

December 2024

# TRUSTEES

## TRS Board of Trustees Meeting



**Teacher Retirement System of  
Texas**  
1000 Red River Street  
Austin, Texas  
78701-2698

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

**AGENDA**

**December 5, 2024 – 9:00 a.m.  
December 6, 2024 – 9:00 a.m.**

*All or part of the December 5 - 6, 2024 meeting of the TRS Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have the presiding officer and a quorum physically present at the following location, which will be open to the public during the open portions of the meeting: 1000 Red River, Austin, Texas 78701 in the TRS East Building, 5<sup>th</sup> Floor, Boardroom.*

*Members of the public may provide virtual public comment by registering first with the Board Secretary by submitting an email to [publiccomment@trs.texas.gov](mailto:publiccomment@trs.texas.gov) identifying the name of the speaker and topic, no later than 5:00 pm on December 5, 2024.*

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

*NOTE: The Board may take up any item posted on the agenda during its meeting on December 5 - 6, 2024 beginning at the time and place specified on this agenda.*

1. Call roll of Board members.
2. Consider the following administrative matters including approval of the September 2024 proposed meeting minutes— Robert H. Walls, Jr.
3. Resolution recognizing the service of Jarvis V. Hollingsworth – Robert H. Walls, Jr.
4. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
  - A. Administrative operational matters, including updates on financial, audit, legal, staff services, special projects, strategic planning, legislative implementation including 88<sup>th</sup> Leg. (R) HB 4141, personnel matters, notification of contract renewals, and Moving Forward Together update.
  - B. Board operational matters, including a review of draft agendas for upcoming meetings.
  - C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.

5. Consider the renewal of the executive assessment provider agreement, including considering a finding that deliberating or conferring in open meeting would have a detrimental effect on the position of the retirement system in the negotiations with a third person – Shunne Powell.
6. Consider the renewal of the master custody services and security lending provider agreement including considering a finding that deliberating or conferring in open meeting would have a detrimental effect on the position of the retirement system in the negotiations with a third person – Kendall Courtney.
7. Receive TRS Quarterly Ombudsman’s Report – Lori LaBrie.

***NOTE: The Board meeting likely will recess after the last item above and will resume December 6, 2024, Friday morning, to take up items listed below.***

8. Provide an opportunity for public comment – Robert H. Walls, Jr.
9. Receive the report of the Benefits Committee on its December 5, 2024 meeting and consider the following - Committee Chair:
  - A. Acceptance of the Medical Board Meeting minutes of September 2024 meetings;
  - B. Approval of the Benefit Payments for September to November 2024; and
  - C. Consider the appointment of a member to the Active School Administrator position on the RAC.
10. Receive the report of the Investment Management Committee on its December 5, 2024 meeting – Committee Chair.
11. Receive the report of the Policy Committee on its December 5, 2024 meeting and consider adoption of the following: – Committee Chair
  - A. Consider adoption of proposed amendments to the Member Engagement Policy; and
  - B. Consider adoption of the following proposed repeal and new rules in Chapter 43 of Title 34, Part 3 of the Texas Administrative Code, related to Contested Cases:
    - i. [REPEAL]§43.1 Administrative Review of Individual Requests
    - ii. [REPEAL] §43.2 Effect of Invalidity of Rule
    - iii. [REPEAL] §43.3 Definitions
    - iv. [REPEAL] §43.4 Decisions Subject to Review by an Adjudicative Hearing
    - v. [REPEAL] §43.5 Request for Adjudicative Hearing
    - vi. [REPEAL] §43.6 Filing of Documents
    - vii. [REPEAL] §43.7 Computation of Time
    - viii. [REPEAL] §43.8 Extensions
    - ix. [REPEAL]§43.9 Docketing of Appeal for Adjudicative Hearing and Dismissal for Failure to Obtain Setting

- x. [REPEAL]§43.10 Authority to Grant Relief
- xi. [REPEAL]§43.11 Classification of Pleadings
- xii. [REPEAL]§43.12 Form of Petitions and Other Pleadings
- xiii. [REPEAL]§43.13 Filing of Pleadings and Amendments
- xiv. [REPEAL]§43.14 Briefs
- xv. [REPEAL]§43.15 Motions
- xvi. [REPEAL]§43.16 Notice of Hearing and Other Action
- xvii. [REPEAL]§43.17 Agreements To Be in Writing
- xviii. [REPEAL]§43.18 Motion for Consolidation
- xix. [REPEAL]§43.19 Additional Parties
- xx. [REPEAL]§43.20 Appearance and Representation
- xxi. [REPEAL]§43.21 Lead Counsel
- xxii. [REPEAL]§43.23 Powers of the Administrative Law Judge
- xxiii. [REPEAL]§43.24 Prehearing Conference and Orders
- xxiv. [REPEAL]§43.25 Conduct of Hearing
- xxv. [REPEAL]§43.26 General Admissibility
- xxvi. [REPEAL]§43.27 Exhibits
- xxvii. [REPEAL]§43.28 Pre-filed Direct Testimony in Disability Appeal Proceeding
- xxviii. [REPEAL]§43.29 Limit on Number of Witnesses
- xxix. [REPEAL]§43.33 Failure to Appear
- xxx. [REPEAL]§43.34 Conduct and Decorum at Hearing
- xxxi. [REPEAL]§43.35 Official Notice
- xxxii. [REPEAL]§43.36 Ex Parte Consultations
- xxxiii. [REPEAL]§43.37 Recording of the Hearing; Certified Language Interpreter
- xxxiv. [REPEAL]§43.38 Dismissal without Hearing
- xxxv. [REPEAL]§43.39 Summary Disposition
- xxxvi. [REPEAL]§43.40 The Record
- xxxvii. [REPEAL]§43.41 Findings of Fact
- xxxviii. [REPEAL]§43.42 Reopening of Hearing
- xxxix. [REPEAL]§43.43 Subpoenas and Commissions
- xl. [REPEAL]§43.44 Discovery
- xli. [REPEAL]§43.45 Proposals for Decision, Exceptions, and Appeals to the Board of Trustees
- xlii. [REPEAL]§43.46 Rehearings
- xliii. [REPEAL]§43.47 Procedures Not Otherwise Provided
- xliv. [REPEAL]§43.48 Cost of Preparing Administrative Record
- xlv. [NEW] SUBCHAPTER A. GENERAL ADMINISTRATION
- xlvi. [NEW] §43.1 Applicability.
- xlvii. [NEW] §43.2 Definitions.
- xlviii. [NEW] §43.3 Filing of Documents.
- xlix. [NEW] §43.4 Computation of Time.
  - 1. [NEW] §43.5 Extensions.
  - li. [NEW] §43.6 Ex Parte Consultations.
  - lii. [NEW] §43.7 Procedures Not Otherwise Provided.

- liii. [NEW] SUBCHAPTER B. REQUESTS FOR ADJUDICATIVE HEARING
- liv. [NEW] §43.101. Administrative Review of Individual Requests.
- lv. [NEW] §43.102. Administrative Review of Disability Determinations.
- lvi. [NEW] §43.103. Administrative Review of Option Beneficiary or Optional Retirement Annuity Plan Changes.
- lvii. [NEW] §43.104. Request for Adjudicative Hearing.
- lviii. [NEW] §43.105. Docketing of Petition for Adjudicative Hearing and Dismissal for Failure to Obtain Setting.
- lix. [NEW] §43.106. Authority to Grant Relief.
- lx. [NEW] §43.107. Subpoenas and Commissions.
- lxi. [NEW] SUBCHAPTER C. HEARINGS NOT DOCKETED AT SOAH
- lxii. [NEW] §43.201. Applicability.
- lxiii. [NEW] §43.202. Form of Pleadings.
- lxiv. [NEW] §43.203. Filing of Pleadings and Amendments.
- lxv. [NEW] §43.204. Briefs.
- lxvi. [NEW] §43.205. Motions.
- lxvii. [NEW] §43.206. Discovery.
- lxviii. [NEW] §43.207. Notice of Hearing and Other Action.
- lxix. [NEW] §43.208 Agreements To Be in Writing.
- lxx. [NEW] §43.209 Motion for Consolidation.
- lxxi. [NEW] §43.210 Additional Parties.
- lxxii. [NEW] §43.211. Appearance and Representation.
- lxxiii. [NEW] §43.212. Lead Counsel.
- lxxiv. [NEW] §43.213. Powers of the Administrative Law Judge.
- lxxv. [NEW] §43.214. Prehearing Conference and Orders.
- lxxvi. [NEW] §43.215. Conduct of Hearing.
- lxxvii. [NEW] §43.216. General Admissibility.
- lxxviii. [NEW] §43.217. Exhibits.
- lxxix. [NEW] §43.218. Pre-filed Direct Testimony in Disability Appeal Proceedings.
- lxxx. [NEW] §43.219. Limit on Number of Witnesses.
- lxxxi. [NEW] §43.220. Failure to Appear.
- lxxxii. [NEW] §43.221. Conduct and Decorum at Hearing.
- lxxxiii. [NEW] §43.222. Official Notice.
- lxxxiv. [NEW] §43.223. Recording of the Hearing; Certified Language Interpreter.
- lxxxv. [NEW] §43.224. Dismissal without Hearing.
- lxxxvi. [NEW] §43.225. Summary Disposition.
- lxxxvii. [NEW] §43.226. The Record.
- lxxxviii. [NEW] §43.227. Findings of Fact.
- lxxxix. [NEW] §43.228. Reopening of Hearing.
- xc. [NEW] SUBCHAPTER D. FINAL DECISIONS OF TRS.
- xci. [NEW] §43.301. Proposals for Decision and Exceptions.

- xcii. [NEW] §43.302. Decision of Executive Director.
  - xciii. [NEW] §43.303. Proposals for Decision and Exceptions regarding Eligibility for Disability Retirement.
  - xciv. [NEW] §43.304. Appeals to the Board of Trustees.
  - xcv. [NEW] §43.305. Final Decision of TRS.
  - xcvi. [NEW] §43.306. Rehearings.
  - xcvii. [NEW] §43.307. Cost of Preparing Administrative Record.
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12. Receive the report of the Budget Committee on its December 5, 2024 meeting – Committee Chair.
  13. Receive the report of the Audit, Compliance, and Ethics Committee on its December 5, 2024 meeting – Committee Chair.
  14. Receive an update on the economic impact of TRS pension and healthcare payments on the Texas economy – Dr. Ray Perryman, The Perryman Group.
  15. Receive the TRS Pension Trust Fund Actuarial Valuation for the fiscal year ending August 31, 2024 – Joe Newton, Gabriel, Roeder, Smith & Co.
  16. Receive the TRS-Care Actuarial Valuation and Other Post-Employment Benefits (OPEB) reports for the fiscal year ending August 31, 2024 – Joe Newton, Gabriel, Roeder, Smith & Co.
  17. Receive the annual evaluation of Gabriel, Roeder, Smith & Co. as the provider of pension actuarial and consulting services – Janice Ehlert.
  18. Receive an update on the TEAM Program – Chris Cutler, Billy Lowe, Jennifer Whitman and Adam Fambrough.
  19. Receive an update from the TEAM Program Independent Program Assessment (IPA) Vendor – Laurie Patton, EY.
  20. Receive the Deputy Director’s update including considering the Procurement and Contracting Report – Caasi Lamb.
  21. Receive Quarterly Data Governance and Information Security Update – Frank Williams.
  22. Review the report of the General Counsel on pending and contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, investment matters and open records and on legal or regulatory matters involving certain TRS vendors, investment managers, or other counterparties – Heather Traeger and J.R. Morgan.

