

Minutes of the Board of Trustees

July 18, 2024

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, July 18, 2024, 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:

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

Others present:

Brian Guthrie, TRS	Brock Gregg, TRTA
Caasi Lamb, TRS	Amy Daily, ESI
Heather Traeger, TRS	Karen Haywood, BCBS TX
Jase Auby, TRS	Steve Alexander, BCBS TX
Don Green, TRS	John Oswald, HMS
Barbie Pearson, TRS	Adam Morris, HMS
Katrina Daniel, TRS	Todd Coulter, HDS
Amanda Jenami, TRS	Rene Paulson, Elite Research
Merita Zoga, TRS	
Lori LaBrie, TRS	
Katherine Farrell, TRS	
Suzanne Dugan, Cohen Milstein	
Dr. Keith Brown, Board Investment Advisor	

Mr. Walls called the meeting to order at 8:01 a.m. He announced a few changes since the last Board meeting. He thanked the former chairman, friend, colleague, Trustee Hollingsworth, who had served out his extended term and welcomed John Rutherford from Houston.

1. Call roll of Board members.

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

2. Consider administrative matters including the following – Robert H. Walls, Jr.: A. Approval of the May 2024 proposed meeting minutes

On a motion by Mr. Williams, seconded by Mr. Nance, the Board unanimously voted to approve the May 2024 proposed meeting minutes as presented.

B. Excusing Board Member Absences from May 2024 meeting; and

On a motion by Mr. Ball, seconded by Mr. Nance, the Board unanimously voted to excuse the absences of Trustee Corpus absence from the May 3rd meeting and Trustee Elliott from the May 2nd and 3rd meeting.

C. Consider consenting to the Chair's appointment of committee members, and receive the Chair's announcement of committee chairs.

Mr. Walls presented the following proposed committee assignments. He noted there were two other trustees scheduled to roll off so the committees will remain the same until the two new trustees are appointed.

Committees	Committee Chair and Members
ACE	Brittney Allred, Michael Ball, Nanette Sissney, Elvis Williams, Rob Walls, Jr.,
Benefits	Elvis Williams, Brittney Allred, Michael Ball, John Rutherford, Nanette Sissney
Budget	Michael Ball, David Corpus, Rob Walls, Jr., Nanette Sissney, Elvis Williams
Compensation	Dick Nance, Michael Ball, John Elliott, Rob Walls, Jr., Elvis Williams
Investment Management	David Corpus, Brittney Allred, John Elliott, Nanette Sissney, Rob Walls, Jr.
Policy	John Elliott, Brittney Allred, Dick Nance, John Rutherford, Rob Walls, Jr.
Strategic Planning	John Rutherford, Michael Ball, David Corpus, John Elliott, Dick Nance

On a motion by Mr. Corpus, seconded by Ms. Sissney, the Board unanimously voted to approve the committee assignments as presented.

3. Receive an overview of roles and responsibilities of the Board of Trustees – Heather Traeger and Suzanne Dugan.

Ms. Heather Traeger and Ms. Suzanne Dugan provided an overview of the fiduciary duties imposed upon the Trustees by the Texas Constitution and Government Code specifically focusing on the duty of loyalty, conflicts of interest and governance.

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

- A. Review administrative operational matters, including updates on financial, audit, legal, staff services, special projects, investment matters, strategic planning, legislative, trustee elections, 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 started by welcoming Caasi Lamb back to TRS in the role of the new deputy director. He then reviewed upcoming and past conferences and meetings. He provided an update to the construction activities in Bravo noting construction should be completed by end of calendar year and start moving in late spring of next year with the first Board meeting being held there in July. He concluded the report by reviewing items for September and December Board meetings.

5. Receive TRS Quarterly Ombudsman's Report – Lori LaBrie.

Ms. Lori LaBrie reviewed the Ombuds communications received from January to May 2024. She reported the Office received 393 communications during the period. She reviewed the top three large-scale agency issues for April and May. For January to May 2024 she reported there were 55 point-in-time complaints which was down from a total of 102 last year.

At 8:57 a.m., Mr. Walls announced the Board would recess for the day to take up the scheduled committee meetings.

