

September 2023

# TRUSTEES

## TRS Board of Trustees Meeting



**Teacher Retirement System of  
Texas**

1000 Red River Street  
Austin, Texas  
78701-2698

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

**AGENDA**

**September 14, 2023 – 8:00 a.m.**

**September 15, 2023 – 8:00 a.m.**

*All or part of the September 14-15, 2023 meeting of the TRS Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have the presiding officer and a quorum physically present at the following location, which will be open to the public during the open portions of the meeting: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5<sup>th</sup> Floor, Boardroom.***

***Members of the public may provide virtual public comment by registering first with the Board Secretary by submitting an email to [publiccomment@trs.texas.gov](mailto:publiccomment@trs.texas.gov) identifying the name of the speaker and topic, no later than 5:00 pm on September 14, 2023.***

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

*NOTE: The Board may take up any item posted on the agenda during its meeting on September 14-15, 2023 beginning at the time and place specified on this agenda.*

1. Call roll of Board members.
2. Consider the following administrative matters – Jarvis V. Hollingsworth:
  - A. Approval of the July 2023 proposed meeting minutes;
  - B. Setting, rescheduling, or canceling future Board meetings including considering dates for the calendar year 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.
4. Receive Quarterly Ombudsman's Report – Lori LaBrie.

5. Review and consider procurements 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.

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

***NOTE:** The Board meeting likely will recess after the last item above to take up posted committees and will resume September 14, 2023, Thursday afternoon, to take up items listed below.*

7. Receive an overview of the compensation process for Board Direct reports - Shunne Powell; Josh Wilson and Susan Lemke, Mercer Consulting.
8. Receive an overview of the evaluation process for Board Direct reports - Shunne Powell; Keith Robinson and Liz Severyns, Focus Consulting.
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.

***NOTE:** The Board meeting likely will recess after the last item above and will resume September 15, 2023, Friday morning, to take up items listed below.*

10. Provide an opportunity for public comment – Jarvis V. Hollingsworth
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;
  - E. Proposed repeal of the following TRS rules in 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
- 12. Receive the report of the Benefits Committee on its September 14, 2023 meeting and consider the following:
  - A. Acceptance of the Medical Board Meeting minutes for 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; and
  - D. Adopt TRS ActiveCare Individually Underwritten Rates for an employer entering during a transitional year.
- 13. Receive the report of the Investment Management Committee on its September 14, 2022 meeting – Committee Chair.
- 14. Receive the report of the Strategic Planning Committee on its September 14, 2023 meeting – Committee Chair.
- 15. Receive the report of the Compensation Committee on its September 14, 2023 meeting and consider 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 Plans for the 2023 – 2024 Performance Period adoption.
- 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.
- 17. Receive an update on the TEAM Program – Andrew Roth, Billy Lowe, Jennifer Whitman and Adam Fambrough.
- 18. Receive an update from the TEAM Program Independent Program Assessment (IPA) Vendor – Laurie Patton, EY.
- 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 the negotiations with a third person – Katrina Daniel.

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

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

- a.* Texas Government Code, Section 551.071: Consultation with Attorney;
- b.* Texas Government Code, Section 551.072: Deliberation Regarding Real Property;
- c.* Texas Government Code, Section 551.074: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees including but not limited to the Executive Director, Chief Audit Executive, Chief Investment Officer and Ombudsman.
- d.* Texas Government Code, Section 551.076: Deliberation Regarding Security Devices or Security Audits;
- e.* Texas Government Code, Section 551.089: Deliberation Regarding Security Devices or Security Audits; or
- f.* Texas Government Code, Section 825.115: Applicability of Certain Laws;
- g.* Texas Government Code, Section 825.3011: Certain Consultations Concerning Investments.

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

**July 14, 2022**

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, July 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  
Brittney Allred  
Michael Ball  
David Corpus  
John Elliott  
James Dick Nance  
Robert H. Walls, Jr.  
Elvis Williams

### **Others present:**

Brian Guthrie, TRS	Rick Pleasant, CVS Caremark
Andrew Roth, TRS	Rene Paulson, Elite Research
Heather Traeger, TRS	Amy Daily, ESI
Jase Auby, TRS	Lindsay Luelf, ESI
Don Green, TRS	TJ Geers, ESI
Barbie Pearson, TRS	Tolv Adeoye, Adobe
Katrina Daniel, TRS	Mark Robbins, HDS
Amanda Jenami, TRS	Tom Counts, HDS
Merita Zoga, TRS	Bonnie Vaylor, HDS
Lori LaBrie, TRS	Joann Coccaro, MMS
Katherine Farrell, TRS	Michelle Rodriguez, HMS
Suzanne Dugan, Cohen Milstein	Adam Morris, HMS
Dr. Keith Brown, Board Investment Advisor	
	Michael Clayton, SAO
	Steve Alexander, BCBS TX
	Karen Haywood, BCBS
	Marcy McLanzo, UHC
	Pamela McPeters, TCTA
	Brock Gregg, TRTA

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, Mr. Walls was absent.

**2. Consider administrative matters including approval of the May 2023 proposed meeting minutes – Jarvis V. Hollingsworth.**

On a motion by Ms. Sissney, seconded by Mr. Ball, the Board unanimously voted to approve the May 2023 proposed meeting minutes as presented.

**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, investment matters, strategic planning, legislative, trustee elections, personnel matters and Moving Forward Together Update.**
- B. Board operational matters, including a review of draft agendas for upcoming meetings.**
- C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.**

Mr. Brian Guthrie reviewed upcoming and past conferences and meetings. He provided an update to the new construction activities in Alpha-Bravo. He said the Health Division is scheduled to move into Alpha shortly and that the Bravo exterior should be completed next month. Mr. Guthrie announced the Trustee election for the retiree and at-large positions were certified and the results were sent to the Governor. He concluded the report by reviewing items for September and December Board meetings.

**4. Receive an update regarding the 88<sup>th</sup> Regular Legislative Session – Merita Zoga and Addison Crank**

Ms. Merita Zoga provided an overview of the 88<sup>th</sup> Regular Legislative Session. She said it was a record-breaking session with the number of bills filed, over 8,000. She said the General Appropriations Act, House Bill (HB) 1, provided the final phase of contribution increases from the State to the TRS Pension Trust Fund. She said in 2019 the legislature passed Senate Bill (SB) 12 which offered incremental increases to the Fund to ensure its actuarial soundness. She shared that TRS was invited along with retirees to the Governor’s bill signing of SB 10. She said the legislature also provided over \$588 million for the TRS-ActiveCare fund to help keep premiums low. She reported four new riders and the deletion of two riders. Ms. Zoga reviewed the important legislations regarding TRS Investment Management Division (IMD), Health Division and other legislation that impacted all state agencies.

Mr. Guthrie thanked Chair Hollingsworth for appearing before the legislature on TRS’ behalf and Trustee Elliott for appearing on behalf of the new trustees for the confirmation hearing. He commended Ms. Zoga and Ms. Addison Crank for all of their hard work this session.

**5. Receive TRS Quarterly Ombudsman’s Report – Lori LaBrie.**

Ms. Lori LaBrie reviewed the Ombuds communications received from January to May 2023. She reported the Office received 277 communications during the period. She reviewed the top three large-scale agency issues for April and May as COLA, health care and social security. For January to May 2023 she reported there were 102 point-in-time complaints which was down from a total of 115 last year.

**6. Review and consider procurements and contracts, including the following – Shannon Gosewehr:**

**A. Receive Procurement and Contracts Update; and**

**B. Consider accepting the Procurement and Contracting Report.**

Ms. Shannon Gosewehr announced that TRS has improved its procurement and contract management practices to such an extent that the State Auditor’s Office (SAO) determined no additional monitoring was warranted for the program. She said a few years ago TRS received an “additional monitoring warranted rating” from the SAO with regard to contract management and termination. She said the increased utilization of competitive bidding; the implementation of PAVES; improved contract risk assessment questionnaire at renewal to include vendor performance; and strengthening of the contract management workforce and the establishment of an enhanced contract monitoring plan made the difference in the improved status. Ms. Gosewehr stated that Senate Bill 1246 included an exemption for TRS from several of the state procurement requirements. She said Procurement and Contract, the Contract Management Office and Legal & Compliance over the next couple of months will evaluate revisions but do not know exactly what that will look like and are hopeful to provide an update at the next quarterly meeting. In response to Mr. William’s inquiry, Mr. Guthrie stated his perspective is to be very selective in how the flexibility is applied moving forward and only do it in situations where there is truly a competitive issue or some competitive advantage at stake with proper monitoring and documentation.

Ms. Gosewehr reviewed the status of requisitions compared to last year noting significant improvement due to transparency enabled by PAVES. She provided a HUB outreach update noting TRS has spent over \$7 million with HUB vendors, a 21 percent increase from last year. She noted the Contract Management Office is conducting contract management training for employees in the business units performing those tasks. She concluded with reviewing the quarterly contract report.

On a motion by Mr. Ball, seconded by Mr. Williams, the Board unanimously voted to accept the Procurement and Contracting report as presented by staff.

At 9:20 a.m., Mr. Hollingsworth announced the board would recess to take up the scheduled committee meetings and then will reconvene the Board in the afternoon.

At 4:15 p.m., Mr. Hollingsworth announced the Board meeting as reconvened and agenda item 7 would be taken up.

**7. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Chief Audit Executive – Jarvis V. Hollingsworth.**

At 4:16 p.m. Mr. Hollingsworth announced the Board would recess into executive session for agenda item 7 under Sections 551.074, and 551.071, to discuss personnel matters and consult with legal counsel as needed.

At 6:00 p.m., the Board reconvened in open session.

At 6:02 p.m., Mr. Hollingsworth announced the Board stands in recess until the conclusion of the ACE Committee tomorrow morning.

**July 14, 2023**

The Board of Trustees of the Teacher Retirement System of Texas met on July 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  
Brittney Allred  
Michael Ball  
David Corpus  
John Elliott  
James Nance  
Robert H. Walls, Jr.  
Elvis Williams

**Others present:**

Brian Guthrie, TRS	Tim Lee, TRTA
Andrew Roth, TRS	Marcy Cann, TRTA
Don Green, TRS	Mike McCormick, AON
Heather Traeger, TRS	Laurie Patton, EY
Jase Auby, TRS	Kendall Thompson, EY
Barbie Pearson, TRS	Michael Clayton, SAO
Katrina Daniel, TRS	Truvia Navkal, TRTA
Amanda Jenami, TRS	Ella Gauthier, TRTA
Katy Hoffman, TRS	Dr. Mary Widmier, TRTA
Frank Williams, TRS	Brock Gregg, TRTA
Shunne Powell, TRS	Rick Pleasant, CVS
Katherine Farrell, TRS	
Kristi Glasgall, TRS	
Michelle Gray, TRS	
Christine Bailey, TRS	
J.R. Morgan, TRS	
Suzanne Dugan, Cohen Milstein	
Dr. Keith Brown, Board Investment Advisor	

At 9:57 am the Chair reconvened the board meeting.

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

Mr. Tim Lee, Executive Director of Texas Retired Teachers Association (TRTA), expressed appreciation for the work that TRS, specifically Brian Guthrie, had done during the legislative session to do something for retired public school employees that have never been done in the history of the State of Texas.

Ms. Marcy Cann, representing TRTA, expressed appreciation of the excellent job of educating the legislature and the fun of being there together to have the bill signed by the Governor.

**9. Receive the report of the Strategic Planning Committee on its July 13, 2023 meeting – Committee Chair.**

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

The Strategic Planning Committee met on July 13, 2023. The committee approved the proposed minutes of April 2023 meeting.

The executive director provided an update on his areas of focus for fiscal year 2023. Mr. Don Green and Ms. Michelle Pagan provided background information and an overview of the proposed fiscal year 2024 areas of focus in alignment with the key accountabilities and strategic plan.

Mr. Green, along with strategic plan objective owners, discussed and reviewed the results forum information for the 2023-2027 TRS Strategic Plan objectives. The objectives included: advancing and enhancing IT systems and services, enhancing the Information Security program, fostering a culture of fiduciary responsibility and ethical conduct, improving and maintaining effective procurement and contract management practices, and developing a centralized data management framework for digital and physical data.

Mr. Green also provided an overview of the enterprise stoplight report.

Ms. Sunitha Downing, and Dr. Rene Paulson from Elite Research, provided survey results from the reporting employer satisfaction survey.

- 10. Receive the report of the Benefits Committee on its July 13, 2023 meeting and consider adoption, approval or acceptance of the following – Committee Chair:**
- A. Consider resolution directing staff to prepare for and issue the limited by age one time-stipend consistent with the provisions of Senate Bill 10 as passed by the 88<sup>th</sup> Texas Legislature Regular Session**
  - B. Acceptance of the Medical Board Meeting minutes;**

- C. Consider the appointment of members of the Medical Board;**
- D. Consider the approval of the Benefit Payments for March 2023 – May 2023;**
- E. Consider adoption of the plan design for the TRS-Care Standard Plan for FY 2024.**

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

The Benefits Committee met on July 13, 2023. The committee approved the proposed minutes of the Benefits Committee for the April 27, 2023 meeting.

Ms. Barbie Pearson, Chief Benefits Officer, provided information regarding the one-time stipend with the provisions of Senate Bill 10, as passed by the 88th Texas Legislature and signed by the governor on June 13, 2023.

Ms. Pearson recommended to the committee to recommend to the Board to consider the adoption of the resolution directing staff to prepare for and issue the one-time stipend.

Ms. Barbie Pearson provided an update on the Medical Board. The committee recommends to the Board acceptance of the Medical Board meeting minutes for March 2023.

Next, Mr. Adam Fambrough, senior director of Benefit Processing, presented staff's recommendation for the committee to consider recommending to the Board the appointment of Dr. Alice Cox to the Medical Board for a two-year term beginning September 1, 2023 through August 31, 2025.

Ms. Barbie Pearson provided an update on the benefit payments for the third quarter of fiscal year 2023. The committee recommends to the Board the approval of benefit payments for March through May 2023.

The Committee received an update from Ms. Pearson on Benefit Services operations for the for the nine months of fiscal year 2023. The report included updates on the number of members and employers served from September 2022 through May 2023. This report also included updates on service levels for all key member service areas, staffing updates, and an update on the deployment of the death claim and retirement process from the legacy mainframe into TRUST.

Next the Committee received an update from Ms. Katrina Daniel, Chief Health Care Officer, on the Health Division plan changes, operations and claims audit.

First, Ms. Meaghan Bludau, Chief of Staff for the Health Division, described changes needed for the TRS-Care standard plan to ensure it remains compatible with health savings accounts. The committee voted to recommend the benefit changes.

Ms. Bludau and Ms. Monica Bernal, Senior Director of Operations for the Health Division, then went on to update the committee on Health Benefits plan operations and upcoming engagement activities.

Finally, Mr. Jeff Bain, Director of Health Contracts, along with Mr. Adam Morris from Gainwell Technologies and Mr. Todd Coulter from Health Plan Data Solutions, presented the most recent claims audit results 10 for TRS-Care and TRS-ActiveCare.

Mr. Williams concluded the report with the following motions:

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution directing the staff to prepare for and issue the limited by age one-time stipend consistent with the provisions of Senate Bill 10.

**RESOLUTION APPROVING THE ISSUANCE OF A ONE-TIME STIPEND  
AUTHORIZED IN SENATE BILL 10 AND FUNDED IN HOUSE BILL 1  
July 13-14, 2023**

**Whereas**, Senate Bill 10 (SB 10) was passed by the 88th Legislature, Regular Session, and signed by the Governor on June 14, 2023;

**Whereas**, Section 2 of SB 10 is effective immediately and requires the Teacher Retirement System of Texas (TRS) to pay a one-time stipend of a retirement or death benefit in accordance with the provisions set forth in that section and sets out specific instructions regarding who is eligible to receive the stipend and the amount and timing of that payment;

**Whereas**, House Bill 1 (HB 1) was passed by the 88th Legislature, Regular Session, and signed by the Governor with an effective date of September 1, 2023;

**Whereas**, HB 1 appropriates \$1,645,000,000 to TRS in fiscal year 2024 to provide for the one-time stipend in accordance with the requirements of SB 10, and SB 10 provides that TRS shall issue the supplemental payment only if the Board of Trustees ("Board") finds that the Legislature appropriated money to TRS in an amount sufficient to provide the supplemental payment;

**Whereas**, Government Code § 821.006 requires the pension fund's unfunded accrued actuarial liability to have a projected amortization period of less than 31 years in order for TRS to issue a benefit enhancement, such as a one-time stipend. According to the actuarial analysis for the impact of SB 10, the expected amortization period for the fund is 27 years;

**Whereas**, SB 10 requires that the one-time stipend to be payable no later than September 2023;

**Whereas**, The Benefits Committee recommends that the Board direct TRS staff to prepare for and issue the one-time stipend in September 2023 and in accordance with the provisions in SB 10, but only if the Board of Trustees finds that the Legislature appropriated money to TRS in an amount sufficient for provide the stipend;

**Whereas**, The Benefits Committee further recommends that the Board find that in HB 1 the Legislature appropriated money to TRS in an amount sufficient for provide the one-time stipend in SB 10;

**Whereas**, The Board desires to adopt the recommendations of the Benefits Committee; now, therefore, be it

**Resolved**, That the Board hereby adopts the recommendation of the Benefits Committee and finds that in HB 1 the Legislature appropriated money to TRS in an amount sufficient for provide the one-time stipend in SB 10; be it

**Further resolved**, That the Board directs TRS staff to prepare for and issue the one-time stipend in September 2023 and in accordance with the provisions in SB 10.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution appointing members to the Medical Board.

### **RESOLUTION TO APPOINT TRS MEDICAL BOARD MEMBER**

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

**Whereas**, The term of one of the current three members will expire August 31, 2023;

**Whereas**, TRS staff recommends that the Board of Trustees reappoint Dr. Alice Cox as a member of the TRS Medical Board effective September 1, 2023 for a two-year term that ends on August 31, 2025; now therefore be it resolved

**Resolved**, That the Board of Trustees reappoints Dr. Alice Cox for a two-year term beginning on September 1, 2023 and expiring on August 31, 2025; and

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

On a motion by Mr. Williams, the Board unanimously voted to approve the benefit payments for March through May 2023, as recommended by the committee.

On a motion by Mr. Williams, the Board unanimously voted accept the Medical Board's meeting minutes for March 2022 meeting, as recommended by the Benefits Committee.

On a motion by Mr. Williams, the Board unanimously voted to adopt the resolution approving benefit changes for TRS-Care Standard Plan for Fiscal Year 2024.

