claims on D&amp;O, EPL, and Fiduciary Insurance</b>	
For the prior 10 fiscal years, TRS' insurers have paid out \$0 on claims under TRS' D&O, EPL, and Fiduciary insurance.	TRS DO EPL FID Loss Runs 2012-2023

## APPENDIX C

### Benchmarking Data<sup>6</sup>

<b>D&amp;O Coverage</b>	<b>\$2-5M</b>	<b>\$5-10M</b>	<b>&gt;\$10M</b>
<b>2019</b>	27.3%	30.3%	39.4%
<b>2020</b>	29%	30.1%	30.1%
<b>2021<sup>7</sup></b>	36.8%	31.6%	18.5%
<b>2022<sup>8</sup></b>	-	-	-
<b>2023</b>	46.7%	22.2%	19.9%
<b>2023 (government entities) <sup>9</sup></b>	-	8.3%	13.9%

<b>Fiduciary Coverage</b>	<b>\$10-20M</b>	<b>&gt;\$20M</b>
<b>2019</b>	14.3%	80.9%
<b>2020</b>	19%	64%
<b>2021</b>	20%	80%
<b>2022</b>	-	-
<b>2023</b>	20%	20%

<b>EPL</b>	<b>\$2-5M</b>	<b>\$5-10M</b>	<b>&gt;\$10M</b>
<b>2019</b>	0%	60%	40%
<b>2020</b>	18%	18%	34%
<b>2021</b>	33.3%	0%	33.3%
<b>2022</b>	-	-	-
<b>2023</b>	40.0%	10%	0%

## APPENDIX D

<sup>6</sup> All Gallagher data is for non-profit organizations unless noted otherwise.

<sup>7</sup> The pandemic also may have played a role in some of the ups and downs of coverage limits.

<sup>8</sup> 2022 benchmarking from other insurance analysts suggested that D&O and professional liability and excess liability limits increased compared to 2021 data.

<sup>9</sup> 2023 was the first year Gallagher provided benchmarking data to TRS for governmental entities. As such, non-profit benchmarking information has also been included for 2023.

## TRS D&O Historical Premiums 2012 - 2022

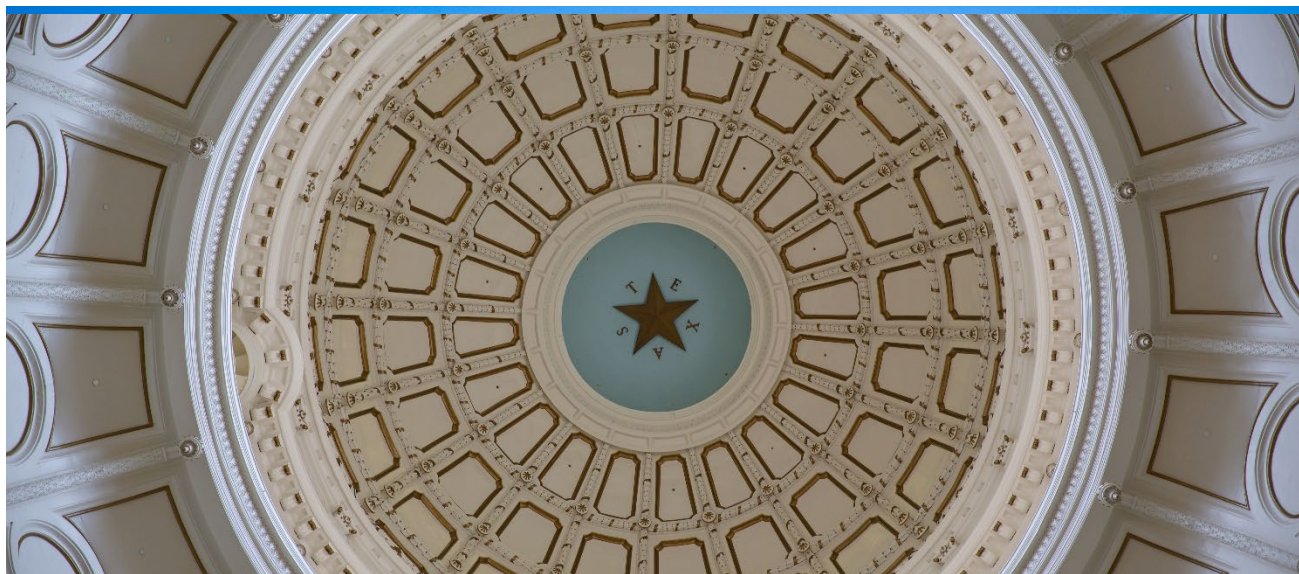
### Historical Premium Summary

Insured: Teacher Retirement System of Texas

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YoY Percent Change	YoY Dollar Change	Total Percent Change	Total Dollar Change
Carrier	ACE	ACE	ACE	ACE	Chubb	Chubb	Chubb	Chubb	Chubb	Chubb	Chubb				
Directors & Officers Premium	\$177,825	\$178,006	\$178,123	\$178,887	\$144,478	\$144,275	\$144,351	\$144,516	\$158,998	\$174,132	\$191,431	10%	\$17,299	7.65%	\$13,606
Employment Practices Liability Premium	\$0	\$0	\$0	\$0	\$33,822	\$33,638	\$33,683	\$33,889	\$37,246	\$40,955	\$45,338	11%	\$4,383	34.05%	\$11,516
Fiduciary Premium	\$410,819	\$410,976	\$411,007	\$410,277	\$410,887	\$411,250	\$411,258	\$411,172	\$410,899	\$452,012	\$497,864	10%	\$45,852	21.19%	\$87,045
<b>Total Cost</b>	<b>\$588,644</b>	<b>\$588,982</b>	<b>\$589,130</b>	<b>\$589,164</b>	<b>\$589,187</b>	<b>\$589,163</b>	<b>\$589,292</b>	<b>\$589,577</b>	<b>\$607,143</b>	<b>\$667,099</b>	<b>\$734,633</b>	<b>10%</b>	<b>\$67,534</b>	<b>24.80%</b>	<b>\$145,989</b>
Total Assets	\$132.2B	\$135.5B	\$142.4B	\$157.8B	\$150.9B	\$153.7B	\$156.9B	\$177.9B	\$181.8B	\$186.5B	\$223.2B	20%	\$36.6B	68.81%	\$90.9B
Total Revenue	\$12.4B	\$1.8B	\$1.8B	\$1.9B	\$1.9B	\$2.1B	\$2.2B	\$2.3B	\$2.3B	\$2.3B	\$2.2B	-4%	-\$100M	-82.26%	-\$10.2B
Employee Count	538	563	600	637	658	675	731	913	970	895	1181	32%	286	119.52%	643

**Note:** This summary is provided for information purposes only and does not amend or alter any coverage terms in place. Please refer to the policy for further details.

**TAB 6**



# Business Administration – Procurement and Contract Management Update

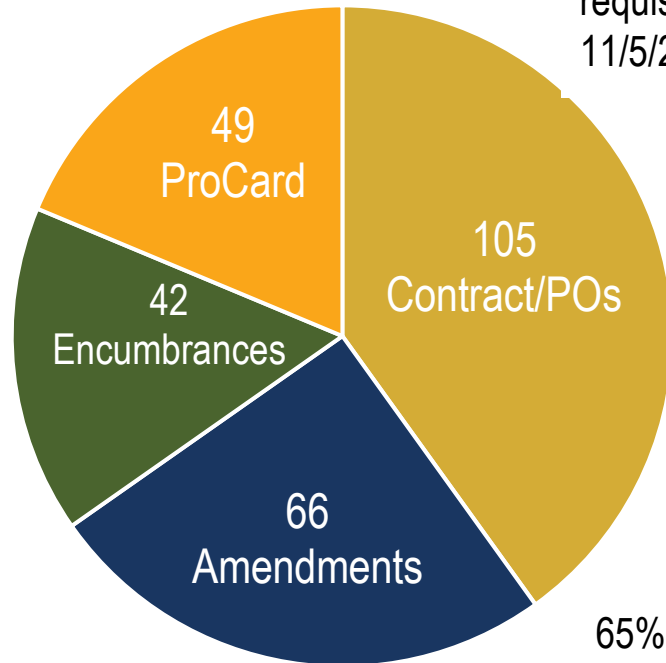
**Shannon Gosewehr**  
**Chief Business Administration Officer**

**December 7, 2023**



# Procurement Process Improvements

## Breakdown of Requisitions for FY23

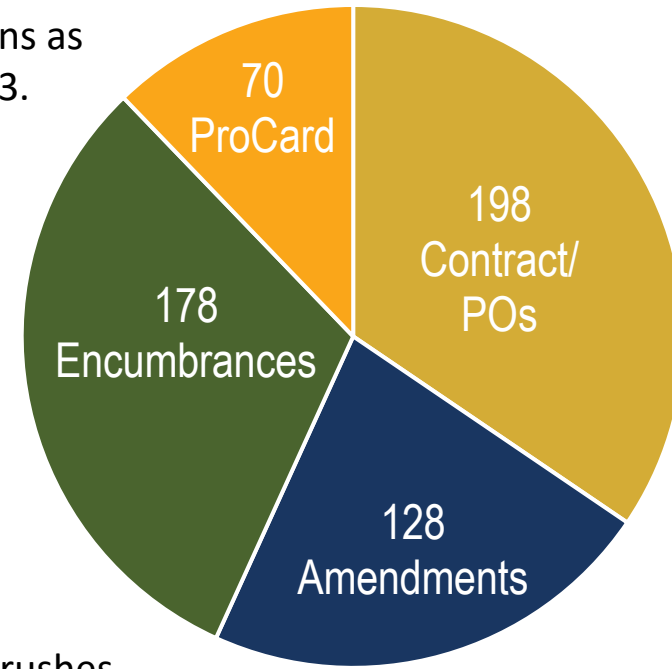


TRS Processed **262** requisitions as of 11/5/22.

88% were processed within the established lead time.

65% were rushes.

## Breakdown of Requisitions for FY24



TRS Processed **573** requisitions as of 11/5/23.

27% were rushes.

90% were processed within the established lead time.

# New Process Pilot – Post SB1246

PROCUREMENT METHOD	LEAD TIME	NOTES
Direct Award - \$10,000 or less	1-3 months	
Direct Award - value less than \$50,000 (was \$10,000) over life of the contract	1-3 months	Preference for an available HUB vendor if one exists
Pilot Program / Alt RFP - value under \$500,000 over the life of the contract	3-5 months	Optional steps add time/requires dedicated resources
Urgent Need – value over \$500,000 over the life of the contract – limited usage	3-5 months	CIO and ED/DD approval
Regular RFP	6-8 months	
POCNs/Amendments - renewals or changes to existing contracts	4 months	
Proprietary or Sole Source	6 months	Approvals required
Department of Information Resources (DIR) purchases	4-6 months	



## Solicitation and Contract Quarterly Board Report – Q1

### Solicitations and Contracts with a Value of \$1 Million or More per Year

	Q1	Q2	Q3	Q4	Total
New Executed Contracts	5	0	0	0	5
New Executed Health Contracts	2	0	0	0	2
New FY24 Solicitations	7	0	0	0	7





### TRS has a new HUB Coordinator Blender Hill

- Twelve years' experience educating small, minority- and women-owned businesses
- Her background includes contract management, marketing and outreach
- Blender served in the National Guard while an undergraduate student at Grambling State University
- Blender is also a lifetime learner. In her free time, she enjoys reading, traveling, and supporting small businesses

## HUB Plan

### **GOAL: Increase the number of utilized Historically Underutilized Businesses**

*Objective 2: Improve outreach activities to foster and strengthen relationships among HUB vendors, prime contractors and purchasers.*

- Increased participation in HUB-related activities
- Hosting an IT Opportunities Workshop on April 17<sup>th</sup>
  - Invite HUB attendees to learn more about future IT projects
  - Purchasers and contract staff will provide tips on how to do business with TRS
  - Current primes will be invited to meet and network with HUBs
- Co-hosting a HUB Forum in CY 2024

## HUB Plan

### **GOAL: Increase the number of utilized Historically Underutilized Businesses**

*Objective 3: Leverage Outreach, Culture, and Engagement (OCE) partnerships to identify and work with HUB-eligible businesses as a pipeline for HUB-contracted services.*

- Collaborate with the internal OCE and IMD teams
- Partner with Supplier Diversity Coordinators at international prime firms to help identify and recruit HUBs

