

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

**September 19, 2024**

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, September 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, Vice Chair  
Brittney Allred  
Michael Ball  
David Corpus  
John Elliott  
James Dick Nance  
John R. Rutherford  
Elvis Williams

### **Others present:**

Brian Guthrie, TRS  
Caasi Lamb, TRS  
Heather Traeger, TRS  
Jase Auby, TRS  
Don Green, TRS  
Amanda Jenami, TRS  
Barbie Pearson, TRS  
Katrina Daniel, TRS  
Shunne Powell, TRS  
Lori LaBrie, TRS  
James Nield, TRS  
Chris Pan, TRS  
LaTresa Stroud, TRS  
Steven Wilson, TRS  
Aundre Petty, TRS  
Katherine Farrell, TRS  
Suzanne Dugan, Cohen Millstein

Michael McCormick, AON  
Michael Comstock, AON  
Keith Brown, Investment Advisor  
Liz Severyns, Focus Consulting  
Josh Wilson, Mercer  
Susan Lemke, Mercer  
Autumn Uchacz, UHC  
Damien Esquibel, UHC  
Ginger Papesch, Noro Nordish  
Amy Daily, ESI  
Steve Alexander, BCBS TX  
Karen Haywood, BCBS TX

Mr. Robert H. Walls, Jr. called the meeting to order at 12:38 p.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 2024 proposed meeting minutes;**

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

- b. **Setting, rescheduling or canceling future Board meetings including considering dates for the calendar year 2025.**

On a motion by Mr. Ball, seconded by Mr. Elliott, the Board voted unanimously to approve the following meeting dates for the calendar year 2025:

- February 27 – 28, 2025
- April 10 – 11, 2025
- July 17 – 18, 2025
- September 18 – 19, 2025
- December 4 – 5, 2025

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 TEAM Independent Program Assessment (IPA) Vendor 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, past conferences and legislative activity. He described TRS’ effort to engage with members at the Fall TRTA district meetings and the over 22 health fairs scheduled around the state. He said the feedback to date has been very positive about the changes that were made to the Medicare Advantage premiums and remain very grateful for the cost of living adjustment implemented earlier this year. He provided notice that the contract with Ernst and Young related to TEAM Program was coming up for renewal and it was his intention based upon the delegated authority to renew the contract.

Mr. Guthrie reviewed new headquarters milestones for Bravo construction noting the build-out of the interior would be by the end of the calendar year. He then reviewed the upcoming December Board meeting proposed agenda items and sought input for the February Board’s educational meeting.

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 478 communications: 320 ombuds emails, 101 ombuds phone line calls and 57 Compact with Texans. She reported the social media top trending topics were centered around health care, Board nominations in June and social security. She then reviewed the point-in-time complaints.

**5. Consider the selection of vendor(s) as Securities Lending Agent, 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 the negotiations with a third person – James Nield, Chris Pan and Andre Petty.**

Mr. James Nield reviewed the merits of adding a second securities lending agent. He said one reason was to improve equity financing as a source of Trust financing, to make securities lending a better financing tool for the Trust. He said the other objective was to add some competition to the system, based upon an Internal Audit recommendation to add a second agent. Mr. Andre Petty provided an overview of the RFP solicitation timeline. He said the top two respondents would provide presentations in alphabetical order.

Mr. Anthony Toscana representing Mitsubishi UFG provided an overview of the company and the services it provides.

Mr. Craig Starble and Mr. Peter Bassler representing eSecLending provided an overview of the company and the services it provides.

Mr. Walls announced, without objection, taking up agenda item 6 before adjourning into executive session for agenda item 5 and 6.

**6. Review of General Investment Advisor Request for Proposal and consider the extension of the existing Advisor 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 the negotiations with a third person – Steven Wilson and LaTresa Stroud.**

Mr. Steven Wilson provided the preliminary process for selecting the Board's next investment advisor. He noted Aon has been the Board's advisor for more than 20 years. He said in an effort to ensure that trustees continue to receive the best service from its advisor a competitive request for proposal would be conducted over the next several quarters.

On a motion by Mr. Ball, seconded by Mr. Nance, the Board unanimously found that to deliberate or confer on items 5 and 6 would have a detrimental effect on the position of the Retirement System in negotiations with a third person.