**RESOLUTION APPROVING BENEFIT CHANGES FOR THE TRS-CARE  
STANDARD PLAN AFTER IRS GUIDELINES**

July 13, 2023

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

**Whereas**, the TRS-Care Standard plan is a High Deductible Health Plan (HDHP) that TRS provides under Chapter 1575 for retired public school employees and eligible dependents who do not qualify for Medicare coverage;

**Whereas**, it has been the purpose of TRS since the implementation of TRS-Care Standard that such plan be a “qualified” HDHP, as such term is defined by the Internal Revenue Service (IRS), so that retired school employees and their eligible dependents who benefit from it may use such coverage to qualify themselves to make tax-deductible deposits into a Health Savings Account (HSA) if they choose to do so and otherwise qualify under IRS rules to make such deposits;

**Whereas**, the IRS periodically revises the requirements that HDHPs must meet so that they qualify individuals covered by them to make tax-deductible HSA deposits;

**Whereas**, through an official publication from the IRS called Revenue Procedure 2023-23, the IRS released the inflation adjusted minimum requirements that will apply to qualified HDHPs in the year 2024, which include an annual deductible of not less than \$1,600 for self-only coverage and not less than \$3,200 for family coverage, and annual out-of-pocket expenses that do not exceed \$8,050 for self-only coverage and \$16,100 for family coverage;

**Whereas**, to keep TRS-Care Standard as a qualified HDHP, TRS is required to make the adjustments to the benefits identified below for the 2024 plan year, commencing on January 1, 2024;

**Whereas**, TRS staff and consultants assisting staff (the “Consultants”) have reviewed the IRS requirements and compared them to the current TRS-Care Standard benefits and recommend that the Board approve the changes below so that the TRS-Care Standard plan keeps its status as a “qualified HDHP” under IRS rules;

**Whereas**, The TRS Board of Trustees (“Board”) desires to adopt the recommendations of TRS staff and the Consultants; now, therefore, be it

**Resolved**, That the Board hereby adopts and authorizes the following benefit changes, subject to all other plan requirements and restrictions, for TRS-Care

Standard beginning in the 2024 plan year commencing on January 1, 2024 and thereafter, until further action by the Board:

<b>TRS-Care Standard</b>		
<b>Plan Feature</b>	<b>Current 2023 Plan Year</b>	<b>Proposed 2024 Plan Year</b>
Individual In-Network Deductible	\$1,500	\$1,600
Family In-Network Deductible	\$3,000	\$3,200
Individual Out-of-Network Deductible	\$3,000	\$3,200
Family Out-of-Network Deductible	\$6,000	\$6,400

**11. Receive the report of the Compensation Committee on its July 13, 2023 meeting – Committee Chair.**

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

The Compensation Committee met July 13, 2023. The committee approved the proposed minutes of its April 2023 meeting.

The committee received an update on staffing and turnover, a timeline regarding the annual evaluation of Board direct reports, and the TRS classification plan from Shunne Powell, Chief Organizational Excellence Officer, and Monica Durham, Talent Manager, and Christine Bailey, Director of Compensation and Workforce Analytics.

The committee received an overview of TRS compensation, including determination, evaluation and philosophy for compensation and an update from the Board's compensation consultant from Shunne Powell, Chief Organizational Excellence Officer, and Christine Bailey, Director of Compensation and Workforce Analytics.

The Board also received an overview of compensation services to be provided by the Board's compensation consultant from Josh Wilson and Susan Lemke from Mercer Consulting.

**12. Receive the report of the Budget Committee on its July 13, 2023 meeting and consider adoption of the following – Committee Chair:**

- A. Consider the adoption of the proposed fiscal year 2024 pension trust fund administrative operations budget, general provisions, and resolution authorizing transfer of pension trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2024 budget;**
- B. Consider the adoption of the proposed fiscal year 2024 administrative operations budgets and general provisions for the TRS health benefits funds (retired and active plans).**
- C. Consider the statutory certification of estimated state contributions to the State Comptroller of Public Accounts to be received by the retired school employees group health benefit fund for the fiscal year ending August 31, 2024.**

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

The Budget Committee met July 13, 2023. The committee approved the minutes of the April 2023 Budget Committee meeting.

Mr. Don Green and Ms. Kendall Courtney presented an overview of the commission sharing arrangement expenditures and the continued transition to match those eligible expenses with the revenues generated through the Pension Trust Fund.

Mr. Don Green then presented an overview of the proposed administrative operating budget of \$292.6 million for fiscal year 2024 and the associated general provisions.

The proposed fiscal year 2024 budget is approximately 4.9 percent more than the current fiscal year '23 budget and is within the appropriated levels and FTE flexibility provided by the General Appropriations Act.

It includes the cost of staffing previously approved for the customer service improvement initiative and cost savings of approximately \$1.2 million by converting current contracted staffing to TRS FTEs. The recommended fiscal year 2024 budget includes 37 new FTEs and funding for the Investment Management Division modernization program and the fraud prevention tool.

Mr. Ball concluded his report with the following motions:

On a motion by Mr. Ball, the Board unanimously voted to adopt the fiscal year 2024 budget Trust Fund administrative operations budget, general provisions and resolution authorizing the transfer of Pension Trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2024 budget, as recommended by the Budget Committee.

### **Resolution**

#### **Authorizing Expenditure and Transfer of Trust Funds For Pension Trust Fund Administrative Operations July 14, 2023**

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

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

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

related to Governmental Accounting Standards Board statements and pronouncements;

**Resolved,** That the board approves the amendments to the General Provisions for the Pension Trust Fund Administrative Operations, including a change to the performance pay plans maximum award of \$69.3 million.

**Resolved,** That the board finds the expenditure of pension trust funds for operating expenses in Fiscal Year 2024 including the changes listed below are required to perform the fiduciary duties of the board in administering the retirement system in the amount of \$254,022,500, as approved today in the Fiscal Year 2024 Budget and General Provisions for the Pension Trust Fund Administrative Operations, as amended, plus such additional amounts as may be necessary for the following expenditures and changes to the General Provisions:

- To pay the actual amount of performance incentive compensation payable up to \$69.3 million in Fiscal Year 2024, if any; and
- To reimburse reasonable and necessary employee transportation and other expenditures necessary for employees to attend orientation, training and staff development activities conducted at TRS headquarters; and
- To achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by such General Provisions adopted by the board; and to implement GASB statements; and
- To pay operating expenses incurred as a result of reductions made during the 88th Legislature and changes in market conditions as may be required to ensure funding levels remain sufficient for ongoing agency key initiatives.

**Resolved,** That the staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the retirement system under the approved budget for Fiscal Year 2024, but not to exceed the amount of \$254,022,500 plus, any additional amounts necessary to pay performance incentive compensation payable in Fiscal Year 2024 and, as applicable, to achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by the General Provisions adopted by the board.

On a motion by Mr. Ball, the Board unanimously voted to adopt the proposed fiscal year 2024 administrative operations budget and general provisions for the TRS Health Benefits Fund, retired and active plans, as recommended by the Budget Committee.

On a motion by Mr. Ball, the Board unanimously voted to adopt the state contribution certifications for TRS-Care for fiscal years 2024, as recommended by the Budget Committee.

**13. Receive the report of the Policy Committee on its July 13, 2023 meeting and consider adoption of the following – Committee Chair:**

- A. **Adoption of amendments to the Policy on Negotiated Rulemaking and Alternative Dispute Resolution; and**
- B. **Adoption of the proposed amendments to the following TRS rules in Chapters 25, 29, and 47 of Title 34, Part 3 of the Texas Administrative Code:**
  - 1. **§ 25.162. State Personal or Sick Leave Credit;**

2. **§ 25.302, relating to Calculation of Actuarial Costs of Service Credit;**
3. **§ 25.303, relating to Calculation of Actuarial Cost for Purchase of Compensation Credit;**
4. **§ 29.11, relating to Actuarial Tables;**
5. **§ 29.21, relating to Beneficiary Tables;**
6. **§ 29.71, relating to Tables;**
7. **§ 47.17, relating to Calculation for Alternate Payee Benefits Before a Member's Benefit Begins**

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

The Policy Committee met on July 13, 2023. The committee approved the proposed minutes of its April 2023 meeting.

The committee recommended to the Board adoption of the proposed amendments to the policy on negotiated rulemaking and alternative dispute resolution.

The committee recommends to the Board adoption of the proposed amendments to the TRS rules in Chapters 25, 29 and 47, all in Title 34, Part 3 of the Texas Administrative Code.

Mr. Elliott concluded his report with the following motions:

On a motion by Mr. Elliott, the Board unanimously voted to adopt the proposed amendments to the policy on negotiated rulemaking and alternative dispute resolution, as recommended by the Policy Committee.

On a motion by Mr. Elliott, the Board voted to unanimously to adopt to adopt the proposed amendments to the TRS rules, as listed on the agenda, in Chapters 25, 29, and 47 Title 34, Part 3 of the Texas Administrative Code, as recommended by the Policy Committee.

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

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

The Investment Management Committee met on July 13, 2023. The committee approved the proposed April 2023 minutes.

Jase Auby began with his CIO Update. The First Quarter 2023 Performance Review was then presented by Mike McCormick of Aon.

Following, Eric Lang and Tim Koek presented the private markets update, Ryan Zafereo provided the review of energy, natural resources and infrastructure, Neil Randall presented the private equity, and Grant Walker provided a review for real estate.

Concluding the Investment Management Committee, Katie Hoffman and Brad Gilbert reviewed proposed modifications to the Investment Policy Statement.

**15. Receive the report of the Audit, Compliance, and Ethics Committee on its July 14, 2023 meeting – 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 April 28, 2023, Audit Compliance and Ethics Committee meeting.

The committee then received reports from the Texas State Auditor's Office on the results of its audit of TRS's fiscal year 2022 other post-employment benefits and the TRS employer pension liability allocation schedules.

The general counsel and chief compliance officer and senior compliance counsel presented their TRS compliance report.

Internal Audit staff presented the results of the audits of reporting employer processes and external public portfolio operations and provided a status update on prior audit recommendations.

The committee then went into executive session to discuss the results of the analysis of healthcare services covered outside of eligibility periods. The committee reconvened the meeting in open session to receive certain administrative reports.

**16. Receive an update from the Deputy Director – Andrew Roth.**

Mr. Andrew Roth focused his update on what TRS was doing to engage with members. He reported Benefits and Communications recently partnered to encourage members to post to their social media pictures of their visit with TRS. In an effort to prioritize establishing relationships with new members, he said there is a new web page created exclusively for new members. He said the page has information about benefits, health benefits and other important things for new members to aware of, including a link to a quick start guide. He announced the launch of a new TRS Instagram account with a broader focus.

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

Ms. Jennifer Whitman started the TEAM Program update with a broad overview. She said there remains one release on the road map and the status is green. She reported the retirement application and death claims processing was released at the end of April and by May it was determined the release was in a good place from a stabilization perspective. She said a new reporting measure on the dashboard was the percentage of the scope of work completed. She noted as of two weeks ago it was 38 percent completed.

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

Ms. Laurie Patton reported the retirement and death claims release was ahead of schedule in terms of winding down and completing the release and resolving all incidences. She said the focus now is on the payroll benefit release which is targeted for Q2 2025. She said where activities are altered in order to speed up releases a technical debt incurred, and they are making recommendations to track this as a metric. She commented there is a strong culture and that continues to make improvements for example a retrospective consisting of lessons learned at the end of sprints was recently implemented.

Mr. Kendall Thompson reviewed the five-point scale used to measure TRS' Agile maturity. He said most organizations currently operate at a Level 3, which is hybrid Agile. He said the current target for TRS is to operate at a Level 3.

Mr. Hollingsworth announced, without objection, taking up the public presentations of agenda items 20 and 21 prior to going into executive session for agenda items 19, 20, 21 and 22.

**20. Consider the role, performance and engagement of Board Investment Advisor, Dr. Keith Brown 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 – Brian Guthrie.**

Mr. Guthrie provided the history and background of the Board Investment Advisor. He said Dr. Keith Brown has served in this role since 2022. His current contract was signed in 2017 for a five-year term with two one-year renewals. He recommended exercising the second of the one-year extension.

On a motion by Mr. Ball, seconded by Mr. Walls, the Board unanimously voted to approve the final one-year extension on Dr. Brown's contract.

**21. Consider an investment engagement with private equity manager, 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 third parties or put the retirement system at a competitive disadvantage in the market – Eric Lang, Neil Randall and William Carpenter.**

Mr. Neil Randall stated the reason this investment opportunity was in front of the Board was for it exceeded the manager threshold limit within the Investment Policy Statement (IPS). He reported the investment was presented and approved at the June IIC meeting within IMD.

On a motion by Ms. Sissney, seconded by Mr. Corpus, the Board unanimously voted to find that deliberating or conferring on item number 21 would have a detrimental effect on the position of the retirement system in negotiations with third parties or put the retirement system at a competitive disadvantage in the market.

At 10:49 a.m., Mr. Hollingsworth announced the Board would go into executive session under the following agenda items and sections of the Government Code: item number 19 under Sections 551.076 and 551.089 to discuss TRS data protection and security; item 21 under Section 825.3011(b)(1) and 551.071 to discuss an investment engagement with a private equity manager, including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system; and finally item number 22 under Section 551.071, to consult with legal counsel as needed.

At 12:46 p.m., Mr. Hollingsworth reconvened the open meeting.

On a motion by Mr. Corpus, seconded by Mr. Nance, the Board unanimously voted to adopt the following resolution:

**Board of Trustees  
Resolution Regarding an Investment in Project Lupe  
July 14, 2023**

**Whereas**, The Investment Policy Statement (“IPS”) Section 1.3(c) established the Internal Investment Committee to review, consider, and authorize investments for the Private Markets Portfolio;

**Whereas**, IPS Appendix B limits the amount that may be initially allocated or committed to a single manager organization, and requires prior TRS Board of Trustees (“Board”) authorization to exceed that limit;

**Whereas**, The Investment Division, acting through the Internal Investment Committee, has recommended that, consistent with the provisions of IPS Sections 1.3(c) and Appendix B, the Board authorize the Investment Division to transfer private equity fund interests to a vehicle managed by Neuberger Berman or affiliates and receive back cash payments and up to \$1.4 billion in subordinated notes (the “Allocation”); now, therefore be it;

**Resolved**, That the Board hereby expressly authorizes the initial allocation or commitment with respect to the Allocation contemplated hereby, consistent with the requirement of IPS Appendix B that any such allocations or commitments in excess of 0.5% of the total fund value require prior authorization of the Board;

**Resolved**, That the Investment Division be and hereby is authorized to negotiate the requisite legal agreements for the Allocation in various investment vehicles on substantially the same, or better, terms and conditions than those presented to the Board, and, if negotiations are deemed by the Investment Division, in its discretion,

to be successful, then the Investment Division is hereby authorized to execute such definitive documents on such terms and conditions as the Investment Division may deem, in its discretion, to be in the best interest of TRS, and to execute and deliver all such other documents and agreements that the Investment Division may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents and agreements; and

**Resolved**, That the investments approved hereby and the authority granted in these resolutions to implement the approved investments does not supersede, waive, or otherwise affect the investment allocations set forth in the table in IPS Section 1.6.

**19. Receive quarterly update on TRS Data Protection and Security update – Frank Williams, Kristi Glasgall, Martin Cano and Beth Hallmark.**

This agenda item had no public presentation.

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

This agenda item had no public presentation.

At 12:47 p.m., Mr. Hollingsworth adjourned the meeting.

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

ATTESTED BY:

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

\_\_\_\_\_  
Date

# Setting Future Board Meeting Dates

## Calendar Year 2024

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

**TAB 3**



# Executive Director's Report

**Brian Guthrie**

September 14, 2023





General Updates

Moving Forward Together Update

Upcoming Board Meeting Agenda

Strategic Plan's Grand Slam

## **Upcoming Conferences and Meetings:**

- October 7 – 10, 2023: 101<sup>st</sup> NCTR Annual Conference, La Jolla, CA
- October 22 – 25, 2023: NCPERS 2023 Fall Conference, Las Vegas, NV
- November 16, 2023: TRS SPN, Austin, TX

## **Past Meetings and Updates:**

- July 16 – 19, 2023: NCTR 23<sup>rd</sup> Annual Trustee Workshop, Williamsburg, VA
- July 19 – 21, 2023: PPI Summer Roundtable, San Francisco, CA
- July 20, 2023: TRS SPN, New York, NY
- August 5 – 9, 2023 NASRA Annual Conference, Broomfield, CO
- September 11 – 13, 2023: Council of Institutional Investors Fall Conference, Long Beach, CA

# General Updates: TRTA Fall Conferences

TRTA 2023 District Fall Conferences			
District	Date	District President	Location
1	11/3/23	Amparo Montes-Gutierrez	Laredo
2	10/19/23	Linda DeHaven	Corpus Christi
3	10/18/23	Robin Metting	Kenedy
4	9/7/23	Rosalind Haynes	Houston
5	10/5/23	Lynne James	Beaumont
6	10/4/23	Judi Thomas	Huntsville
7	10/3/23	Dr. Marilyn Williams	Tyler
8	10/6/23	Andi Kirby	Pittsburg
9	10/24/23	Vicki Dillard	Wichita Falls
10	10/23/23	Gary L. Schepf	Richardson

TRTA 2023 District Fall Conferences			
District	Date	District President	Location
11	10/18/23	Rachel E. Gasperson	Ft Worth
12	9/19/23	Jo Ann Sugg	Waco
13	9/21/23	Gene Stokes	San Marcos
14	9/14/23	Ruth Stewart	Abilene
15	10/26/23	Karen Hoelscher	Junction
16	10/26/23	Charla Overton	Amarillo
17	10/10/23	Judy Kennedy	Lubbock
18	10/3/23	Shirley Johnson	Midland
19	10/17/23	Nancy B. Evans	El Paso
20	10/26/23	Dr. Amy Jo Baker	Boerne

# General Updates: TRS-ActiveCare Special Transitional Plan

TRS-ActiveCare Special Transitional Plan	
<b>July 13, 2023</b>	Chief Health Care Officer updated Benefits Committee regarding a potential participant requesting to join TRS-ActiveCare whose plan year was different. She identified a Special Transitional Plan being developed requiring possible rule amendment and separate rate plan.
<b>August 11, 2023</b>	Executive Director published a Proposed Rule 34 TAC § 41.53.
<b>Sept. 14, 2023</b>	<ul style="list-style-type: none"><li>• Benefits Committee will consider separate rates for Killeen ISD during the transitional period</li><li>• Policy Committee will consider adoption of new Rule 34 TAC § 41.53.</li></ul>
<b>Sept. 15, 2023</b>	Board will first consider adopting new rule and then consider adopting new rates.
<b>Oct. 8, 2023</b>	If adopted, Rule §41.53 will be published and become effective on this date.
<b>Jan. 1, 2024</b>	Transitional plan year to begin.

# One TRS: Moving Forward Together

## ALPHA CONSTRUCTION STATUS



3rd Floor Progress

## BRAVO SHELL CONSTRUCTION STATUS



# One TRS: Moving Forward Together

## KEY UPCOMING MILESTONES

Milestone	Target Date
IS, IA, and IT Move to Alpha 3	Early October 2023
Bravo Office/Garage Shell Construction Complete	Mid October 2023
Bravo T.I. Interior Layout Start	July 2023
Bravo T.I. Construction Start	Mid October 2023

# Upcoming Board Agenda

## December 7-8, 2023

### December 7, 2023

#### Committees

#### **Strategic Planning Committee**

- Results Forum Report Out

#### **Benefits Committee**

- Operational Updates
- Approval of Benefits

#### **Compensation Committee**

- Staffing, turnover and TRS Classification Plan Update

#### **Budget Committee**

- TRS Annual Comprehensive Financial Statement
- Report on Final expenditures re FY 2023

#### **Policy Committee**

- Rvw Designation of Key Employees Policy

#### **Investment Management Committee**

- CIO Update
- 3<sup>rd</sup> Quarter Performance Review
- Annual Trading, Risk and Multi-Asset Strategies Group Updates

#### **Audit, Compliance and Ethics Committee**

- TRS Annual Comprehensive Financial Statement Audit
- TRS Investment Company of Texas (TRICOT) Financial Audit
- Completed Internal and External Audits

### December 8, 2023

#### Board

ED Report  
Deputy Director Report  
Ombuds Report  
Contract & Procurement Report  
Information Security Update  
TEAM Update  
Committee Reports

## Upcoming Board Agenda

February 15 – 16, 2024

- Seeking Trustee input as to topics

# Engaging Every Employee - TRS Strategic Plan Grand Slam

★ Play the TRS Strategic Plan ★

## GRAND SLAM

Step up to the plate and learn how your position supports the strategic plan!

**SECOND BASE:**  
Choose Your League (Division)

**THIRD BASE:**  
Choose Your Team (Department)

**FIRST BASE:**  
Message from Brian

**HOME RUN!** **START!**  
Get Your Results Batter Up!

Find the TRS Strategic Plan Grand Slam on the intranet home page to play!