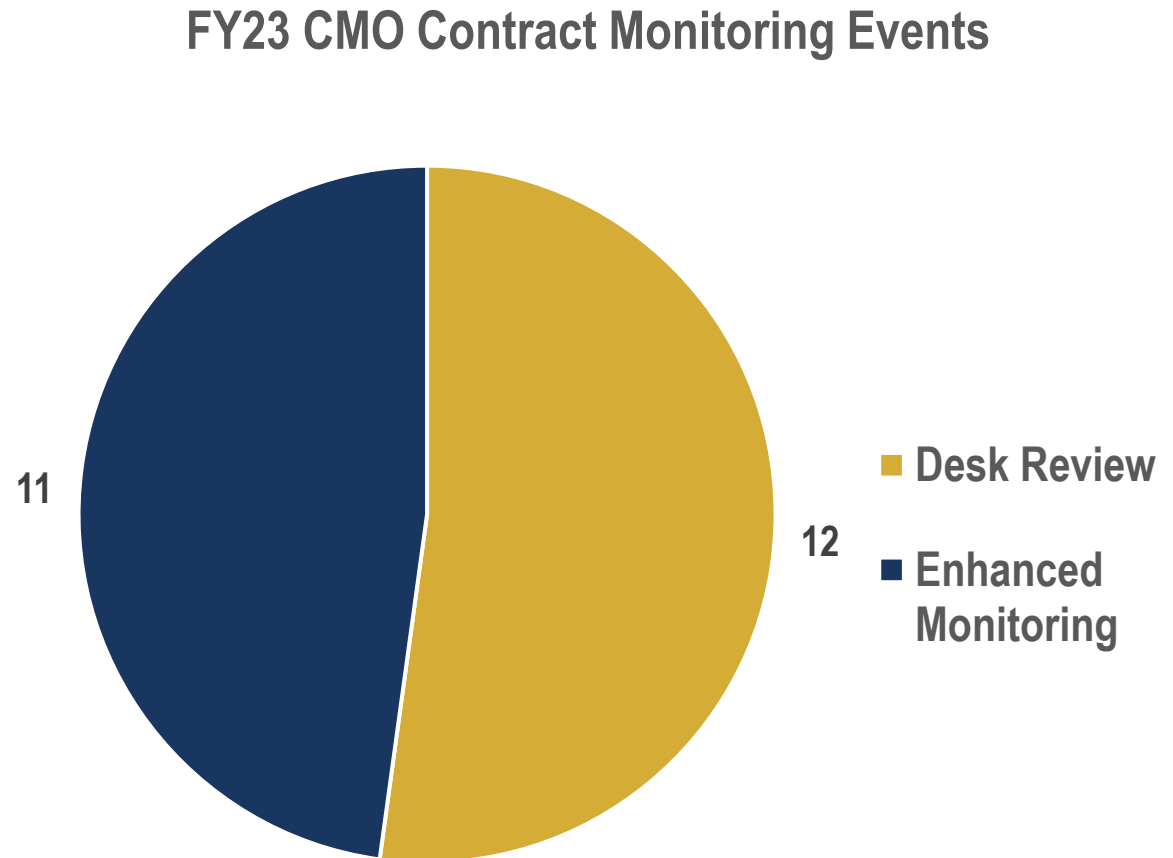
# Contract Management Update



**Kathy Bridgeman**  
**Contract Management Office**

## Contract Management Office (CMO) – FY23 Contract Monitoring Events

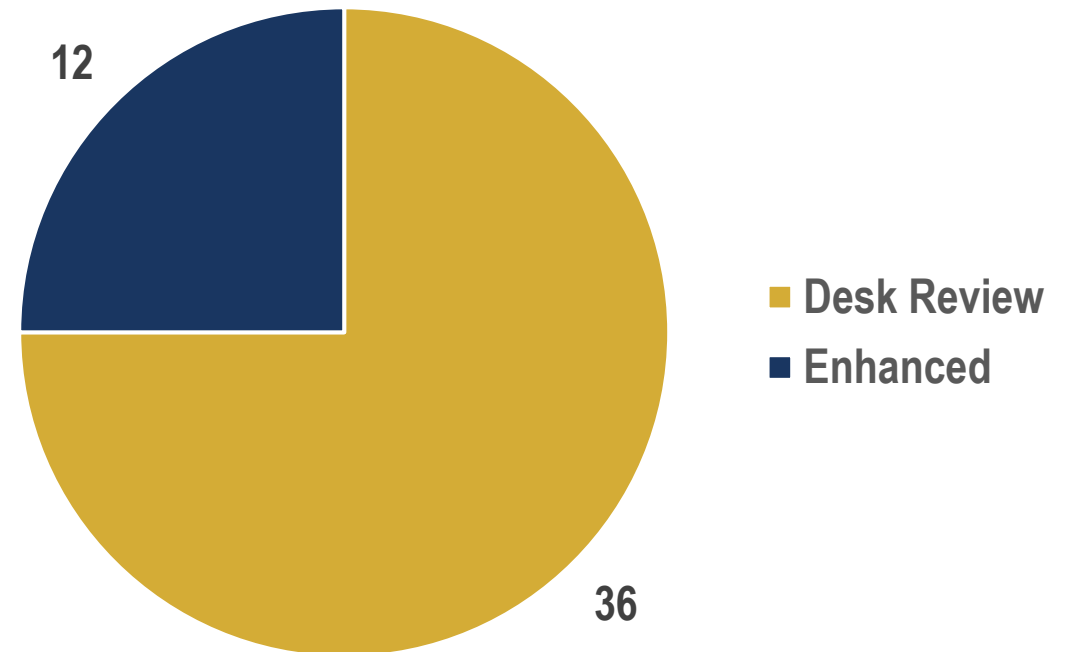
- The CMO conducts contract monitoring events to ensure vendor compliance.
- The results of monitoring events are used to identify any developing problems or issues.
- CMO FY23 Annual Contract Monitoring Plan: 100% completed



## Contract Management Office (CMO) – FY24 Contract Monitoring Events

- The CMO plans to monitor 48 contracts in FY24
- Desk reviews are an examination of contract files (e.g., risk assessments, deliverables, expenditures & sampling of invoices and vendor performance reporting)
- An enhanced monitoring method is used for high-dollar and high-risk contracts
  - Enhanced monitoring is an increased level of monitoring beyond the regular monitoring normally used (e.g., desk review)

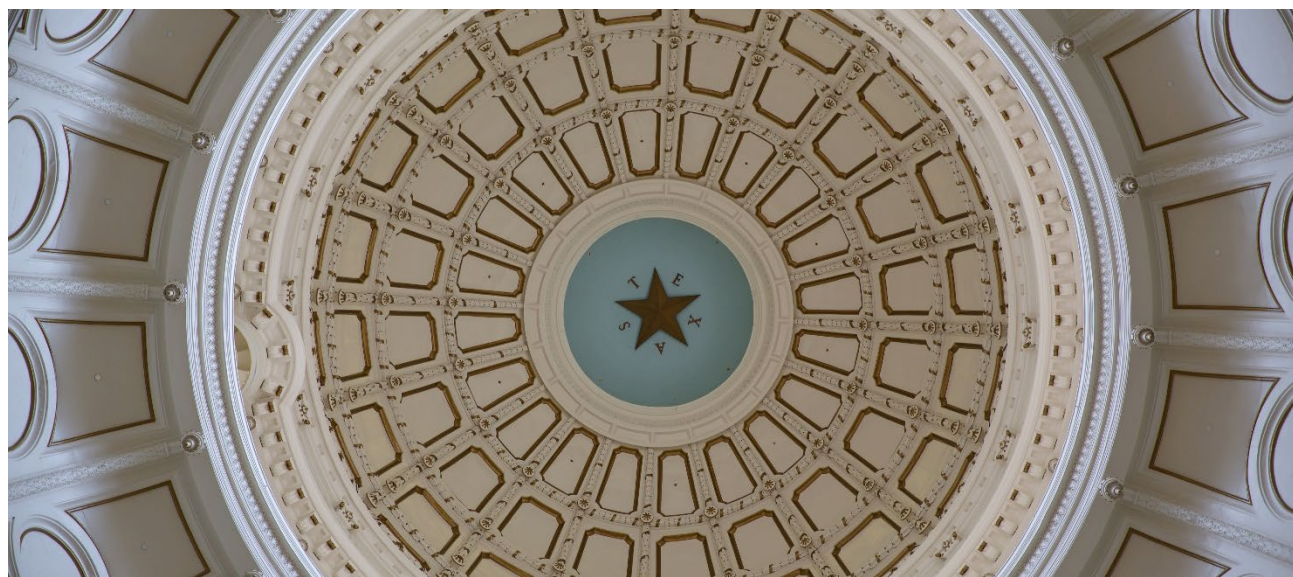
FY24 CMO Contract Monitoring Events







# Board Contract Management Review Process



**Business Administration,  
CMO, and Legal & Compliance**



- Board authorized contracts – All Vendors will be subject to performance monitoring and periodic evaluation by management and staff throughout the term of the contract.
- The board may specify factors to be used for such monitoring or evaluation based on recommendations by the executive director.
- At the board's direction, the executive director or his designees will report to the board the results of the staff's monitoring and evaluation activities for vendors under board authorized contracts.
- The executive director or his designees will identify any significant issues, material failures or actions taken in a timely manner.



## Proposal to Board Contract Management

- Divide board procured contracts into three categories: Board Consulting Contracts, Core Services, Standard Services.
- Obtain annual board evaluation on Board Consulting Contracts; report aggregate assessment to board.
- Report annual staff evaluation on Core Services and Standard Services contracts.
- Continue to identify to board, consistent with policy, any significant issues, material failures or actions taken in a timely manner for board procured contracts.
- Continue to obtain board approval for contract extensions or renewals.

**Board Consulting Contracts**

**Core Services Contracts**

**Standard Contracts**

## Examples Board Consulting Contracts

Contracts – Board Review	Review Process Overview
<ul style="list-style-type: none"><li>- Investment Consulting Services</li><li>- Actuarial Services</li><li>- Fiduciary Outside Counsel</li><li>- Executive Assessment Contracts</li></ul>	<ul style="list-style-type: none"><li>- Annual survey managed by the contract management officer</li><li>- CMO presents aggregated survey results and any recommendations to board during P&amp;C report</li><li>- CMO/SME reports to board during P&amp;C report or as separate item, as warranted/required (e.g., actuary review); may be executive session</li><li>- Board approves the Performance Rating</li><li>- CMO reports Board's Performance Review rating into CPA system</li></ul>

## Examples of Core Services Contracts

Contracts – Staff Review	Review Process Overview
<ul style="list-style-type: none"><li>- Medical Board Members</li><li>- Health Insurance Contracts</li><li>- Proxy Voting Services</li><li>- Custodian/Securities Lending Contracts</li></ul>	<ul style="list-style-type: none"><li>- Reviewed in accordance with BU processes established in coordination with CMO</li><li>- CMO reports summary to board during P&amp;C report</li><li>- Board accepts report and may identify items for discussion or follow up</li><li>- CMO reports Staff's Performance Review rating into CPA system</li></ul>

## Examples of Standard Contracts

Contracts – Staff Review	Review Process Overview
<ul style="list-style-type: none"><li>- Building Contracts</li><li>- Independent Project Analysis Services (IPA) Services</li></ul>	<ul style="list-style-type: none"><li>- Annually evaluated by contract manager</li><li>- CMO presents summary of report to board during P&amp;C report</li><li>- Board accepts report and may identify items for discussion or follow up</li><li>- CMO reports Staff's Performance Review rating into CPA system</li></ul>

# Quarterly Board Report

Contract Number	Vendor Name	Description of Services	Current Contract Value*	Vendor Performance Rating
K201800024	GRS	Actuarial Services	1.5	TBD
19-0000184-02	Caremark	PBM Services– Active Care	145.0	A
21-0000115	CBRE, Inc.	Broker Services for RR Disposition	5.0	A

\*Numbers in millions

# Example of Board Survey

The Board of Trustees is seeking to annually evaluate the performance of **VENDOR NAME**. Accordingly, please select your level of agreement with the following statements:

1. Presentations by the team representing **VENDOR NAME** are clear and informative. (circle one)

Strongly Agree  
Agree  
Neutral  
Disagree  
Strongly Disagree

2. The team representing **VENDOR NAME** provides relevant information with sufficient detail to help me carry out my fiduciary duties of the board. (circle one)

Strongly Agree  
Agree  
Neutral  
Disagree  
Strongly Disagree

3. The team representing **VENDOR NAME** is responsive to my questions. (circle one)

Strongly Agree  
Agree  
Neutral  
Disagree  
Strongly Disagree

4. Thinking specifically about the most recent **DELIVERABLE DESCRIPTION** associated with **SERVICE NAME**, **VENDOR NAME** provided me with timely, complete, relevant, and reliable information that assisted me in my decision-making process. (circle one)

Strongly Agree  
Agree  
Neutral  
Disagree  
Strongly Disagree

5. Identify your overall rating of services provided by **VENDOR NAME** in the past year. (circle one)

Exceeds Expectations  
Meets Expectations  
Does Not Meet Expectations

6. Please share any additional feedback or suggestions for improvement you have for the services provided by **VENDOR NAME**:

## Consulting Contracts – Performance Ratings

Performance Review Level - Board	Performance Review Grades – Contract Manager
Expectation Level	A-F
Exceeds Expectations	A
Meets Expectations	B-C
Does Not Meet Expectations	D-F



## Board Review Timeline

Contracts with Dec 31 Expiration Dates	Contracts with Aug 31 Expiration Dates
Mid May – Survey (if a Board Consulting Contract) is distributed by CMO to the board	Early December – Survey (if a Board Consulting Contract) is distributed by CMO to the board
July Board Meeting – CMO Presentation of Report and staff recommendation if renewal upcoming, and approval	February Board Meeting – CMO Presentation of Report and staff recommendation if renewal upcoming, and approval
Dec 31 – Any actions directed by the board are taken or executed	Aug 31 – Any actions directed by the board are taken or executed