At 2:13 p.m., Mr. Walls announced the Board would adjourn into executive session under the following agenda items and sections of the Government Code: item 5 under Sections 825.115(e) and 551.071 to discuss the selection of vendors as a securities lending agent and consult with legal counsel as needed; item 6 under Sections 825.115(e) and 551.071 to discuss investment advisor

request for proposal and extension of the existing advisor contract and to consult with legal counsel as needed.

At 3:09 p.m., Mr. Walls reconvened the Board meeting in open session.

On a motion by Mr. Ball, seconded by Mr. Williams, the Board unanimously voted to adopt the following resolution naming eSecLending as the primary and Mitsubishi as the secondary vendor:

**Selection of Third-Party Securities Lending Agent Services September 19, 2024**

**WHEREAS**, Texas Government Code §825.101 provides that the Teacher Retirement System (“TRS”) Board of Trustees (“Board”) is responsible for the general administration and operation of the retirement system, and §825.103(d) provides that the Board has exclusive authority over the purchase of goods and services using trust funds including, without limitation, professional services;

**WHEREAS**, Texas Government Code §825.207(e) and §825.303(a) provide that the Board may select one or more securities lending agent(s);

**WHEREAS**, Section 2.3 of the Board's Securities Lending Policy states that the Board selects the securities lending agent(s) that will perform the securities lending function;

**WHEREAS**, Section 2.3 of the Board's Securities Lending Policy requires that the selection will be made in accordance with applicable statutory requirements and any other factors deemed appropriate pursuant to a competitive evaluation process and due diligence by staff;

**WHEREAS**, On March 27, 2024, TRS issued a Request for Proposal (RFP) to solicit a qualified third party securities lending contractor;

**WHEREAS**, The Investment Management Division conducted the RFP and performed the due diligence activities relating to the securities lending agent procurement; and

**WHEREAS**, on September 19, 2024, the two top respondents presented presentations to the Board; Now, therefore be it

**RESOLVED**, That the Board considered the evaluation and recommendations made by TRS Staff related to the candidates for selection as a securities lending agent for TRS and finds that Securities Finance Trust Company (“eSecLending”) represents the best overall value for TRS based on qualifications, experience, proposed contract terms and conditions, proposed fees, and other relevant factors.

**RESOLVED**, That the Board hereby selects eSecLending to provide daily securities lending services as well as reinvestment of any cash collateral received and/or delivering that cash to TRS for general investment use.

**RESOLVED**, That the Board hereby authorizes the Executive Director or his designee to negotiate, as soon as practicable, with the assistance of legal counsel, a contract with eSecLending to provide daily securities lending services as well as reinvestment of any cash collateral received and/or delivering that cash to TRS for general investment use for

a term to commence as soon as possible after negotiations are finalized and terminate five years after the execution date of the contract with the option for two one-year renewal(s); and, if negotiations are deemed in his or her discretion to be successful, then the Executive Director or his designee is hereby authorized to execute a contract on the same or better financial terms presented to the Board and on such terms and conditions as such officer may deem, in his or her discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including the renewals set forth above and any amendments to the contract, that such officer may deem to be in the best interest of TRS and reasonably necessary or appropriate to effectuate 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 reasonably necessary or advisable with respect to such contract or amendments.

**RESOLVED**, That if for any reason, the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract with eSecLending, then the Board hereby selects Mitsubishi UFJ Trust and Banking Corp. ("Mitsubishi") to provide daily securities lending services as well as reinvestment of any cash collateral received and/or delivering that cash to TRS for general investment use and authorizes the Executive Director or his designee to negotiate as soon as practicable, with the assistance of legal counsel, a contract with Mitsubishi for a term to commence as soon as possible after negotiations are finalized and terminate five years after the execution date of the contract with the option for two one-year renewal(s); and, if negotiations are deemed in his or her discretion to be successful, then the Executive Director or his designee is hereby authorized to execute a contract on the same or better financial terms presented to the Board and on such terms and conditions as such officer may deem, in his or her discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including the renewals set forth above and any necessary amendments to the contract, that such officer may deem reasonably necessary or appropriate to effectuate 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 reasonably necessary or advisable with respect to such contract or amendments.