July 19, 2024

The Board of Trustees of the Teacher Retirement System of Texas met on July 19, 2024 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:

Robert H. Walls, Jr., Chair
Nanette Sissney
Brittney Allred
Michael Ball
David Corpus
John Elliott
James Nance
John Rutherford
Elvis Williams

Others present:

Brian Guthrie, TRS	Brock Gregg, TRTA
Caasi Lamb, TRS	Rita Runnels, TX AFT
Don Green, TRS	Phyllis Ruffin, TX AFT
Heather Traeger, TRS	Eli Melendrez TX AFT
Jase Auby, TRS	Lydia Carrillo Valdez, TX AFT
Barbie Pearson, TRS	Alejandro Pena, TX AFT
Katrina Daniel, TRS	Kirsten Schatten, Segal
Amanda Jenami, TRS	Laurie Patton, EY
Katy Hoffman, TRS	Chris Gibson, EY
Frank Williams, TRS	
Shunne Powell, TRS	
Katherine Farrell, TRS	
Kristi Glasgall, TRS	
Michelle Gray, TRS	
Christine Bailey, TRS	
J.R. Morgan, TRS	
Suzanne Dugan, Cohen Milstein	
Dr. Keith Brown, Board Investment Advisor	

At 8:00 am the Chair reconvened the board meeting. Mr. Guthrie provided a quick update regarding the impact of CrowdStrike on TRS. He noted CrowdStrike impacted most professional entities including TRS but core member services that are member-facing have been repaired and on the investment side TRS is able to perform.

6. Provide an opportunity for public comment – Chair.

Mr. Gregg Webb, with International Union of Painters and Allied Trades, announced he has been on strike at Gemtron in Vincennes, Indiana, for three months.

Ms. Phyllis Ruffin representing Texas AFT Retiree Plus, expressed concern as to the recent COLA while appreciated was not enough for support staff.

Ms. Rita Runnels representing Texas AFT Retiree Plus, expressed concerns as to the COLA as not enough and the need to address lack of social security and WEP.

Ms. Lydia Carrillo Valdez representing Texas AFT Retiree, expressed concerns as to paraprofessionals needing a permanent COLA and how WEP needs to be fixed.

Mr. Brock Gregg, representing Texas Retired Teachers Association, expressed thanks to the Board and TRS staff for the 45 percent reduction in premiums for their Medicare Advantage members.

7. Receive the report of the Benefits Committee on its July 18, 2024 meeting and consider adoption, approval or acceptance of the following – Committee Chair:

- A. Consider the Medical Board Meeting minutes for March 2024 and May 2024;**
- B. Consider the approval of the Benefit Payments for March – May 2024;**
- C. Consider the appointment of members of the Medical Board, including the Medical Board Chair;**
- D. Consider the premiums for the TRS-Care Medicare Advantage including COBRA rates for plan year (PY) 2025;**
- E. Consider the benefits for the TRS-Care Standard plan including COBRA rates for PY 2025;**
- F. Consider the premiums and benefits for the TRS-Care Optional Dental Plan for PY 2025; and**
- G. Consider the premiums and benefits for the TRS-Care Optional Vision Plan for PY 2025.**

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

The Benefits Committee met on July 18, 2024. The committee approved the proposed minutes of the Benefits Committee for the May 2, 2024, 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 the March and May 2024.

Ms. Barbie Pearson provided an update on Benefit Payments for the third quarter of Fiscal Year 2024. The committee recommends to the Board the approval of Benefit Payments for March through May 2024.

The Committee received an update from Ms. Pearson on Benefit Services Operations for September 2023 through May 2024. The report included updates on the staffing, workload, and objectives for the first nine months of fiscal year 2024. This report also included the initiatives implemented by the employer reporting team as a result of feedback from the 2023 Reporting Employer Satisfaction Survey. These changes to training and response times significantly improved the employer satisfaction with TRS services.

Next, the committee received information from Adam Fambrough, Deputy Chief Benefit Officer for Member Services, on Medical Board Appointments. Staff recommended to the committee to recommend to the board the reappointment of Dr. David Rothschild for a one-year term and Dr. Brian Buck for a one-year term. In addition, staff recommended to the committee to recommend to the board the reappointment of Dr. David Rothschild as the Medical Board Chair.

Next, the committee received an update from Ms. Katrina Daniel, Chief Health Care Officer, regarding the strong position TRS-Care fund balance resulting from changes in Medicare as well as TRS' plan management. Ms. Meaghan Bludau, Chief of Staff for the Health Division, Ms. Melanie Ingleby, Chief Health Care Actuary, and Ms. Kirsten Schatten, Consulting Actuary with Segal, presented a proposal to lower premiums for the TRS-Care Medicare Advantage plan effective Jan. 1, 2025, while maintaining the long-term stability of the TRS-Care fund.