**TAB 7**



# TRS Ombuds Office

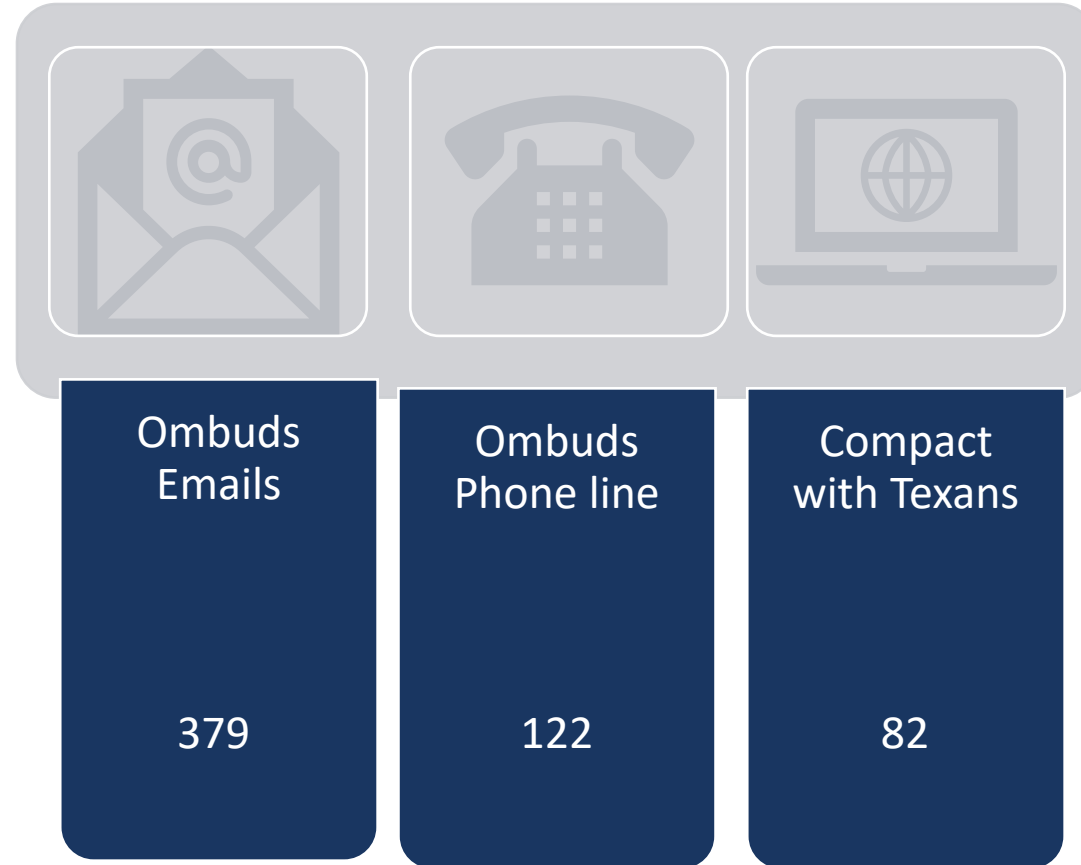


Lori LaBrie

Dec. 7, 2023



# Ombuds Communications January – October 2023



**Total Ombuds Communications: 583**

# Social Media Comments on Large-Scale Agency Issues ("Hot Topics")



January 2023	February 2023	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023
-----------------	------------------	---------------	---------------	-------------	--------------	--------------	----------------	-------------------	-----------------

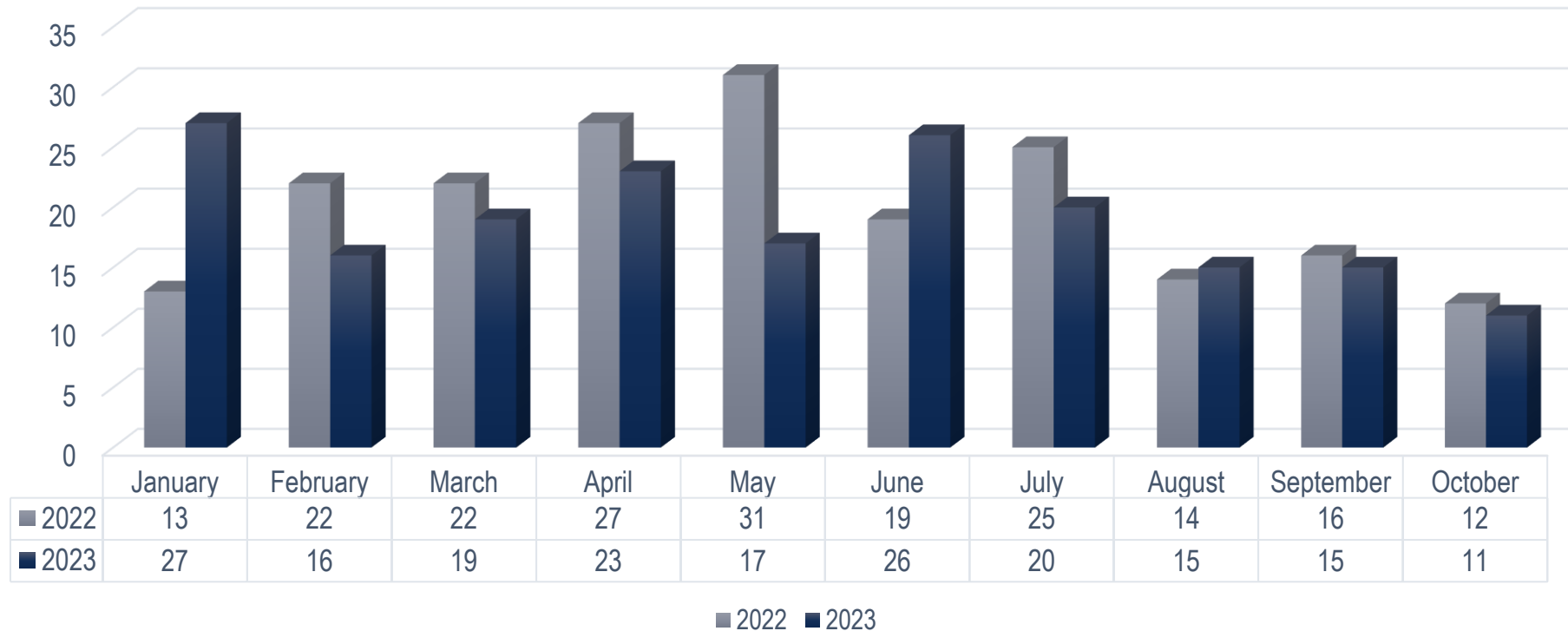
Health Care (61)	COLA (68)	COLA (62)	COLA (58)	COLA (30)	COLA (19)	Health Care (21)	Health Care (92)	COLA (74)	COLA (32)
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COLA (32)	Social Security (42)	Health Care (21)	Health Care (14)	Health Care (10)	Annuity Payment (6)	COLA (16)	COLA (27)	Health Care (22)	Refund (13)
--------------	----------------------------	---------------------	---------------------	---------------------	---------------------------	--------------	--------------	---------------------	----------------

1099-R (12)	Health Care (24)	Social Security (16)	Social Security (3)	<i>MyTRS</i> (4)	Health Care (5)	<i>MyTRS</i> (11)	CS Phoneline (23)	Employment After Retirement (5)	Health Care (8)
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# Point-in-Time Complaints

## January – October 2022 vs. 2023



**Total Point-in-Time Complaints received:**

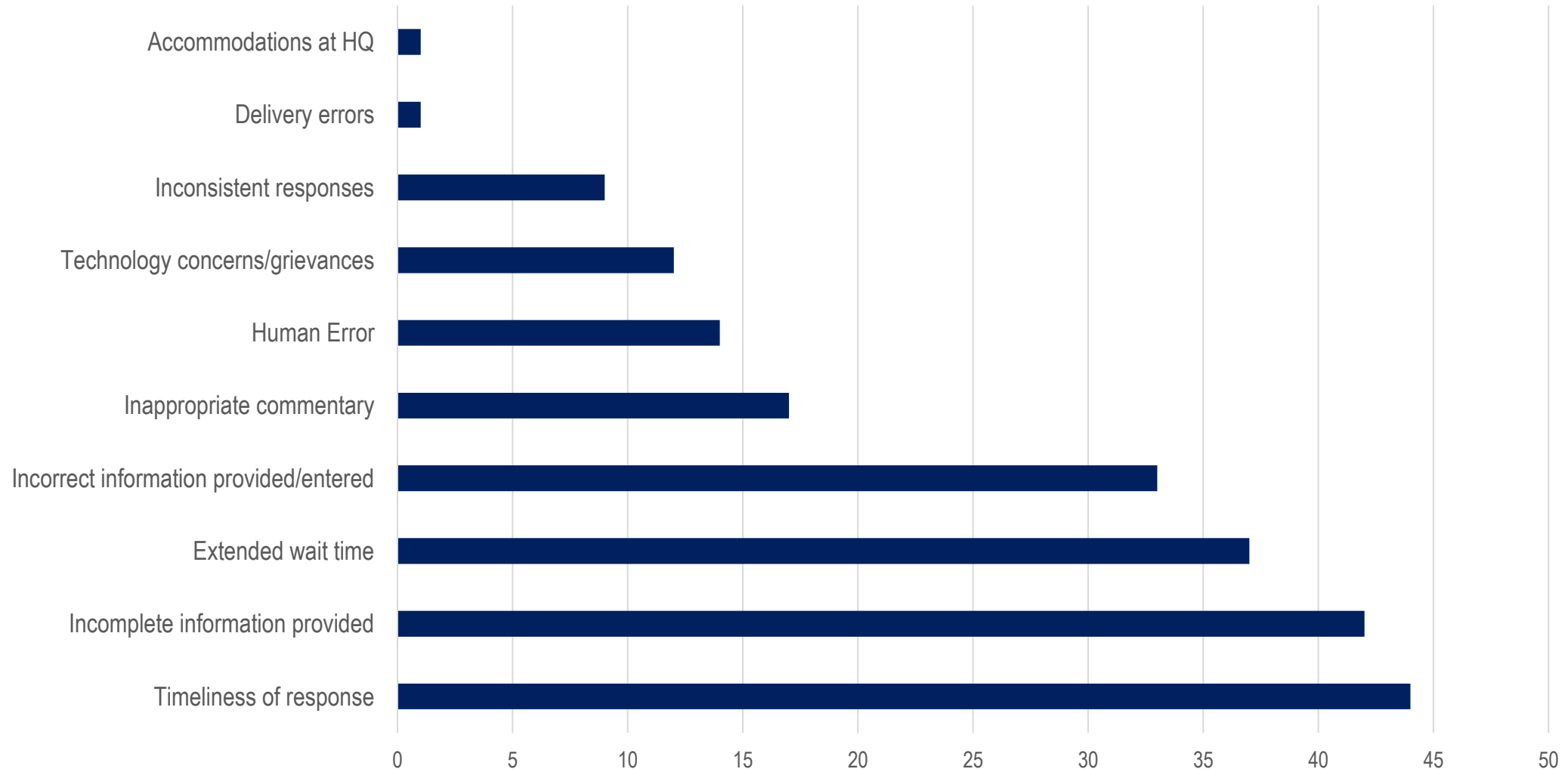
**January – October 2022 - 201**

**January – October 2023 - 189**

**Outstanding: 0**

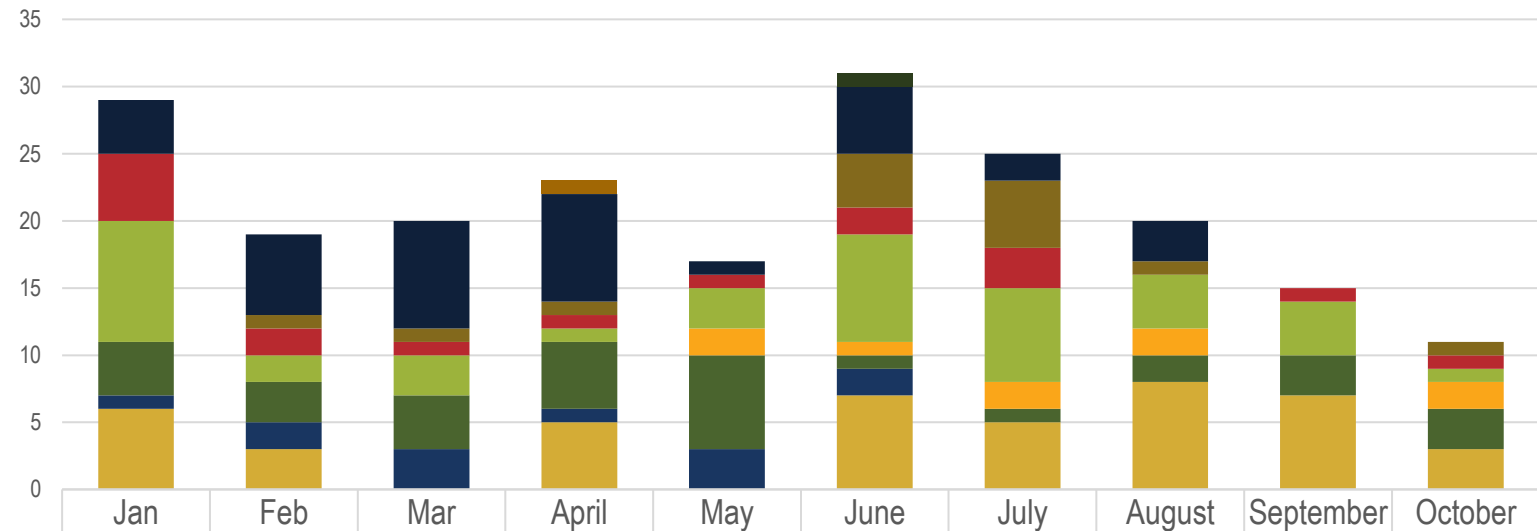
# Point-in-Time Complaints by Category

## January – October 2023



# Point-in-Time Complaints by Category

## January – October 2023



Accommodations at HQ				1						
Delivery errors						1				
Extended wait time	4	6	8	8	1	5	2	3		
Human Error		1	1	1		4	5	1		1
Inappropriate commentary	5	2	1	1	1	2	3		1	1
Incomplete information provided	9	2	3	1	3	8	7	4	4	1
Inconsistent responses					2	1	2	2		2
Incorrect information provided/entered	4	3	4	5	7	1	1	2	3	3
Technology concerns/grievances	1	2	3	1	3	2				
Timeliness of response	6	3		5		7	5	8	7	3



TRS  
**Service**  
Quality  
empathy  
Informal Concern  
benefit guidance Transparency Assist Trust  
aid impartial advice independent justice Collaboration Honor  
listener truthful fairness support Neutral Encourage  
Reliable Resolve altruistic respect  
dependable cooperation

**TAB 12**



# Actuarial Audit Services Request for Proposal

**LaTresa Stroud, Director of Procurement  
and Contracts**  
**Max Hernandez, Contract Specialist**  
**Andrew Roth, Deputy Director**



## Actuarial Audit Requirement

TRS is required by Texas Government Code, Section 825.206(f) to audit the actuary at least every five years.