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

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

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

**September 19, 2024**

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, September 19, 2024, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

**The following Board members were present:**

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

**Others present:**

Brian Guthrie, TRS	Michael McCormick, AON
Caasi Lamb, TRS	Michael Comstock, AON
Heather Traeger, TRS	Keith Brown, Investment Advisor
Jase Auby, TRS	Liz Severyns, Focus Consulting
Don Green, TRS	Josh Wilson, Mercer
Amanda Jenami, TRS	Susan Lemke, Mercer
Barbie Pearson, TRS	Autumn Uchacz, UHC
Katrina Daniel, TRS	Damien Esquibel, UHC
Shunne Powell, TRS	Ginger Papesh, Noro Nordish
Lori LaBrie, TRS	Amy Daily, ESI
James Nield, TRS	Steve Alexander, BCBS TX
Chris Pan, TRS	Karen Haywood, BCBS TX
LaTresa Stroud, TRS	
Steven Wilson, TRS	
Aundre Petty, TRS	
Katherine Farrell, TRS	
Suzanne Dugan, Cohen Millstein	

Mr. Robert H. Walls, Jr. called the meeting to order at 12:38 p.m.

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

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

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

**a. Approval of the July 2024 proposed meeting minutes;**

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

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

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

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

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

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

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

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

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

Ms. Lori LaBrie provided the ombuds report from January to July. She said in total for this period there were 478 communications: 320 ombuds emails, 101 ombuds phone line calls and 57 Compact with Texans. She reported the social media top trending topics were centered around health care, Board nominations in June and social security. She then reviewed the point-in-time complaints.

- 5. Consider the selection of vendor(s) as Securities Lending Agent, including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in the negotiations with a third person – James Nield, Chris Pan and Andre Petty.**

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

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

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

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

- 6. Review of General Investment Advisor Request for Proposal and consider the extension of the existing Advisor contract, including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in the negotiations with a third person – Steven Wilson and LaTresa Stroud.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ms. Liz Severyns reviewed the process of direct report evaluations for the four Board direct reports.

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

At 3:16 p.m. Mr. Walls announced the Board would adjourn into executive session under the following agenda items and sections of the Government Code: item 9 under Section 551.071 and 551.074 to discuss personnel matters and consult with legal counsel as needed.

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

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

**September 19, 2024**

**Resolution Increasing the Base Salary of the Chief Investment Officer**

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

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

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

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

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

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

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

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

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

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

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

Increase the base salary amount effective October 1, 2024 by 10.346%; and

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

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

**September 19, 2024**

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

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

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

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

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

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

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

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

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

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

Executive Director: Increase the not-to-exceed amount listed in the GAA to \$588,500.00;

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

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

Increase the base salary amount effective October 1, 2024 by 7.0%; and

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

The Board has determined that the Executive Director's Leadership Performance score is 30%, and therefore awards a Leadership Performance Incentive Payment effective January 1, 2025 in the amount of \$165,000.00;

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

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

## **September 20, 2024**

The Board of Trustees of the Teacher Retirement System of Texas met on September 20, 2024 in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

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

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

### **Others present:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. Elliott concluded his report with the following motions:

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

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

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

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

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

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

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

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

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

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

Mr. Williams concluded the report with the following motions:

On a motion by Mr. Williams, the Board voted to accept the Medical Board's meeting minutes for July 2024, as recommended by the Benefits Committee.

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

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

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

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

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

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

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

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

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

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

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

Mr. Nance concluded his report with the following motions:

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

**September 20, 2024**

**RESOLUTION READOPTING EXECUTIVE PERFORMANCE INCENTIVE PAY PLAN**

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

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

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

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

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

**Whereas**, The Board desires to continue the Plan and readopt performance categories, category weights, performance goals, and key performance indicators for the Plan year beginning October 1, 2024; now, therefore be it

**Resolved**, That effective September 20, 2024, the Board hereby readopts the Executive Performance Incentive Pay Plan, as presented by Staff, including the key accountabilities and areas of focus.

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

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

**September 20, 2024**  
**RESOLUTION ADOPTING INVESTMENT MANAGEMENT**  
**DIVISION'S PERFORMANCE PAY PLAN**

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

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

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

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

**Resolved**, That effective for the annual performance period beginning October 1, 2024, the Board hereby adopts the amended Plan as presented by staff.

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

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

**September 20, 2024**  
**RESOLUTION ADOPTING TEACHER RETIREMENT INVESTMENT COMPANY**  
**OF TEXAS LTD'S PERFORMANCE PAY PLAN**

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

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

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

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

**Resolved**, That effective for the annual performance period beginning October 1, 2024, the Board hereby adopts the Plan as presented by staff.

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

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

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

The Audit, Compliance and Ethics Committee met earlier this morning. The committee approved the minutes of the July 14, 2024 meeting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Whereas**, TRS staff developed proposed HUB goals for fiscal year 2025 for the Board to consider; and

**Whereas**, The Board has received and discussed the proposed HUB goals, and the Board desires to adopt TRS' HUB goals for fiscal year 2025; now, therefore, be it

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

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

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

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

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

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

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

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

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

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

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE \_\_ DAY OF DECEMBER 2024.

ATTESTED BY:

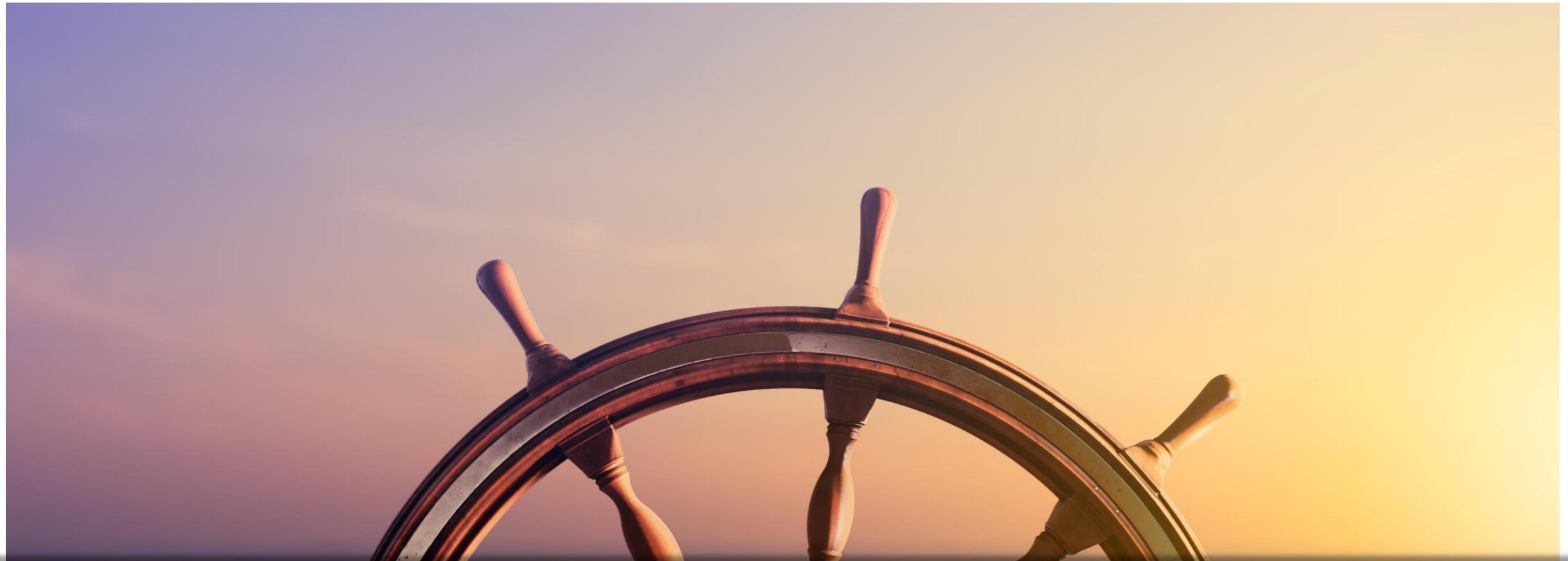
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Katherine H. Farrell  
Secretary to the TRS Board of Trustees

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Date

**TAB 4**



# Executive Director Report

Presentation Date: December 5, 2024

Presented By:  
**Brian Guthrie**



# Topics for Discussion

General Updates

TRS Dental & Vision Update

Executive Director Contract Renewals

Peace Officer Study Update

One TRS: Moving Forward Together

Honors and Special Acknowledgments

Upcoming Board Meeting Agendas



MEMBER  
Focused



OPERATIONAL  
Effectiveness



LEADERSHIP  
Effectiveness



# General Updates

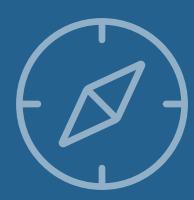


## Upcoming Conferences and Meetings:

- December 10, 2024: TRS EC Retreat, Austin, TX
- February 11, 2024: TRS/ERS Emerging Manager Conference, Virtual
- March 1 – 3, 2025: NASRA Winter Meeting, Washington D.C.