Ms. Bludau shared that TRS is proposing to offer a Limited-Time Enrollment Opportunity to allow Medicare-eligible retirees and their eligible dependents to enroll in or rejoin TRS-Care Medicare Advantage with new premiums. In future years, TRS will review claims and premiums and consider incremental adjustments in response to Medicare market dynamics in keeping with fund management.

Ms. Ingleby explained that TRS-Care Standard plan premiums would remain the same for the upcoming year. Premiums for that plan are competitive and significantly below premiums for comparable coverage in the individual market.

Ms. Bludau then explained deductible changes needed for the TRS-Care Standard plan to ensure it remains compatible with a health savings account. Finally, Ms. Ingleby shared proposed COBRA premiums for Medicare and non-Medicare dependents to align more closely with plan costs.

Next, Ms. Yimei Zhao, Sr. Director of Health Finance, presented the proposed rates and benefits for the new TRS-Care Dental and Vision plans that take effect Jan. 1,

2025. During the enrollment window that runs from Oct. 1 through Dec. 7, 2024, retirees eligible for TRS-Care can choose to enroll in one or both new plans for the upcoming year.

Ms. Daniel, provided an update on the Health Finance Team's work delivering high-value health care to TRS members through market-leading procurement and plan management strategies.

Finally, Mr. Bain, Mr. Adam Morris of Gainwell Technologies, and Mr. Todd Coulter of HealthPlan Data Solutions presented the results of the 2020, 2021, and 2022 medical and pharmacy claims audits and shared that across all plans less than 0.03% of claims were identified for any payment issues.

Mr. Williams concluded the report with the following motions:

On a motion by Mr. Williams, the Board unanimously voted accept the Medical Board's meeting minutes for March 2024 and May 2024 meetings, as recommended by the Benefits Committee.

On a motion by Mr. Williams, the Board unanimously voted to approve the benefit payments for March through May 2024, as recommended by the committee.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution for appointment of members to the Medical Board, including the Medical Board chair, as recommended by the Benefits Committee.

RESOLUTION TO APPOINT TRS MEDICAL BOARD MEMBER

Whereas, Texas Government Code section 825.204 requires the Board of Trustees of the Teacher Retirement System of Texas to appoint a Medical Board composed of three physicians to perform services under contracts with TRS;

Whereas, The terms of two of the current three members will expire August 31, 2024;

Whereas, TRS staff recommends that the Board of Trustees reappoint Dr. David Rothschild as a member of the TRS Medical Board effective September 1, 2024 for a one-year term that ends on August 31, 2025 and allow for one additional, optional one-year renewal;

Whereas, TRS staff recommends that the Board of Trustees reappoint Dr. Brian Buck as a member of the TRS Medical Board effective September 1, 2024 for a one year term that ends on August 31, 2025 and allow for one additional, optional one year renewal;

Whereas, TRS staff recommends re-appointing Dr. David Rothschild as chair of the TRS Medical Board; now therefore, be it

Resolved, That the Board of Trustees reappoints Dr. David Rothschild for a one year term beginning on September 1, 2024 and expiring on August 31, 2025 with one additional, optional one-year renewal;

Resolved, That the Board of Trustees reappoints Dr. Brian Buck for a one-year term beginning on September 1, 2024 and expiring on August 31, 2025 with one additional, optional one-year renewal;

Resolved, That the Executive Director, or his designee, is hereby authorized to negotiate, with the assistance and advice of legal counsel, contract renewals for Medical Board services with Dr. Rothschild and Dr. Buck and, if negotiations are deemed by the Executive Director in his discretion to be successful, then the Executive Director or his designee is hereby authorized to execute contract renewals with Dr. Rothschild and Dr. Buck for one year coinciding with the term of their appointment and according to such terms, conditions, and fees as the Executive Director may deem in his discretion to be appropriate and to provide the best overall value for TRS, and to execute and deliver all such other documents that the Executive Director may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to incur, approve, and pay any budgeted expenses or costs associated with such contract and deemed in the discretion of the Executive Director to be reasonably necessary or advisable with respect to such contract; and

Resolved, That the Board of Trustees re-appoints Dr. David Rothschild as chair of the TRS Medical Board for a one-year term beginning on September 1, 2024 and expiring on August 31, 2025.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution adopting the premiums for the TRS-Care Medicare Advantage, including COBRA rates, for the plan year 2025, as recommended by the Benefits Committee.