**RESOLVED**, That the Board hereby authorizes the Executive Director or his designees to expend funds and to take all actions deemed by him or a designee to be necessary or advisable to implement this resolution and will report to the Board on any actions taken in furtherance of this resolution, including any renewals or amendments, at the next Board meeting.  
and

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

On a motion by Ms. Sissney, seconded by Mr. Ball, the Board unanimously voted to adopt the following resolution extending Aon's contract for a month:

**Resolution of Board of Trustees  
Relating to the Amendment of Aon Investment Advisory Services Agreement**

**WHEREAS**, Texas Government Code §825.101 provides that the Teacher Retirement System (“TRS”) Board of Trustees (“Board”) is responsible for the general administration and operation of the retirement system, and §825.103(d) provides that the Board has exclusive authority over the purchase of goods and services using trust funds including, without limitation, professional services;

**WHEREAS**, the TRS Bylaws, subsection 1.7(n), state that the Board will select consultants and advisors to the Board, including investment consultants or advisors, to provide such expert advice and assistance to the Board as the Board deems necessary to exercise its investment and trust administration responsibilities;

**WHEREAS**, the TRS Bylaws, subsection 4.1.2(f), state that the Executive Director shall recommend to the Board the selection of the investment consultant or advisor to the Board;

**WHEREAS**, the TRS Board Procurement Policy states that the Board will consider and authorize contracts with one or more investment advisors pursuant to Section 1.3(a) of the Investment Policy Statement;

**WHEREAS**, Aon Hewitt Investment Consulting, Inc. (“Aon”) has been providing investment advisory services for the TRS pension trust fund for over twenty years;

**WHEREAS**, the current agreement with Aon, the Investment Advisory Services Agreement dated September 1, 2018 (the “Agreement”), will expire August 31, 2025; and

**WHEREAS**, TRS staff recommends that Aon continue to serve as investment advisor to the Board through the Board meeting occurring in September 2025.

**RESOLVED**, That the Board hereby authorizes the Executive Director or his designee to extend for one month the existing Aon Agreement to September 30, 2025 via an amendment to the Agreement;

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

**RESOLVED**, That the Board finds the amendment of the Aon Agreement represents the best overall value for TRS to enable continued service for the September 2025 Board meeting;

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

**RESOLVED**, That nothing in this resolution may be construed as a contract, an offer to contract with a power of acceptance that would form a contract, or an acceptance of an

offer to contract, and TRS is not and will not be legally bound to any agreement unless and until the Executive Director has executed and delivered definitive agreements relating to the subject matter, as applicable.

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; Liz Severyns, Focus Consulting.**

Ms. Liz Severyns 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 – Robert H. Walls, Jr.**

At 3:16 p.m. Mr. Walls 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 7:12 p.m., Mr. Walls reconvened the board meeting in open session.

On a motion by Mr. Nance, seconded by Mr. Ball, the Board voted to adopt the following resolution to take the chief investment officer's base pay not to exceed amount to \$800,005 to be effective October 1, 2024, which is commensurate with the base salary amount increase by 10.346 percent to be effective October 1, 2024, with Mr. Rutherford abstaining due to being a new member of the Board:

**September 19, 2024**

**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

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

**Resolved**, That effective October 1, 2024 the Board hereby adopts the following GAA not-to-exceed amount for the Chief Investment Officer:

Chief Investment Officer: Increase the not-to-exceed amount listed in the GAA to \$800,005.00;

**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, 2024 by 10.346%; 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. Elliott, the Board unanimously voted to adopt the following resolution to increase the executive director's not to exceed amount to \$588,500, effective October 1, 2024, which correlates to a base salary increase in percentage terms of 7 percent also effective October 1, 2024 and for the Executive Director's leadership performance score as 30 percent, awarding a leadership performance incentive payment, effective January 1, 2025, in the amount of \$165,000, with Mr. Rutherford abstaining due to being a new member of the Board:

**September 19, 2024**

**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, 2024, 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 \$588,500.00;

**Resolved**, That the Board hereby increases the base salary of the Executive Director and authorizes 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, 2024 by 7.0%; 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 30%, and therefore awards a Leadership Performance Incentive Payment effective January 1, 2025 in the amount of \$165,000.00;

**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.

At 7:15 p.m., Mr. Walls announced the Board would recess until tomorrow.