## Past Meetings and Updates:

- October 5 - 9, 2024: NCTR Annual Conference, Atlanta, GA
- October 17, 2024: TRS SPN, New York, NY
- October 17, 2024: Senate State Affairs Hearing
- November 15, 2024: TRS EC Retreat, Austin, TX

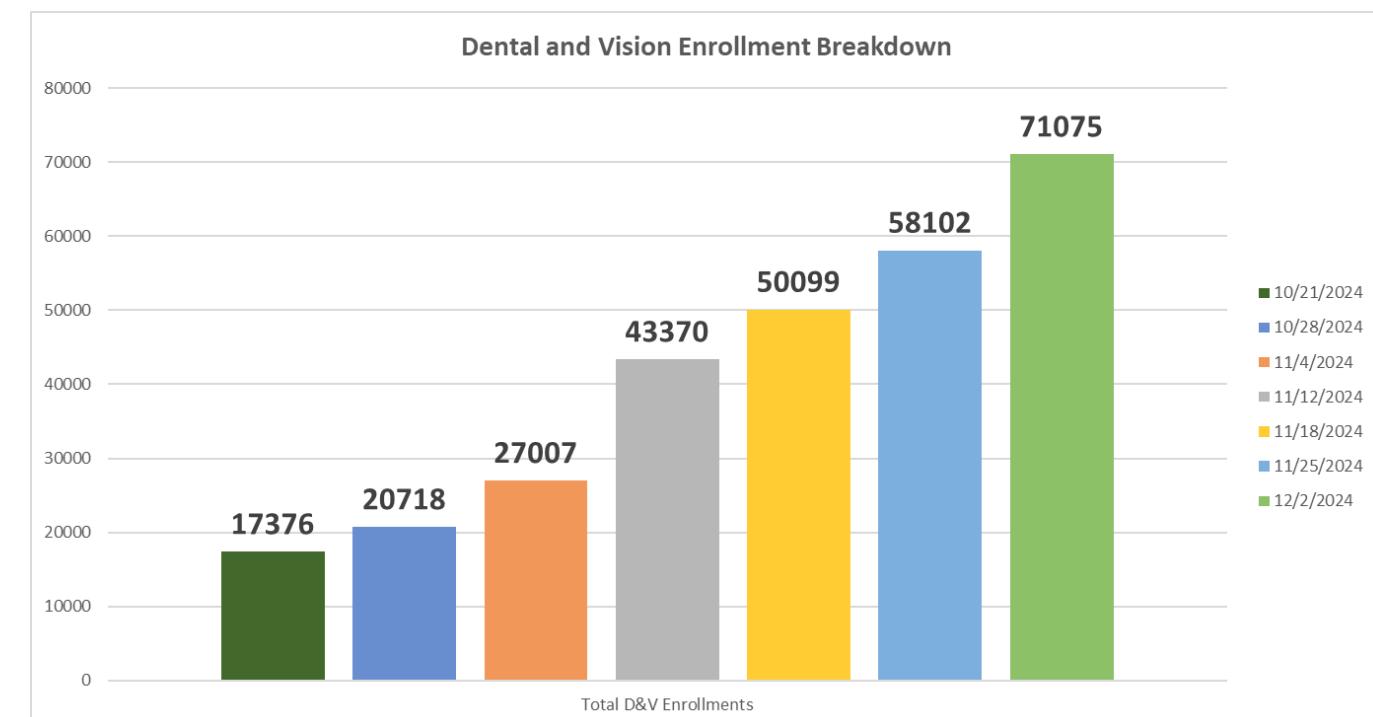


# TRS-Care Dental & TRS-Care Vision



TRS is **extending the enrollment deadline for TRS-Care Dental and TRS-Care Vision** due to **ever-increasing** high demand for these services:

- ✓ **71K Total Enrollments, surpassing projections**
  - ✓ **36K** in TRS-Care Dental
  - ✓ **35k** in TRS-Care Vision
- ✓ **39k** Calls Received
- ✓ **20k** Applications Received
- ✓ Increase of **13k** in one week!
- ✓ New Deadline is **Dec. 17, 2024**





# Executive Director Contract Renewals

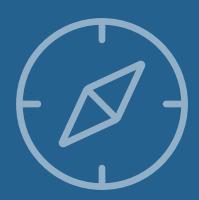


## Board Contracts Renewed:

- Director and Officer (D&O) Insurance Policy Renewal
- BCBS TRS Care Health Plan Administrator

## Board Contracts to be Renewed prior to February Board Meeting:

- Dec. 2024: Alexandria – Red River Leaseback



# Peace Officer Study Update



## 88<sup>th</sup> Leg. HB 4141 (R)

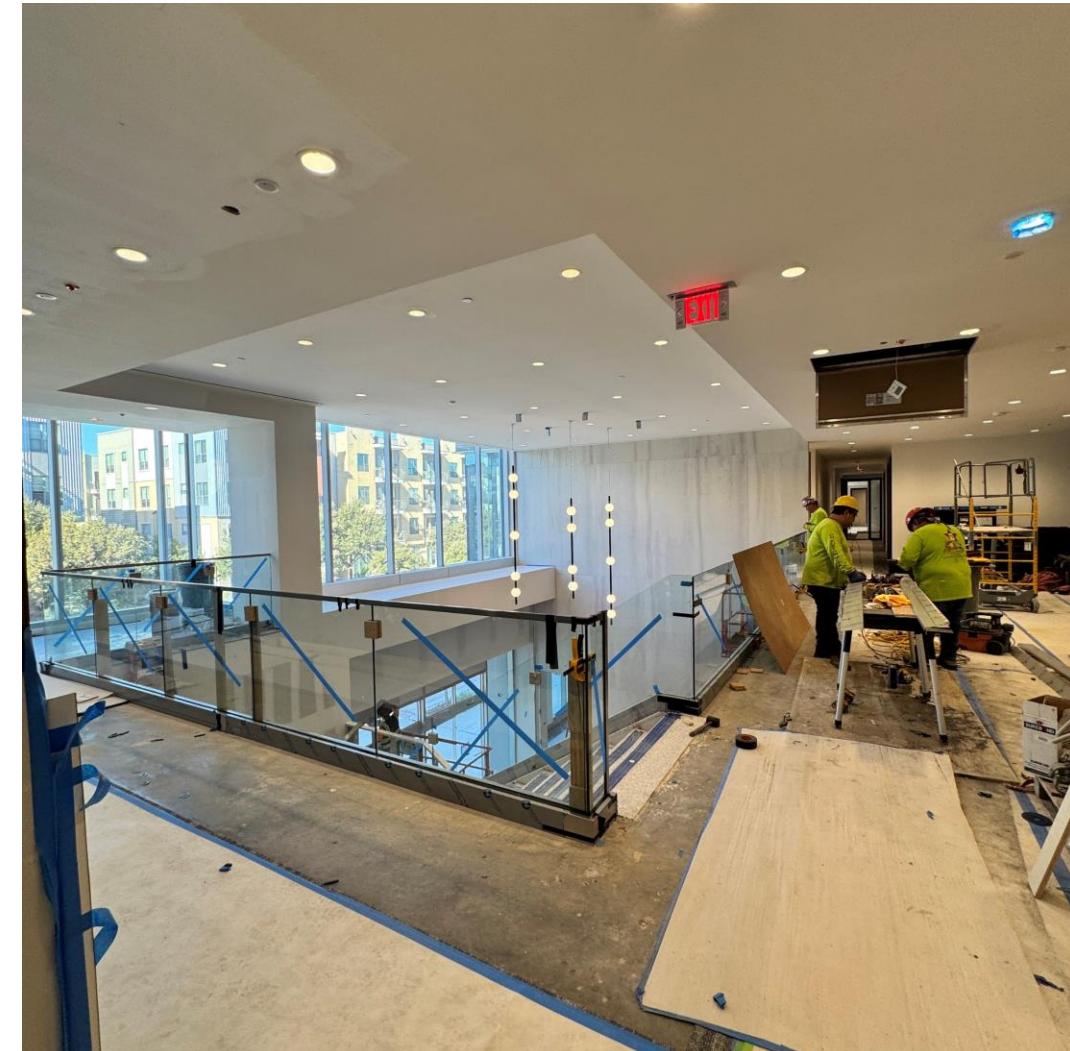
- Requires TRS to conduct a study on the feasibility of offering members who are peace officers, alternative service retirement benefits under the system.
- No later than Dec. 31, 2024, the system shall prepare and submit a report to the legislature that contains the findings of the study and information submitted to the system.

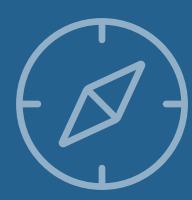


# One TRS: Moving Forward Together



## BRAVO T.I CONSTRUCTION STATUS





# One TRS: Moving Forward Together

## KEY UPCOMING MILESTONES

Milestone	Target Completion Date
Security/Facilities Office in Bravo Garage Complete	December 2024
Bravo Tenant Improvement Construction Complete	January 2025
Bravo Move-In	Mid 2025

### Bravo Office Shell

- The office shell construction is substantially complete.
- There is still some minor exterior work remaining on the roof and courtyard.

### Bravo Tenant Improvement Construction

- Construction is underway across all floors of the building and is progressing on schedule.
- Open office workstation and office installations are ongoing.



# Special Honors and Acknowledgments: Executive Director's Award of Excellence



## Executive Director's Award of Excellence

### Winner

**Pension Benefits Enhancement Project Team (One-time stipend and COLA)**



This project team ensured a legislatively mandated one-time stipend (September 2023) and a cost-of-living adjustment (COLA) (January 2024) were successfully implemented.

Cross-agency collaboration was critical to this project's success. Project team members went above and beyond by working extended hours including weekends and holidays. Their dedication allowed TRS to issue over 282,000 stipend payments, including over 6,000 rollover payments in the initial payroll load. By the end of September, the remaining 1,174 rollover stipend payments were issued. As a result of the team's efforts, over \$1.5 billion in stipend payments were successfully delivered to eligible retirees, and the COLA increased monthly payroll by \$30 million.



# Special Honors and Acknowledgments: Shining Example Award



## Shining Example Award Winner

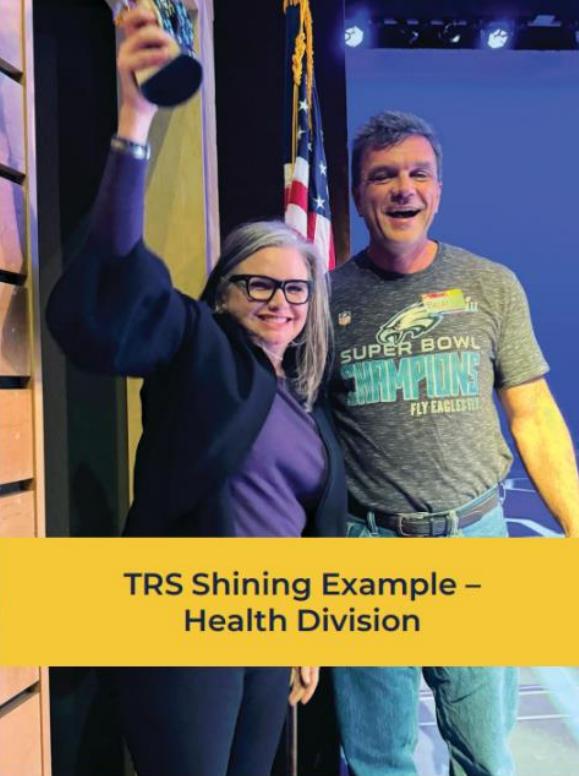
Health Division – Lower Medicare Premiums (Retirees)

The TRS-Care fund balance has seen significant growth in recent years due to changes in Medicare policies, better medical and pharmacy contracts, and effective plan management by the Health Division. Several teams within the division have been instrumental in creating opportunities to reduce Medicare rates.