RESOLUTION APPROVING PREMIUM RATE CHANGES FOR THE TRS-CARE MEDICARE ADVANTAGE PLAN

Whereas, Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as described in the statute;

Whereas, under Section 1575.158(c), Insurance Code, TRS-Care offers a Medicare Advantage plan which provides coverage to Medicare-eligible participants, which has a fully insured Medicare Advantage component and a self-funded Medicare Prescription Drug component;

Whereas, Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

Whereas, Section 1575.212, Insurance Code, authorizes the trustee to determine premiums to be paid by participants of the TRS-Care Program;

Whereas, the trust fund of TRS-Care has experienced growth in recent years stemming from federal changes to Medicare along with TRS' diligent health plan management and other factors, which provides TRS with a unique opportunity to reduce premiums for the participants of the TRS-Care Medicare Advantage plan;

Whereas, TRS received correspondence from legislative leadership directing TRS to use the growth in the TRS-Care fund to reduce premiums and allow for a limited time enrollment opportunity for eligible TRS-Care Medicare Advantage participants;

Whereas, TRS staff and consultants assisting staff (the "Consultants") have evaluated how to use the fund balance to accomplish these goals while maintaining the fund's long-term stability, and have recommended rate changes be made to the TRS-Care Medicare Advantage plan beginning on the plan year that starts on January 1, 2025, as listed in Exhibit A, attached to this resolution and incorporated herein by reference;

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 premium rate changes to the TRS-Care Medicare Advantage plan beginning on the plan year that starts on January 1, 2025, as listed in Exhibit A attached to this resolution and incorporated herein by reference, until further action by the Board; and

Further resolved, that the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution adopting the premiums for the TRS-Care Standard plan, including COBRA rates, for the plan year 2025, as recommended by the Benefits Committee.

RESOLUTION APPROVING BENEFIT CHANGES FOR THE TRS-CARE STANDARD PLAN

Whereas, Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as described in the statute;

Whereas, under Section 1575.158(a), Insurance Code, the TRS-Care Program offers a high deductible health plan which provides coverage to non-Medicare eligible participants ("TRS-Care Standard Plan");

Whereas, Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

Whereas, on May 2024 the Internal Revenue Service (IRS) released inflation adjustments to the minimum deductibles that high deductible health plans must have to be qualified to work together with health savings accounts (HSAs), so that the funds that participants deposit in those HSAs enjoy a tax-favored status;

Whereas, TRS desires to make adjustments to the current deductibles of the TRSCare Standard Plan according to the IRS guidelines, so that the plan continues to be a qualified high deductible health plan under such IRS guidelines;

Whereas, plan costs require adjustments to the COBRA rates for spouses and children without Medicare, rates which had not changed since the year 2018;

Whereas, accordingly, TRS staff and consultants assisting TRS staff (the "Consultants") have recommended the benefit changes to be made to the TRSCare Standard Plan and changes to non-Medicare COBRA rates for spouses and children beginning on the plan year that starts on January 1, 2025, as listed in Exhibit A, attached to this resolution and incorporated herein by reference;

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 benefit changes to the TRS-Care Standard Plan beginning on the plan year that starts on January 1, 2025, as listed in Exhibit A attached to this resolution and incorporated herein by reference, until further action by the Board; and

Further resolved, that the Board authorizes the Executive Director or his designees to take any actions that he or his designees in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution adopting the premiums and benefits for the TRS-Care optional dental plan, for the plan year 2025, as recommended by the Benefits Committee.

RESOLUTION APPROVING BENEFITS AND PREMIUM RATES FOR THE TRS-CARE OPTIONAL DENTAL PLAN PY2025

Whereas, Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as described in the statute;

Whereas, Section 1575.1601, Insurance Code, requires TRS to establish or contract for and make available under the TRS-Care Program an optional plan that provides coverage for dental care for retirees, dependents, surviving spouses, and surviving dependent children ("TRS-Care Optional Dental Plan");

Whereas, Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

Whereas, Section 1575.212, Insurance Code, authorizes the trustee to determine premiums to be paid by participants of the TRS-Care Program;

Whereas, on the May 2024 Board Meeting, TRS selected MetLife Insurance Company ("MetLife") to be the insurance carrier to provide and administer the TRS-Care Optional Dental Plan;

Whereas, TRS staff have negotiated with MetLife the premium rates and benefits for the TRS-Care Optional Dental Plan to be offered on the initial plan year that starts on January 1, 2025;

Whereas, TRS staff and consultants assisting TRS staff (the "Consultants") have evaluated the premium rates and benefits and have recommended the Board approves them as listed in Exhibit A, attached to this resolution and incorporated herein by reference;

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 premium rates and benefits to the TRS-Care Optional Dental Plan beginning on the plan year that starts on January 1, 2025, as listed in Exhibit A attached to this resolution and incorporated herein by reference, until further action by the Board; and

Further resolved, that the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution adopting the premiums and benefits for the TRS-Care optional vision plan, for the plan year 2025, as recommended by the Benefits Committee.