Texas Teachers

STEP UP TO THE PLATE

ONE TEAM ONE MISSION

2023-2027 STRATEGIC PLAN

ADMIT ONE

BENEFIT ACCOUNTING

**GOAL 2: Continuously improve our benefit delivery**

**Objective 1:** Improve the customer service experience for members and employers.  
*Strategy 2:* Improve response time to reporting employers.  
*Strategy 5:* Execute on the Customer Service Improvement Initiative.

**Objective 2:** Improve timeliness and accuracy in employer-reported data.  
*Strategy 1:* Improve and enhance the reporting employer portal.

LET'S HIT IT OUT OF THE PARK

### TRS Strategic Plan Grand Slam



FIRST BASE | Message from the GM



TRS Strategic Plan Grand Slam - Message from the GM

## TRS STRATEGIC PLAN

A clear game plan for success

Return to Home Plate

Next Stop: Second Base

- **What:** an internal campaign and interactive tool to uniquely engage all employees with TRS' strategic plan
- **Why:** drives home how **every** person has a role that contributes to the successful execution of the plan on behalf of the members we serve
- **When:** kicked off on 9/6/23 with an agencywide communication and video

# Appendix



Saturday, Oct. 7	Sunday, Oct. 8	Monday, Oct. 9	Tuesday, Oct. 10
Committee Meetings	General Session	General Session	General Session
	<ul style="list-style-type: none"> <li>Keynote: Lions, Tigers and Bears – A.I.!</li> </ul>	<ul style="list-style-type: none"> <li>Keynote: Transforming the Fundamentals of Education Through Innovation</li> </ul>	<ul style="list-style-type: none"> <li>Keynote: Teachers- The Right Question Changes Everything</li> </ul>
		<ul style="list-style-type: none"> <li>Panel Discussion: Current Challenges to Educators and Public Education</li> <li>Public Pensions &amp; Washington D.C. – An Update on Legislation &amp; Regulations</li> </ul>	<ul style="list-style-type: none"> <li>ESG</li> </ul>
		Break Outs: <ul style="list-style-type: none"> <li>Teacher Pensions Opportunities &amp; Challenges: A Case for Scale</li> <li>From an Innovation to a fundamental – How is the Landscape of Private Equity Shifting?</li> <li>CIO &amp; System Investment Staff</li> </ul>	Break Outs <ul style="list-style-type: none"> <li>Securities Litigation – Reviewing the Fundamentals &amp; Current Trends</li> <li>We put the DISCO in Discount Rates [Actuarial Panel Discussion]</li> <li>Cyber Security and Your System’s 3<sup>rd</sup>-Party Vendors: NCTR 2<sup>nd</sup> Annual Survey Results</li> </ul>
		Teacher of the Year Dinner and Keynote Address	NCTR Annual Business Meeting

**TAB 4**



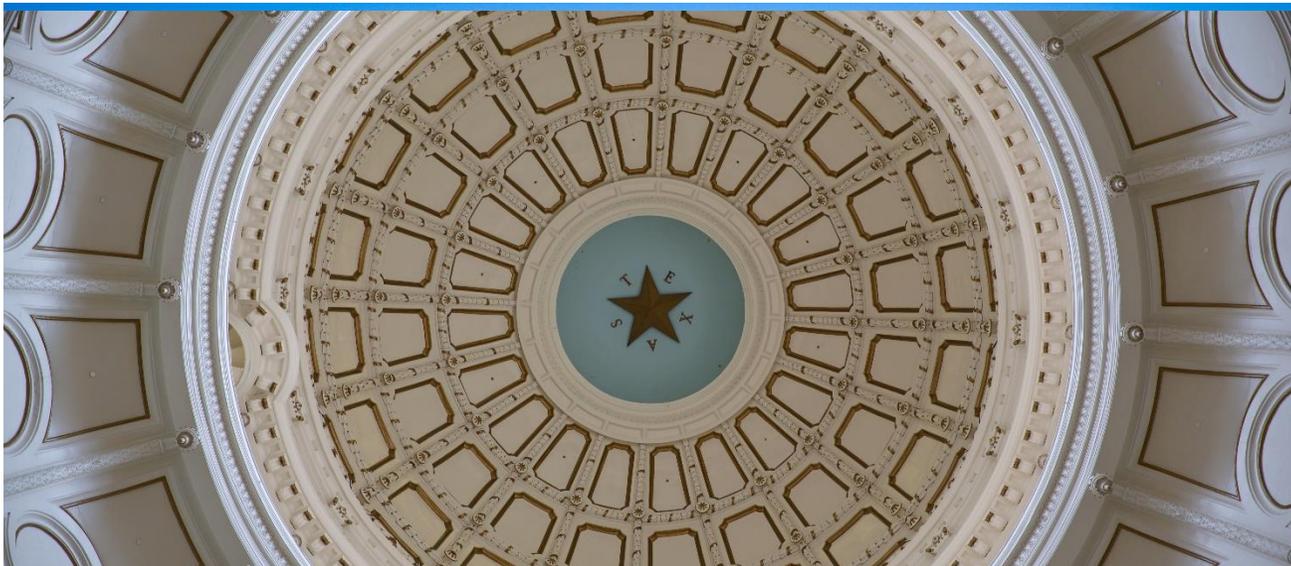
# TRS Ombuds Office



Lori LaBrie

Sept. 14, 2023





# Business Administration – Procurement and Contract Management Update

**Shannon Gosewehr**

September 15, 2023



## Moving Forward: Senate Bill 1246

- Passed this Legislative Session, among other things, the law exempts TRS from several state procurement requirements in Texas Government Code §§2261 and 2262.

- Flexibility enables TRS to further improve its procurement practices making them faster and more efficient.

- Continue to ensure our procurement practices are ***competitive, transparent and designed to best meet the needs of TRS in service to our members.***

- TRS will review its processes related to the new law and evaluate possible revisions to the TRS Procurement and Contract Management Guide.

## Investment Management Agreements

- Continue IMA exemption from current P&C processes
- Multi-layered diligence, selection and negotiation process by IMD in the best interest of the trust

## Negotiating Terms and Conditions

- TRS could determine whether certain T&Cs are needed/whether vendor-proposed changes are acceptable
- Escalation process when negotiations stall

## Contract Advisory Team Review

- Interagency team reviews solicitations \$5M+, makes recommendations
- Typically 45+ days
- Removed requirement



Increasing the dollar amount to include more direct awards



Creating a process designed to eliminate unnecessary steps in a solicitation for contracts that are below a certain dollar threshold



Creating an expedited Request for Proposal process that could be used for high-dollar contracts in very limited circumstances



## Monthly Meetings

Preview contract changes  
Contract management  
process or procedure  
updates  
Vendor performance/other  
issues



## Training

Enterprise-wide contract  
management processes &  
procedures  
49% of BU staff have  
completed training



## Contract Monitoring

21 Contracts Monitored;  
includes high-dollar (\$10M+)  
and high-risk contracts  
FY24 CMO contract  
monitoring planning  
underway

# Solicitation and Contract Quarterly Board Report – Q4

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

	Q1	Q2	Q3	Q4	Total
New Executed Contracts	0	2	0	2	4
New Executed Health Contracts	0	0	1	0	1
New FY23 Solicitations	4	2	0	2	8



TRS must follow the State of Texas HUB Program in accordance with Texas Government Code §2161. The HUB Program promotes a good faith effort to include historically underutilized businesses in the solicitation process.

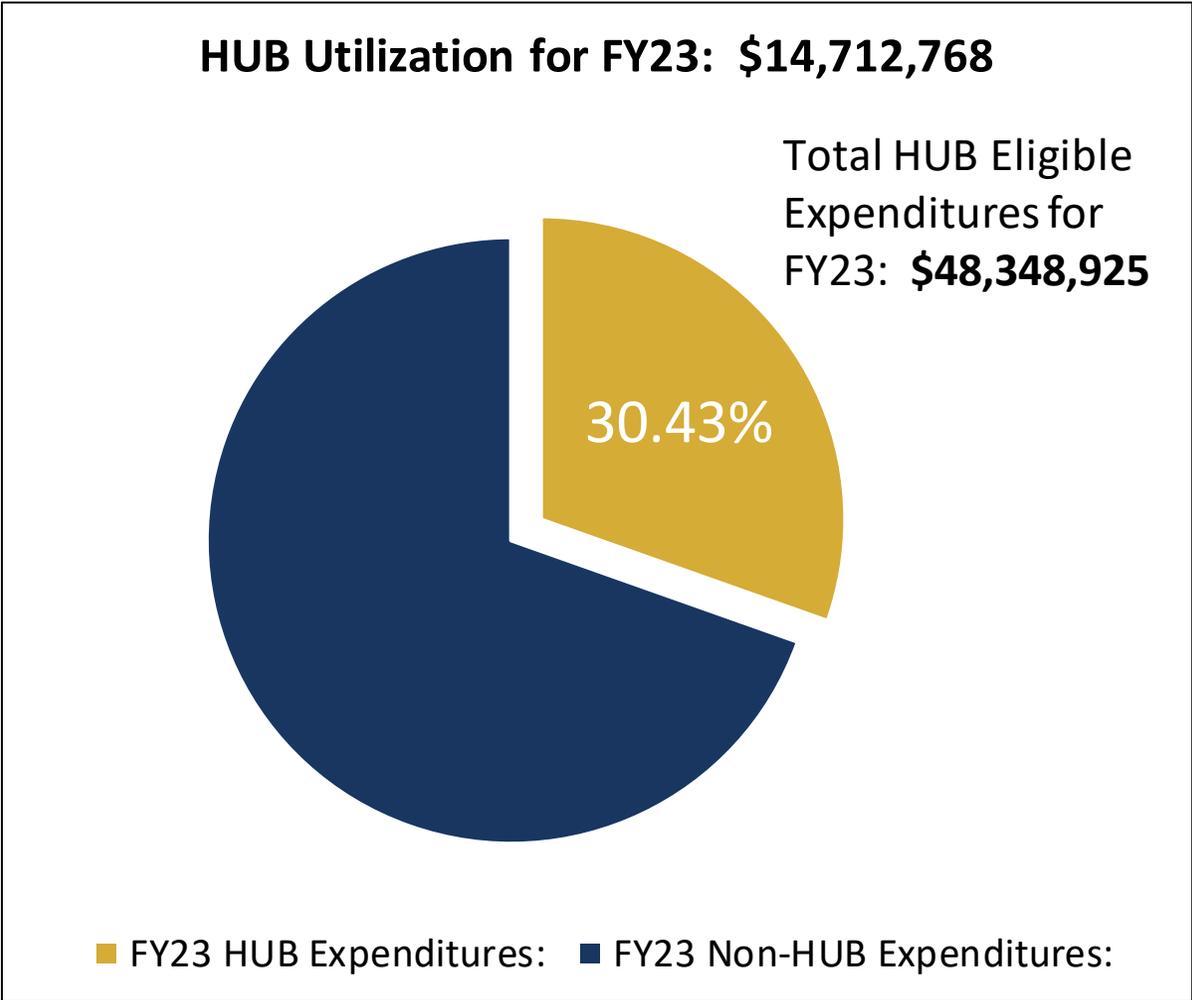
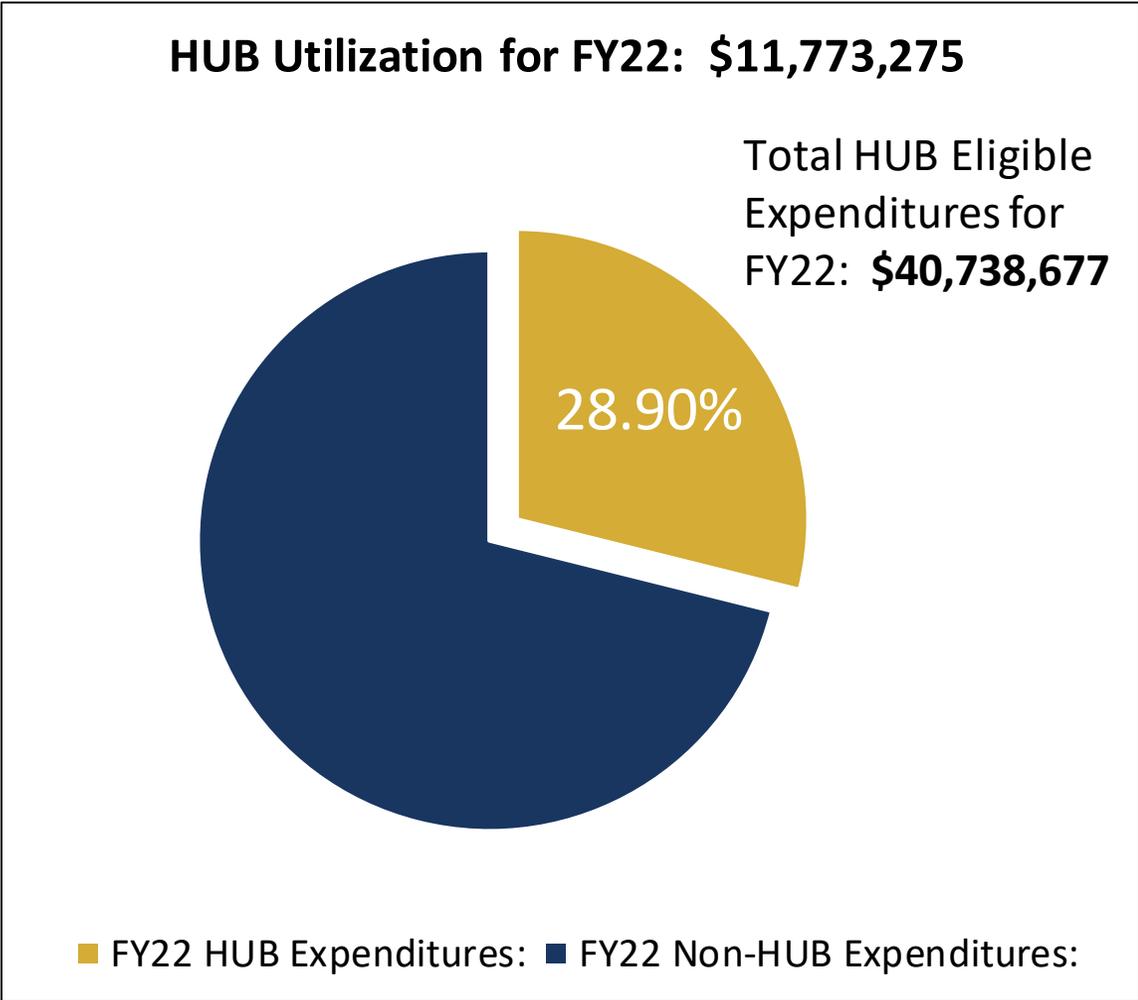
A HUB is defined as a corporation, sole proprietorship, partnership or joint venture formed for the purpose of making a profit in which the principal place of business is in the State of Texas and that is at least 51% is owned, operated, and actively controlled and managed by one or more persons who are members of the following economically disadvantaged groups:

- Black Americans
- Hispanic Americans
- Asian Pacific Americans
- Native Americans
- Women
- Veterans with at least a 20% service-connected disability

# HUB and OCE Collaboration

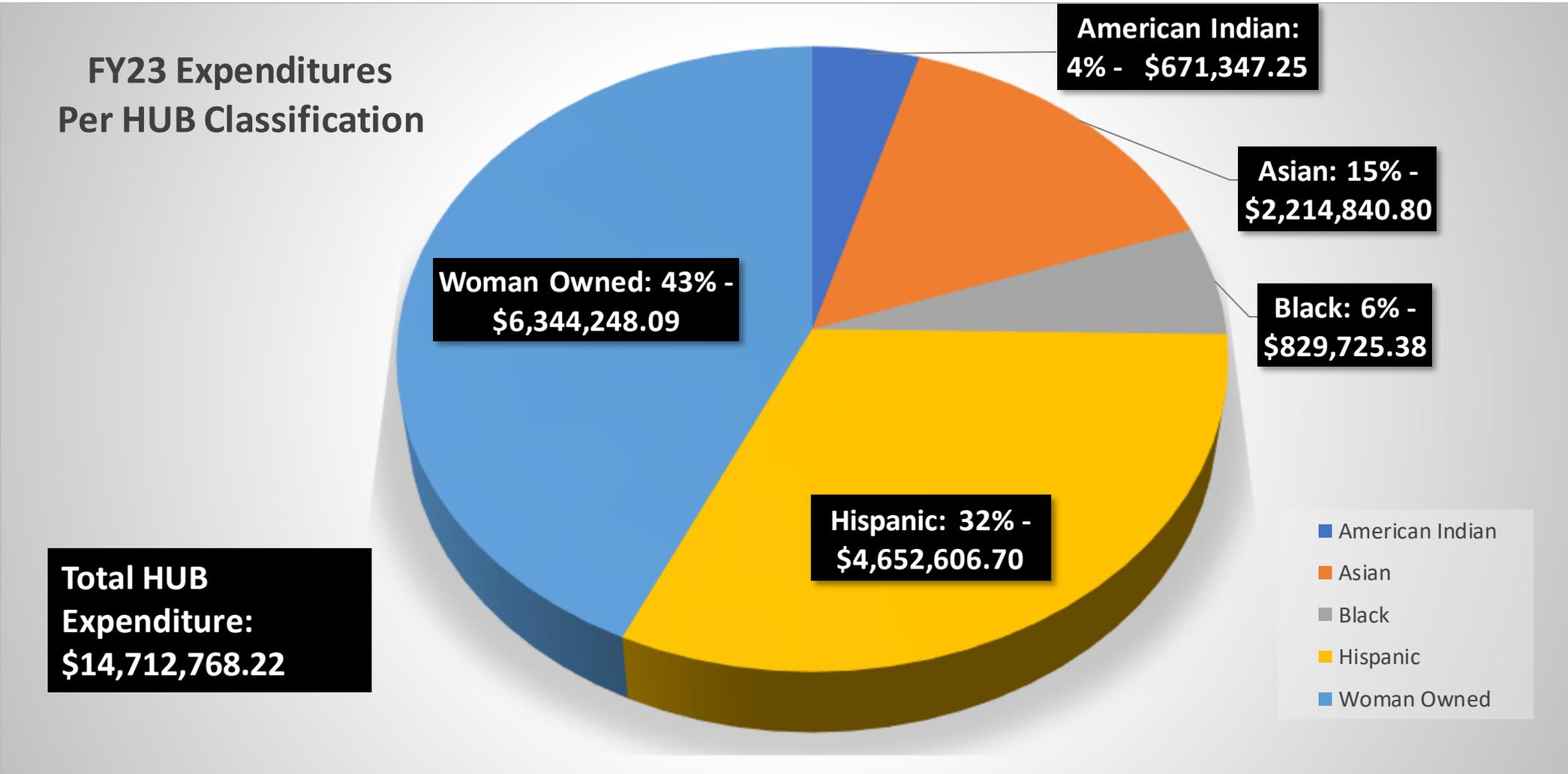
- The HUB Office and Outreach Culture and Engagement (OCE) have pooled resources to reach potential HUB-eligible vendors
- Since April 2022, the team has attended 22 Chamber of Commerce and other trade organization meetings
- Met with 480 members
- Mailed 150 postcards
- Handed out 500 brochures

# HUB Utilization from FY22 to FY23



# FY23 Expenditures Per HUB Classification

In FY23, TRS spent \$14,712,768 with HUB vendors.  
Below is the amount spent broken out by HUB classification.