The review of the Actuarial Valuation ending August 31, 2023, will include:

- An analysis of the actuarial assumptions;
- A review of the assumptions/methodology for funding standard compliance;
- Verification of demographic data; and
- Confirmation of valuation results.

## Key Dates & Deliverables

- December Board Meeting – Board Selects Auditor
- First Week in January – Audit Kick Off
- July Board Meeting – Present Findings to the Board
- Deliverables:
  - Final Report
  - Final Board Presentation
  - Presentation to the Board

# The Solicitation Process

Request for Proposal - Schedule of Events	
<b>June 30, 2023</b>	Issuance of RFP
<b>July 14, 2023</b>	Non-mandatory pre-proposal Conference held on Microsoft Teams
<b>July 18, 2023</b>	Deadline for submission of questions
<b>August 11, 2023</b>	Deadline for submission of proposals

There were 3 respondents.

The top two respondents will be presenting to the board in alphabetical order:

- **Vendor 1: Cheiron Inc.**
- **Vendor 2: Milliman, Inc.**

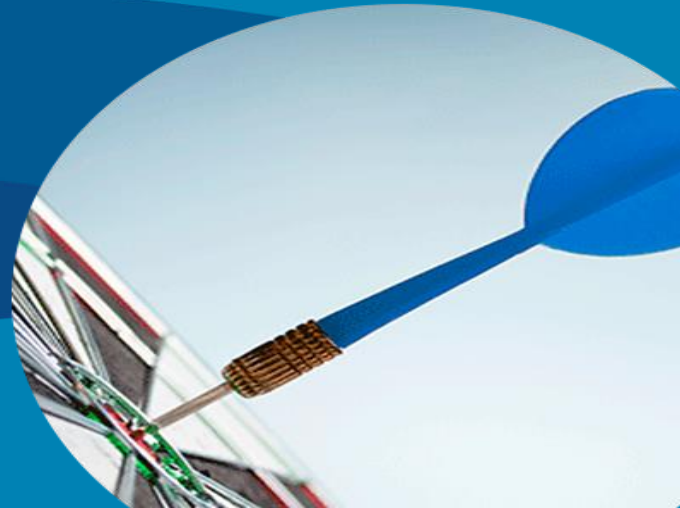
**TAB 20**





# Teacher Retirement System of Texas

Actuarial Valuation as of  
August 31, 2023



# Actuarial Valuation

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- Prepared as of August 31, 2023 using member data, financial data, benefit and contribution provisions, actuarial assumptions and methods as of that date
- A “health checkup” for TRS Pension Fund:
  - Determine adequacy of current statutory contributions
  - Explain changes in actuarial condition
  - Track changes over time
  - Warn about possible future problems and issues
  - Provide other information for reporting
    - Annual Comprehensive Financial Report
    - Accounting results provided under separate report

# Retirees to Receive \$5B in Benefit Enhancements!

---

- Lump sum payments were made to retirees aged 70 and older
  - Approximately 177,000 received a payment of \$7,500
  - Approximately 108,000 received a payment of \$2,400
- There will be a permanent increase in the monthly annuities based on how long ago the member retired

Fiscal Year Retired	% Increase	Members Impacted	Average increase in Monthly Annuity
2014-2020	2%	145,333	\$46
2002-2013	4%	187,026	\$85
2001 and Before	6%	67,708	\$116

# Impact to Valuation Results

---

- The lump sum payments and increases in the retirees' annuities are fully funded with lump sum contributions from the 88<sup>th</sup> Texas Legislature
- Thus, they will have no impact on the Unfunded Actuarial Accrued Liability (UAAL) or the funded status of TRS

# Investment Returns and Contributions

---

- Estimated market return for plan year ended August 31, 2023 was 3.8%
  - This followed a -6.7% in FY22
  - Approximately 6.4% last 5 years
  - Approximately 7.4% last 20 years
- Contribution Schedule as a % of Payroll

Fiscal Year Ending August 31,	State	Public Education	Active Member
2023	8.00%	1.80%	8.00%
2024	8.25%	1.90%	8.25%
2025 and Beyond	8.25%*	2.00%*	8.25%

\* Blended Employer Rate approximately 9.46%

# 2023 Valuation Results

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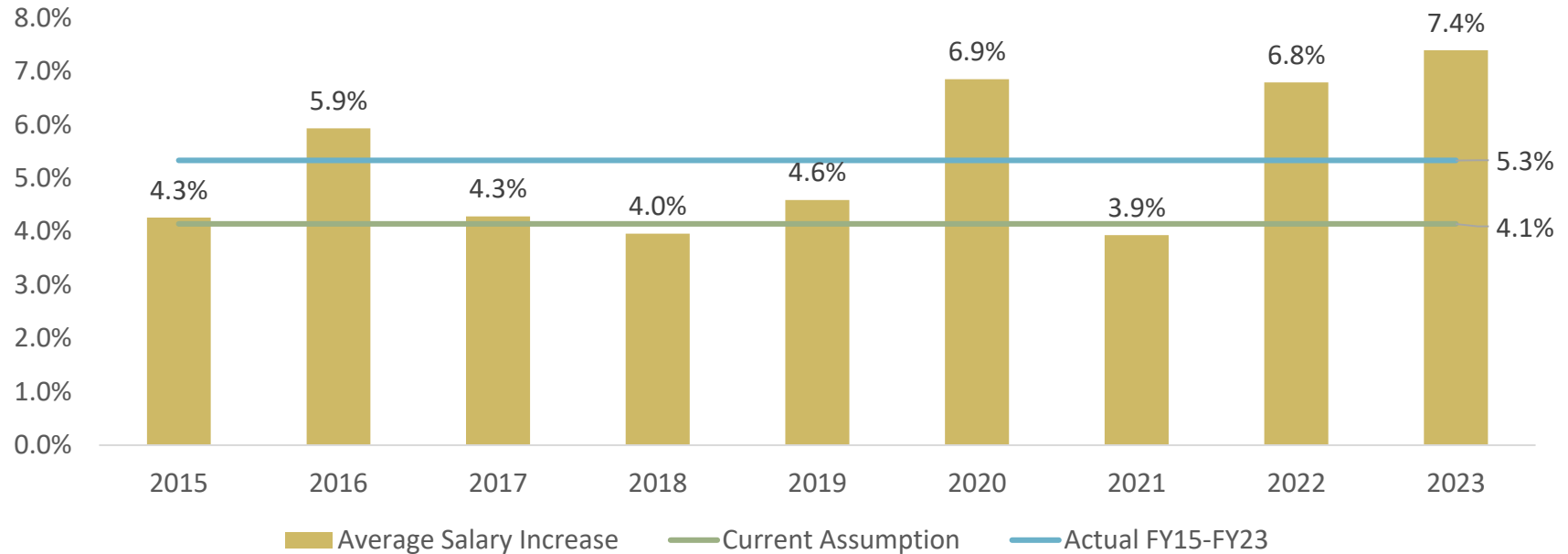
- Based on current assumptions, the TRS Pension Fund would reach 100% funded status in 2052

	2020 Valuation	2021 Valuation	2022 Valuation	2023 Valuation
UAAL (\$ Billions)	\$50.6	\$47.6	\$51.7	\$57.9
Actuarial Funded Ratio	76.8%	79.1%	79.0%	77.5%
Funding Period in years*	27	23	26	29

*\*Assumes current scheduled statutory contribution rates continue and no changes to benefits*

# Salary increases over the last four years have outpaced the current assumptions, projecting larger benefits (and liabilities)

## Average Salary Increase for Continuing Actives



Actual from FY12-FY21 was 3.75%

Until the funding period reaches 20 years or less, the UAAL is expected to grow year over year, this is called negative amortization

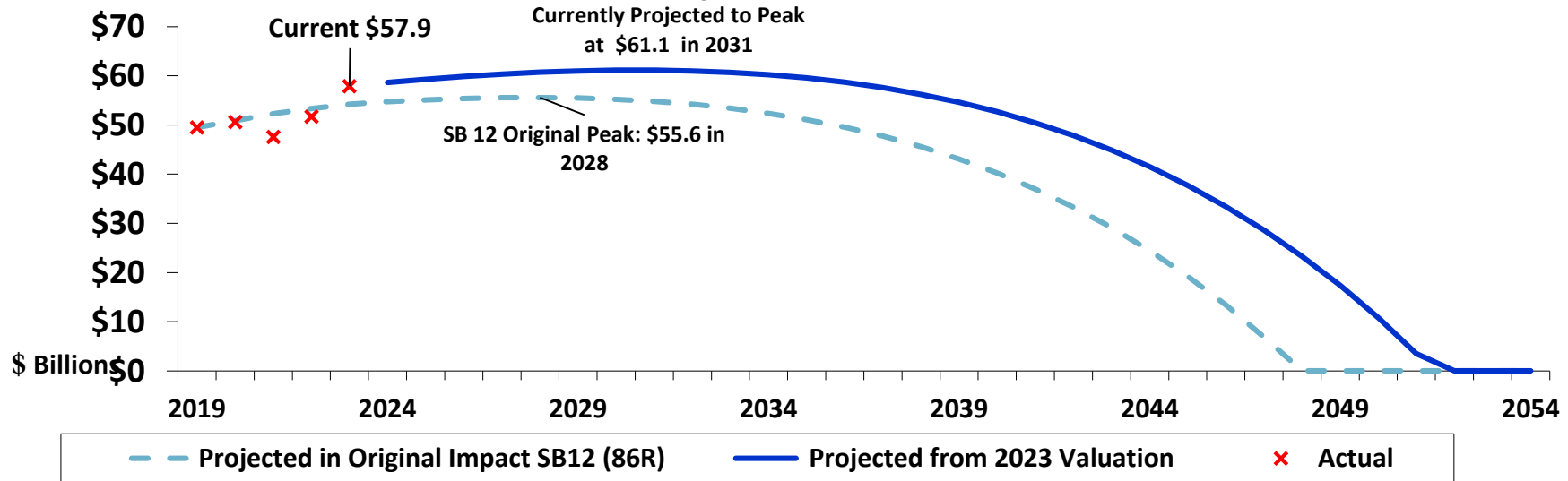
- When there is negative amortization the impact from adverse experience gets magnified because the UAAL is already expected to increase
- In addition, the UAAL has grown each of the last two years based on the recognized investment performance being less than the 7% assumption and salary increases also outpacing the assumption

Fiscal Year	Expected change in the UAAL	TRS Market Return	Impact on UAAL From		
			Investment performance compared to the 7% assumption	Salary increases compared to the current assumption	All other sources
2020	\$1.3 billion	7.1%	\$0.6 billion	\$0.2 billion	\$0.4 billion
2021	1.3 billion	24.8%	(5.3 billion)	(0.5 billion)	(0.2 billion)
2022	0.8 billion	-6.7%	2.4 billion	1.6 billion	(0.3 billion)
2023	0.8 billion	3.8%	3.7 billion	2.0 billion	(0.3 billion)



The statutory contribution rates do not respond to adverse experience. Thus any additional UAAL is re-amortized over a longer period of time. This increases the total time in negative amortization and the total interest paid.