RESOLUTION APPROVING BENEFITS AND PREMIUM RATES FOR THE TRS-CARE OPTIONAL VISION PLAN PY2025

Whereas, Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as described in the statute;

Whereas, Section 1575.1601, Insurance Code, requires TRS to establish or contract for and make available under the TRS-Care Program an optional plan that provides coverage for vision care for retirees, dependents, surviving spouses, and surviving dependent children (“TRS-Care Optional Vision Plan”);

Whereas, Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

Whereas, Section 1575.212, Insurance Code, authorizes the trustee to determine premiums to be paid by participants of the TRS-Care Program;

Whereas, on the May 2024 Board Meeting, TRS selected MetLife Insurance Company (“MetLife”) to be the insurance carrier to provide and administer the TRS-Care Optional Vision Plan;

Whereas, TRS staff have negotiated with MetLife the premium rates and benefits for the TRS-Care Optional Vision Plan to be offered on the initial plan year that starts on January 1, 2025;

Whereas, TRS staff and consultants assisting TRS staff (the “Consultants”) have evaluated the premium rates and benefits and have recommended the Board approves them as listed in Exhibit A, attached to this resolution and incorporated herein by reference;

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 premium rates and benefits to the TRS-Care Optional Vision Plan beginning on the plan year that starts on January 1, 2025, as listed in Exhibit A attached to this resolution and incorporated herein by reference, until further action by the Board; and

Further resolved, that the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

8. **Receive the report of the Investment Management Committee on its July 18, 2024 meeting including adoption of the Strategic Asset Allocation proposal – Committee Chair.**

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

The Investment Management Committee met on July 18, 2024. The committee approved the proposed minutes for the May 2024, meeting.

Jase Auby began with his CIO Update. The First Quarter 2024 Performance Review was then presented by Mike McCormick of Aon.

Following, Eric Lang presented the Private Markets Annual Update. Grant Walker provided the review for Real Estate, Carolyn Hansard presented the review for Energy, Natural Resources, & Infrastructure, and Neil Randall presented the review for Private Equity.

Mike Simmons then provided the Strategic Asset Allocation (SAA) Update, and the Asset-Liability Study Results were presented by Mike McCormick of Aon.

Concluding the Investment Management Committee, Katy reviewed proposed modifications to Investment Policy Statement.

Mr. Corpus concluded his report with the following motion:

On a motion by Mr. Corpus the Board voted to adopt the following resolution adopting the strategic asset allocation, as recommended by the Investment Management Committee with Mr. Rutherford abstaining.

**TEACHER RETIREMENT SYSTEM OF TEXAS BOARD OF TRUSTEES
RESOLUTION OF BOARD OF TRUSTEES RELATING TO THE
STRATEGIC ASSET ALLOCATION**

WHEREAS, pursuant to Section 825.103 of the Texas Government Code, the Board of Trustees (Board) of the Teacher Retirement System of Texas (TRS), is the trustee of all assets of the retirement system;

WHEREAS, Pursuant to Section 825.301 of the Texas Government Code, the Board shall develop written investment objectives for the investment of the assets of the Trust to address desired rates of return, risks involved, investment time frames, and any other relevant considerations;

WHEREAS, Pursuant to section 1.6 of the TRS Investment Policy Statement (IPS): The Investment Management Division (IMD) assists the Board in engaging in a strategic asset allocation (SAA) Study at least once every five (5) years to review asset classes, return-risk assumptions, and the correlation of returns with applicable benchmarks and across asset classes;

WHEREAS, The Fund objectives, as set forth in Section 1.4 of the IPS, require that the Board control risk through diversification and long-term risk and return expectation and achieve long-term returns that exceed the actuarial assumed rate of return adopted by the Board, the rate of inflation by an annualized 5%, and exceeds the Fund Policy Benchmark;

WHEREAS, TRS conducted SAA Studies in 2009, 2014, and 2019. The most recent SAA Study conducted by IMD was approved by the Board in 2019 and incorporated into the current IPS;

WHEREAS, IMD conducted the SAA Study in consultation with TRS' investment consultant, Aon, and utilized Aon's strategic asset allocation best practices, as set forth in the Aon and IMD presentation to the Board at the December 2023 Board meeting;