# Overview of FY2023 Expenditures

FY 2023 HUB Expenditures – as of August 24, 2023					
	Total Expenditures	HUB Expenditures	HUB %	TRS Goal %	State Goal %
Commodities	\$ 3,776,386.00	\$ 1,085,624.00	29%	30.00%	21.10%
Other Services	\$39,279,807.10	\$ 11,993,471.22	31%	25.00%	26.00%
Professional Services	\$ 3,360,620.88	\$ -	0%	10.00%	23.70%
Special Trade	\$ 1,932,111.59	\$ 1,633,673.14	85%	40.00%	32.90%
<b>Total:</b>	<b>\$ 48,348,925.17</b>	<b>\$ 14,712,768.22</b>	<b>30%</b>		

**Commodities** – Office Supplies; Furniture; Consumables; IT Software/Hardware

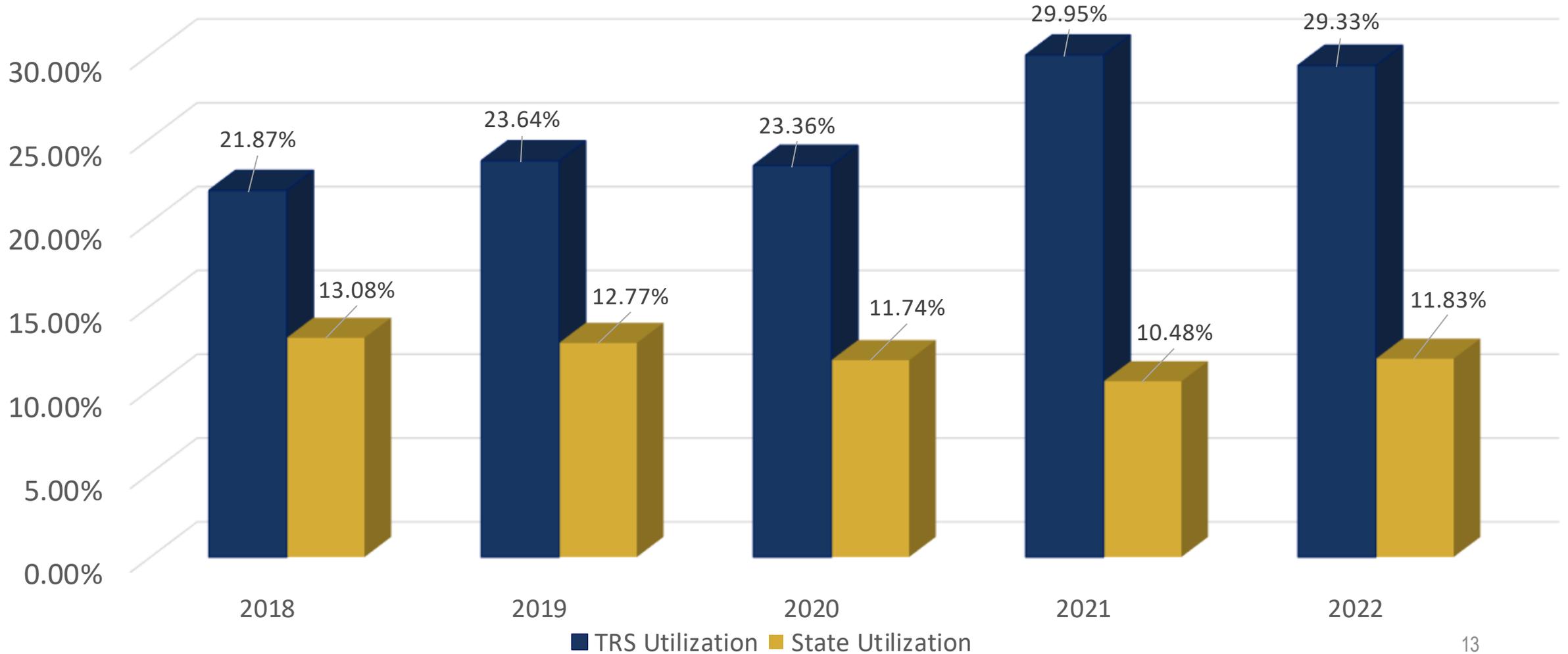
**Other Services** - Legal Services; Temporary Services; Investment Counseling

**Professional Services** - Financial Accounting Services; Architectural Services

**Special Trade** – Building Maintenance and Repair; Property Improvement

## HUB Utilization over the last 5 years

### TRS HUB Utilization 2018 - 2022



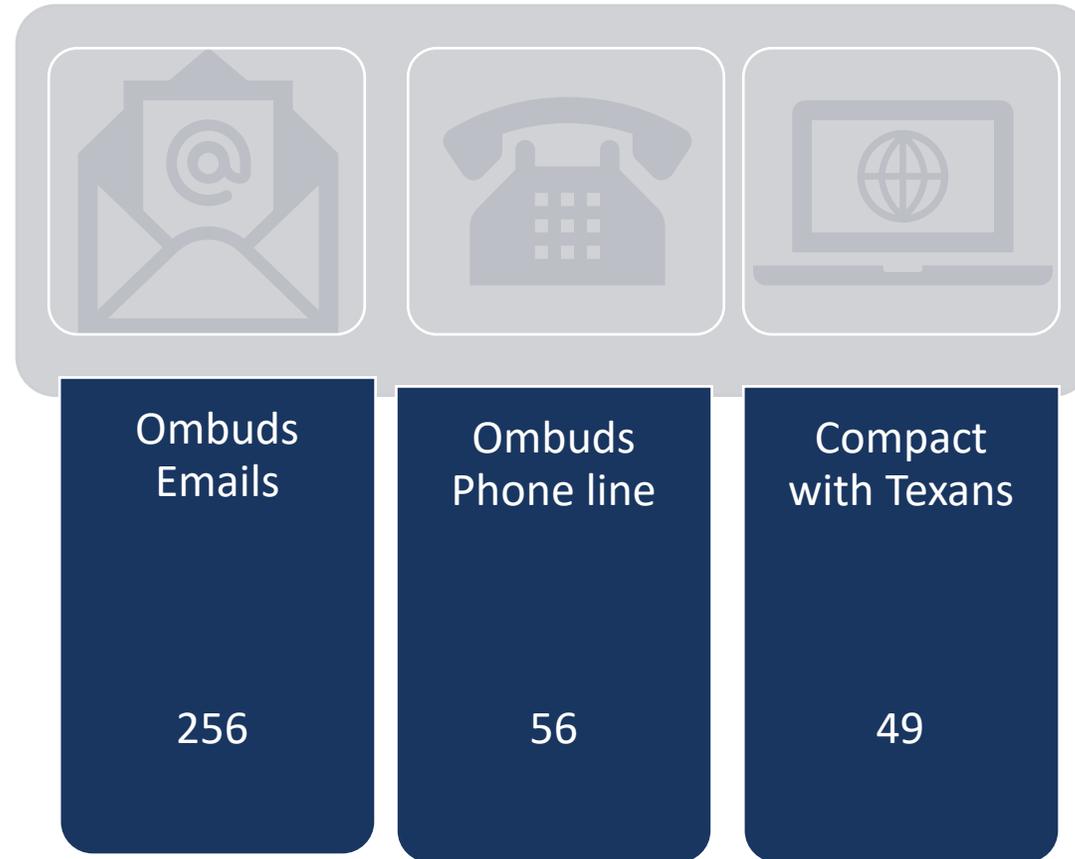
# TRS HUB Goal Comparison Since FY20

	FY20 Goals	FY20 Year End Actuals	FY21 Goals	FY21 Year End Actuals	FY22 Goals	FY22 Year End Actuals	FY23 Goals	FY23 Actuals as of 08/24/22	Proposed Goals for FY24	Current State Goals
<b>Commodities</b>	40%	20%	40%	7%	30%	22%	30%	28.75%	30%	21.10%
<b>Other Services</b>	25%	26%	25%	32%	25%	31%	25%	30.53%	25%	26.00%
<b>Professional Services</b>	10%	0%	10%	0%	10%	0%	10%	0%	10%	23.70%
<b>Special Trade</b>	40%	49%	40%	71%	40%	69%	40%	84.55%	40%	32.90%

## Proposed HUB Goal Resolution

- **Whereas**, TRS staff developed proposed HUB goals for FY24 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 FY24; now, therefore, be it
- **Resolved**, That the Board hereby adopts the following HUB expenditure goals for FY24:
  - **Commodities - 30%**
  - **Other Services – 25%**
  - **Professional Services – 10%**
  - **Special Trade – 40%**

# Ombuds Communications January – July 2023



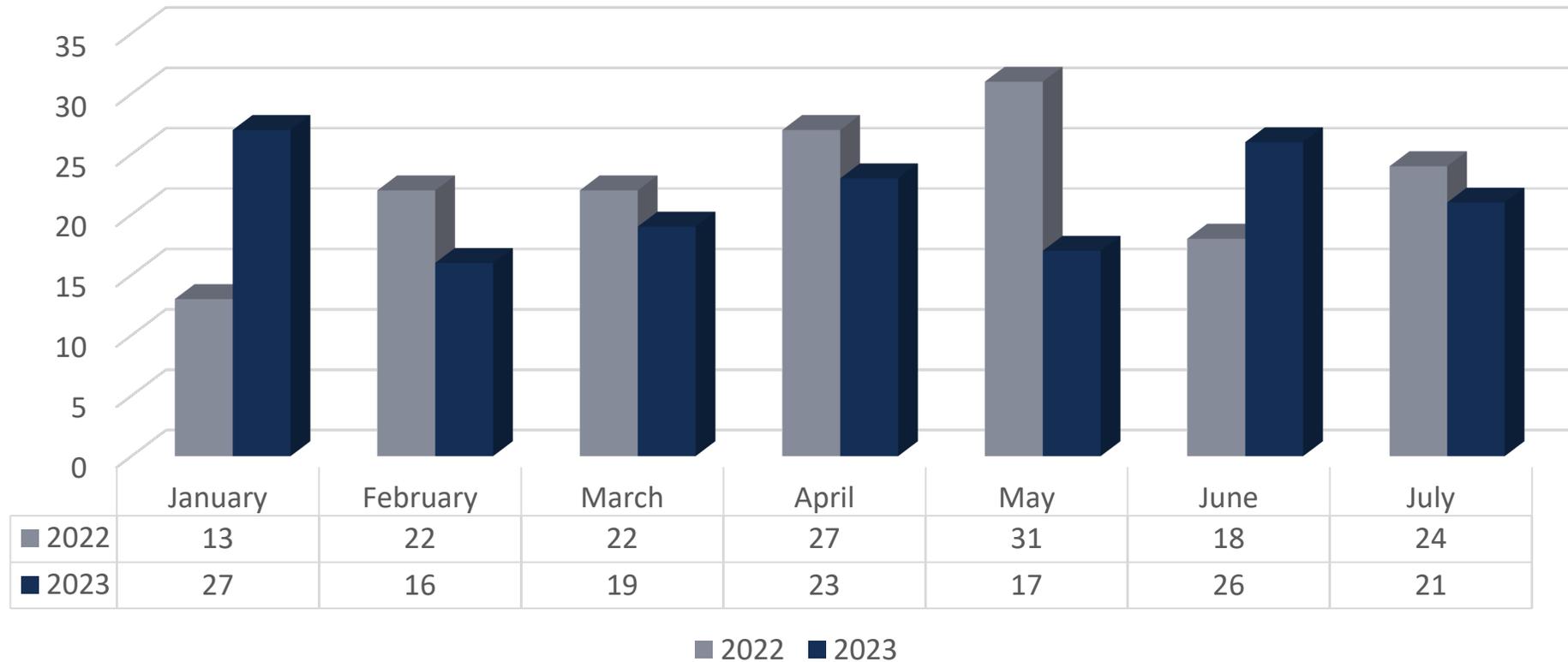
**Total Ombuds Communications: 361**

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



January 2023	February 2023	March 2023	April 2023	May 2023	June 2023	July 2023
Health Care (61)	COLA (68)	COLA (62)	COLA (58)	COLA (30)	COLA (19)	Health Care (21)
COLA (32)	Social Security (42)	Health Care (21)	Health Care (14)	Health Care (10)	Annuity Payment (6)	COLA (16)
1099-R (12)	Health Care (24)	Social Security (16)	Social Security (3)	<i>MyTRS</i> (4)	Health Care (5)	<i>MyTRS</i> (11)

# Point-in-Time Complaints January – July 2023



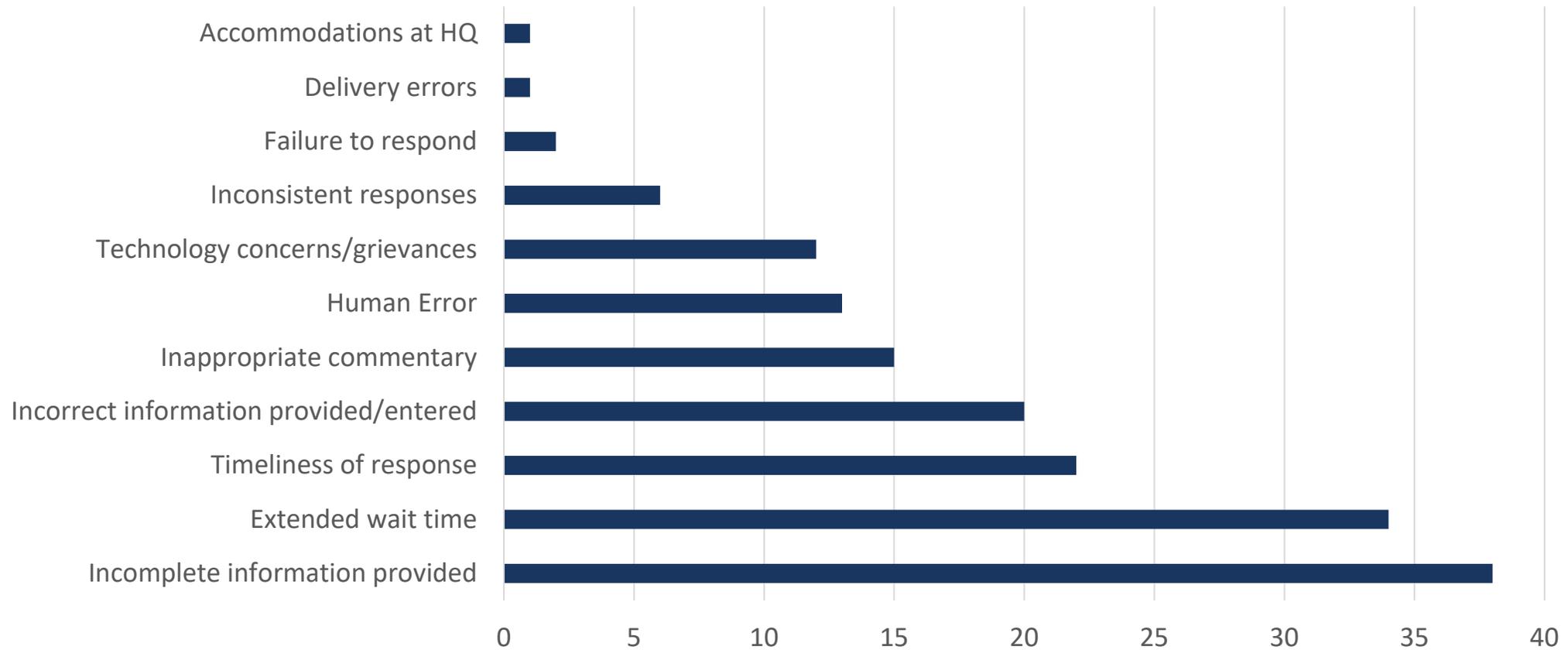
### Total Point-in-Time Complaints received:

January – July 2022 - **157**

January – July 2023 - **149**

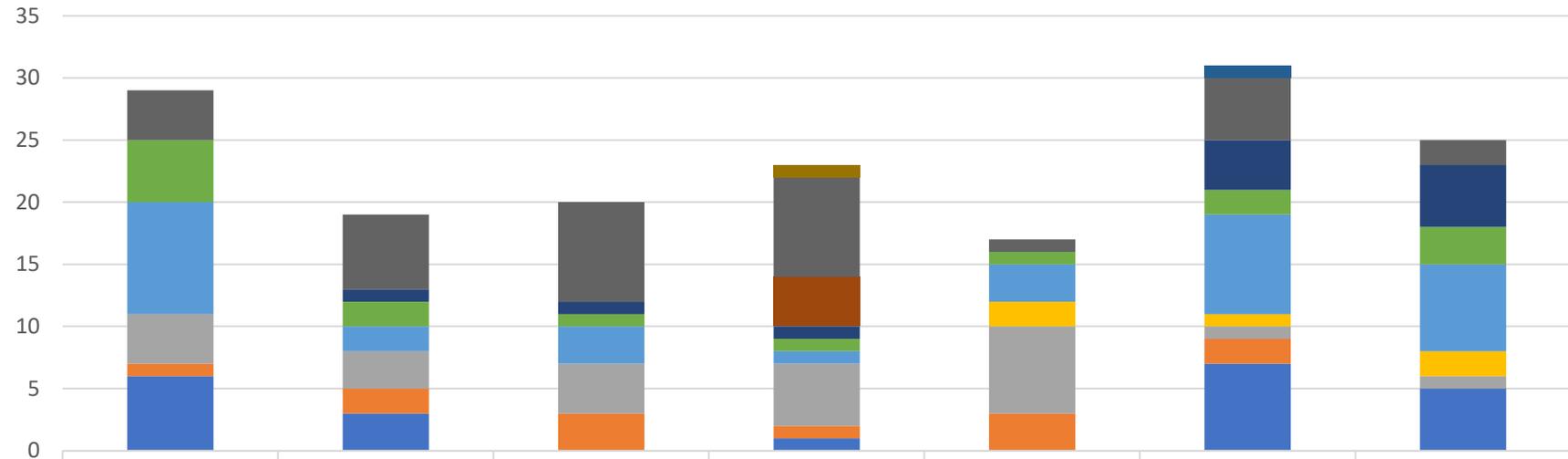
Outstanding: **0**

# Point-in-Time Complaints by Category January – July 2023



# Point-in-Time Complaints by Category

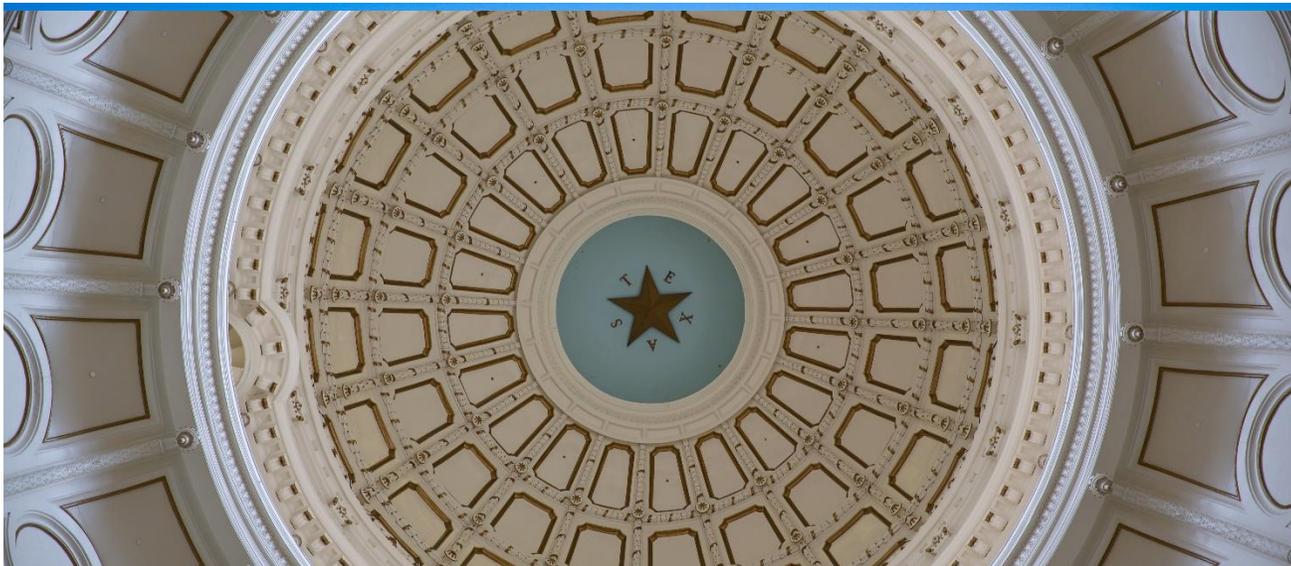
## January – July 2023



	Jan	Feb	Mar	April	May	June	July
■ Delivery errors						1	
■ Accommodations at HQ				1			
■ Extended wait time	4	6	8	8	1	5	2
■ Failure to respond				4			
■ Human Error		1	1	1		4	5
■ Inappropriate commentary	5	2	1	1	1	2	3
■ Incomplete information provided	9	2	3	1	3	8	7
■ Inconsistent responses					2	1	2
■ Incorrect information provided/entered	4	3	4	5	7	1	1
■ Technology concerns/grievances	1	2	3	1	3	2	
■ Timeliness of response	6	3		1		7	5



**TAB 5**



# Business Administration – Procurement and Contract Management Update

**Shannon Gosewehr**

September 15, 2023



## Moving Forward: Senate Bill 1246

- Passed this Legislative Session, among other things, the law exempts TRS from several state procurement requirements in Texas Government Code §§2261 and 2262.