## Projected UAAL



The above assumes all assumptions exactly met, including 7.00% annual investment returns projected from the smoothed assets, level active population  
Assumes no changes to benefit policy  
Assumes SB12 (86R) contribution policy remains throughout projection period

# Compared nationally, employer contributions toward retirement are the lowest for public educators in Texas

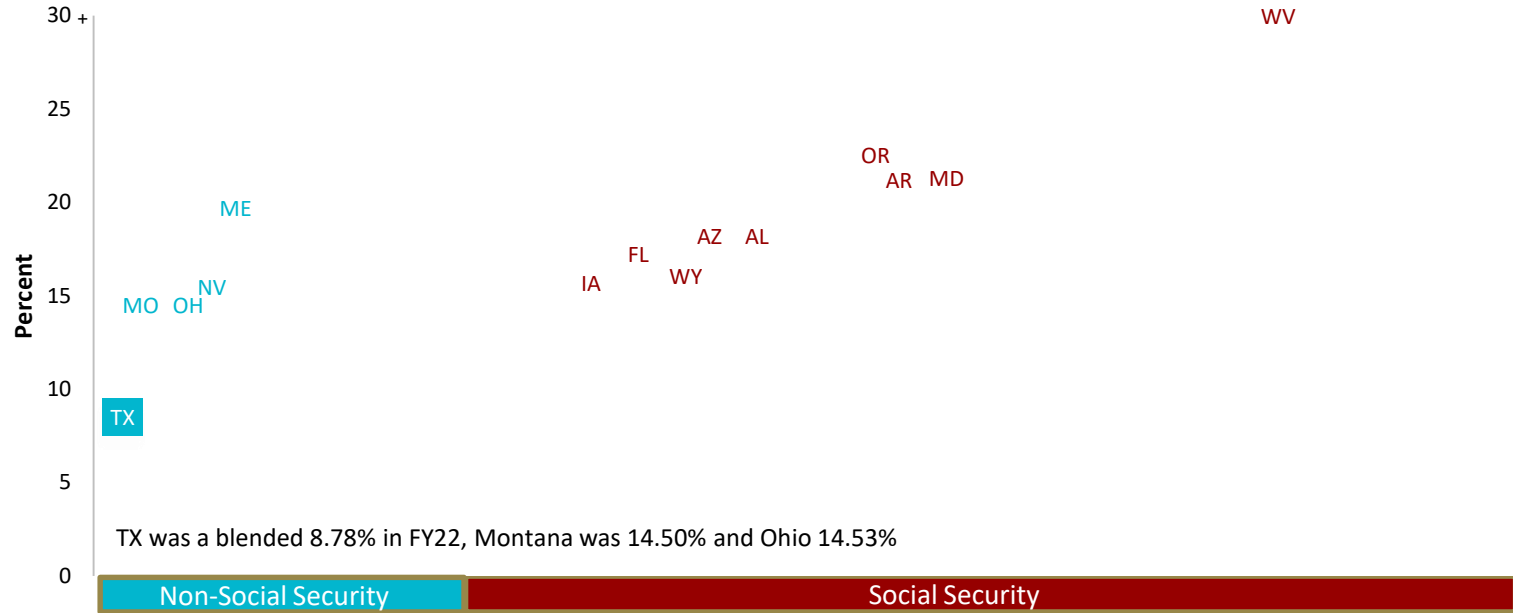


Light blue states shown above do not participate in Social Security, maroon states shown do participate.

NASRA Public Funds Survey, Teacher Plans

# Employer contributions towards retirement for TRS members is almost 6% of payroll lower than it nearest peer even when only compared to plans in a similar funded status

Total Employer (Including Social Security) Contribution Rate for FY22  
Only Includes Plans between 70% and 85% Funded



Light blue states shown above do not participate in Social Security, maroon states shown do participate.

NASRA Public Funds Survey



# New Disclosure Requirements

---

- New Actuarial Standards of Practice became effective with this valuation
- Does not change the main scope or processes for the valuation results or funding requirements
- It does require two new numbers be disclosed:
  - A Reasonable Actuarially Determined Contribution (RADDC)
  - A Low-Default-Risk-Obligation-Measure

# New Requirement #1:

## Reasonable Actuarially Determined Contribution

---

When selecting the amortization methodology for the RADC:

*“When selecting an amortization method, the actuary should select an amortization method that is expected to produce total amortization payments that are expected to fully amortize the unfunded actuarial accrued liability within a reasonable time period or reduce the unfunded actuarial accrued liability by a reasonable amount within a sufficiently short period.*

*The actuary should assess whether the unfunded actuarial accrued liability is expected to be fully amortized.”*

From TRS Board Policy adopted in 2019 and confirmed in 2022

*“A declining UAAL over time will evidence that contribution and benefit policies are being implemented consistent with Tex. Gov’t Code § 802.2011.”*

The Board’s policy is consistent with the new requirements.



# New Requirement #2:

## Low-Default Risk Obligation Measure

---

- Lump sum cost to a plan to purchase low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits
  - 5.15% discount rate
- Difference = Cost to De-risk

	TRS
A. LDROM measure of benefits earned as of the measurement date:	\$327,460 million
B. Valuation liability at 7% on measurement date:	<u>257,543 million</u>
C. Cost to mitigate investment risk in the System's portfolio:	\$69,917 million



# Summary

---

- Retirees will receive a COLA for the first time in a decade
  - Of the 400k retirees getting a COLA, for 280k of them, or 70%, it will be the first COLA they have ever received
- The COLAs will have no impact on the valuation results as they were fully financed with a lump sum contribution by the Texas Legislature
- All three major metrics moved against the desired direction due to salary increases larger than expected and investment returns less than the 7% assumption
  - UAAL increased
  - Funded Ratio decreased
  - Funding Period increased

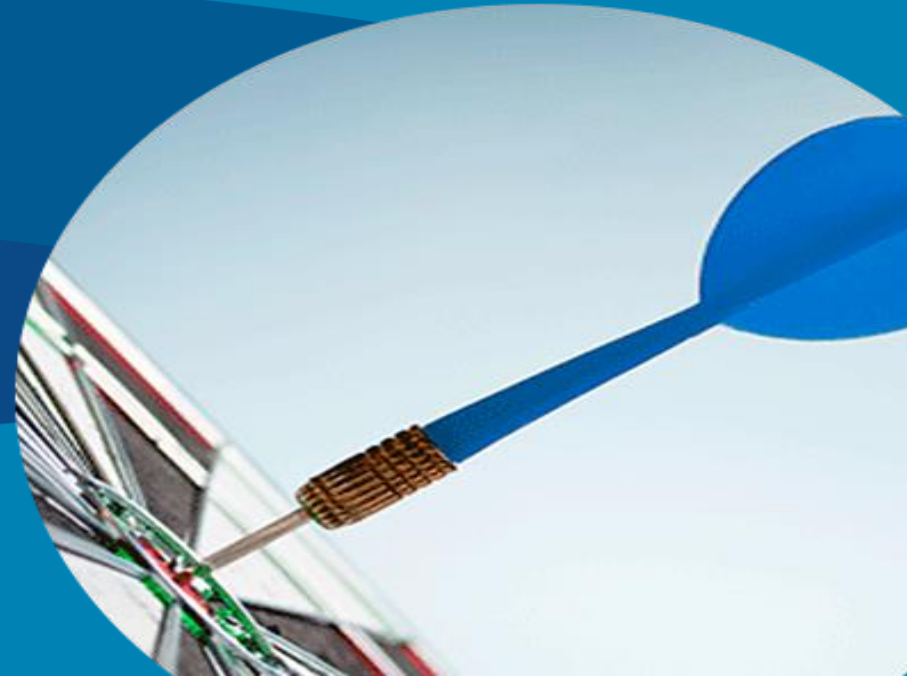
**TAB 21**





# TRS-Care OPEB

GASB 74 – 2023 Fiscal Year End



# GASB 74 Overview

## OPEB – Other Post Employment Benefits

---

- The TRS-Care valuation satisfies an accounting requirement
  - There is no requirement to prefund; most OPEB benefits are unfunded
  - Monitor trends: significant plan changes and cost management
- Employer reporting
  - Participating employers and the State are allocated shares of the overall OPEB liabilities and expense

# August 31, 2023 Net OPEB Liability

- The GASB 74 Net OPEB Liability decreased by \$1.8 billion from 8/31/2022 to 8/31/2023

August 31,	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability	\$26.0	\$27.1	\$41.1	\$40.0	\$48.6	\$50.7	\$43.9
Plan Fiduciary Net Position	<u>\$3.9</u>	<u>\$3.1</u>	<u>\$2.5</u>	<u>2.0</u>	<u>1.3</u>	<u>0.8</u>	<u>0.4</u>
Net OPEB Liability	\$22.1	\$23.9	\$38.6	\$38.0	\$47.3	\$49.9	\$43.5
Net Benefit Payments	<b>\$0.54</b>	<b>\$0.60</b>	<b>\$0.50</b>	<b>\$0.55</b>	<b>\$0.54</b>	<b>\$0.88</b>	<b>\$1.00</b>
Discount Rate (GASB 74)	4.13%	3.91%	1.95%	2.33%	2.63%	3.69%	3.42%

- Decrease from all sources:
  - Lower discount rate
  - Favorable claims experience



# Pre-funding Option

---

- Net OPEB Liability as of 8/31/2023 would be \$14.3 billion using a 7.00% discount rate
- To advance fund the program, using a 30-year amortization period, would require a contribution increase of 0.52% of payroll
- That 0.52% of payroll would lower the impact to employer's balance sheet by \$7.8 billion

Amortization period	30-years	25-years	20-years
Active employees	0.65%	0.65%	0.65%
Local employers	0.75%	0.75%	0.75%
Current State	1.25%	1.25%	1.25%
<u>Additional Pre-Funding</u>	<u>0.52%</u>	<u>0.73%</u>	<u>1.04%</u>
Total Actuarially Determined Contribution (ADC)	3.17%	3.38%	3.69%



**TAB 22**



## Memorandum

**DATE:** November 14, 2023  
**TO:** TRS Board of Trustees  
**FROM:** Janice Ehlert, Senior Pension Policy Advisor  
**Through:** Brian Guthrie, Executive Director  
**RE:** Evaluation of Gabriel, Roeder, Smith & Company Pension Fund  
Actuarial Services for Fiscal Year 2023

---

### **Requirement**

Texas Government Code Section 825.206 (c) states, “The board of trustees annually shall evaluate the performance of the actuary during the previous year.”

### **Summary of Work Performed**

During fiscal year 2023, Gabriel, Roeder, Smith & Company (GRS) provided professional advice and technical support for pension-related matters to TRS staff in a timely manner.

Services included the following:

- Prepared and presented the annual valuation to the Board, legislative staff, and associations;
- Prepared information for GASB/ACFR Pension and OPEB reporting;
- Worked throughout the multiple legislative sessions to provide actuarial impact statements and runs for possible benefit enhancements;
- Met with legislative members as requested;
- Began the update of factor tables used to calculate benefits and service credit purchases; and
- Provided actuarial analysis for proposed rule changes.

### **Assessment of Performance**

Over the past year, GRS completed the 2023 actuarial valuation and GASB-required ACFR reporting schedules.

GRS actuaries and consultants have been responsive and made themselves available for meetings and conference calls on short notice. They have met all contractual requirements regarding the timeliness of communication and materials, even when turn-around times were quite short. Their experience in the industry and in-depth knowledge of TRS programs have proven valuable in understanding the actuarial profile of the system and impacts of proposed benefit changes.

Finally, GRS staff are skilled in presenting and can clearly convey difficult actuarial concepts. They created “rules of thumb” scenarios and would provide additional runs as new legislative ideas were identified.

To comply with the statutory requirement, TRS staff surveyed the Board of Trustees (Board) about their experiences with GRS in the fall of 2023. Overall, the responses were positive and reflect the comments previously mentioned.