**September 20, 2024**

The Board of Trustees of the Teacher Retirement System of Texas met on September 20, 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, Vice Chair  
Brittney Allred  
Michael Ball  
David Corpus  
James Dick Nance  
John R. Rutherford  
Elvis Williams

**Others present:**

Brian Guthrie, TRS	Michael McCormick, AON
Caasi Lamb, TRS	Mike Comstock, AON
Don Green, TRS	Keith Brown, Investment Advisor
Heather Traeger, TRS	Lauri Patton, EY
Jase Auby, TRS	Chris Gibson, EY
Barbie Pearson, TRS	Dr. Craig Campbell, ARTA (virtual)
Katrina Daniel, TRS	Herman Martina, TRS Retiree
Amanda Jenami, TRS	Phyllis Ruffin, TX AFT Retiree Plus
Shunne Powell, TRS	
Martin Cano, TRS	
Frank Williams, TRS	
Kristi Glasgall, TRS	
Chris Cutler, TRS	
Katherine Farrell, TRS	
J.R. Morgan, TRS	
Billy Lowe, TRS	
Jennifer Whitman, TRS	
Adam Fambrough, TRS	
Suzanne Dugan, Cohen Milstein	

At 10:06 a.m. the Chair reconvened the board meeting.

**10. Provide an opportunity for public comment – Robert H. Walls, Jr.**

Ms. Phyllis Ruffin, representing Texas AFT Retiree Plus, expressed concern as to some retirees not receiving a cost of living adjustment (COLA) and how retirees want a COLA that's tied to inflation.

Mr. Herman Martina, military retired Army officer and a retiree of TRS, reviewed history of TRS beginning in 2000 with the hiring of a new CIO and his experience as a whistleblower.

Dr. Craig Campbell, representing Austin Retired Teacher Association, expressed concern about benefit inadequacy, cost of healthcare and need to focus on the retirees.

**11. Receive the report of the Investment Management Committee on its September 19, 2024 meeting – Committee Chair.**

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

The Investment Management Committee met on September 19, 2024. The first item was the adoption of the minutes.

Jase Auby began with his CIO update. The second quarter 2024 performance review was then presented by Mike McCormick and Mike Comstock of Aon. To conclude the Investment Management Committee, James Nield and Melissa Jerkins provided a review of the semiannual risk report.

**12. Receive the report of the Policy Committee on its September 19, 2024 meeting and consider adoption of the following – Committee Chair:**

- A. **Proposed amendments to the Investment Policy Statement;**
- B. **Proposed amendments to the Benefits Counseling Policy.**

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

The Policy Committee met on September 19, 2024. The committee approved the proposed minutes of its July 2024 meeting.

The committee recommended to the Board adoption of the proposed amendments to the Investment Policy Statement. The committee also recommended to the Board adoption of the proposed amendments to the Benefits Counseling Policy. The committee adopted the proposed updates to the Policy Review Schedule as its last item.

Mr. Elliott concluded his report with the following motions:

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

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

13. **Receive the report of the Benefits Committee on its September 19, 2024 meeting and consider adoption, approval or acceptance of the following – Committee Chair:**
  - A. Acceptance of the Medical Board Meeting minutes of July 2024 meeting; and**
  - B. Approval of the Benefit Payments for June to August 2024.**

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

The Benefits Committee met on September 19, 2024. The committee approved the proposed minutes of the Benefits Committee for the July 2024 meeting.

Ms. Barbie Pearson, Chief Benefits Officer, provided an update on the Medical Board. The committee recommends to the Board the acceptance of the Medical Board meeting minutes for July 2024.

Ms. Barbie Pearson provided an update on benefit payments for the fourth quarter of fiscal year 2024. The committee recommends to the Board the approval of benefit payments for June through August 2024.

The committee received an update from Ms. Pearson on Benefit Services operations for September through July 2024. The report included an updates staffing, workload and objectives for the first eleven months of fiscal year 2024. This report also included information about the upcoming member statement mailing to active members expected to begin in October of 2024 for FY 2024.

Next the committee received an update from Ms. Katrina Daniel, Chief Health Care Officer, on priorities for the Health Division. Ms. Daniel informed the committee of a recent vacancy for the active school administrator role on the TRS-Care Retirees Advisory Committee. The Health Division is currently seeking nominations and will bring a recommendation to the committee at the December meeting.

The committee then received an update from Ms. Monica Bernal, the senior director of operations, on the TRS Health Operations Department. Ms. Bernal updated the committee on initiatives to enhance efficiency and reported that service levels for health plan participants. have consistently exceeded targets. This concluded presentations to the committee.

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 July 2024, as recommended by the Benefits Committee.

On a motion by Mr. Williams, the Board voted to approve the benefit payments for June through August 2024, as recommended by the Benefits committee.