- Flexibility enables TRS to further improve its procurement practices making them faster and more efficient.

- Continue to ensure our procurement practices are ***competitive, transparent and designed to best meet the needs of TRS in service to our members.***

- TRS will review its processes related to the new law and evaluate possible revisions to the TRS Procurement and Contract Management Guide.

## Investment Management Agreements

- Continue IMA exemption from current P&C processes
- Multi-layered diligence, selection and negotiation process by IMD in the best interest of the trust

## Negotiating Terms and Conditions

- TRS could determine whether certain T&Cs are needed/whether vendor-proposed changes are acceptable
- Escalation process when negotiations stall

## Contract Advisory Team Review

- Interagency team reviews solicitations \$5M+, makes recommendations
- Typically 45+ days
- Removed requirement



Increasing the dollar amount to include more direct awards



Creating a process designed to eliminate unnecessary steps in a solicitation for contracts that are below a certain dollar threshold



Creating an expedited Request for Proposal process that could be used for high-dollar contracts in very limited circumstances



## Monthly Meetings

Preview contract changes  
Contract management  
process or procedure  
updates  
Vendor performance/other  
issues



## Training

Enterprise-wide contract  
management processes &  
procedures  
49% of BU staff have  
completed training



## Contract Monitoring

21 Contracts Monitored;  
includes high-dollar (\$10M+)  
and high-risk contracts  
FY24 CMO contract  
monitoring planning  
underway

# Solicitation and Contract Quarterly Board Report – Q4

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

	Q1	Q2	Q3	Q4	Total
New Executed Contracts	0	2	0	2	4
New Executed Health Contracts	0	0	1	0	1
New FY23 Solicitations	4	2	0	2	8



TRS must follow the State of Texas HUB Program in accordance with Texas Government Code §2161. The HUB Program promotes a good faith effort to include historically underutilized businesses in the solicitation process.

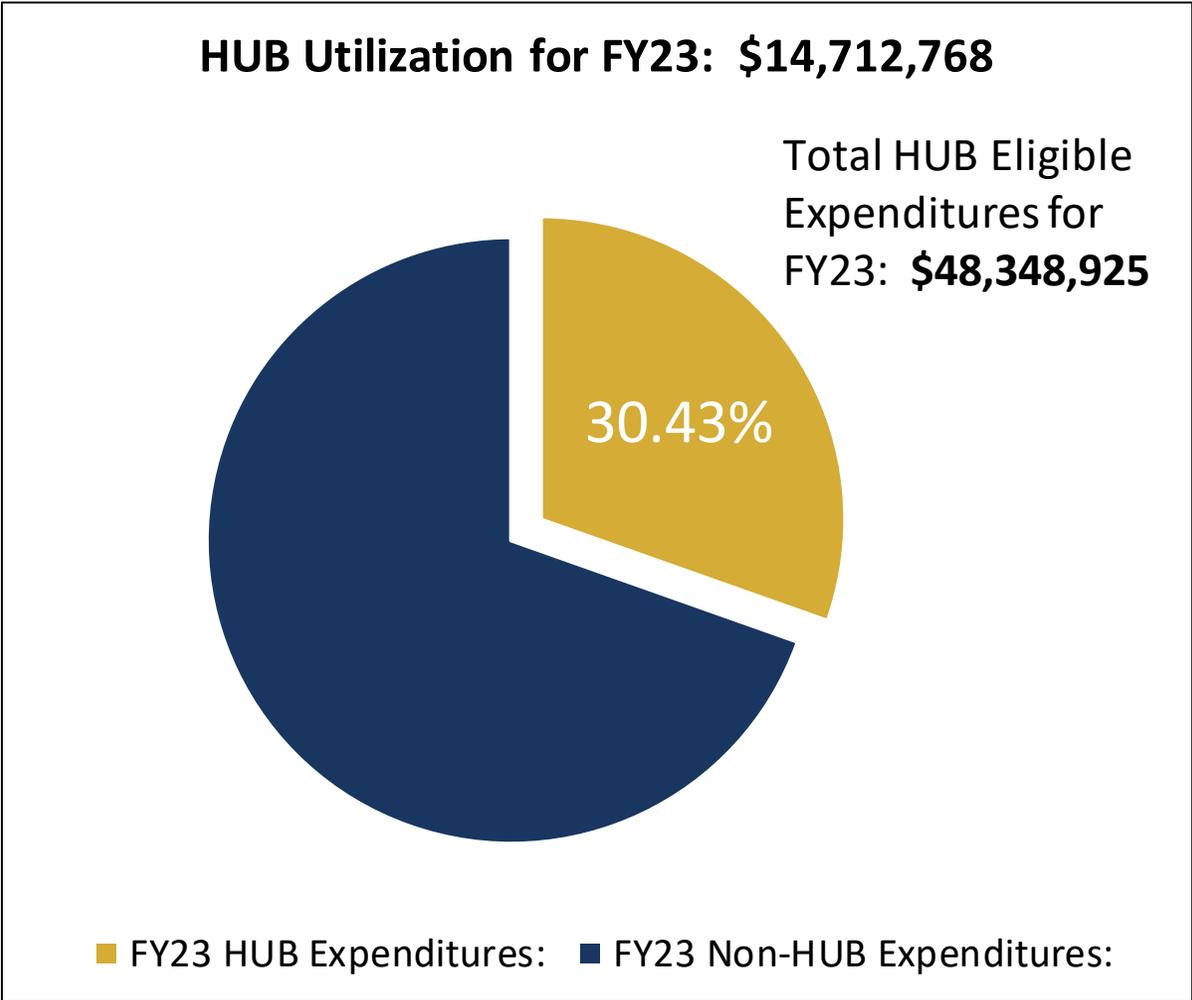
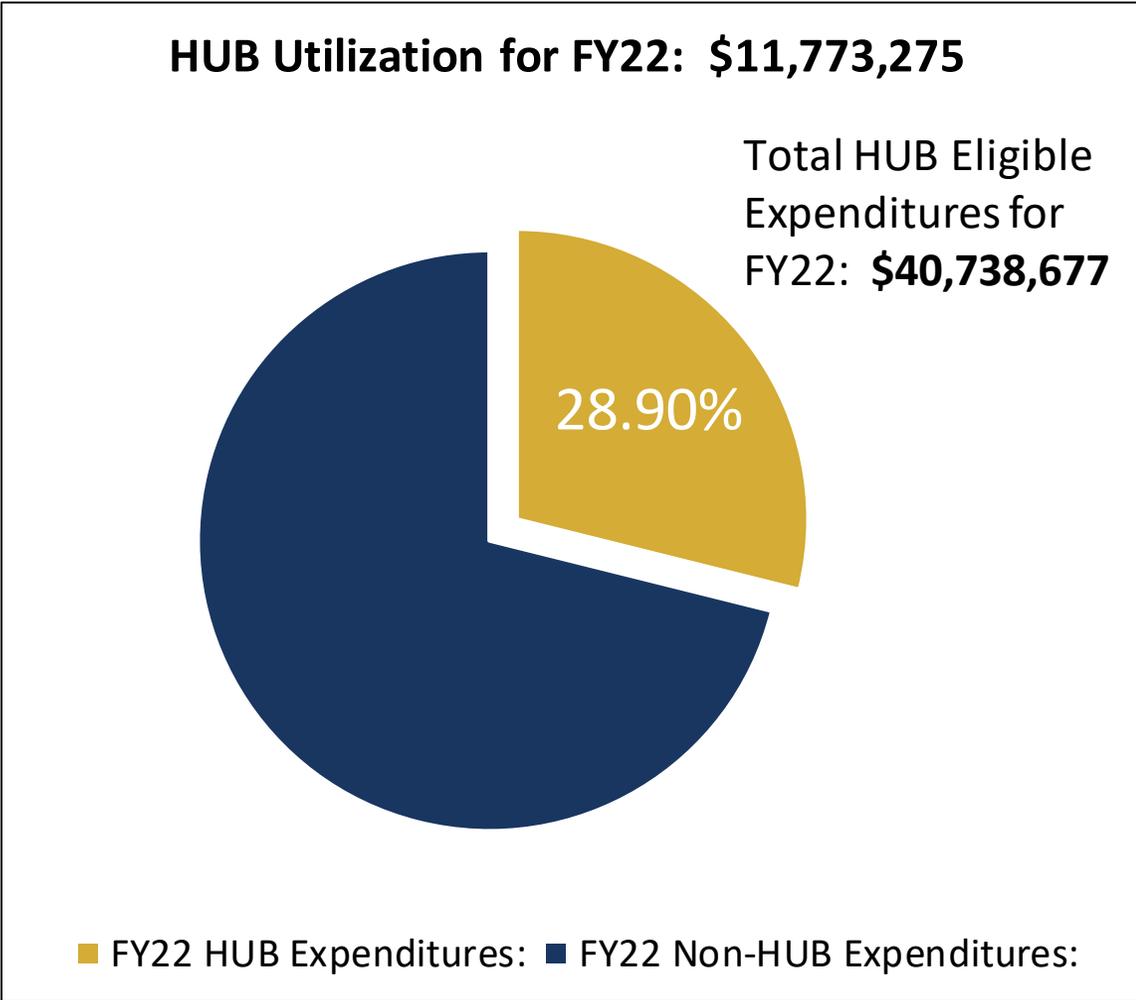
A HUB is defined as a corporation, sole proprietorship, partnership or joint venture formed for the purpose of making a profit in which the principal place of business is in the State of Texas and that is at least 51% is owned, operated, and actively controlled and managed by one or more persons who are members of the following economically disadvantaged groups:

- Black Americans
- Hispanic Americans
- Asian Pacific Americans
- Native Americans
- Women
- Veterans with at least a 20% service-connected disability

# HUB and OCE Collaboration

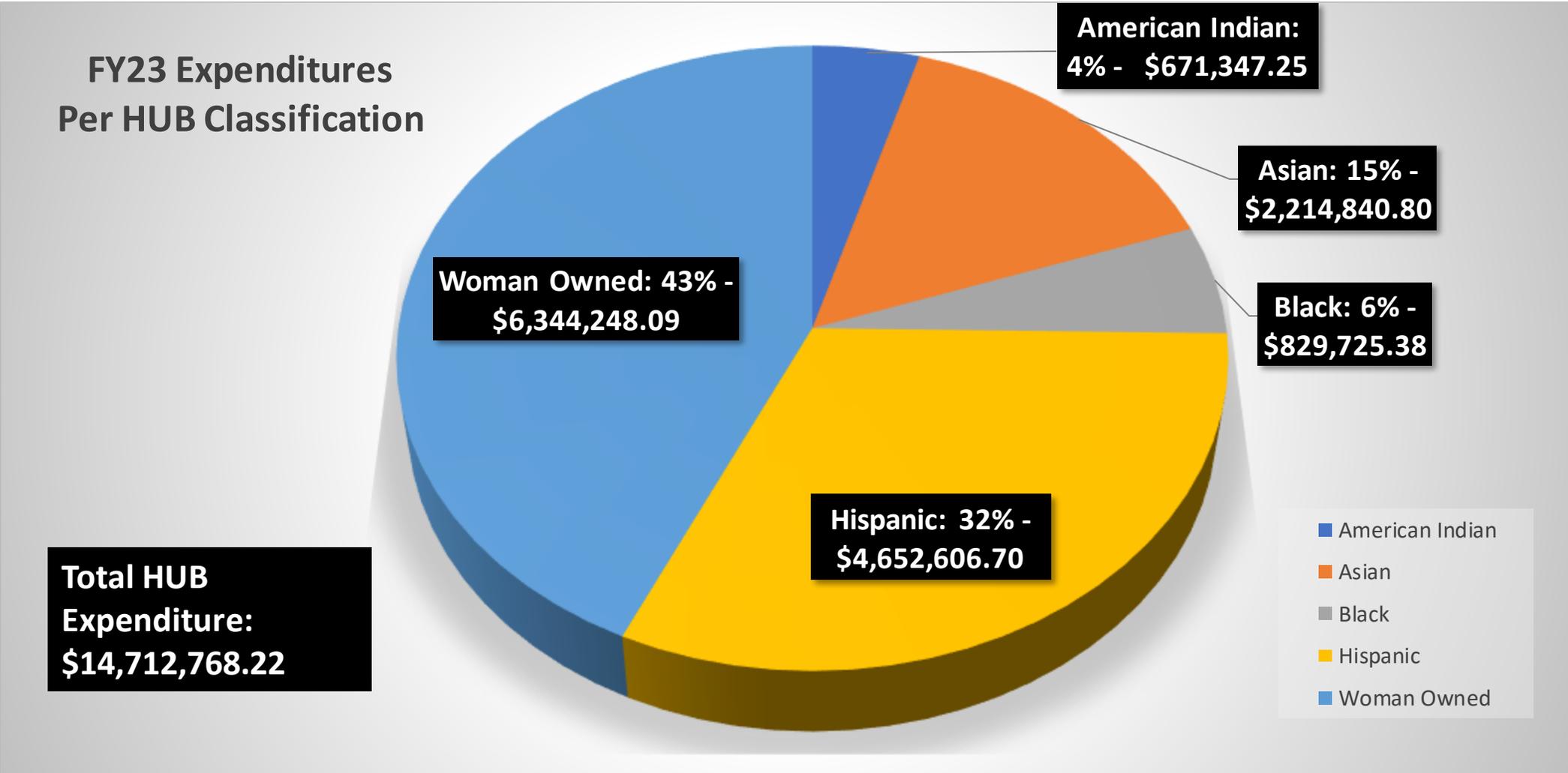
- The HUB Office and Outreach Culture and Engagement (OCE) have pooled resources to reach potential HUB-eligible vendors
- Since April 2022, the team has attended 22 Chamber of Commerce and other trade organization meetings
- Met with 480 members
- Mailed 150 postcards
- Handed out 500 brochures

# HUB Utilization from FY22 to FY23



# FY23 Expenditures Per HUB Classification

In FY23, TRS spent \$14,712,768 with HUB vendors.  
Below is the amount spent broken out by HUB classification.



# Overview of FY2023 Expenditures

FY 2023 HUB Expenditures – as of August 24, 2023					
	Total Expenditures	HUB Expenditures	HUB %	TRS Goal %	State Goal %
Commodities	\$ 3,776,386.00	\$ 1,085,624.00	29%	30.00%	21.10%
Other Services	\$39,279,807.10	\$ 11,993,471.22	31%	25.00%	26.00%
Professional Services	\$ 3,360,620.88	\$ -	0%	10.00%	23.70%
Special Trade	\$ 1,932,111.59	\$ 1,633,673.14	85%	40.00%	32.90%
<b>Total:</b>	<b>\$ 48,348,925.17</b>	<b>\$ 14,712,768.22</b>	<b>30%</b>		

**Commodities** – Office Supplies; Furniture; Consumables; IT Software/Hardware

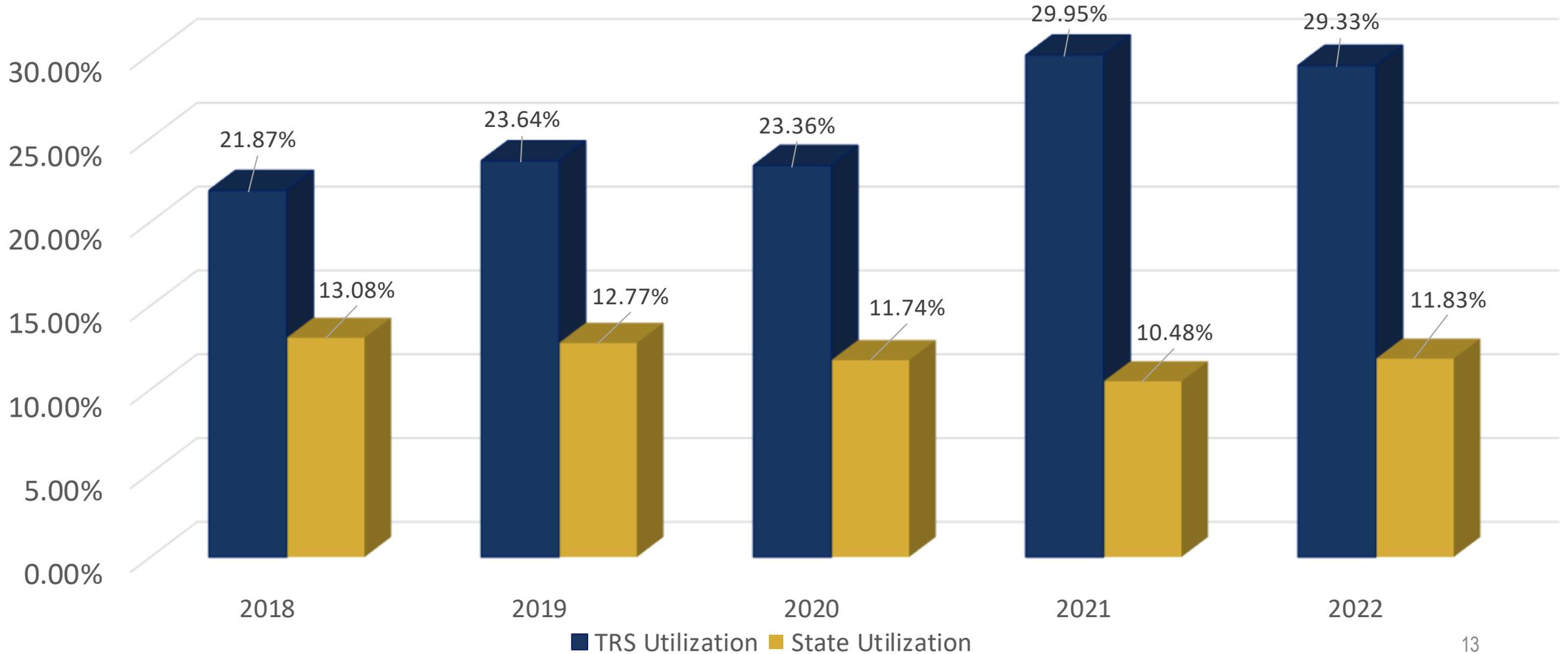
**Other Services** - Legal Services; Temporary Services; Investment Counseling

**Professional Services** - Financial Accounting Services; Architectural Services

**Special Trade** – Building Maintenance and Repair; Property Improvement

# HUB Utilization over the last 5 years

## TRS HUB Utilization 2018 - 2022



# TRS HUB Goal Comparison Since FY20

	FY20 Goals	FY20 Year End Actuals	FY21 Goals	FY21 Year End Actuals	FY22 Goals	FY22 Year End Actuals	FY23 Goals	FY23 Actuals as of 08/24/22	Proposed Goals for FY24	Current State Goals
<b>Commodities</b>	40%	20%	40%	7%	30%	22%	30%	28.75%	30%	21.10%
<b>Other Services</b>	25%	26%	25%	32%	25%	31%	25%	30.53%	25%	26.00%
<b>Professional Services</b>	10%	0%	10%	0%	10%	0%	10%	0%	10%	23.70%
<b>Special Trade</b>	40%	49%	40%	71%	40%	69%	40%	84.55%	40%	32.90%

## Proposed HUB Goal Resolution

- **Whereas**, TRS staff developed proposed HUB goals for FY24 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 FY24; now, therefore, be it
- **Resolved**, That the Board hereby adopts the following HUB expenditure goals for FY24:
  - **Commodities - 30%**
  - **Other Services – 25%**
  - **Professional Services – 10%**
  - **Special Trade – 40%**

**TAB 6**



# Deputy Director Update

**Andrew Roth**

September 14, 2023



A large, faint magnifying glass graphic is positioned on the left side of the slide, with its lens overlapping the agenda items. The background is a dark blue gradient with a white dotted vertical line on the far left and a solid gold horizontal bar at the bottom.