WHEREAS, The results of the current SAA Study were presented to the Board by IMD over the last four Board meetings in coordination with TRS' investment and actuarial advisors and other strategic partners;

WHEREAS, The SAA Study conducted by TRS followed a prudent process designed to address applicable fiduciary obligations of the Board; and
Now therefore, be it

RESOLVED, That the Board hereby approves the new strategic asset allocation set forth in Exhibit A, and hereby authorizes and directs the IMD to revise the IPS to reflect the new strategic asset allocation, and to present the revised IPS for Board consideration at the Board's next regular meeting, with a targeted effective date of September 23, 2024; and

RESOLVED, That the Board hereby authorizes IMD to take all actions necessary to begin the transition to implement the new strategic asset allocation plan in Exhibit A as of September 23, 2024 in accordance with the duties and responsibilities set forth in the IPS as well as in accordance with all other IMD policies and procedures.

9. **Receive the report of the Policy Committee on its July 18, 2024 meeting and consider adoption of the following – Committee Chair:**
 - A. **Adoption of amendments to the Procurement Policy; and**
 - B. **Adoption of the proposed repeal and new rule in Chapter 51 of Title 34, Part 3 of the Texas Administrative Code:**
 - i. **[REPEAL] §51.2 Vendor Protests, Dispute Resolution, and Hearing**
 - ii. **[NEW] Rule 51.2 Vendor Protests and Appeals**
 - C. **Adoption of the proposed new TRS rule in Subchapter A of Chapter 41 of Title 34, Part 3 of the Texas Administrative Code:**
 - i. **[NEW] §41.17 Limited**

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

The Policy Committee met on July 18, 2024.

The Committee approved the proposed minutes of its May 2024 meeting.

The Committee recommended to the Board adoption of the proposed amendments to the Board Procurement Policy.

The Committee recommended to the Board adoption of repeal the current §51.2 and a new rule §51.2 in Chapter 51 of Title 34, Part 3 of the Texas Administrative Code, relating to Vendor Protests.

The Committee recommended to the Board adoption of proposed new rule §41.17 in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, relating to Limited-Time Enrollment Opportunity for the Medicare-eligible Retirees.

The Committee authorized for publication in the Texas Register notice of proposed repeal and new rules, as presented by Staff and amended by discussion, in Chapter 43 of Title 34, Part 3 of the Texas Administrative Code, relating to Contested Cases.

Mr. Elliott concluded his report with the following motions:

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

On a motion by Mr. Elliott, the Board unanimously voted to adopt proposed repeal and new rule section 51.2 in Chapter 31 of Title 34, Part 3 of the Texas Administrative Code, relating to vendor protests, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to unanimously to adopt the proposed new rule Section 41.17, in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, relating to limited time enrollment opportunity for the Medicare eligible retirees, as recommended by the Policy Committee.

10. Receive the report of the Budget Committee on its July 18, 2024 meeting and consider adoption of the following – Committee Chair:

- A. Consider the adoption of the proposed fiscal year 2025 pension trust fund administrative operations budget, general provisions, and resolution authorizing transfer of pension trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2025 budget;**
- B. Consider the adoption of the proposed fiscal year 2025 administrative operations budgets and general provisions for the TRS health benefits funds (retired and active plans).**
- C. Consider the statutory certification of estimated state contributions:**
 - i. To the State Comptroller of Public Accounts, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for the fiscal year ending August 31, 2025.**
 - ii. To the Legislative Budget Board and the Office of the Governor, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for the fiscal years 2026 and 2027.**
 - iii. To the State Comptroller of Public Accounts, the estimated amount of state contributions to the Pension Trust Fund for fiscal years 2026 and 2027**

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

The Budget Committee met Thursday, July 18th. The first item of business was approval of the minutes of the May 2024 Budget Committee meeting.

Mr. Don Green presented a detailed overview of the proposed administrative operating budget of \$363.9 million for FY25. The FY25 budget is approximately

4.6% more than FY24 and is within the appropriated levels provided by the general appropriations act. In addition, the adopted FY25 budget includes 48 new FTEs with 42 being pension trust positions and 6 being healthcare trust positions. Mr. Green also introduced an amendment to the general provisions to establish authority to pay up to \$54.5 million for performance pay for Investment Management.

Mr. Green then presented the state contribution certifications for TRS-Care and Pension Trust Fund.

Mr. Green concluded by presenting the preliminary Legislative Appropriations Request (LAR) for the 2026-27 biennium.