The team determined that premiums for Medicare-eligible retirees and their spouses could decrease by about 45%, resulting in substantial savings for the 160,000 Medicare participants. Depending on their enrollment tier, participants could save between \$720 and \$4,884 per year. This reduction will increase the average annual annuity for retirees by 4-7%. The new rates will be effective from January 1, 2025. Additionally, TRS-Care will offer a limited-time enrollment opportunity for Medicare-eligible retirees and their dependents to join or rejoin the plan at these new, lower rates.



# Special Honors and Acknowledgements: Employee Appreciation Day



ED Award of Excellence –  
Pension Benefits  
Enhancement Project



TRS Employee  
Appreciation  
Day 2024





# Special Honors and Acknowledgments: Golden Apple Award

**CONGRATULATIONS**  
Teacher Retirement System of Texas  
**2024 Golden Apple Recipients**

Jean Michelle Bryan Anissa Melinda  
Javier Simon Robert Craig  
Jonathan Yangers Kale Eric

**TRS**



# Special Honors and Acknowledgments: TRS 2024 Top Workplace



## 13 Years and Counting





# Upcoming Board Agendas



## February 27, 2025

- Benefits
- Health
- Ombuds Annual Report
- IMD

## February 28, 2025

- Ethics/Fiduciary Training
- Selecting Board Investment Advisor
- Mission Statement Review



# Upcoming Board Agendas



April 10, 2025

**Benefits Committee**

- Operational Updates
- Approval of Benefits
- Medical Board Minutes

**Investment Management Committee**

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

**Budget Committee**

- FY2025 mid year and FTE Report

**Policy Committee**

- Authorization to Approve & Sign Vouchers

**Strategic Planning Committee**

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

**ACE Committee**

- Internal Audit and Compliance Reports

April 11, 2025

Committee Reports

ED Report

Ombuds Report

Deputy Director Report

Information Security Update

Litigation Update

**TAB 5**



# Organizational Excellence

Friday, December 6, 2024

Presented By:

**Shunne Powell, Chief Organizational Excellence Officer**



# Executive Performance Assessment Services

## Focus Consulting Group

Provide annual executive performance assessment services for the executive director, chief investment officer, chief audit executive, and ombuds.

## Key Dates

- 01/01/2024 - Contract effective date
- 12/31/2024 - Expiration date
- 01/01/2025 – Renewal will begin

## Staff Recommendations

Renew contract based on overall positive vendor performance

**TAB 6**

# **Master Custodian and Securities Lending Services**

Kendall Courtney

Managing Director

Head of Investment Operations

December 2024



# Master Custodian and Securities Lending Services

## *Background*

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- Prior Request for Proposal (RFP)
  - RFP posted with contemplated five-year initial term with two, optional one-year renewals in 2021
  - Board selected State Street as our Master Custodian and Securities Lending Agent in April 2022
  - Contract signed September 1, 2023
    - Current three-year contract with an end date August 31, 2026, with
    - Two one-year renewal options
- State Street Bank (STT) Overview
  - State Street has been TRS' custodian since 2002
  - 2<sup>nd</sup> Largest global custodian bank
  - 7 of the 10 largest US pensions use State Street

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## APPENDIX

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**TAB 7**



# Ombuds Quarterly Report

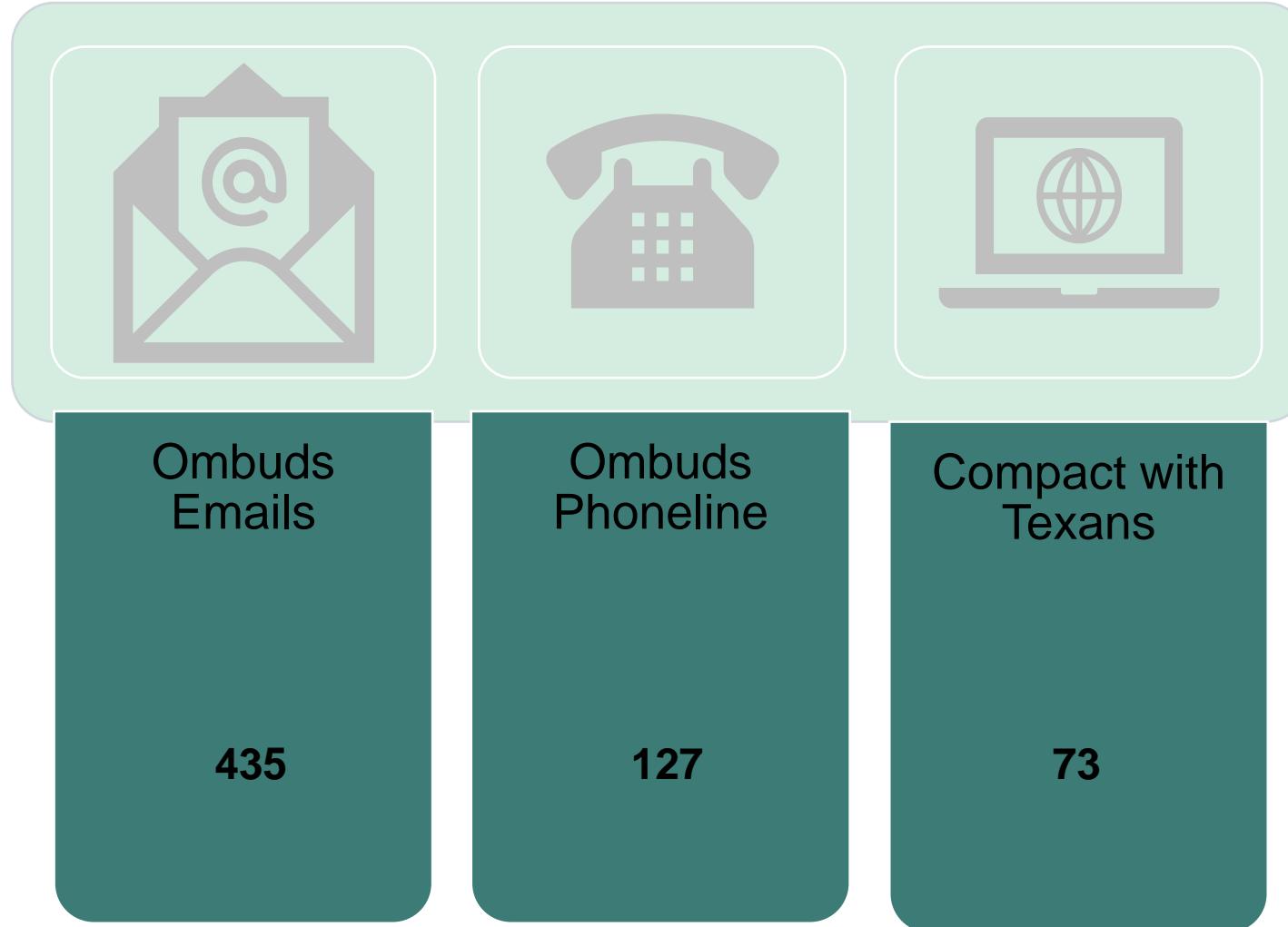
Presentation Date: Dec. 5, 2024

Presented By:  
**Lori LaBrie**





# Ombuds Communications - January – October 2024



Total Ombuds Communications: **635**



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



January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024
Health Care (67)	Health Care (87)	Retirement (30)	Health Care (19)	Health Care (103)	Health Care (245)	Health Care (360)	Health Care (219)	Health Care (86)	Health Care (80)
COLA (41)	Retirement (15)	Investments (11)	Retirement (3)	Political (92)	Board Nominations (37)	Social Security (24)	Miscellaneous* (72)	Miscellaneous* (62)	Beneficiary** (19)
MyTRS (11)	1099-R (12)	Annuity Payments (6)	Eclipse (3)	COLA (4)	Ending Employment (11)	COLA (19)	Beneficiary** (16)	Social Security (39)	Careers*** (12)

\*Discussions that do not pertain to TRS or its services

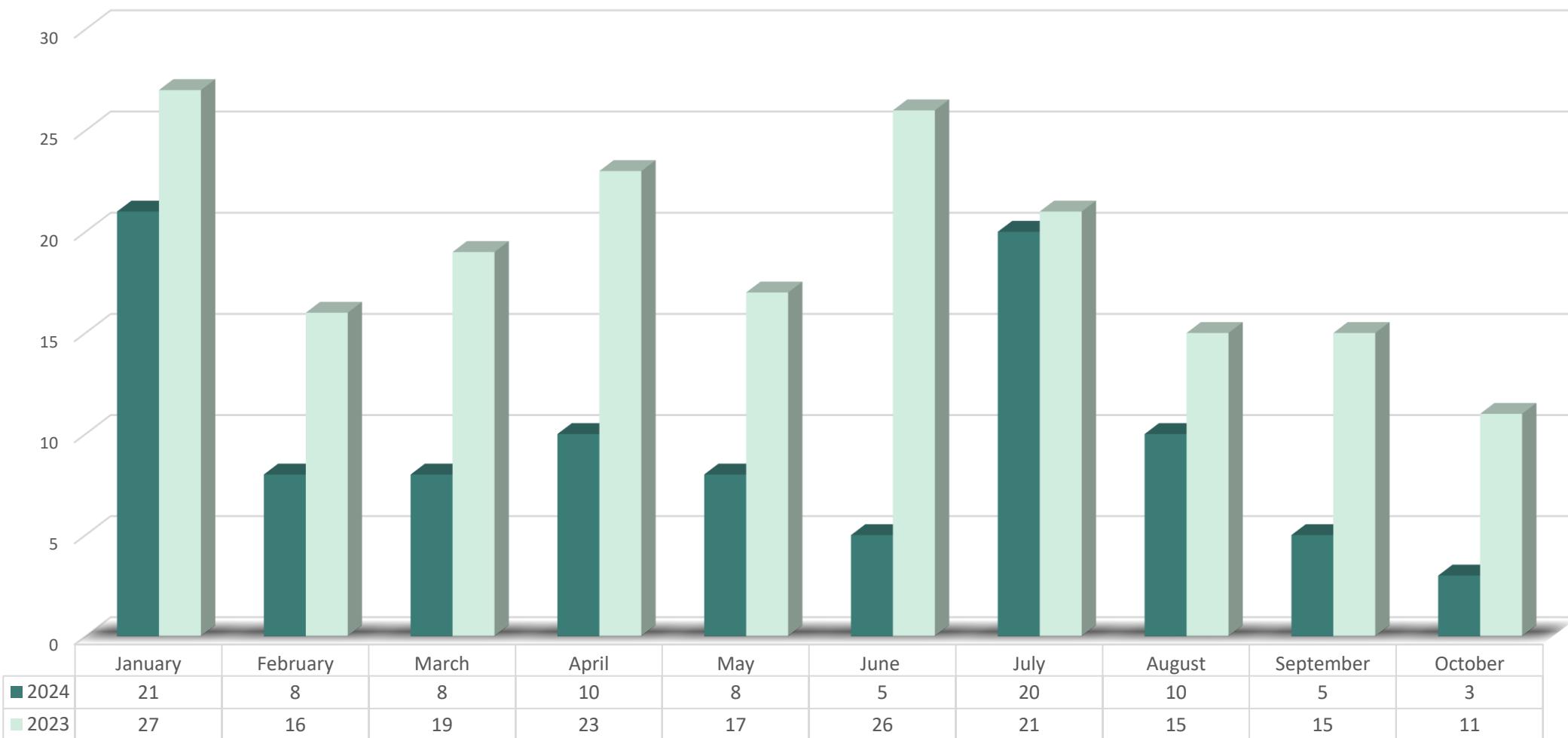
\*\*Inquiries regarding the processing of death benefits