# Agenda

- I. NASRA Research Update: Plan Funding Status
- II. NASRA Research Update: Contributions
- III. Member Financial Education

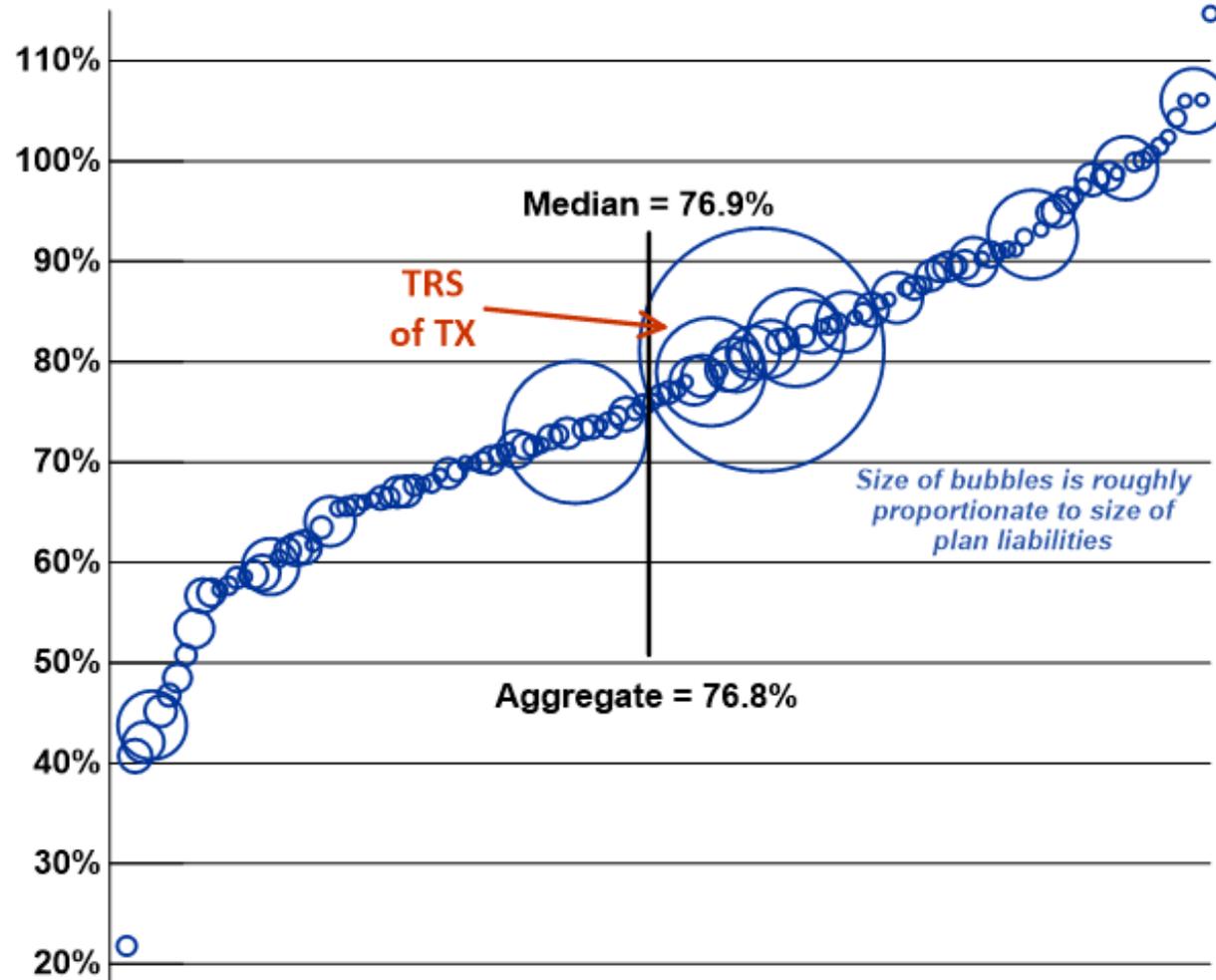


## **National Association of State Retirement Administrators (NASRA)**

- NASRA is a 501(c)(3) organization established in 1955
- NASRA membership is comprised the administrators of state, local, and municipal retirement plans
- TRS Executive Director Brian Guthrie currently holds the office of First Vice President on NASRA's Executive Committee
- NASRA members administer approx. two-thirds of the roughly \$5 trillion in total retirement system assets nation-wide for some 15 million working and 11 million retired state and local government employees

# 2023 NASRA Update: Distribution of US public pension funding levels, FY 22

- TRS funding level is at 79% per the 2022 valuation
- TRS funding status stands above the median of all US public pension plans
- TRS' conservative plan design helps maintain a strong funding status

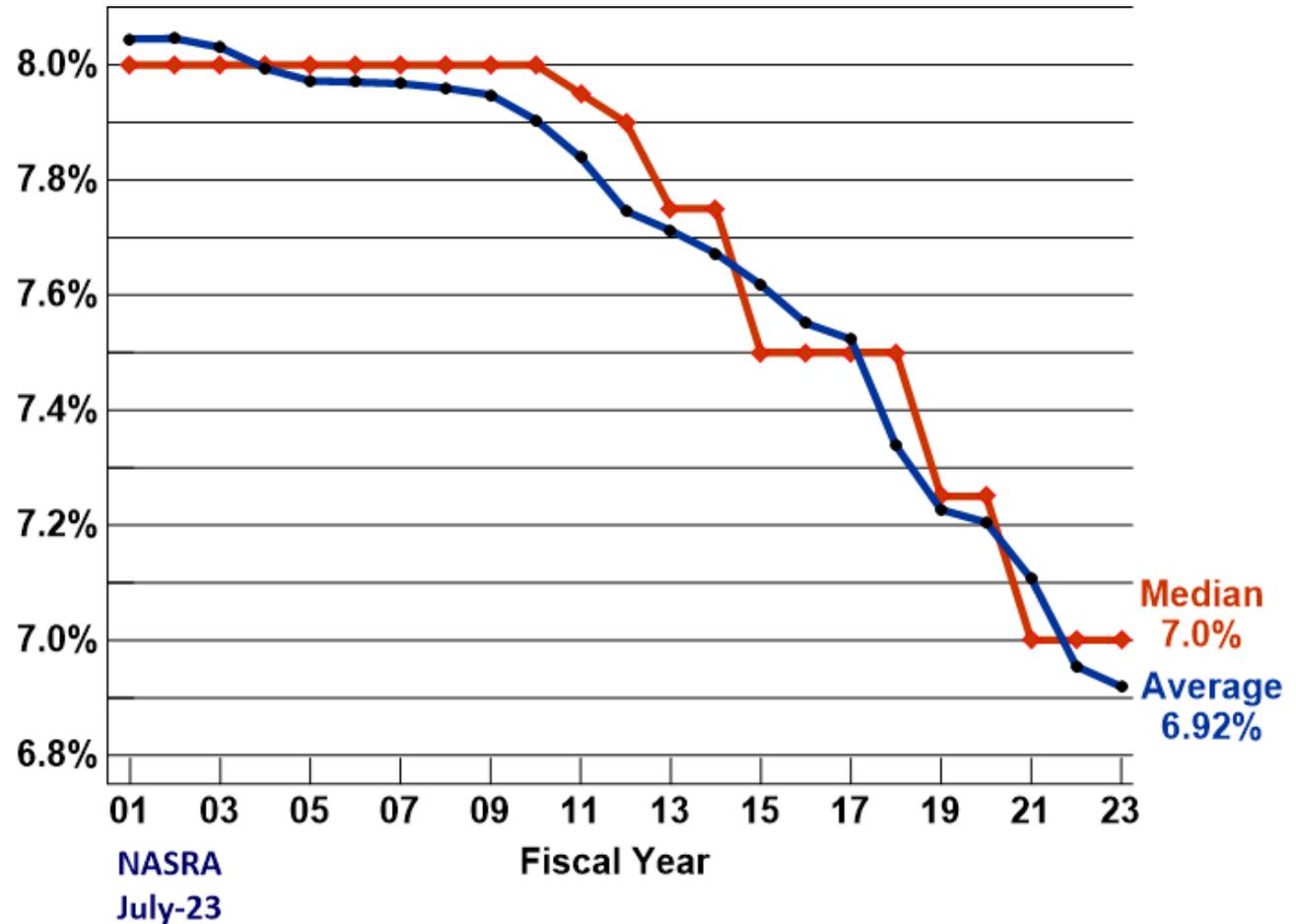


120 plans represents approximately 80 percent of all public pension plan liabilities

NASRA Public Fund Survey  
Jul-23

# 2023 NASRA Update: Median and average nominal investment return assumption, FY 01 to FY 23

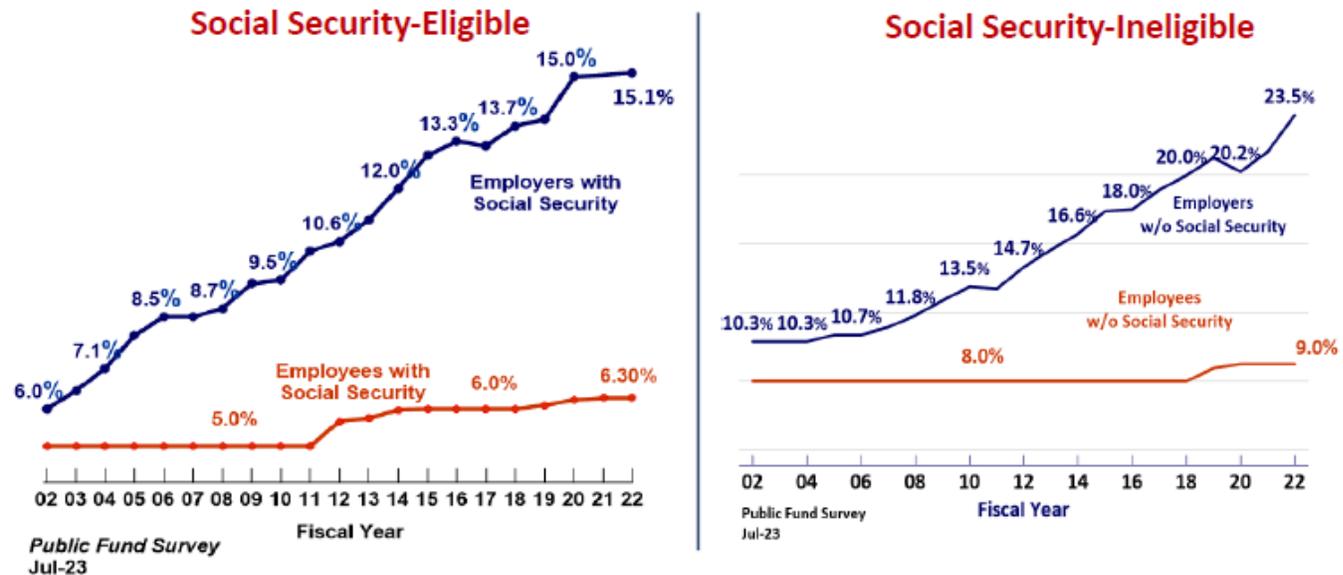
- From 2001 (and earlier) through 2017, TRS' investment return assumption stood at 8%. In 2018, the Board lowered to 7.25% and in 2022, lowered again to 7%
- TRS currently sits at the median investment return assumption, just above the average
- The average has continued to tick down for the past 10 years, however higher inflation rates may pause that trend



# 2023 NASRA Update: Median contribution rates

- TRS active employee contributions stand at 8.25% for FY24, and will remain at that level for FY25
- TRS employer contribution rates stand at 1.9% for FY24 and will rise to 2.0% for FY25
- As most TRS members are ineligible for Social Security, member contribution rates are just below the median of 9%
- TRS employer contribution rates remain among the lowest in the nation

## Median Contribution Rates Employee and Employer Social Security-Eligible and -Ineligible

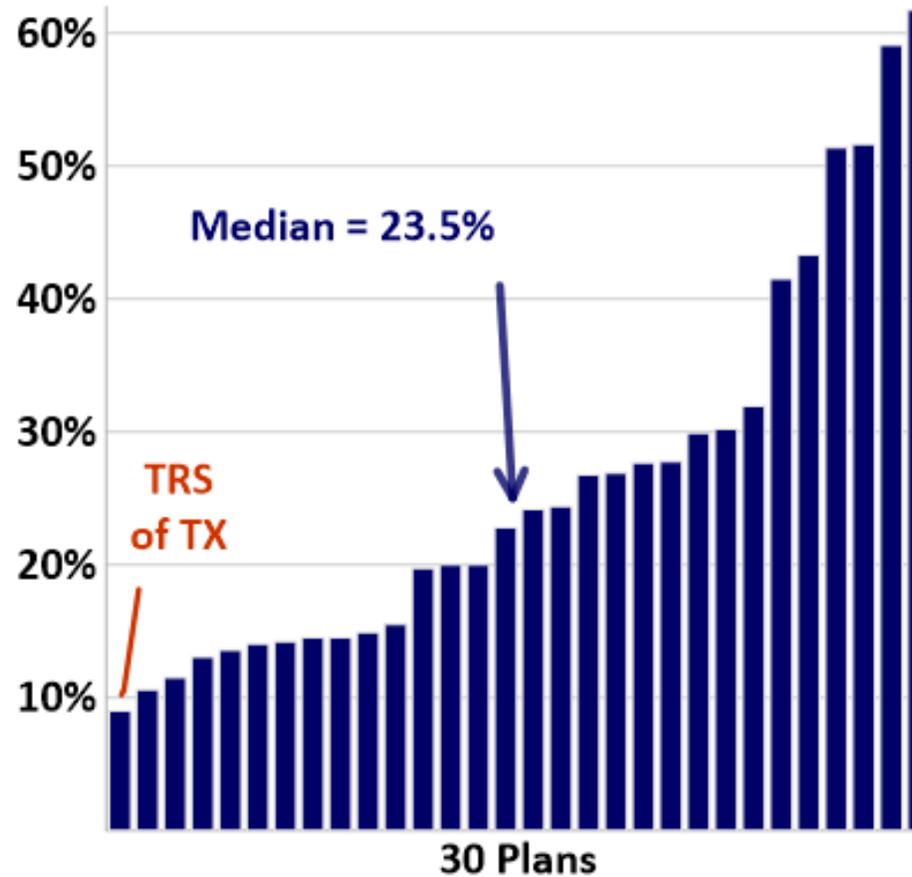


*Contribution rates reflected here are those for general employees and public school teachers and predominantly exclude rates for public safety personnel*



## 2023 NASRA Update: FY22 Employer contribution rates, non-Social Security participants

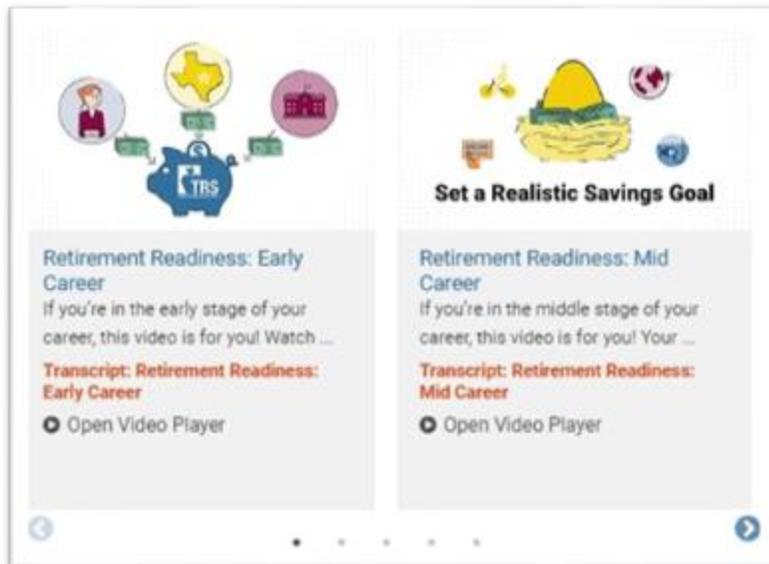
- For purposes of this chart, NASRA combines the employer and state contribution rate to calculate the “Employer” rate
- Among plans whose members do not participate in Social Security, TRS has the lowest employer contribution rate
- The conservative nature of the Texas plan means it enjoys a solid funding status; it also means members likely need to save more to ensure security in retirement



## TRS Member Education emphasizes the importance of saving



- There are three pillars used to describe your retirement savings. A secure retirement would depend on two (or in some cases three) of those pillars – **your TRS pension, your personal savings and social security.**



- Your income in retirement is a joint responsibility between you and TRS. Experts say you will need 80 – 90% of your pre-retirement income to maintain your current standard of living.
- You could need more or less depending on your lifestyle and several factors, like taxes or medical bills.

# TRS Member Education: Importance of financial awareness

## Learn more about retirement self-sufficiency through the TRS financial awareness video series

A series of short animated whiteboard videos guide you through three important concepts:

1. What you have – your TRS defined benefit plan.
2. What you need – to save more.
3. How to get it – by saving smart.

[TRS.TV Videos \(texas.gov\)](http://TRS.TV Videos (texas.gov))

**Financial Awareness**

**Welcome to the Series**  
Executive Director Brian Guthrie comes out swinging with a friendly introduction to Financial Awareness.  
[Transcript](#)  
Open Video Player

**#1 - What Does TRS Do for Me?**  
Carlos takes a prehistoric trip to unearth facts about how his TRS pension works.  
[Transcript](#)  
Open Video Player

**#2 - Will My TRS Pension Be Enough?**  
Nancy uses a retirement readiness app that can help her see if her TRS Pension Be enough.  
[Transcript](#)  
Open Video Player

**#3 - Estimating Your TRS Benefit**  
Nancy takes her retirement readiness to championship level while competing on a game show.  
[Transcript - Estimating Your TRS Benefit](#)  
Open Video Player

**#4 - Setting Financial Goals**  
Doodle along with Ana as she shares the steps she took to set – and ...  
[Transcript - Setting Financial Goals](#)  
Open Video Player

**#5 - Getting Retirement Ready**  
Gail paints herself a bright financial future by making sure she's ready to retire.  
[Transcript - Getting Retirement Ready](#)  
Open Video Player

**#6 - Working Longer**  
As Debra nears the finish line of her career, she considers how running a few ...  
[Transcript - Working Longer](#)  
Open Video Player

A stylized magnifying glass icon in a light blue color, positioned on the left side of the slide. It features a circular lens with a handle extending downwards and to the right. A vertical dotted white line is located to the left of the magnifying glass.

Questions?