The Board responded positively to the following statements about the GRS actuaries:

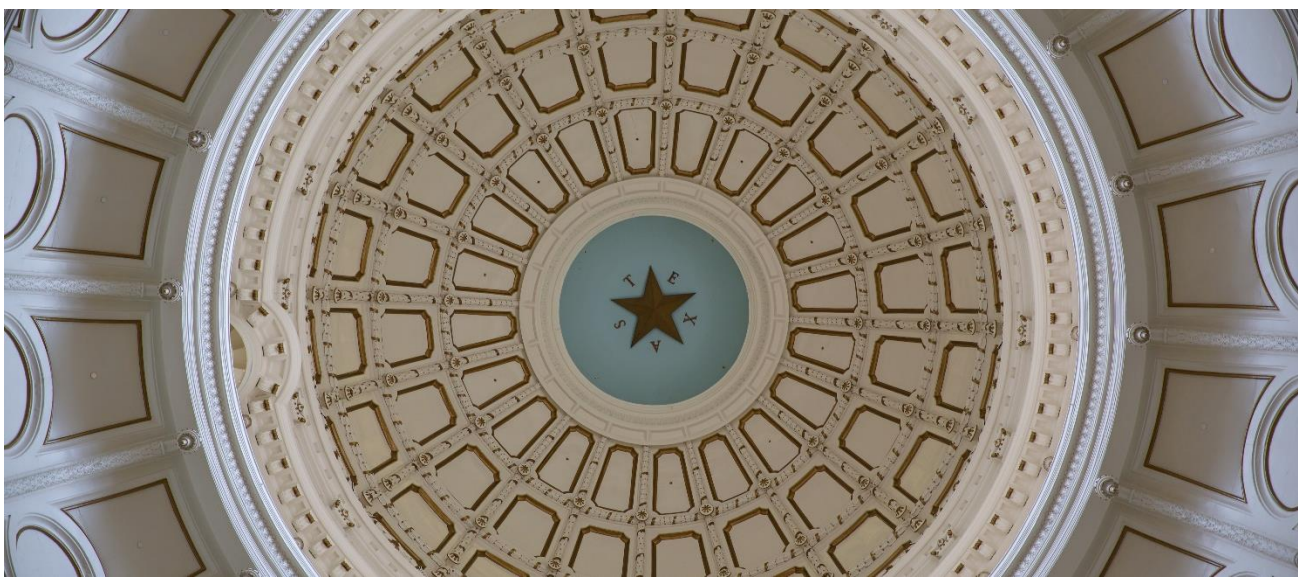
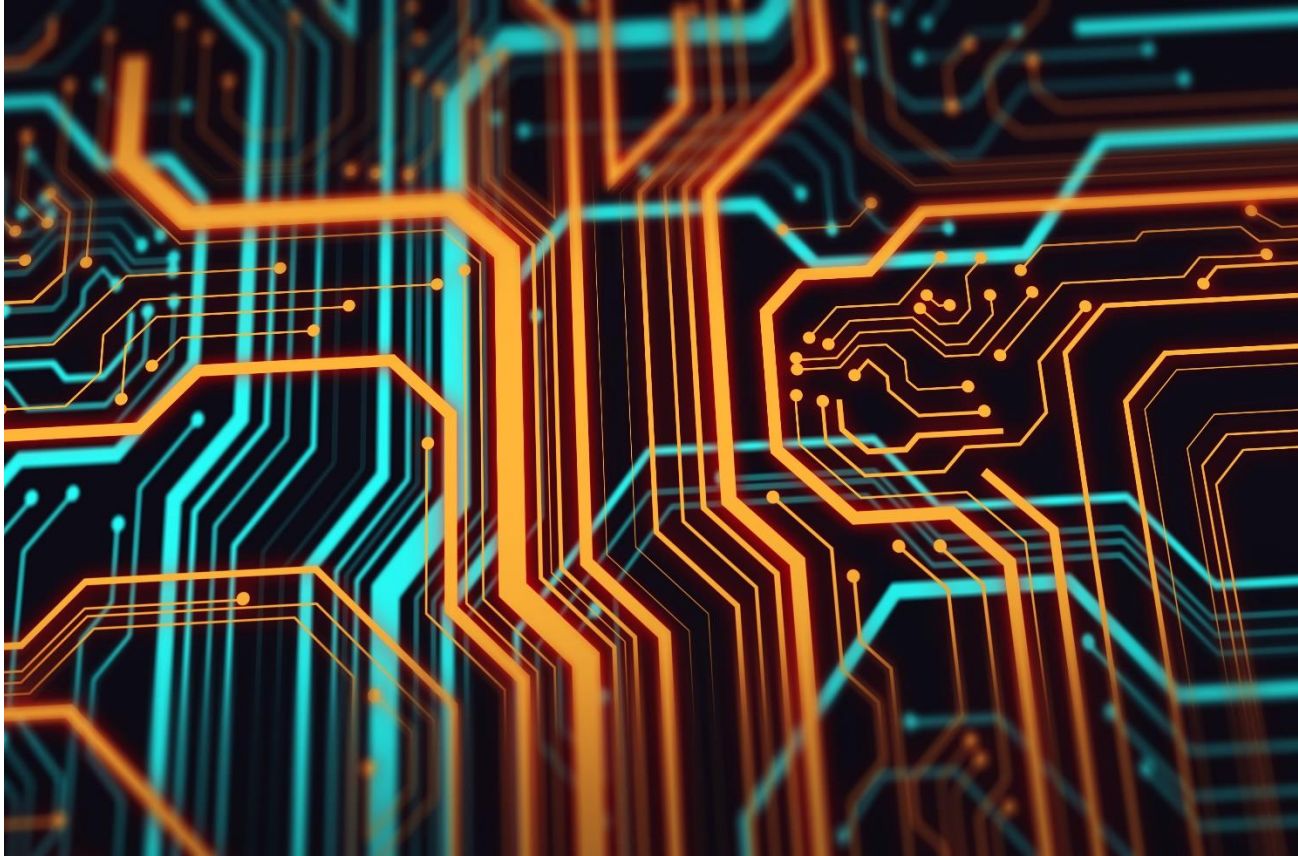
- Presentations are clear and informative.
- Provide relevant information with sufficient detail to help me carry out my fiduciary duties.
- Are responsive to my questions.
- Provided timely, complete, relevant, and reliable information that assisted me in decision-making (related specifically to the experience study).

When the Board was asked to provide any feedback or suggestions for to improve GRS, they responded saying GRS does an excellent job for the System, expressed appreciation for Joe’s ability to make the complex simpler, spoke about the trust they have in GRS and Joe, and they expressed appreciation for Joe Newton’s expertise and integrity.

In 2021, the Board selected GRS to serve as the actuary for TRS for the four-year period from January 2022 through December 2025.

**TAB 23**





# TEAM PROGRAM

Adam Fambrough  
Billy Lowe  
Jennifer Whitman

December 8, 2023



# TEAM – WHERE WE ARE NOW

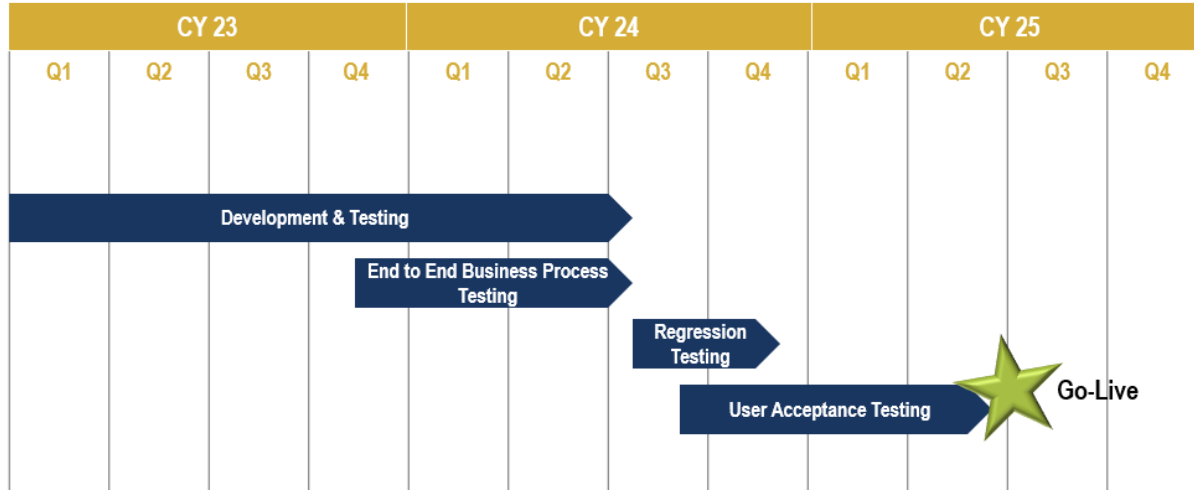


MEMBER  
Focused



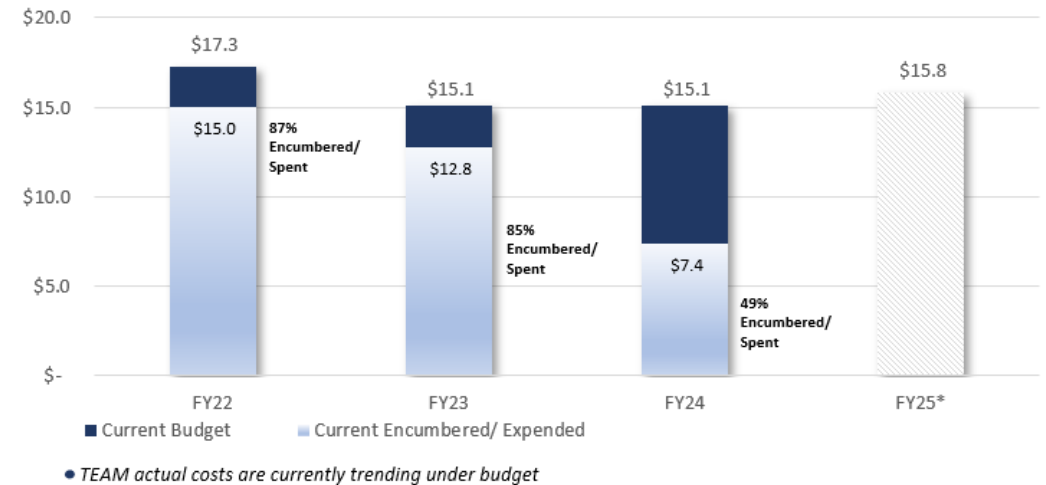
CONTINUOUS  
Improvement

## Annuity Payroll & Tax Reporting Release Schedule



## TEAM Budget Update

Amounts in millions



## Key Status Updates

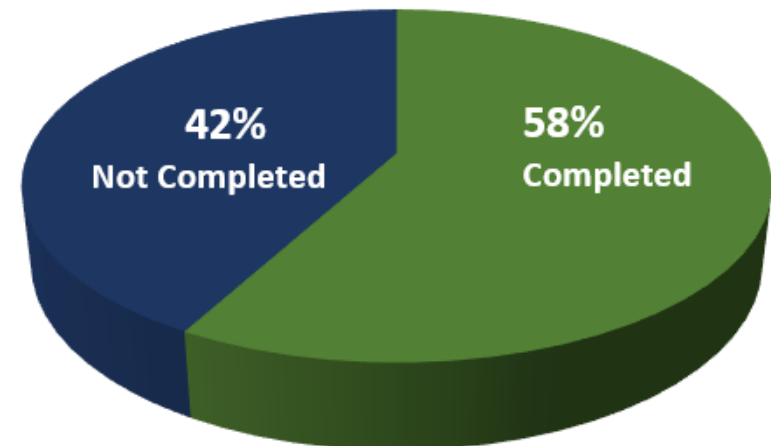
### Achievements

- 08/20/2023 - Pension & Health Line of Business Systems Production Release
- 10/15/2023 - Pension & Health Line of Business Systems Production Release

### Key Goals Upcoming

- 12/10/2023 - Pension & Health Line of Business Systems Production Release
- 02/10/2023 - Pension & Health Line of Business Systems Production Release including Phase One changes in support of Dental & Vision Project

## Percent Scope of Work Completed – Annuity Payroll & Tax Reporting



## RISK MANAGEMENT PROCESS

- Project Managers and project team members identify and log risks
- Probability and impact assigned
- Impact analysis to determine mitigation strategies
- TEAM Steering Committee meeting
  - Bi-weekly review of new risks
  - Quarterly review of all risks
- Key TEAM risks monitored by the Risk Oversight Committee (ROC)







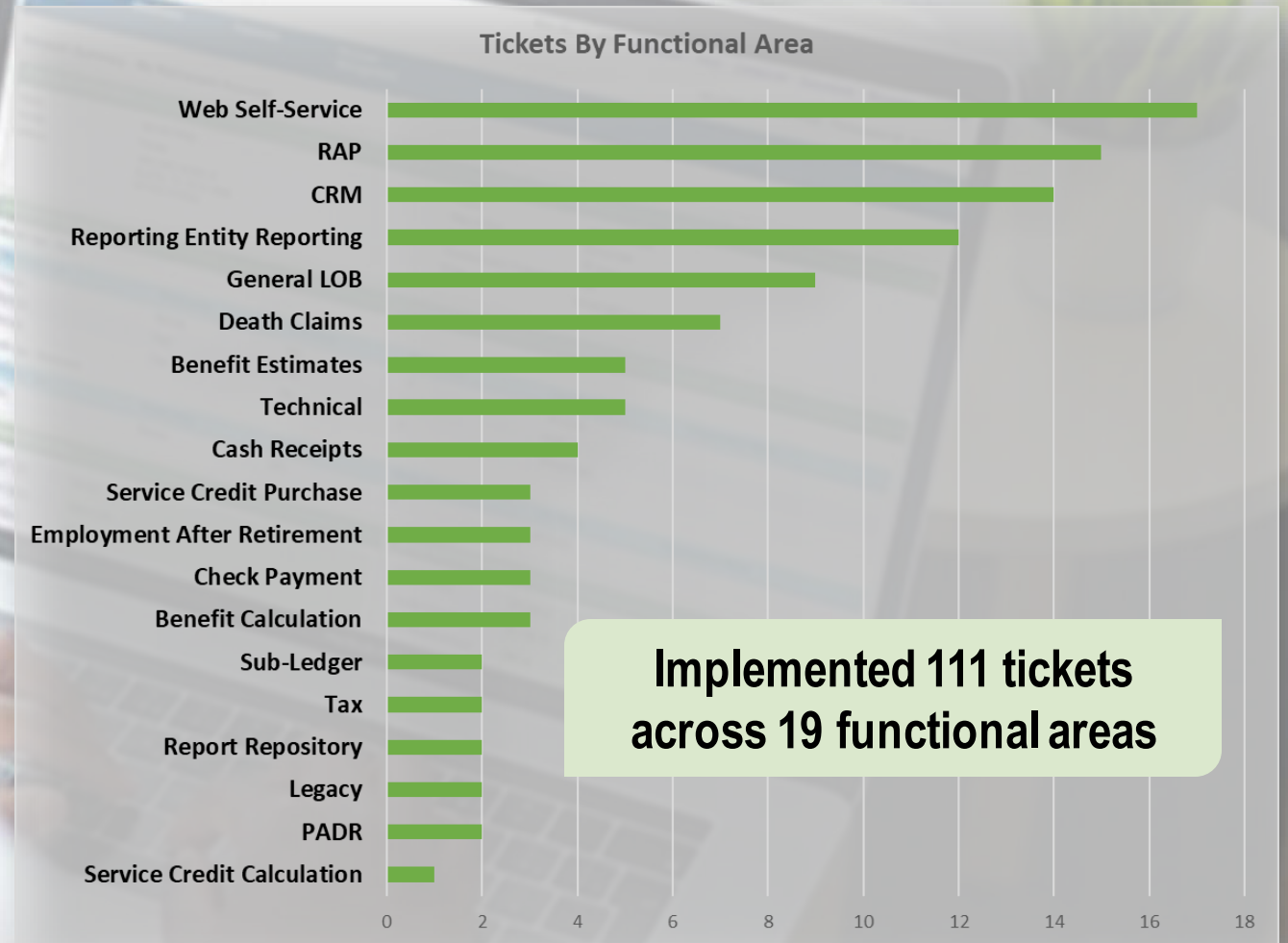
## Production Release on October 15, 2023