\*\*\*Discussions regarding job posting for TRS career opportunities



# Point-in-Time Complaints

## January – October 2024



Point-in-Time Complaints Received:

January – October 2023 - **190**

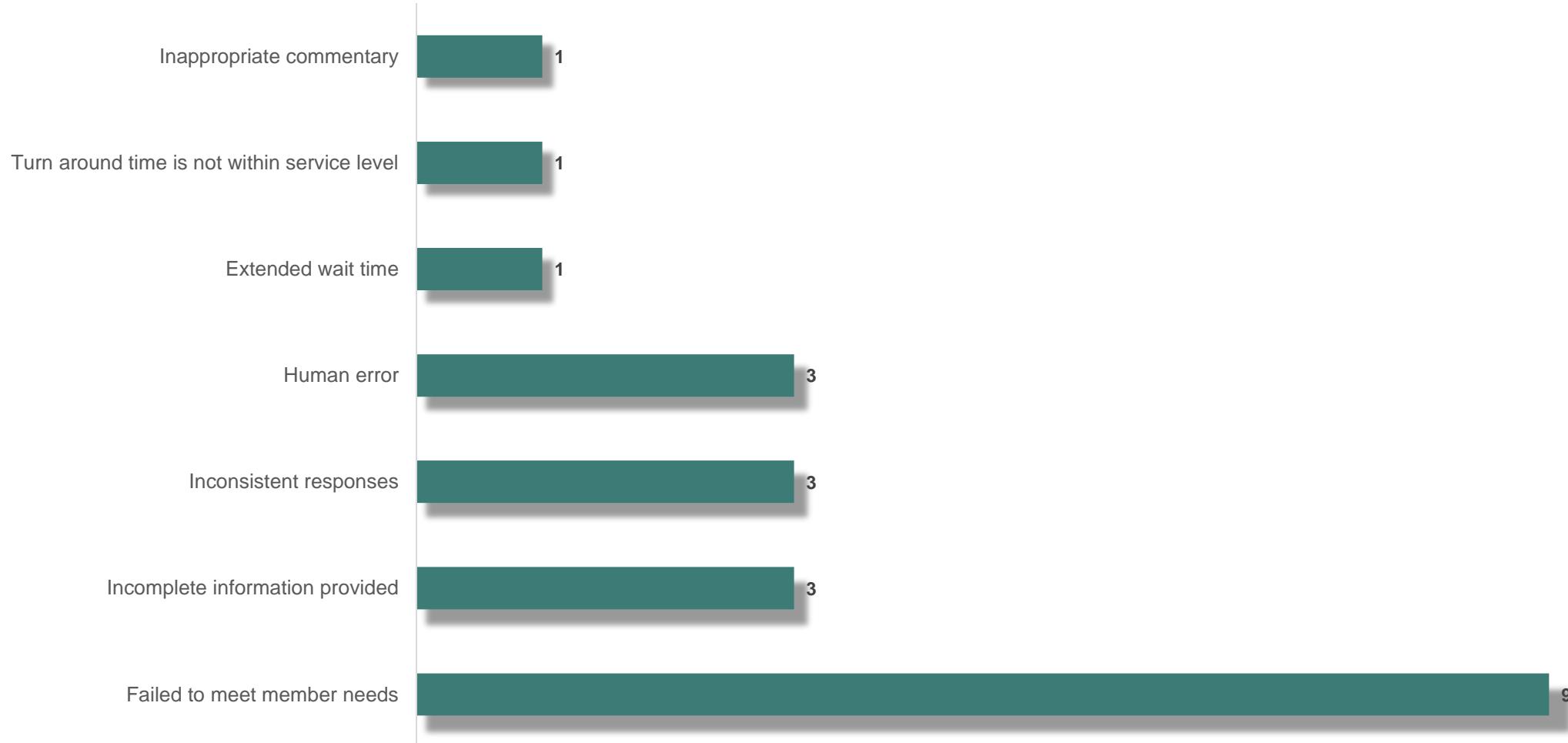
January – October 2024 - **98**

Outstanding: **0**



# Point-in-Time Complaints by Category

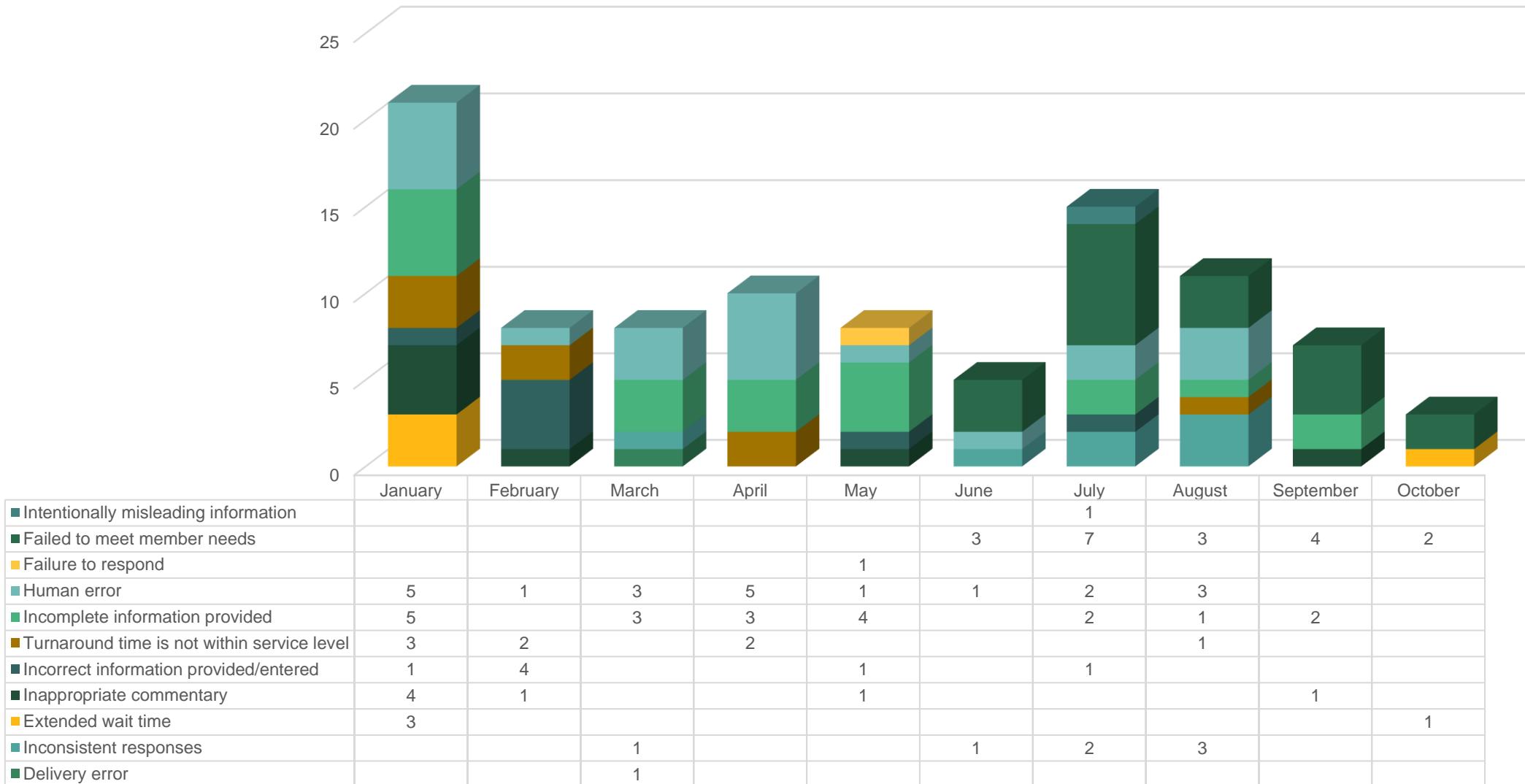
## August – October 2024





# Point-in Time Complaints by Category

## January – October 2024





# Member Outreach

## January – October 2024



### BENEFITS VIRTUAL SESSIONS

- Pension Benefits Session
- Retirement Forms Session
- Ready to Retire
- Benefits GOV
- TRS Employee Presentation

### HEALTH FAIRS/TRAININGS

- TRS-Care Health Education Fair: Round Rock, TX
- TRS-Care Health Education Fair: West Houston
- TRS-Care Health Education Fair: Beaumont, TX

### RTA

- Katy Ready to Retire: Katy ISD, Legacy Stadium, Katy TX
- RTA Convention: Corpus, Christi, TX
- RTA District 5 Meeting: Beaumont, TX

### IOA

- IOA Annual Ombuds Conference: Indianapolis, IN
- IOA Organizational Ombuds Webinar (Sources of Power & Influence)
- IOA September Symposium

