

Minutes of the Board of Trustees

September 14, 2023

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

The following Board members were present:

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

Others present:

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

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

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

1. Call roll of Board members.

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

2. Consider the following administrative matters:

a. Approval of the July 2023 proposed meeting minutes;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

September 15, 2023

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

The following Board members were present:

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

Others present:

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

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

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

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

September 15, 2023

Resolution Increasing the Base Salary of the Ombuds

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

Whereas, Subsection 1.7(g)(3) of the Board's bylaws provides that the Board shall be responsible for the selection, replacement, dismissal, performance evaluation, and compensation of the Ombuds in consultation with the Executive Director;

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

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

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

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

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

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

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

September 15, 2023

Resolution Increasing the Base Salary of the Chief Investment Officer

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

Whereas, Subsection 1.7(g)(4) of the Board's bylaws provides that the Board shall be responsible for the compensation of the Chief Investment Officer in consultation with the Executive Director;

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

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

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

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

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

Chief Investment Officer's base salary (the incumbent is Jase Auby):

Increase the base salary amount effective October 1, 2023 by 11.538%; and

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

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

September 15, 2023

Resolution Increasing the Base Salary of and Awarding a Leadership Performance Incentive Payment to the Executive Director

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

Whereas, Subsection 1.7(g)(1) of the Board's bylaws provides that the Board shall be responsible for the selection, job description, assignment of duties, performance evaluation, compensation and discipline, including dismissal, of the Executive Director;

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

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

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

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

Whereas, The Executive Director Performance Incentive Pay Plan provides that the Board may award a Leadership Performance Incentive Payment based on the Board's assessment of key accountabilities tied to the areas of focus for the Executive Director; and

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

Resolved, That effective October 1, 2023, the Board hereby adopts the following GAA not-to-exceed amount for the Executive Director:

Executive Director: Increase the not-to-exceed amount listed in the GAA to \$550,000.00

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The committee adopted the proposed updates to the Policy Review Schedule

Ms. Allred concluded her report with the following motions:

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

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

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

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

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

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

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

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

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

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

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

Ms. Barbie Pearson, chief benefit officer, provided an update on the Medical Board. The committee recommends to the Board the acceptance of the Medical Board meeting minutes for May 2023.

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

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

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

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

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

Mr. Williams concluded the report with the following motions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Strategic Planning Committee met on September 14, 2023.

The committee adopted the minutes of its July 2023 meeting.

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

Mr. Don Green, chief financial officer, and Ms. Michelle Pagan, director of enterprise risk strategy and performance, reviewed the results forum information for the 2023-2027 TRS Strategic Plan objectives. The objectives included: improving pension funding and health care funding communications, improving communication regarding the impact of changing plan design, increasing the value of health care benefits, and improving the health of TRS members. Mr. Green also provided an overview of the enterprise spotlight report and highlighted new reporting on risk level trending for the risk categories.

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

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

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

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

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

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

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

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

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

Mr. Nance concluded his report with the following motions:

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

September 15, 2023

RESOLUTION ADOPTING INVESTMENT MANAGEMENT DIVISION'S
PERFORMANCE PAY PLAN

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

Whereas, Subsection 1.7(h) of the Board's bylaws provides that the Board shall establish a system for the equitable and effective compensation of Investment Management Division (IMD) employees;

Whereas, To remain competitive in attracting and retaining high caliber IMD employees, the Board has determined that it is in TRS's best interest to offer a compensation package that includes a competitive base salary and an opportunity to earn additional compensation through an IMD Performance Pay Plan (Plan);

Whereas, Consistent with those objectives, the Board adopted the initial version of the Plan in 2007; Now therefore, be it

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

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

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

September 15, 2023

**RESOLUTION ADOPTING TEACHER RETIREMENT INVESTMENT
COMPANY OF TEXAS LTD'S PERFORMANCE PAY PLAN**

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

Whereas, Subsection 1.7(h) of the Board's bylaws provides that the Board shall establish a system for the equitable and effective compensation of Teacher Retirement Investment Company of Texas Ltd. (TRICOT) employees;

Whereas, To remain competitive in attracting and retaining high caliber TRICOT employees, the Board has determined that it is in TRS's best interest to offer a compensation package that includes a competitive base salary and an opportunity to earn additional compensation through a TRICOT Performance Pay Plan (Plan); Now therefore, be it

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

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

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

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

September 15, 2023

**RESOLUTION READOPTING
EXECUTIVE PERFORMANCE INCENTIVE PAY PLAN**

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

Whereas, Subsection 1.7(h) of the Board's bylaws provides that the Board shall establish a system for the equitable and effective compensation of employees;

Whereas, To remain competitive in its efforts to attract and retain high caliber executives, the Board desires to offer a competitive compensation package that includes, not only a competitive base salary, but also an opportunity to earn additional rewards through an Executive Performance Incentive Pay Plan (“Plan”);

Whereas, Consistent with that desire, the Board adopted on November 19, 2015 the Plan, which rewards select executive management for performance and:

- Focuses on key objectives tied to the overall success of TRS; • Aligns incentive potential to the achievement of TRS’ mission, goals, and objectives; • Ties rewards to measurable success related to completion of goals linked to TRS’s Strategic Plan and outlined in the Areas of Focus;
- Ensures TRS can attract, motivate, and retain top-performing executive leadership; and

Whereas, The Board desires to continue the Plan and readopt performance categories, category weights, performance goals, and key performance indicators for the Plan year beginning October 1, 2023; now, therefore be it

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19. **Consider selecting the Health Actuarial Contract including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Katrina Daniel.**

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

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

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

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

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

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

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

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

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

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

Whereas, TRS received and evaluated proposals under the RFP;

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

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

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

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

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

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

Resolved, That the Board hereby authorizes the Executive Director or his designees to expend funds and to take any actions deemed by him or his designees that are necessary or advisable to implement the Board's selection of Milliman and Segal for healthcare actuarial services, and to continue with negotiations and finalize a contract with each contractor with terms and conditions deemed by the Executive Director or his designees to be in the best interest of the TRS-Care and TRS-ActiveCare programs, as well as to amend, modify, or extend the contracts. The Board's selection of Milliman and Segal pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until a full and final written contract is successfully negotiated and executed between TRS and each contractor.

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

This item was not taken up.

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

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

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

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

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

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 7th DAY OF DECEMBER 2023.

ATTESTED BY:

Katherine H. Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

12/7/2023
Date