**TAB 7**



welcome to brighter

# TRS Executive Compensation Review

September 2023

Josh Wilson  
Susan Lemke  
Aimee Kudela

A business of Marsh McLennan

1. Benchmarking methodology
2. Review compensation information for:
  1. Ombuds
  2. Chief Audit Executive
  3. Chief Investment Officer
  4. Executive Director

# Agenda

# Benchmarking Methodology

# Methodology

- Mercer was asked to benchmark four positions which report directly to the Board of Trustees: Ombuds, Chief Audit Executive, Chief Investment Officer, and Executive Director.
- Mercer gathered data from the following sources:
  - McLagan Public Pension Survey
  - McLagan Private Company Survey
  - TRS Custom Survey of other State Pension Plans
  - Mercer Public Pension Plan Survey
  - Mercer Benchmark Database
  - Willis Towers Watson Salary Survey
- Data from different sources is not averaged, but rather shown separately for the Board's understanding
- Prior report formats and historical data was gathered from TRS OE, including current performance ratings
- All data was aged to 8/1/2024 using aging factor of 4%
- Merit increases in the financial and banking sector were ~4.0% in 2023

# Compensation Review



**TAB 8**

Keith Robinson and Liz Severyns  
Focus Consulting



# Teacher Retirement System of Texas

## Board Overview

## C-Suite Evaluations

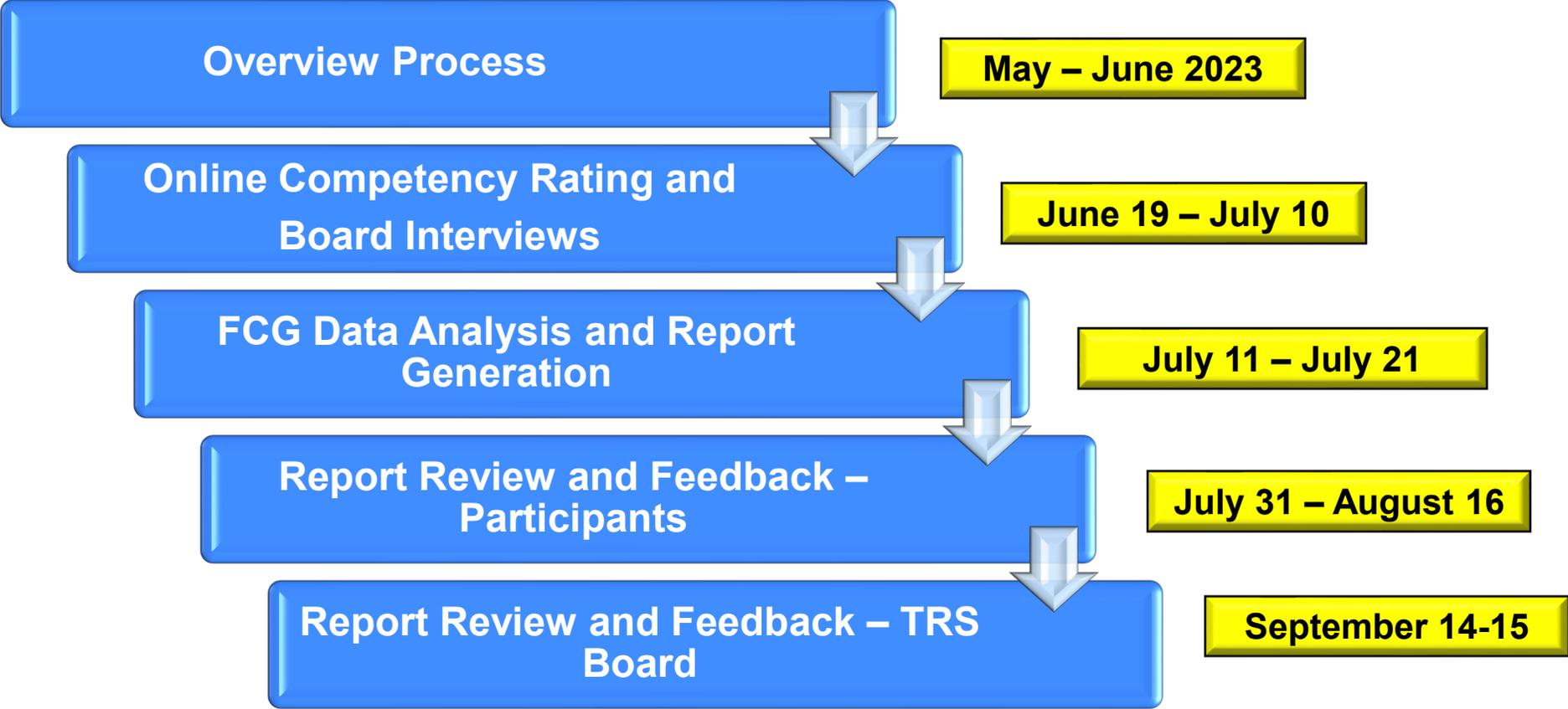
September 2023

**Presented by:**

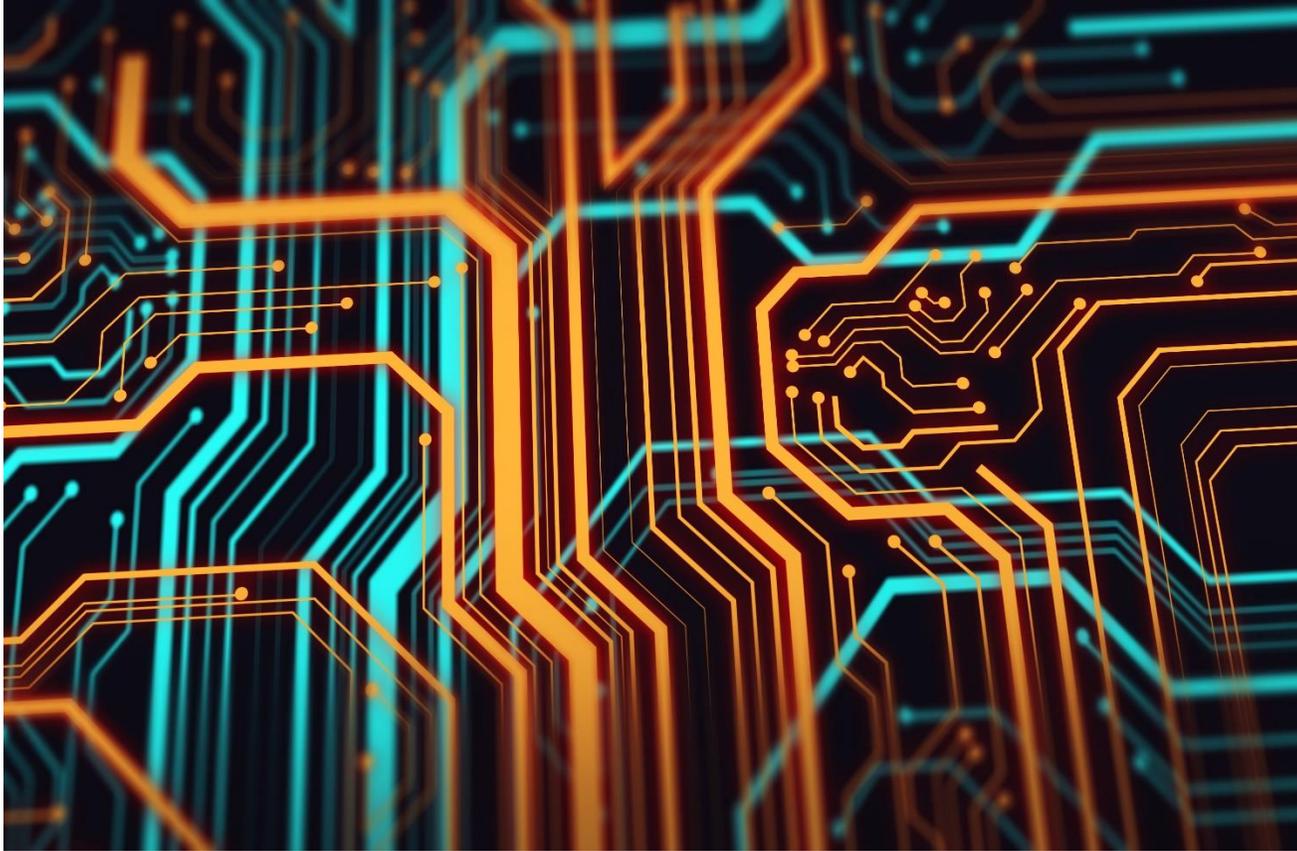
Keith Robinson  
Managing Partner

Liz Severyns  
Partner

# Steps and Timeline



**TAB 17**



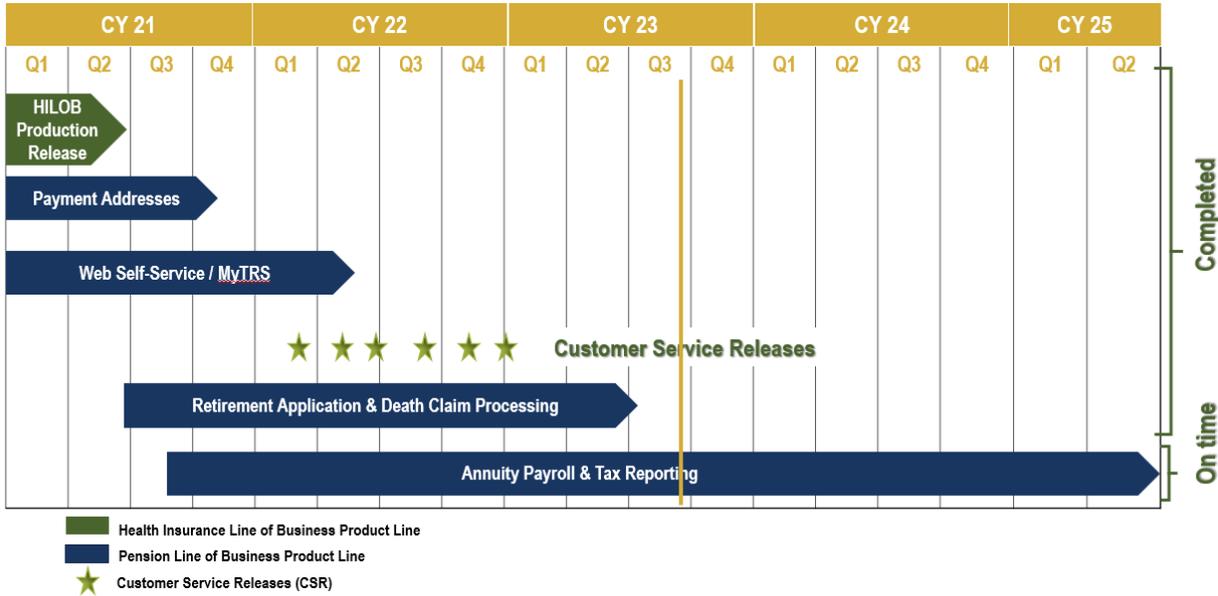
# TEAM PROGRAM

**Adam Fambrough**  
**Billy Lowe**  
**Jennifer Whitman**

September 15, 2023

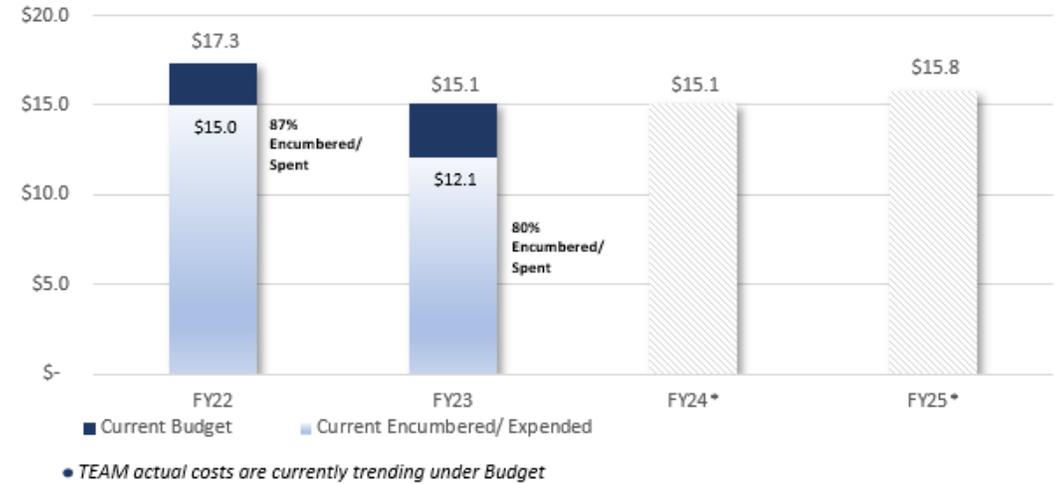


# TEAM – WHERE WE ARE NOW



## TEAM Budget Update

Amounts in millions



## KEY STATUS UPDATES

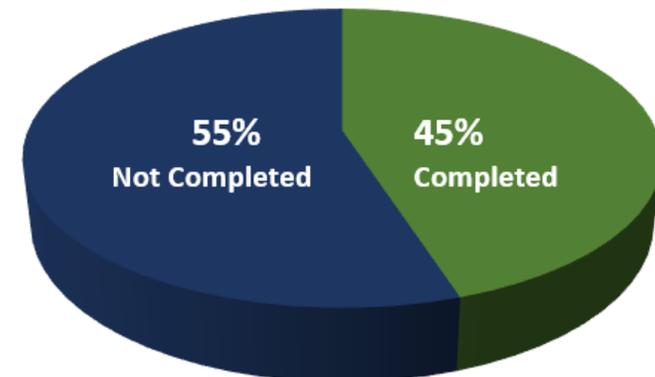
### Achievements

- 06/25/2023 – Pension & Health Line of Business Systems Production Release
- MyTRS Web Self-Service Roadmap
- Completion of schedule analysis for Annuity Payroll & Tax Reporting release
- 08/20/2023 - Pension & Health Line of Business Systems Production Release
- Annuity Payroll & Tax Reporting Schedule Analysis

### Key Goals Upcoming

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

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



## Production Release on August 20, 2023



- Enhanced messaging opportunities
- Default to email communications
- Beneficiary designation reminder
- Streamlined registration process



- Over 120 TRUST and 80 HILOB tickets
- Focused on retirement and death claims

# TEAM PROGRAM TO DATE



Delivered 4 Roadmap Releases & **ON SCHEDULE** and **UNDER BUDGET** while accommodating **ADDITIONAL SCOPE** to address environmental impacts such as **Legislative & Regulatory** changes, required **Technical Updates**, and evolving **Member Needs**

Feb 2020

**Phase 1  
Go-Live**

Oct 2017

**HILOB**

April 2021

**Payment  
Address**

Oct 2021

**Web Self  
Service**

April 2022

**Retirement  
and Death  
Claims**

April 2023

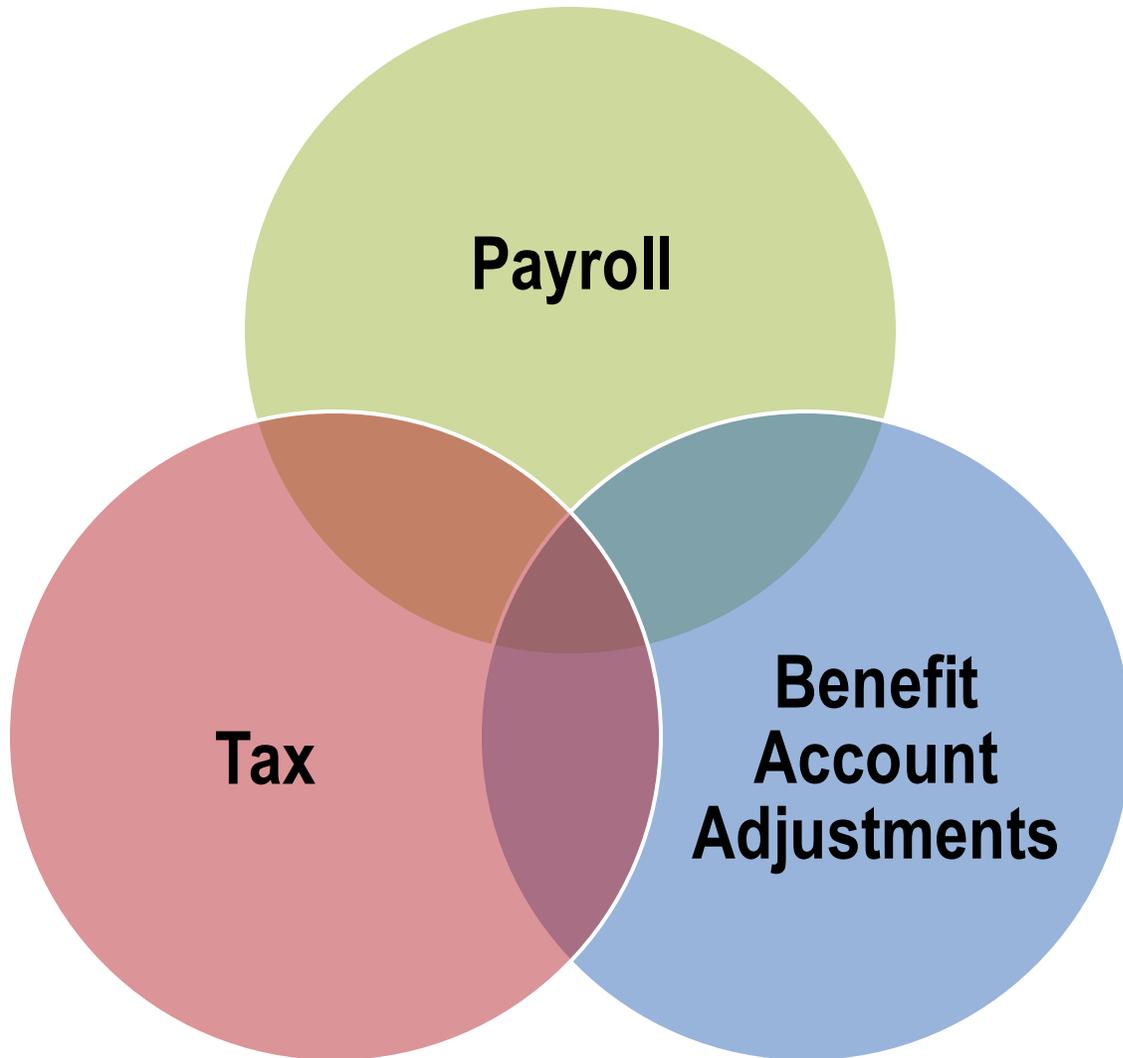
**Annuity  
Payroll and  
Tax  
Reporting**

The Final Release

June 2025

**Vendor**

**TRS Lead Effort**



- **aka Put Back Together**
- Monthly payroll - over 489,000 payments
- Supplemental payrolls
- Payroll deductions (insurance, withholding)
- ERS/TRS Transfer
- Payment voids and reissues
- Vouchering process and integration with Comptroller systems
- Adjustments to retiree accounts (suspending, pop-ups, revocations, etc)
- Federal income tax withholding and reporting

**Go-Live still estimated for June 2025!**

## Methodology

- Re-validated backlog of work & associated level of effort estimates, including deep dive analysis for gaps in delivered code
- Established average amount of work that an individual developer can complete in a single cycle
- Based on the level of effort estimates and average amount of work possible per cycle, we calculated the Go-Live date using existing resources then ran a series of projections adjusting for different variables

## Variables

- # of resources
- Amount of contingency
- Average amount of work completed in a development cycle
- Overlap of testing and development for business process testing