Mr. Ball concluded his report with the following motions:

On a motion by Mr. Ball, the Board unanimously voted to adopt the fiscal year 2025 budget Trust Fund administrative operations budget, general provisions and resolution authorizing the transfer of Pension Trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2025 budget, as recommended by the Budget Committee.

Resolution Authorizing Expenditure and Transfer of Trust Funds For Pension Trust Fund Administrative Operations

Whereas, Section 825.312 of the Government Code provides that the retirement system shall pay from the expense account of the retirement system account for the pension trust fund all administrative expenses of the retirement system that are required to perform the fiduciary duties of the board;

Whereas, Section 825.313(d) of the Government Code provides that the TRS Board of Trustees (board) may authorize transferring from the interest account to the expense account of the retirement system an amount necessary to cover TRS' operating expenses for the fiscal year that are required to perform the fiduciary duties of the board;

Whereas, Rider 15, "Contingent Appropriation of Pension Trust Funds for GASB Statement Implementation," of the TRS bill pattern in the State General Appropriations Act, 88th Legislature provides that upon a finding of fact by the TRS board that additional resources are necessary to implement accounting guidelines related to Governmental Accounting Standards Board statements and pronouncements;

Whereas, Rider 19, "Exception to FTE Limitation for Board Fiduciary Finding," of the TRS bill pattern in the State General Appropriations Act, 88th Legislature provides that in addition to the funding and "Number of Full-Time Equivalents (FTE)" appropriated above, TRS is authorized to employ additional FTEs and contract workers under a Fiduciary Finding of the TRS board; now, therefore be it;

Resolved, That the board approves the amendments to the General Provisions for the Pension Trust Fund Administrative Operations, including a change to the performance pay plans maximum award of \$54.5 million.

Resolved, That the board finds the expenditure of pension trust funds for operating expenses in Fiscal Year 2025 including the changes listed below are required to perform the fiduciary duties of the board in administering the retirement system in the amount of \$287,285,200, as approved today in the Fiscal Year 2025 Budget and General Provisions for the Pension Trust Fund Administrative Operations, as amended, plus such additional amounts as may be necessary for the following expenditures and changes to the General Provisions:

- To pay the actual amount of performance incentive compensation payable up to \$54.5 million in Fiscal Year 2025, if any; and
- To reimburse reasonable and necessary employee transportation and other expenditures necessary for employees to attend orientation, training and staff development activities conducted at TRS headquarters; and
- To achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by such General Provisions adopted by the board; and to implement GASB statements; and

Resolved, That the staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the retirement system under the approved budget for Fiscal Year 2025, but not to exceed the amount of \$287,285,200 plus, any additional amounts necessary to pay performance incentive compensation payable in Fiscal Year 2025 and, as applicable, to achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by the General Provisions adopted by the board.

On a motion by Mr. Ball, the Board unanimously voted to adopt the proposed fiscal year 2025 administrative operations budget and general provisions for the TRS Health Benefits Fund, both retired and active plans, as recommended by the Budget Committee.

On a motion by Mr. Ball, the Board unanimously voted to adopt the state contribution certifications for fiscal years 2025, 2026, and 2027, and the state contribution certifications for the Pension Trust Fund for the fiscal years 2026 and 2027, as recommended by the Budget Committee.

11. Receive the report of the Strategic Planning Committee on its July 18, 2024 meeting – Committee Chair.

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

The Strategic Planning Committee met on July 18, 2024. The committee approved the proposed minutes of the Committee for the May 2024, meeting.

The Executive Director provided a status update on his Areas of Focus for Fiscal Year 2024. Mr. Don Green provided background information and an overview of the

proposed Fiscal Year 2025 Areas of Focus and alignment with the key accountabilities and strategic plan.

Mr. Green and Ms. Michelle Pagán, provided an update on the status of the 2023-2027 TRS Strategic Plan objectives. The objectives included: advancing and enhancing IT systems and services; enhancing the information security program; evaluating automation and technology solutions to enhance existing processes; and developing a centralized data management framework for digital and physical data. They also provided an overview of the Enterprise Stoplight Report and highlighted changes to the risk levels and trending.

Ms. Sunitha Downing and a representative from Elite Research provided survey results from the Reporting Employer Satisfaction Survey.

12. Receive the report of the Compensation Committee on its July 18, 2024 meeting – Committee Chair.

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

The Compensation Committee met on July 18, 2024. The Committee approved the proposed minutes of its May 2024 meeting.