**14. Receive the report of the Strategic Planning Committee on its September 19, 2024 meeting – Committee Chair.**

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

The Strategic Planning Committee met yesterday and after approving the committee minutes from the July 2024 meeting heard a presentation from Don Green. The focus was on updating the Executive Director's proposed areas of focus for fiscal year 2025.

Mr. Green also provided an update on the status of the 2023 – 2027 Strategic Plan objectives. The objectives this quarter included improving pension funding and health care funding communications, improving communication regarding the impact of changing plan design, improving strategic communications with a customer-centric focus, increasing the value of health care benefits, and improving the health of TRS members.

Michelle Pagan also provided an overview of the enterprise stoplight report and highlighted changes to the risk levels and trending. Of note, the pension fund had remained elevated but was trending down, and then the TEAM Program had moved back into the cautious category.

Finally, we got to hear a fantastic report from Beth Hallmark, which was an annual update on the member and employer outreach plan. And if you'll recall, all of the media channels had gone up materially and we've added a couple other media channels within social media.

- 15. Receive the report of the Compensation Committee on its September 19, 2024 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 2024 – 2025 Performance Period; and**
  - B. Proposed continuation and adoption of the Investment Management Division's and TRICOT's Performance Incentive Pay Plan for the 2024 – 2025 Performance Period adoption.**

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

The Compensation Committee met on September 19, 2024. The committee approved the proposed minutes of its July 2024 meeting.

Shunne Powell, Chief Organizational Excellence officer, and Josh Wilson, with Mercer Consulting, presented. The committee recommended to the Board continuation and adoption of the Investment Management Division and TRICOT's performance pay plans for the 2024-2025 performance period. The committee recommended to the Board continuation and adoption of the executive director's performance pay plan for the 2024-2025 performance period.

Mr. Nance concluded his report with the following motions:

Mr. Nance then moved for the Board to adopt the proposed resolution continuing and adopting the executive director's performance pay plan for the 2024 – 2025 performance period, as recommended by the Compensation committee.

**September 20, 2024**

**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, 2024; now, therefore be it

**Resolved**, That effective September 20, 2024, 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.

On a motion by Mr. Nance, the Board voted to adopt the Following resolution continuing and adopting the Investment Management Division's performance pay plans for the 2024 – 2025 performance period, as recommended by the Compensation Committee.

**September 20, 2024**  
**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, 2024, 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 2024 – 2025 performance period, as recommended by the Compensation Committee.

**September 20, 2024**  
**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, 2024, 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.

16. **Receive the report of the Audit, Compliance, and Ethics Committee on its September 20, 2024 meeting including considering the following – Committee Chair:**
- A. **Proposed revisions to the Audit Charter;**
  - B. **Proposed performance objectives for FY 2025; and**
  - C. **Proposed Audit Plan for FY 2025.**

Ms. Allred, 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, 2024 meeting.

The SAO auditors presented the results of their audit of fiscal year 2023 pension liability and other post-employment benefits, OPEB liability schedule. SAO auditors also presented their plans for the fiscal year 2024 audits of the annual comprehensive financial report and pension liability and OPEB liability schedules.

Crowe, LLP auditors presented their plan for the TRS Investment Company, TRICOT, audit. The general counsel and chief compliance officer and Legal and Compliance staff presented routine compliance reports.

The committee considered Internal Audit's proposed revisions to the Audit Charter, the division's proposed performance objectives for fiscal year 2025, and the proposed Audit Plan for fiscal year 2025. The committee received Internal Audit's strategic plan for fiscal years 2025-2028, as required by the new Global Internal Audit Standards. The committee received an overview of the new Global Internal Audit Standards, and an update on Internal Audit's data analytics program. The committee also received reports on the audits of risk parity portfolio operations and contract oversight at IMD, including an update on prior audit recommendations, as well as some administrative reports.

The committee then went into executive session to receive the results from the cyber controls and cybersecurity response program audits.

To conclude her report, Ms. Allred had the following motion:

On a motion by Ms. Allred, the Board voted to adopt the proposed revisions to the Audit Charter, as recommended by the ACE Committee.

On a motion by Ms. Allred, the Board voted to adopt Internal Audit's proposed performance objectives for the fiscal year 2025, as recommended by the ACE Committee.

On a motion by Ms. Allred, the Board voted to adopt the proposed Audit plan for fiscal year 2025, as recommended by the ACE Committee.