Amount of  
work



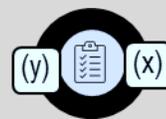
+

Speed of  
work



+

Variables



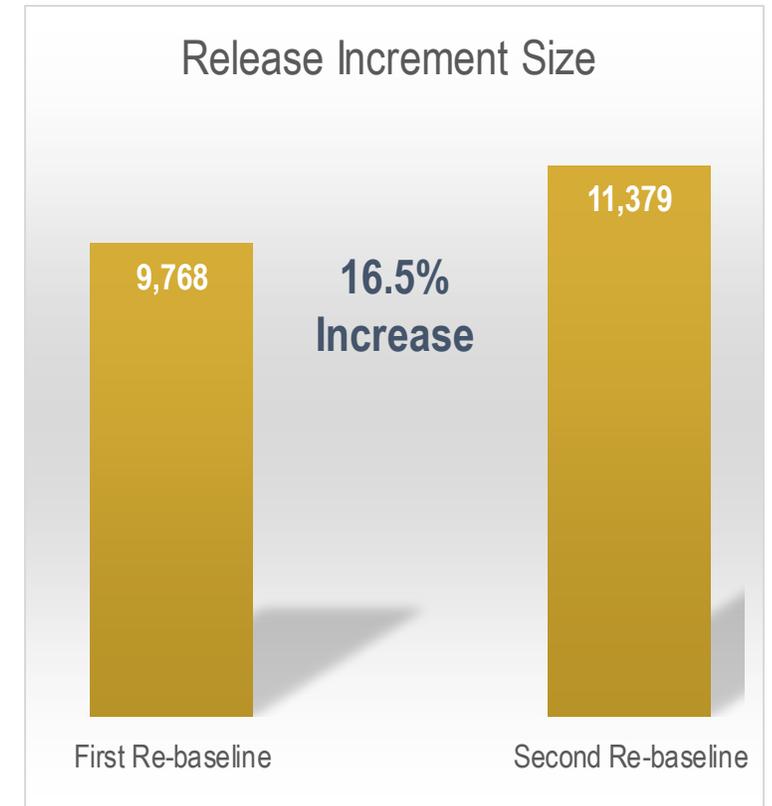
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Scenario  
modeling

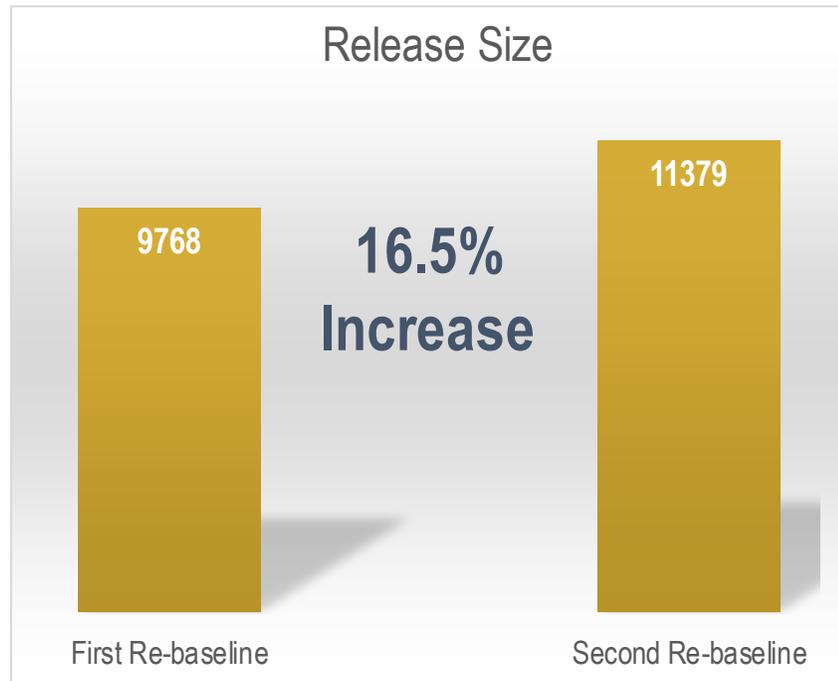


## Impacts to Annuity Payroll & Tax Reporting Release

- Legislative session & regulatory changes
  - Benefit Enhancement (stipend and COLA)
  - Tax law changes related to W4-P
- Resources temporarily reassigned to assist with April's Retirement Application Processing & Death Claims Release
- Gaps discovered in code delivered by former vendor



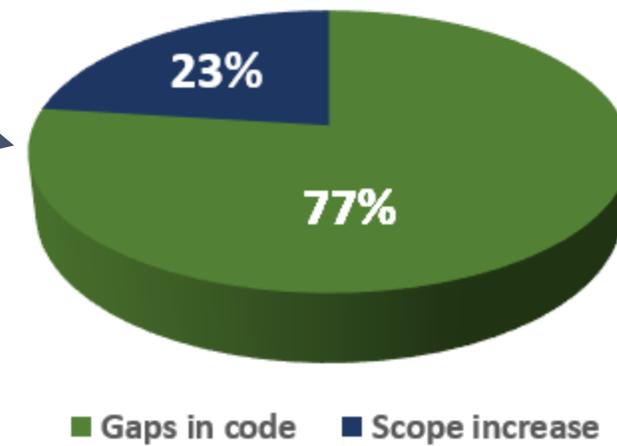
## Increment Breakdown – Annuity Payroll & Tax Reporting Release



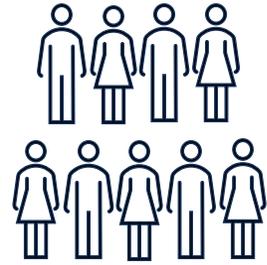
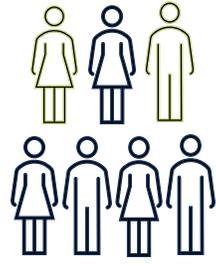
Of the 16.5 % increase

- 77% = gaps in code delivered by vendors
- 23% = scope increase due to federal tax law changes

Increase Breakdown



## Accelerated Resource Plan Needed for New Project Schedule

	FY23	FY24	FY25	Total
	 <p>✓ Complete</p>	 <p>Accelerated</p>	 <p>Reduced</p>	
<b>Original</b>	9	5	4	18
<b>Updated</b>	9	7	2	18

### Roles Needed Include

Application Developers  
Business Analyst  
Operations Analyst

QA Testers  
Forms Developer  
DevOps Engineer

## Key Risks to the Annuity Payroll & Tax Reporting Release

### **Pension Line of Business System maintenance and enhancements**

---

- Increased need to expand online functionality to members
- Need to continue to enhance and streamline functionality for the business
- Complexity of merging maintenance and enhancement changes into Annuity Payroll & Tax Reporting release code line

### **Health Web Self Service & other Health initiatives**

---

- Increased need to expand online functionality to members
- Taking functions in-house previously performed by vendors (GRS)
- Dental and vision implementation
- We have dedicated Health IT resources, but these initiatives require shared services resources in addition to those dedicated to TRS Health

### **Other**

---

- Another Legislative Session
- Technical architecture replacement due to end of life
- Long-term Fraud solution

## Result Summary:

- Additional scope was added due to new Legislative and regulatory requirements as well as gaps found in delivered code
- Time was lost due to resources being temporarily reassigned to help with April's release
- Efficiency of TRS developers continues to improve, increasing the amount of work an individual developer can complete in a single cycle
- Two staff resources will need to be hired in FY24 that were originally planned for FY25
- We are reallocating approved resources for FY24 to support TEAM. There is no significant fiscal impact to report at this time
- Risks will need to be managed
- **Go-Live still estimated for June 2025!**

## Variables Used:

- Average amount of work completed in a development cycle (based on multi-year data)
- 20% overlap between testing and development in business process testing
- Average of 20% contingency across all development channels



**TAB 18**

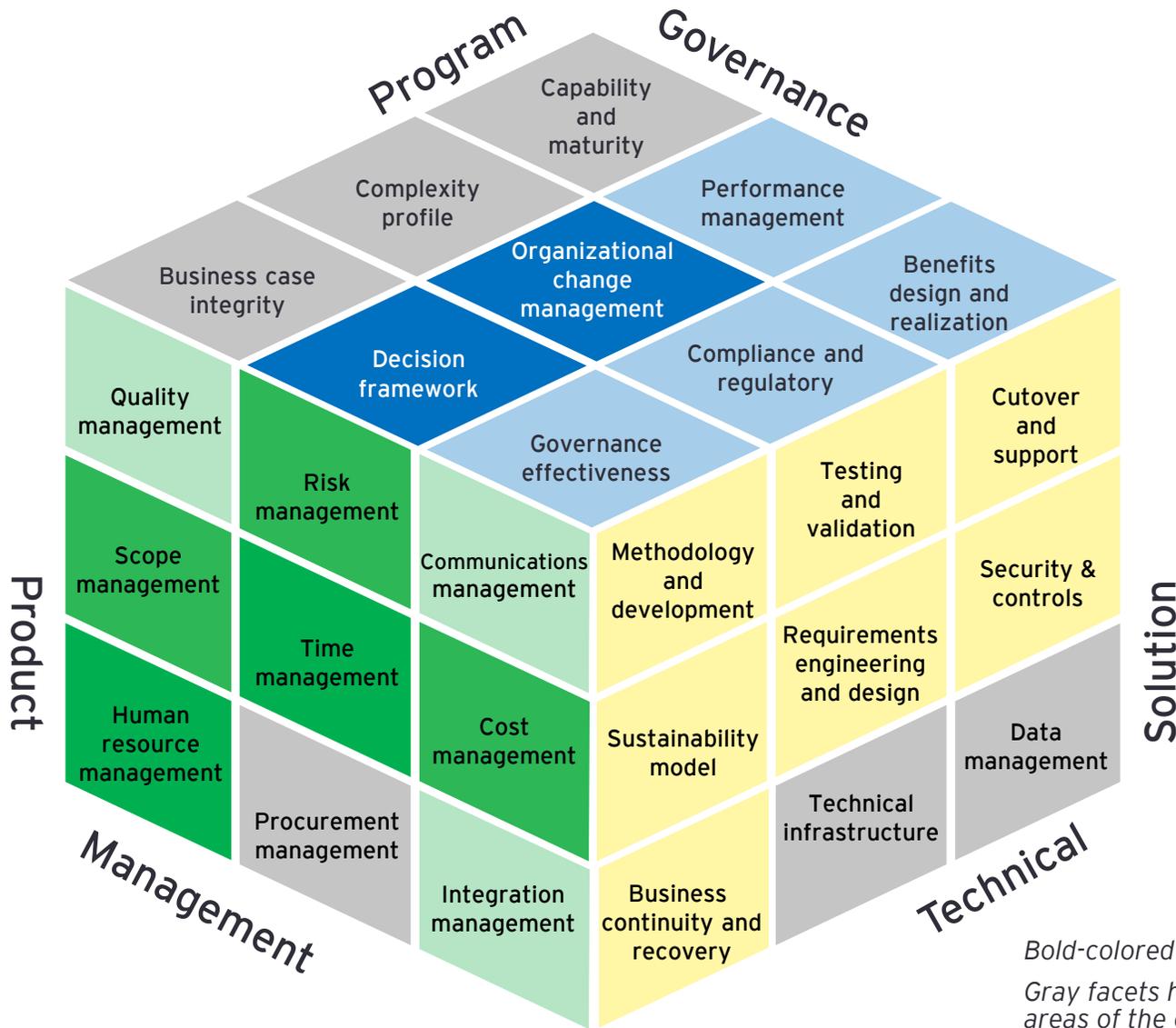
# Independent Program Assessment

TRS Enterprise Application Modernization  
(TEAM) Program

TRS Board of Trustees September 2023



# Agenda



- 01  Agile at TRS
- 02  Executive summary
- 03  Target setting

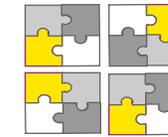
*Bold-colored facets reflect what was reviewed  
 Gray facets have been consolidated into other areas of the cube*

# Agile at TRS

## Backlog refinement (grooming)

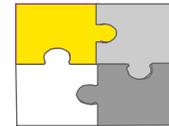
The ongoing process of reviewing and adjusting the product backlog. It ensures that user stories are well-defined, prioritized, and have the correct required work size.

## Product



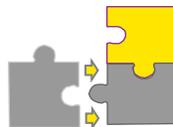
An offering that provides value to its users or customers.

## Epic



A large, high-level body of work that usually encompasses multiple related features and requirements.

## Feature



The individual components or functionalities that make up the product and provides value to users.

## User Story



A brief narrative that expresses a specific functionality or requirement from the viewpoint of an end user.

## Providing a voice to team members

Allowing team members to voice their observations and suggestions empowers them, fostering a sense of ownership and engagement.

# Executive summary

## Program status

Overall	Project teams are currently monitoring key performance targets and resolving defects for M&E release.
Scope	PBT scope is unchanged following data migration backlog cleanup, but requirements are being refined to meet MVP.
Schedule	PMO has completed schedule analysis to reaffirm PBT delivery in Q2 2025.
Budget	Additional resources are being suggested by leadership for January 2024 to support the Q2 2025 release.

## Terminology

**M&E:** Maintenance and enhancements

**PBT:** Annuity payroll, and Tax Reporting

**MVP:** Minimal viable product

**PMO:** Project management office

**Impact analysis:** Provides crucial insights into potential schedule adjustments

**Story point:** Unit of measurement to estimate the relative complexity, effort, or size of a user story

## Team accomplishments

### Impact analysis

TEAM has completed the impact analysis, and showcased forecasting tool to EY that details each team's backlog/timeline until PBT release in June 2025.

### Itemized roadmap

TEAM is in early development of PBT feature roadmap, will now show multiple capabilities to provide leadership with better visibility and transparency into progress.

## Recommendations

### Schedule reporting

Agile leading practice is the utilization of an automated schedule recalibration process to reduce processing time.

### Advanced estimations

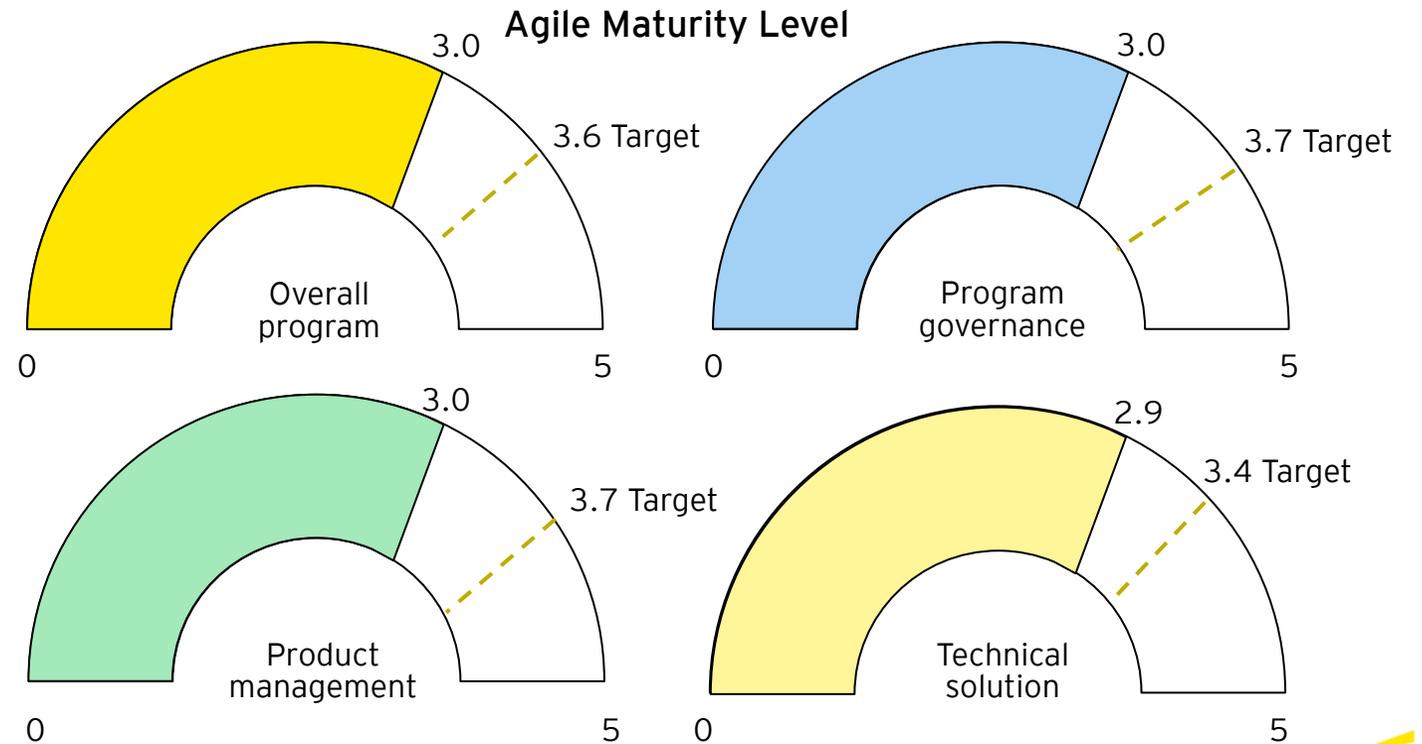
Implement a unified agile metrics dashboard that consolidates team velocity trends, story status distributions, average hours per story, and historical story point execution, enabling a standardized cross-team performance view for executive insight and decision-making.

	FACETS	Current	Target
Program governance	Decision framework**	2.8	4.0
	Organizational change management	3.0	3.5
	Performance management**	3.0	4.0
	Governance effectiveness	3.0	3.5
	Benefits design and realization	3.0	3.5
	Compliance and regulatory	3.0	3.5
	Capability and maturity		
	Business case integrity		
	Complexity profile		
	Product management	Quality management	3.0
Risk management**		3.0	3.5
Communications management**		3.0	4.0
Scope management**		3.0	4.0
Time management**		3.0	4.0
Cost management**		3.0	3.5
Integration management		3.3	3.5
Human resource management		3.0	3.5
Procurement management			
Technical solution		Methodology and development	3.3
	Testing and validation**	3.0	3.5
	Cutover and support**	3.0	3.0
	Sustainability model	2.5	3.0
	Requirements engineering**	2.7	3.5
	Business continuity	2.7	3.5
	Security and controls	3.0	3.5
	Technical Infrastructure		
	Data Management		

\*\* Indicates primary facets

## Overview

- ▶ The agile maturity model reflects TEAM's growth towards operating at hybrid agile with the room to grow maturity within that realm given identified opportunities and recommendations.
- ▶ As facets were reassessed, the EY team identified critical primary facets that will be assessed on a more frequent basis based on the current stage of the program. Additionally, six of the facets were deprioritized for review as there was overlap with other facets or no longer relevant to the current stage of the program.
- ▶ The TEAM has indicated that certain components of scaled agile are desired, but scaled agile is not the target for TRS.



# Assessment Scale

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

**TAB 19**



# TRS Health Actuarial Services RFP – Board Selection



**Yimei Zhao, Senior Director of Health Finance**

September 15, 2023

- TRS issued a Request for Proposal (RFP) to solicit Proposals from qualified vendors to provide actuarial services for TRS-Care and TRS-ActiveCare
- The solicited services shall support TRS Health in delivering high-quality health care benefits. The RFP scope of work include:
  - ongoing actuarial consultation,
  - actuarial valuation,
  - actuarial related recommendations for plan design and premiums,
  - cost containment and best practices in the healthcare industry.



## *Over 60 Years of Health Care-Related Purchasing Experience*

- TRS Health Procurement and Contract team
- TRS Purchasing and Contract Monitoring (P&C)
- TRS Legal and Compliance (L&C)
- Other TRS divisions

## *Qualification of TRS Team*

- Credentials include RN, CPA, MAcc, CTCM, CTCD, CEBS, and CFE
- Experiences include insurance regulation, group health plan management, finance, health care consulting, governmental purchasing, and contract negotiation

RFP Timeline	
January 8, 2023	Preparing the RFP
May 22, 2023	Issuance of RFP
June 14, 2023	Submission of questions by respondents
June 20, 2023	Proposals were received by TRS
July 15, 2023	Initial evaluation of proposals completed
July 21, 2023	Best and final offer (BAFO) received
September 15, 2023	Board selection

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

- Milliman, Inc.
- Segal Company (Southeast), Inc.



# Actuarial RFP - Executive Session