The Committee received an update on timeline for the annual evaluation of Board Direct Reports and TRS workforce, including staffing and turnover, from Shunne Powell, Chief Organizational Excellence Officer and Michelle Gray, Deputy Chief Organizational Excellence Officer.

The Board's Compensation Consultant presented their findings from their review of the Performance Pay Plan for investments and TRICOT, and the Executive Director's Performance Incentive Plan. Mercer did not recommend changes for the upcoming plan year but provided the Board and TRS staff with items to consider for future plan enhancements. This concluded Mercer's review of the incentive plans. Next steps will be providing a salary review and compensation recommendations for the Board's direct reports and ED incentive compensation in September. Josh Wilson with Mercer Consulting presented.

The Committee received an overview of potential changes to Investment Management Division and TRICOT's Performance Incentive Pay Plans and the Executive Director's Performance Incentive Pay Plans for the 2024 – 2025 performance period from Shunne Powell, Chief Organizational Excellence Officer.

13. Receive the report of the Audit, Compliance, and Ethics Committee on its July 18, 2024 meeting – Committee Chair.

Ms. Allred, Committee Chair, provided the following report of the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met on July 18, 2024. The committee approved the minutes of its May 2024 meeting.

The general counsel and chief compliance officer, the senior compliance officer, and TRS privacy officer presented routine compliance reports. The chief Audit executive and Internal Audit staff presented an update on prior audit recommendations as well as some administrative reports.

14. Receive an update from the Deputy Director including considering the acceptance of the Procurement and Contracting Report – Caasi Lamb.

Ms. Caasi Lamb provided her first deputy director report noting she had been back at TRS for just a month. She reviewed her priorities listing members first thinking of them first and foremost. Next she listed stakeholder engagement and improving efficiencies and productivity. She concluded her report presenting the quarterly solicitation and contract report.

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

15. Receive an update on the TEAM Program –Chris Cutler, Billy Lowe, Jennifer Whitman, Adam Fambrough.

Ms. Jennifer Whitman reviewed the TEAM Program dashboard focusing in on the data migration workstream continuing to be yellow. She noted the development and testing workstream turned yellow. She said issues with code delivered by former vendor was identified and potential impacts were being assessed. Mr. Adam Fambrough discussed how the coding impact annuity payment reductions such as from an actuarial reduction or when monthly benefits are split between the member and alternative payee due to a court order a Qualified Domestic Relations Order (QDRO). He said reductions are implemented prior to taxes and deductions, such as association dues or TRS-Care premiums, are taken out after taxes. The coding issue he reported is that the reductions are being treated as deductions, meaning taxes were being applied to the total gross, which could result in serious issues with annual tax reporting requirements. He said the population affected was estimated to be 3,000 accounts. Mr. Billy Lowe said the good news is that they discovered the error early the bad news this error touches a lot of areas of code and is fairly complex and will likely affect the go-live date.

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

Ms. Laurie Patton attributed the accelerated testing to finding the defects and more are being escalated. She said the coding issue reported was an evolving issue and will work to ensure accuracy of the estimated timeline based on what is known. She reported the team is focused on making sure the minimum viable product and scope does not change in order to hit go-live dates. As such she noted items are being deferred being pushed into future maintenance and enhancements to be handled after go-live and completion of program. She reported year over year the program has come in under budget and is keeping an eye on how the delay will impact it. In response to Mr. Walls inquiry, she said the program's strength is the obvious transparency, communication, and ability to identify these risks faster and working together

as an organization to put a plan forward. She noted there was a lot of positive in the fact there is control on the ability to react.

At 9:32 a.m., Mr. Walls announced, without objection, that the Board would go into executive session for Item 17 under Sections 551.076, 551.089 and 551.071, to discuss data governance and information security, an update and consult with legal counsel, as needed; and for Item 18 under Section 551.071 to consult with legal counsel, as needed.

17. Receive quarterly update on TRS Data Protection and Security update – Frank Williams and Kristi Glasgall.

This agenda item had no public presentation.

18. 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.

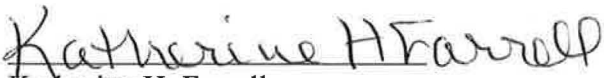
This agenda item had no public presentation.

At 10:15 a.m., Mr. Walls reconvened the open meeting.

At 10:15 a.m., Mr. Walls adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 19 DAY OF SEPTEMBER 2024.

ATTESTED BY:



Katherine H. Farrell

Secretary to the TRS Board of Trustees

Date

9/20/2024