### MyTRS

- Added payment option descriptions to benefit calculator
- Stop a refund application from being submitted when a retirement is pending
- Additional direct deposit edits
- Added income tax withholding form to the retirement application process

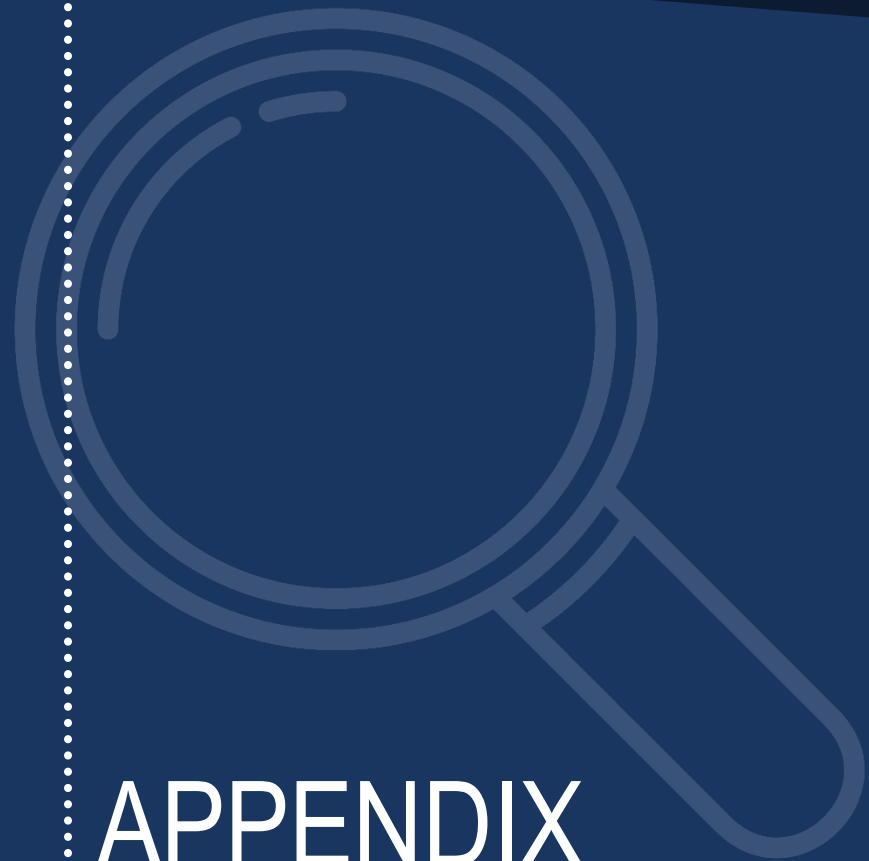
### TRUST

- RAP/DTH stabilization tickets
- MyTRS account indicator
- RE Portal tickets related to RAP/DTH



# KEY RISKS – ANNUITY PAYROLL & TAX REPORTING RELEASE

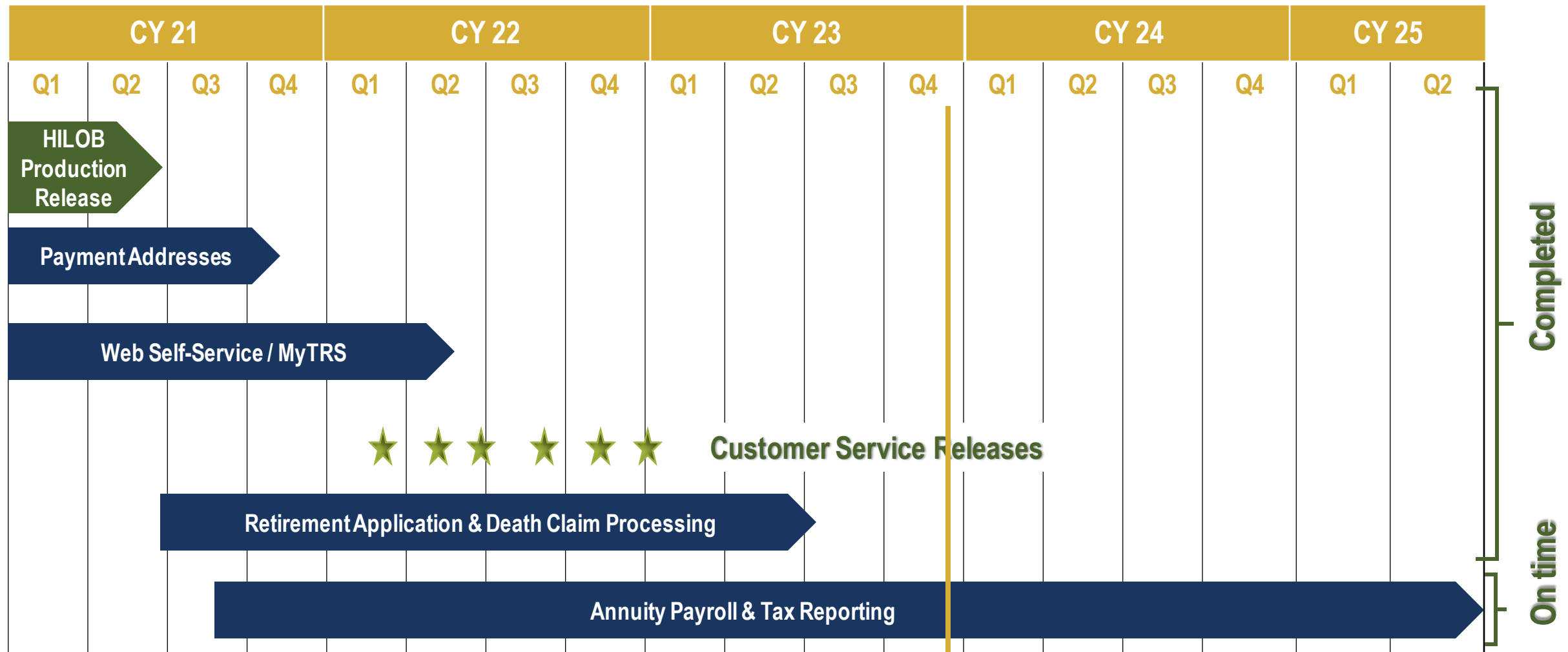




# APPENDIX

Additional Detailed Information

# TEAM PRODUCT LINE ROADMAP



- Health Insurance Line of Business Product Line
- Pension Line of Business Product Line
- Customer Service Releases (CSR)

## KEY MONITORED RISKS

- Need to continue to deliver online functionality to serve our members and improve internal business processes
- Health & Benefit Reporting CRM needs
- Dental & Vision implementation
- Taking functions in-house previously performed by vendors (GRS)
- Another Legislative session
- Technical architecture replacement due to end of life
- Long-term Fraud solution
- Bravo move and related address change work
- Ability to support legacy mainframe systems





**TAB 24**



# Independent Program Assessment

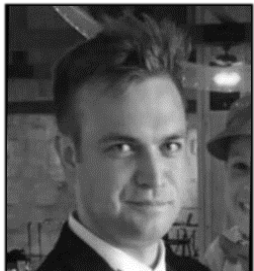
TRS Enterprise Application Modernization  
(TEAM) Program

TRS Board of Trustees  
December 2023

# Agenda and assessment framework

- > Minimum viable product (MVP) index
- > Executive summary
- > Recommendations overview