### NPEA

- NPEA Annual Conference: Greenville, SC



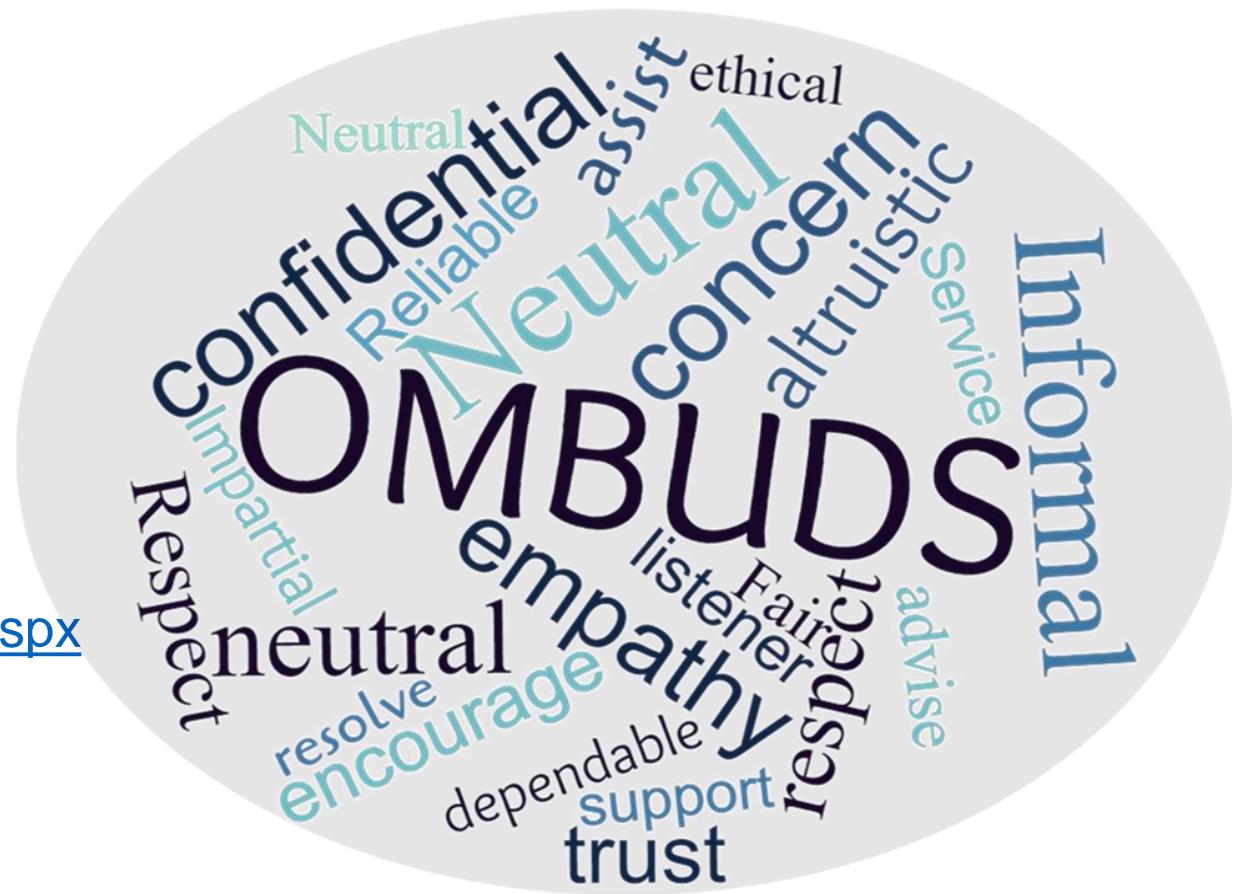
## Ombuds Contact Info:

Direct Phoneline: 833.873.2331

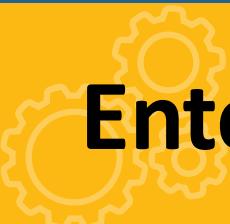
Email: [Ombuds@trs.texas.gov](mailto:Ombuds@trs.texas.gov)

Intake Form:

<https://www.trs.texas.gov/Pages/ombuds.aspx>



**TAB 14**



# Enterprise Project Management

2024 Economic Impact Study

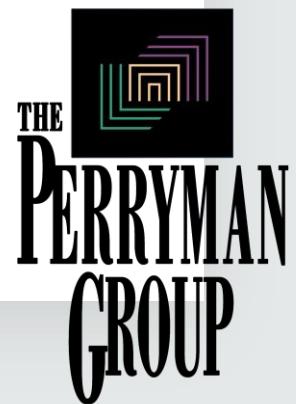
December 6, 2024

Sunitha Downing, Director of Enterprise Program Management

Dr. Ray Perryman, The Perryman Group

# The Economic Impact of the Teacher Retirement System of Texas Annuity, Health Care, Stipend, and Additional Health Care Funding

Summary of Selected Results 2024



# Overview

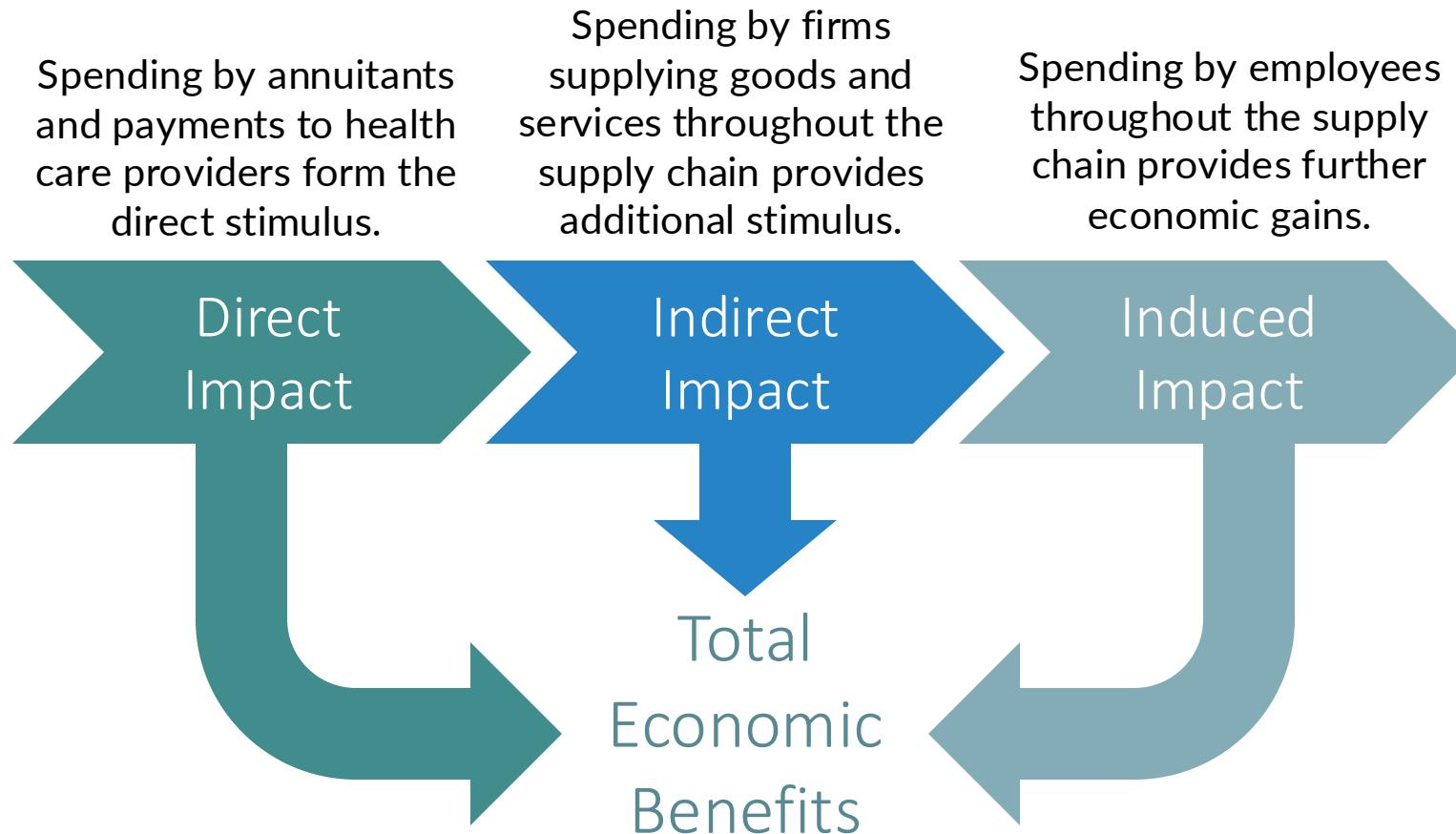
The Perryman Group quantified the total economic benefits of TRS

- **Retirement annuity payments**
- **Payments to health care providers** through TRS-Care and TRS-ActiveCare
- **Stipend payments** to eligible recipients
- **Additional State funding** for TRS-ActiveCare

Not only direct, but also indirect and induced (multiplier) effects estimated using the firm's US Multi-Regional Impact Assessment System

- **Texas results** by major industry group
- **Localized results** by region, legislative district, metropolitan statistical area, county, and zip code
- **Other measures of importance** such as fiscal effects, return on State funding, and percentage of county business activity

# Dynamic Economic Effects



# 2024 Highlights

	<b>TOTAL EXPENDITURES</b> (Billions of 2024 Dollars)	<b>GROSS PRODUCT</b> (Billions of 2024 Dollars)	<b>PERSONAL INCOME</b> (Billions of 2024 Dollars)	<b>EMPLOYMENT</b> (Jobs)
Annuity Payments	\$29.470	\$14.149	\$8.741	150,978
TRS-ActiveCare	\$7.052	\$3.762	\$2.577	38,966
TRS-Care	\$10.281	\$5.484	\$3.757	56,803
<b>TOTAL</b>	<b>\$46.803</b>	<b>\$23.395</b>	<b>\$15.075</b>	<b>246,747</b>

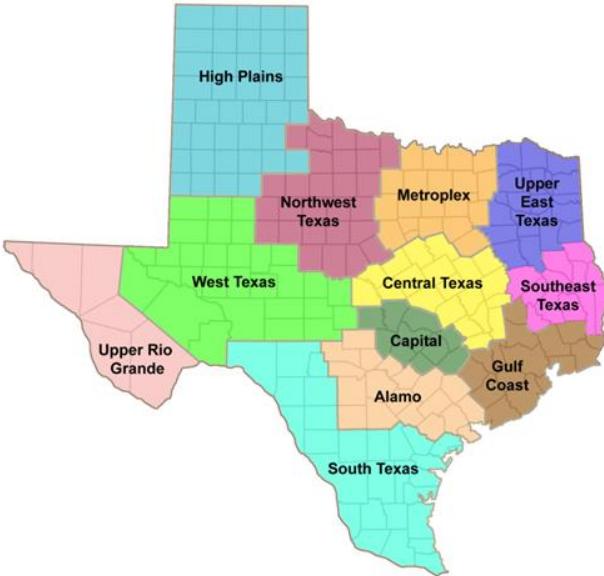
  

	<b>TOTAL EXPENDITURES</b> (Billions of 2024 Dollars)	<b>GROSS PRODUCT</b> (Billions of 2024 Dollars)	<b>PERSONAL INCOME</b> (Billions of 2024 Dollars)	<b>EMPLOYMENT</b> (Jobs)
Stipend Payments	\$3.432	\$1.648	\$1.018	17,581
Additional Funding for TRS-ActiveCare	\$1.086	\$0.579	\$0.397	6,002
<b>TOTAL</b>	<b>\$4.518</b>	<b>\$2.227</b>	<b>\$1.415</b>	<b>23,583</b>

Note: Based on annuity, TRS-Active Care, TRS-Care, and stipend payments to Texas residents in fiscal year 2024, and The Perryman Group's estimates of related multiplier effects. Effects of additional State funding for TRS-ActiveCare allocated based on patterns in TRS-ActiveCare payments. Note that the annuity totals include the cost-of-living adjustment approved by the State legislature in 2023. Components may not sum to totals due to independent rounding. Additional definitions of terms and explanation of methods and assumptions may be found in the accompanying reports.