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

Ms. Jennifer Whitman referenced the dashboard that was focused on the final release of the TEAM roadmap: annuity, payroll and tax reporting also known as the PBT release. She said the issue identified with the code at the July Board meeting pertained to marital QDROs, waivers and actuarial reductions. She said those should be treated as reductions from the gross payment amount; instead they were being treated as deductions taken out after taxes were calculated. She noted this was incorrect and needed to be fixed prior to the PBT release going live. She reported all work stream status were changed to yellow or caution status due to the issue analysis and re-baselining effort underway. She said once a new go-live date was established the work stream status would be green due to the new schedule.

Mr. Billy Lowe reported the issue resulted in more than 2,200 lines of code having to be modified with over 927,000 records affected. He reported the size of the work to be six months' additional work. He reemphasized that the full set of regression tests, full set of user acceptance tests will be done on all the releases. He noted with the schedule shift the blackout window was moved creating room for three more maintenance and enhancement releases.

Mr. Adam Fambrough reported the development work and testing would be done in December 2025. He said that just because the system is ready does not mean it is a good time for the business to go live. He said with holidays and schedules it would be difficult time to go live with a major release like this. He reported the first quarter of 2026 would be better and through conversations with Benefit Services, Health and Finance Divisions they are determining the best go-live date.

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

Ms. Laurie Patton stated they continue to work with the team and monitor the analysis they are going through in looking at the new date and timing. She said they focus on the process and how elements of the agile framework is implemented.

19. **Receive the Deputy Director’s Update including considering the FY 2025 Historically Underutilized Business (HUB) Goals and Procurement and Contracting Report – Caasi Lamb.**

Ms. Caasi Lamb noted the core values refresh project and mission statement review occurred every four years. She said at the December board meeting the revised core values will be presented to the Board and any proposed changes to the mission statement will be reviewed at the December board meeting and considered by the Board at the February meeting.

Ms. Lamb provided an overview of TRS’ HUB outreach efforts for the previous year. She noted TRS spent approximately \$17.5 million with HUB vendors. She noted there were no proposed changes for fiscal year 2025 goals.

Ms. Lamb also noted the quarterly contract report provided pursuant to the Board Procurement Policy was in the materials for the Board’s review and consideration.

On a motion by Mr. Nance, seconded by Ms. Sissney, the Board unanimously voted to adopt the FY 2025 HUB Goals as presented by staff:

**Resolution Adopting Historically Underutilized Businesses (HUB)  
Program Goals for FY 2025  
September 20, 2024**

**Whereas**, TRS staff developed proposed HUB goals for fiscal year 2025 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 2025; now, therefore, be it

**Resolved**, That the Board hereby adopts the following HUB expenditure goals for fiscal year 2025:

Commodities - 35%  
Other Services – 25%  
Professional Services – 10%  
Special Trade – 50%

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

20. **Receive Quarterly Data Governance and Information Security Update – Heather Traeger, Caasi Lamb, Martin Cano, Chris Cutler, Frank Williams and Kristi Glasgall.**

Mr. Martin Cano provided an overview of data governance and artificial intelligence (AI). He said what has made AI a popular topic over the last year is the advancements of generative AI. He said TRS is reviewing how it can take advantage of these benefits for members in a secure and thoughtful way. He said to mitigate risks and ensure that AI technologies are used appropriately at TRS, an AI governance review process was established.

Ms. Heather Traeger noted the risks concern at TRS include privacy, violating the laws that related to confidential information and intellectual property infringement. Mr. Frank Williams further expounded upon the evolution and uses of AI.

At 11:57 a.m., Mr. Walls announced the Board would recess into executive session under the following agenda items and sections of the Government Code: agenda item 20 under Sections 551.076, 551.089, and 551.071, to discuss quarterly data governance and information security updates and consult with legal counsel as needed; agenda item 21 under Section 551.071, to consult with legal counsel as needed.

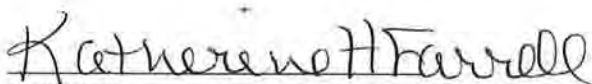
21. **Review the report of the General Counsel on pending and contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health benefit programs, investment matters and open records, and on legal or regulatory matters involving certain TRS vendors, investment managers, or other counterparties – Heather Traeger and J.R. Morgan.**

At 12:40 p.m., Mr. Walls reconvened the board meeting in open session.

At 12:40 p.m., Mr. Walls adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 5<sup>TH</sup> DAY OF DECEMBER 2024.

ATTESTED BY:



Katherine H. Farrell

Secretary to the TRS Board of Trustees

12/5/24  
Date