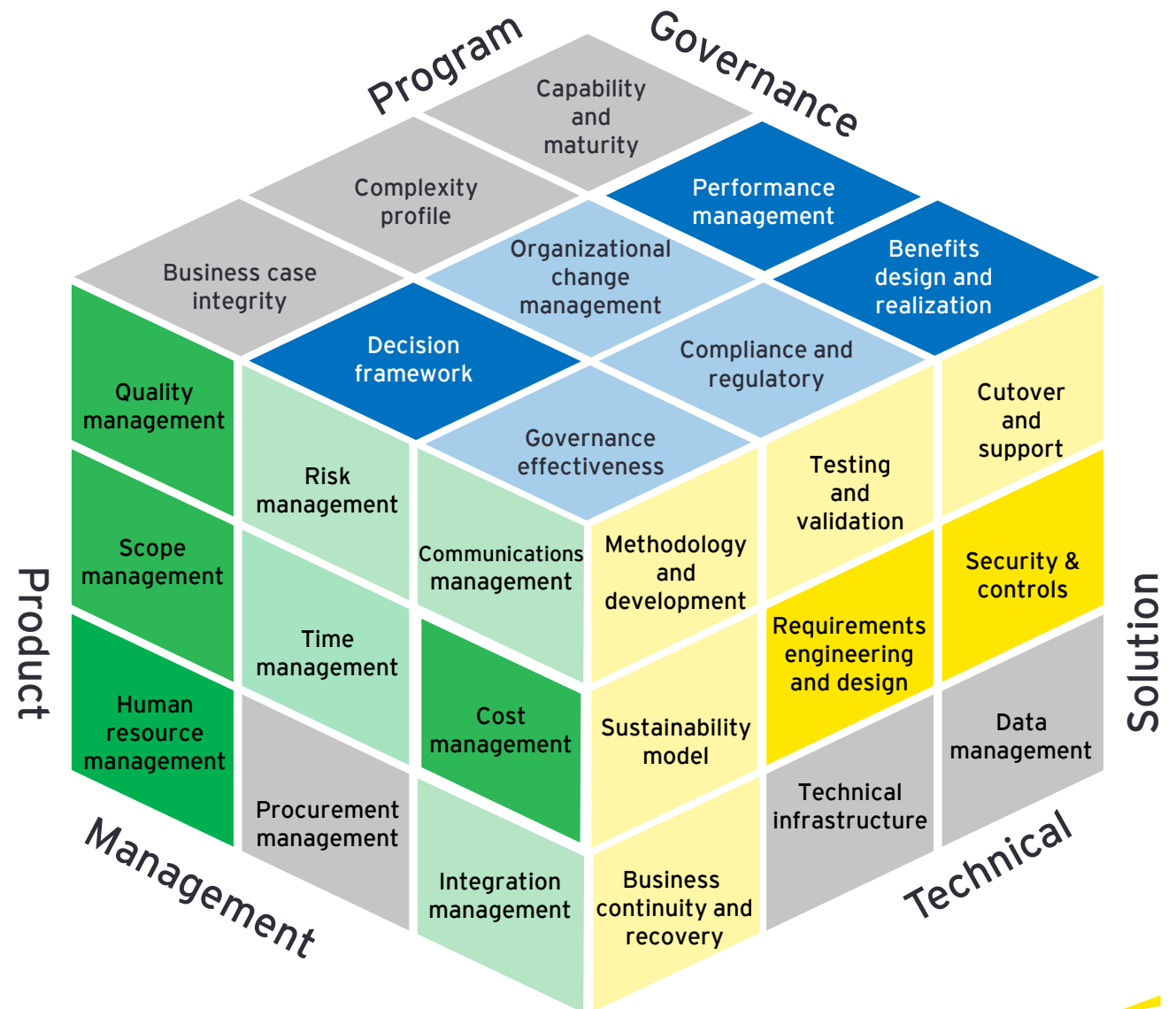
## Presenters



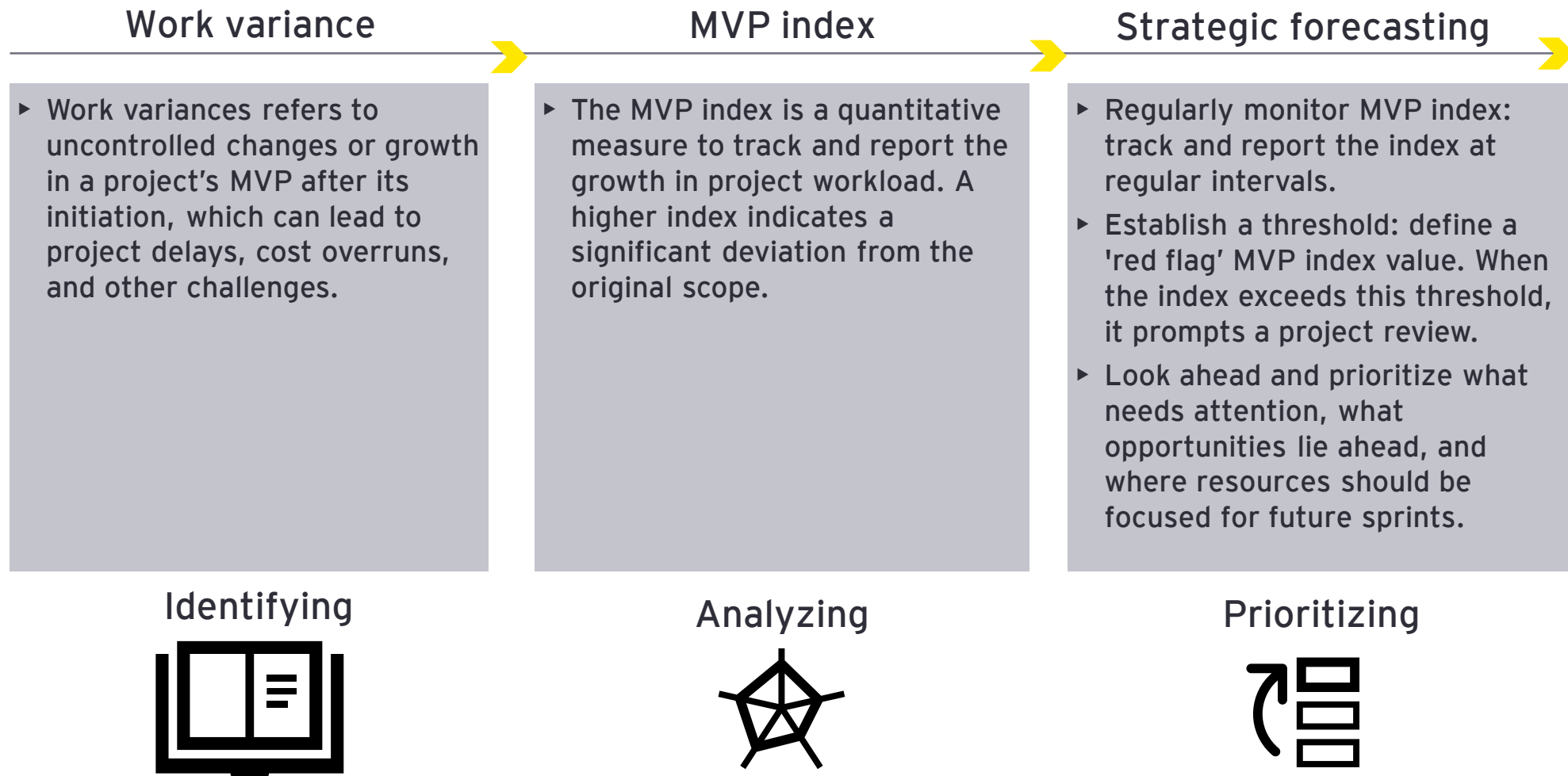
Chris W Gibson



Laurie H Patton



# Introduction to what the minimum viable product index is



# Executive summary

## Program status

Overall	Project teams are prioritizing work loads between M&E, Dental & Vision, and PBT releases to deploy while adopting legislative changes.
Scope	The TEAM has noted growth in the MVP for PBT. TEAM is actively exploring risk strategies to create mitigation plans to manage this growth.
Schedule	December M&E update is preparing for release, while the PBT release is on schedule for June 2025 per latest analysis.
Budget	Additional resources are being onboarded and trained currently for FY24.

## Terminology

**M&E:** Maintenance and enhancements

**MVP:** Minimum viable product

**MVP index:** Provides crucial insights into potential schedule adjustments

**PBT:** Annuity payroll and tax reporting

**TEAM:** TRS Enterprise Application Modernization

**Work variance:** Represents the difference between the planned or expected work and the actual work that has been performed.

## Accomplishments

### Team capability

TEAM is implementing program-wide use of story point commitments against completed metrics to help with story point accuracy.

### Benefits realization

TRS is actively developing and presenting benefits value realization metrics and dashboards to leadership, aiming for continuous improvement.

## Recommendations

### MVP index

Integrate historical MVP rate analysis from past sprints into the new project management tool. This will provide detailed insights into the project's health, supporting responses to TEAM's changing needs that are agile and well-informed.

### Performance

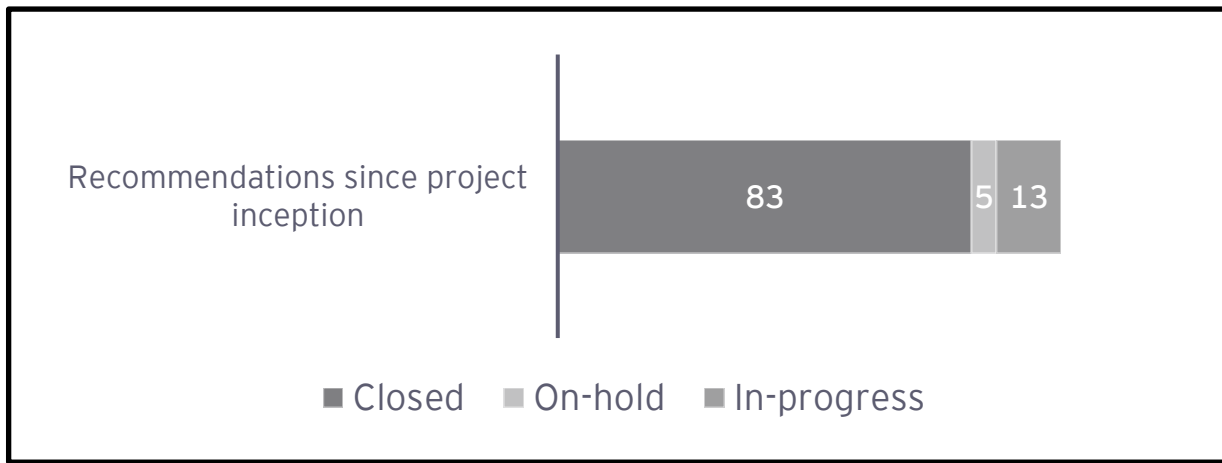
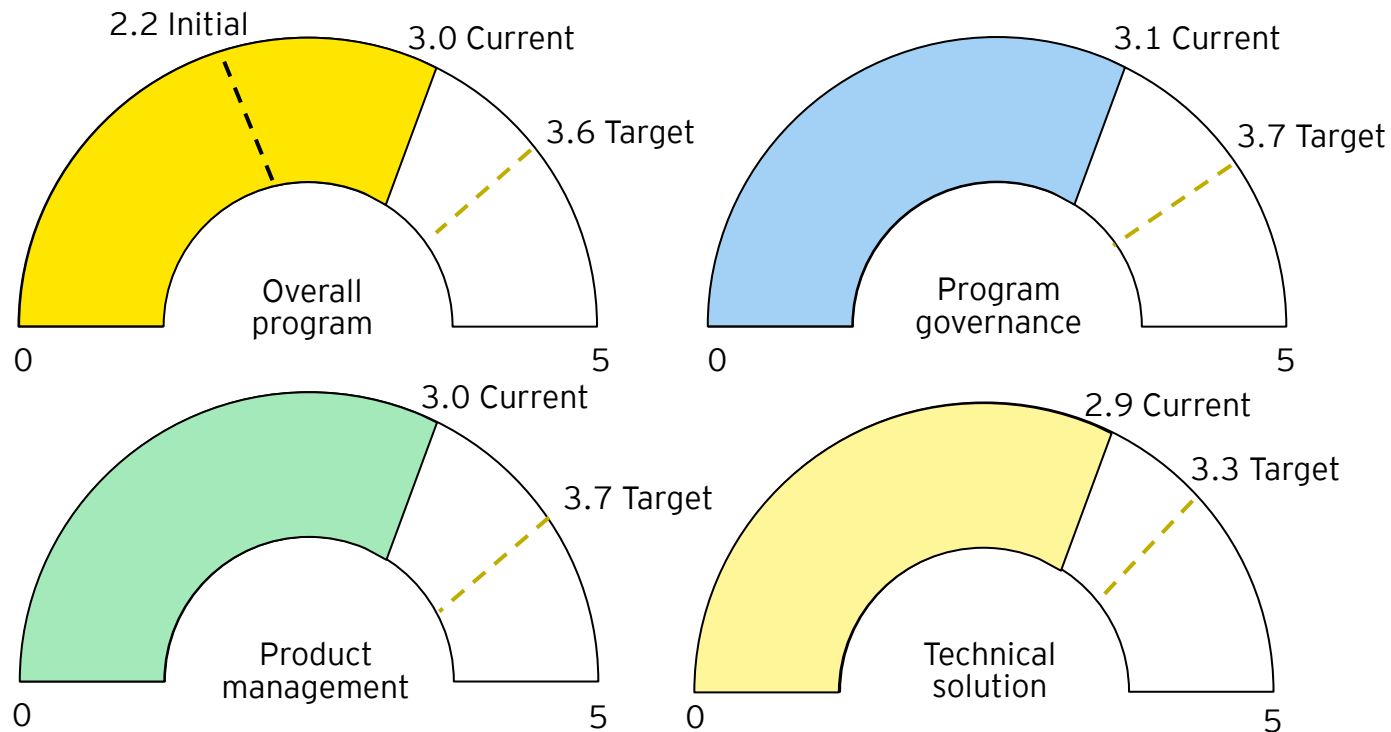
Optimize project performance and resource management by establishing clear key performance indicators (KPIs) for rework levels, resource allocation efficiency, resource utilization, and capacity planning accuracy.



FACETS	Initial	Current	Target
<b>Decision framework**</b>	2.0	3.2	4.0
Organizational change management	2.0	3.0	3.5
<b>Performance management**</b>	1.5	3.0	4.0
Governance effectiveness	2.0	3.0	3.5
<b>Benefits design and realization</b>	1.5	3.1	3.5
Compliance and regulatory	3.0	3.0	3.5
<b>Quality management</b>	1.7	3.0	3.5
Risk management**	2.2	3.0	3.5
Communications management**	2.4	3.0	4.0
<b>Scope management**</b>	2.2	3.0	4.0
Time management**	2.5	3.0	4.0
<b>Cost management**</b>	2.5	3.0	3.5
Integration management	2.5	3.3	3.5
<b>Human resource management</b>	2.5	3.0	3.5
Methodology and development	2.0	3.3	3.5
Testing and validation**	2.2	3.0	3.5
Cutover and support**	2.1	3.0	3.0
Sustainability model	1.8	2.5	3.0
<b>Requirements engineering**</b>	2.0	2.8	3.5
Business continuity	2.5	2.7	3.5
<b>Security and controls</b>	3.0	3.3	3.3

\*\* Indicates primary facets  
Bold facets reviewed this period

## Agile maturity level



# Agile assessment scale

1	2	3	4	5
Ad-hoc Agile	Evolving Agile	Hybrid/streamlined Agile	Leading scaled Agile	Scaled Agile optimized
<ul style="list-style-type: none"> <li>There is evidence that the enterprise has recognized that issues exist and need to be addressed.</li> <li>There are, however, no standardized processes; instead, there are ad hoc approaches that tend to be applied on an individual or case-by-case basis.</li> <li>The overall approach to management is disorganized.</li> <li>Agile is used inconsistently across the organization and testing is predominantly manual.</li> </ul>	<ul style="list-style-type: none"> <li>Processes have developed to the stage where similar procedures are followed by different people undertaking the same task.</li> <li>Teams start to exhibit some consistent Agile habits and knowledge sharing begins to occur across teams but there is no formal training or communication of standard procedures, and responsibility is left to the individual.</li> <li>There is a high degree of reliance on the knowledge of individuals and, therefore, errors are likely.</li> </ul>	<ul style="list-style-type: none"> <li>Procedures, roles and responsibilities have been standardized and documented, and communicated through training.</li> <li>It is mandated that these processes should be followed; however, it is unlikely that deviations will be detected.</li> <li>The procedures themselves are not sophisticated but are the formalization of existing practices.</li> <li>Organization follows hybrid Agile practices which includes waterfall and Agile.</li> </ul>	<ul style="list-style-type: none"> <li>Management monitors and measures compliance with procedures and takes action where processes appear not to be working effectively.</li> <li>Measurement systems in place to track business value realization. Processes are under constant improvement.</li> <li>Automation and tools are used in a limited or fragmented way.</li> <li>Successful use of Agile at larger scale is portrayed.</li> </ul>	<ul style="list-style-type: none"> <li>Processes have been refined to a level of leading practice, based on the results of continuous improvement and readiness modeling with other enterprises.</li> <li>IT is used in an integrated way to automate the workflow, providing tools to improve quality and effectiveness, making the enterprise quick to adapt.</li> <li>Lean and Agile are part of the organizational culture. Continuous organizational learning and optimization of work processes occur.</li> </ul>