Source: US Multi-Regional Impact Assessment System, The Perryman Group

# Estimated Impact of Spending Associated with FY2024 Retirement Annuity, TRS-ActiveCare, & TRS-Care Payments by Region



Region	Retirement Annuity		TRS-ActiveCare		TRS-Care	
	Gross Product (Millions of 2024 Dollars)	Employment (Jobs)	Gross Product (Millions of 2024 Dollars)	Employment (Jobs)	Gross Product (Millions of 2024 Dollars)	Employment (Jobs)
High Plains	\$522.62	5,560	\$103.52	1,093	\$217.41	2,268
Northwest Texas	\$370.21	4,019	\$76.98	829	\$162.72	1,729
Metroplex	\$3,227.51	35,248	\$1,820.17	18,904	\$1,410.33	14,735
Upper East Texas	\$706.20	7,629	\$184.41	1,961	\$300.41	3,177
Southeast Texas	\$452.94	5,021	\$85.31	924	\$173.21	1,862
Gulf Coast	\$3,200.98	32,482	\$802.48	7,951	\$1,332.63	13,216
Capital	\$1,037.53	11,167	\$188.96	1,985	\$355.68	3,701
Central Texas	\$803.99	8,800	\$131.90	1,413	\$244.65	2,600
Alamo	\$1,683.70	17,853	\$165.56	1,742	\$606.20	6,313
South Texas	\$1,354.51	14,852	\$107.68	1,147	\$420.46	4,480
West Texas	\$272.61	2,931	\$56.00	592	\$111.67	1,174
Upper Rio Grande	\$516.70	5,415	\$39.10	425	\$148.82	1,546
Texas	<b>\$14,149.49</b>	<b>150,978</b>	<b>\$3,762.06</b>	<b>38,966</b>	<b>\$5,484.19</b>	<b>56,803</b>

Note: Components may not sum to totals due to independent rounding.

# Estimated Impact of Spending Associated with the FY2024 Stipend Payment to Eligible Annuitants

During the 88th Texas Regular Legislative Session in 2023, lawmakers provided funds for a stipend to be distributed by TRS to eligible retirees

- The stipend payment provided \$7,500 to eligible annuitants aged 75 years of age and older and \$2,400 to eligible annuitants aged 70 to 74, totaling **\$1.5 billion** being distributed
- These payments generated sizable economic effects of approximately **\$1.65 billion** in gross product and almost **17,600** jobs
- Results by region and industry are included in the accompanying report

# Estimated Impact of Additional State Funding for TRS-ActiveCare

The General Appropriations Act (House Bill 1) provided an appropriation to keep the average premium rate increase in TRS-ActiveCare below 10%

- The additional funding reduced the gross premium increase by public educators utilizing the program compared to what they would have been otherwise, thus freeing up resources and leading to incremental spending in communities across the state
- The estimated benefits (including multiplier effects) associated with this additional funding were estimated to include approximately **\$579.5 million** in Texas gross product and **6,000** jobs as a result of the portion of the appropriated funds that were made available in FY2024
- Results by region and industry are included in the accompanying report

# Fiscal Benefits

Business activity generates tax receipts to the State and local government entities such as cities, counties, and school districts

- The annual fiscal benefits to the State of Texas and local taxing entities across the state associated with TRS annuity payments include an estimated **\$1.39 billion** to the State and **\$741.91 million** to local government entities
- Taxes generated by health care spending related to TRS-ActiveCare and TRS-Care total an estimated **\$543.38 million** to the State and **\$437.84 million** to local government entities
- Fiscal benefits associated with the stipend for eligible TRS annuitants include **\$162.29 million** to the State and **\$86.39 million** to local government entities across Texas, with another almost **\$34.05 million** to the State and **\$27.44 million** to local government entities associated with the additional funding for TRS-ActiveCare

# Conclusion

- TRS annuity and health care payments are highly important to the financial situations of active and retired public education employees and their households
- These benefits are crucial to active and retired public education employees, helping to keep public education competitive among professional job options
- In addition, they generate substantial economic and fiscal benefits in communities across the state

# About The Perryman Group

The Perryman Group is an economic and financial analysis firm that provides clients with thoroughly researched, well-documented, carefully considered answers to complex questions.

Led by Dr. M. Ray Perryman, The Perryman Group covers numerous practice areas including litigation & regulatory services, impact assessment, economic modeling & forecasting, valuation, economic development & strategic planning, and public policy. In addition, our in-house professionals also provide market & industry analysis, statistical modeling & analysis, survey & demographic studies, economic statistics, and other services in a comprehensive manner. The firm has served the needs of more than 3,000 clients ranging from major corporations to small startups and local communities to national governments.

[www.perrymangroup.com](http://www.perrymangroup.com) | [info@perrymangroup.com](mailto:info@perrymangroup.com) | 254.751.9595 |  



# Questions?



# Appendix

# Estimated Impact of Spending Associated with FY2024 TRS Annuity Payments by Industry

	<b>TOTAL EXPENDITURES</b> (Millions of 2024 Dollars)	<b>GROSS PRODUCT</b> (Millions of 2024 Dollars)	<b>PERSONAL INCOME</b> (Millions of 2024 Dollars)	<b>EMPLOYMENT</b> (Jobs)
Agriculture	\$558.6	\$162.6	\$106.2	1,365
Mining	\$477.3	\$111.4	\$64.5	311
Utilities	\$2,116.8	\$475.2	\$207.4	735
Construction	\$712.3	\$365.0	\$300.8	3,446
Manufacturing	\$3,507.2	\$1,075.3	\$599.0	7,849
Wholesale Trade	\$894.6	\$605.4	\$349.1	3,236
Retail Trade	\$7,946.2	\$6,000.2	\$3,495.1	86,542
Transportation & Warehousing	\$833.4	\$572.9	\$378.9	4,212
Information	\$869.1	\$537.0	\$229.3	1,677
Financial Activities	\$6,063.8	\$1,016.8	\$383.0	3,280
Business Services	\$1,156.3	\$680.7	\$555.2	5,512
Health Services	\$1,535.3	\$1,088.2	\$920.0	12,397
Other Services	\$2,798.7	\$1,458.8	\$1,151.9	20,417
<b>Total, All Industries</b>	<b>\$29,469.6</b>	<b>\$14,149.5</b>	<b>\$8,740.6</b>	<b>150,978</b>

Note: Components may not sum to totals due to independent rounding.

Source: US Multi-Regional Impact Assessment System, The Perryman Group

# Estimated Impact of Health Care Spending Associated with FY2024 TRS-ActiveCare Payments by Industry

	<b>TOTAL EXPENDITURES</b> (Millions of 2024 Dollars)	<b>GROSS PRODUCT</b> (Millions of 2024 Dollars)	<b>PERSONAL INCOME</b> (Millions of 2024 Dollars)	<b>EMPLOYMENT</b> (Jobs)
Agriculture	\$119.5	\$33.1	\$21.9	281
Mining	\$97.8	\$22.8	\$12.6	61
Utilities	\$310.8	\$70.7	\$30.8	109
Construction	\$131.0	\$69.2	\$57.0	653
Manufacturing	\$921.0	\$288.0	\$159.0	2,020
Wholesale Trade	\$229.1	\$154.9	\$89.3	828
Retail Trade	\$1,165.0	\$890.9	\$520.9	12,649
Transportation & Warehousing	\$191.5	\$129.9	\$85.9	955
Information	\$148.9	\$91.9	\$39.2	287
Financial Activities	\$1,031.0	\$262.5	\$96.5	822
Business Services	\$266.3	\$160.8	\$131.2	1,302
Health Services	\$2,037.2	\$1,378.5	\$1,165.6	15,706
Other Services	\$403.4	\$208.7	\$167.6	3,292
<b>Total, All Industries</b>	<b>\$7,052.3</b>	<b>\$3,762.1</b>	<b>\$2,577.4</b>	<b>38,966</b>

Note: Components may not sum to totals due to independent rounding.

Source: US Multi-Regional Impact Assessment System, The Perryman Group

# Estimated Impact of Health Care Spending Associated with FY2024 TRS-Care Payments by Industry

	<b>TOTAL EXPENDITURES</b> (Millions of 2024 Dollars)	<b>GROSS PRODUCT</b> (Millions of 2024 Dollars)	<b>PERSONAL INCOME</b> (Millions of 2024 Dollars)	<b>EMPLOYMENT</b> (Jobs)
Agriculture	\$174.2	\$48.3	\$31.9	410
Mining	\$142.6	\$33.3	\$18.3	89
Utilities	\$453.0	\$103.1	\$45.0	160
Construction	\$190.9	\$100.8	\$83.1	952
Manufacturing	\$1,342.6	\$419.9	\$231.8	2,945
Wholesale Trade	\$333.9	\$225.8	\$130.2	1,207
Retail Trade	\$1,698.3	\$1,298.8	\$759.4	18,439
Transportation & Warehousing	\$279.2	\$189.3	\$125.2	1,392
Information	\$217.0	\$134.0	\$57.2	418
Financial Activities	\$1,502.9	\$382.7	\$140.6	1,199
Business Services	\$388.2	\$234.4	\$191.2	1,898
Health Services	\$2,969.8	\$2,009.6	\$1,699.1	22,896
Other Services	\$588.0	\$304.3	\$244.3	4,799
<b>Total, All Industries</b>	<b>\$10,280.6</b>	<b>\$5,484.2</b>	<b>\$3,757.2</b>	<b>56,803</b>

Note: Components may not sum to totals due to independent rounding.

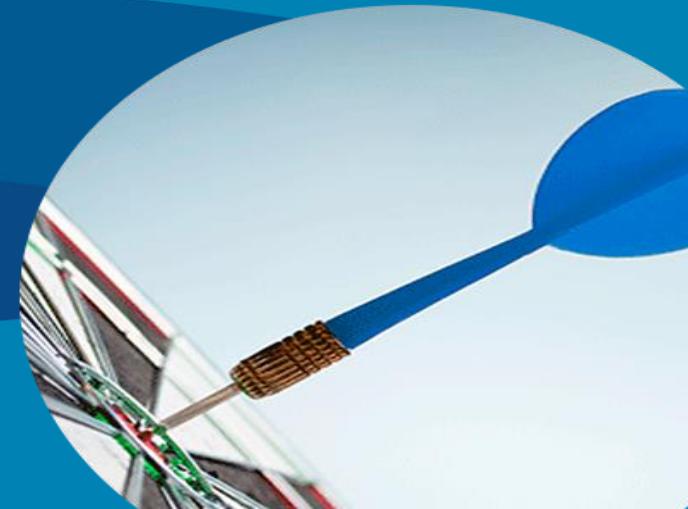
Source: US Multi-Regional Impact Assessment System, The Perryman Group

**TAB 15**



# Teacher Retirement System of Texas

Actuarial Valuation as of  
August 31, 2024



# Actuarial Valuation

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- Prepared as of August 31, 2024 using member data, financial data, benefit and contribution provisions, actuarial assumptions and methods as of that date
- A “health checkup” for TRS Pension Fund:
  - Determine adequacy of current statutory contributions
  - Explain changes in actuarial condition
  - Track changes over time
  - Warn about possible future problems and issues
  - Provide other information for reporting
    - Annual Comprehensive Financial Report
    - Accounting results provided under separate report

# Eligible Retirees Received \$5B in Benefit Enhancements

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- The stipend payments and COLA increases in the eligible retirees' annuities were fully paid for with lump sum contributions from the State during the 88<sup>th</sup> Texas Legislature
- Thus, they had no impact on the Unfunded Actuarial Accrued Liability (UAAL) or the funded status of TRS
- This 2024 valuation has confirmed this result

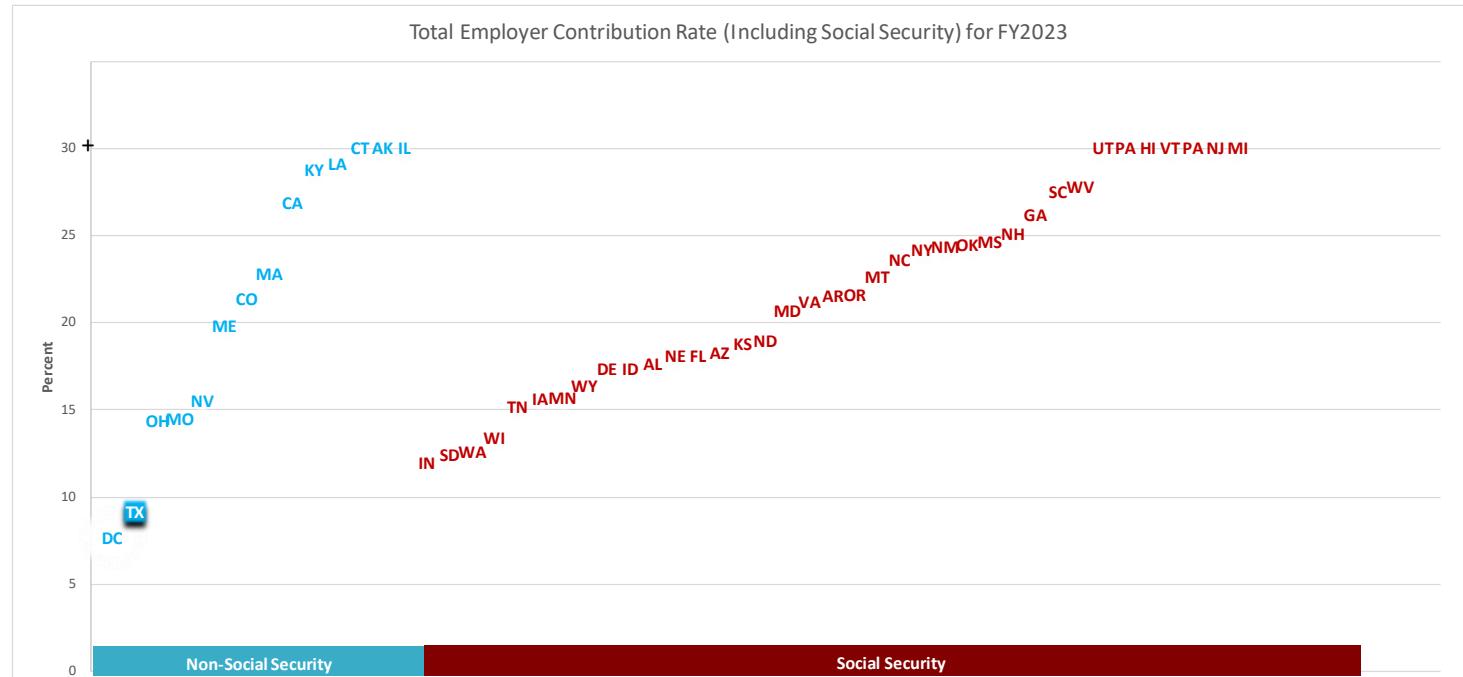
# Employer contributions toward retirement for Teachers in Texas are among the lowest when compared nationally

Total employer contributions into TRS:

9.15% in FY23

9.37% in FY24

9.43% in FY25 & beyond



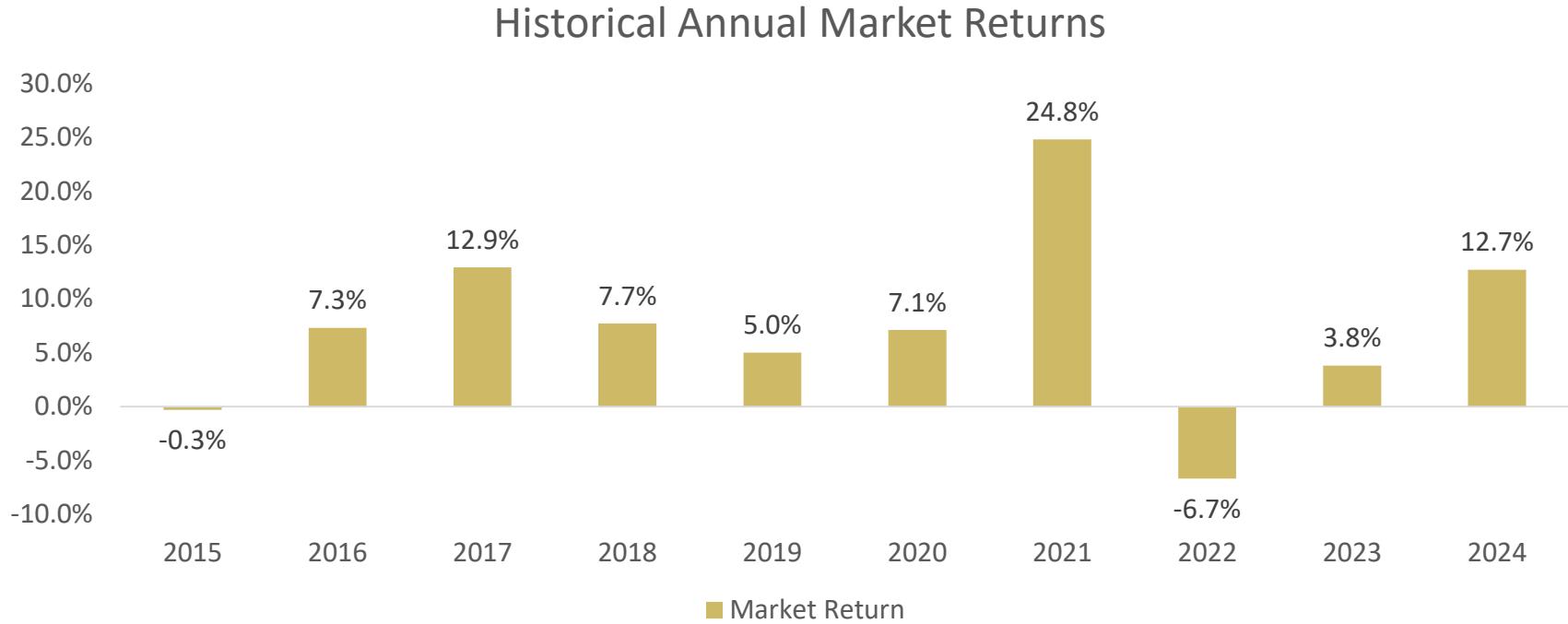
Light blue states shown above do not participate in Social Security, maroon states shown do participate.

NASRA Public Funds Survey, Teacher Plans

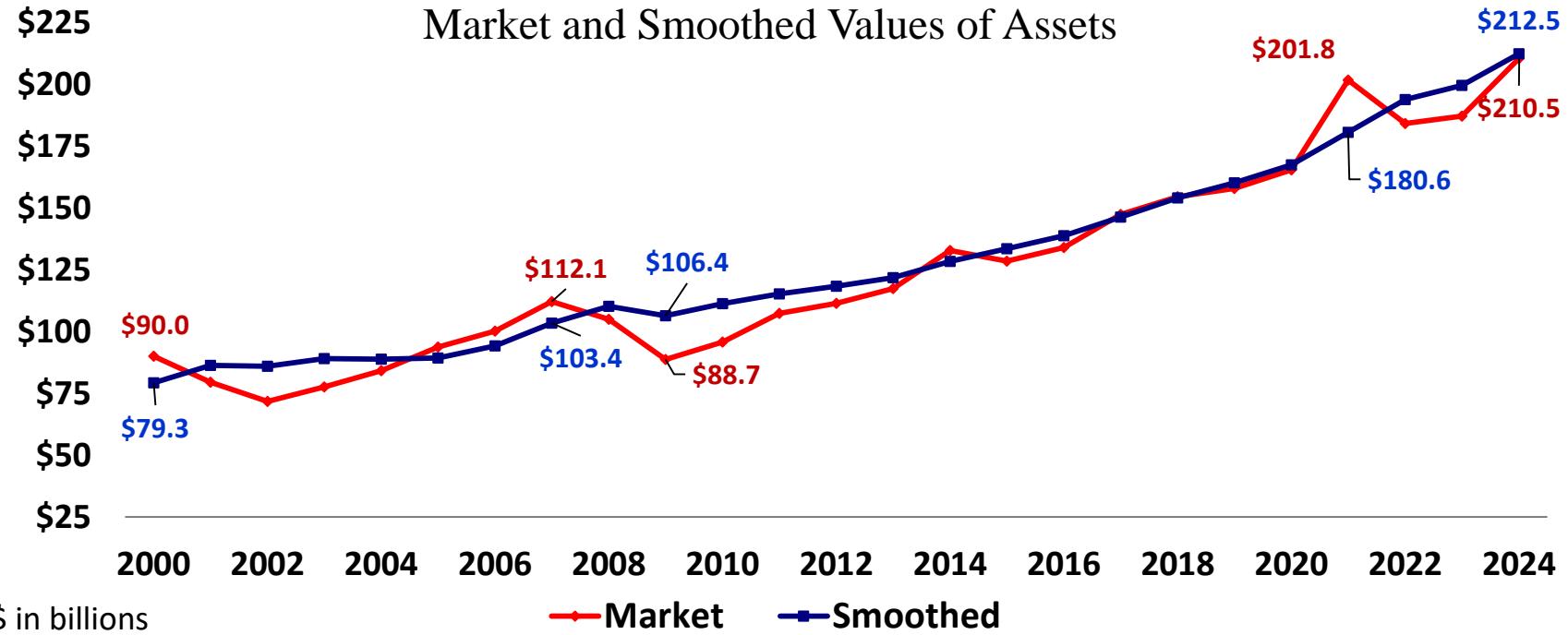


# Annual market returns are volatile, but have met the assumption over the past decade

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The strong FY24 market performance offset most of the remaining investment experience from FY22 and FY23.



Based on current assumptions, the TRS Pension Fund would reach 100% funded status in 2052, same projected time horizon as the 2023 valuation

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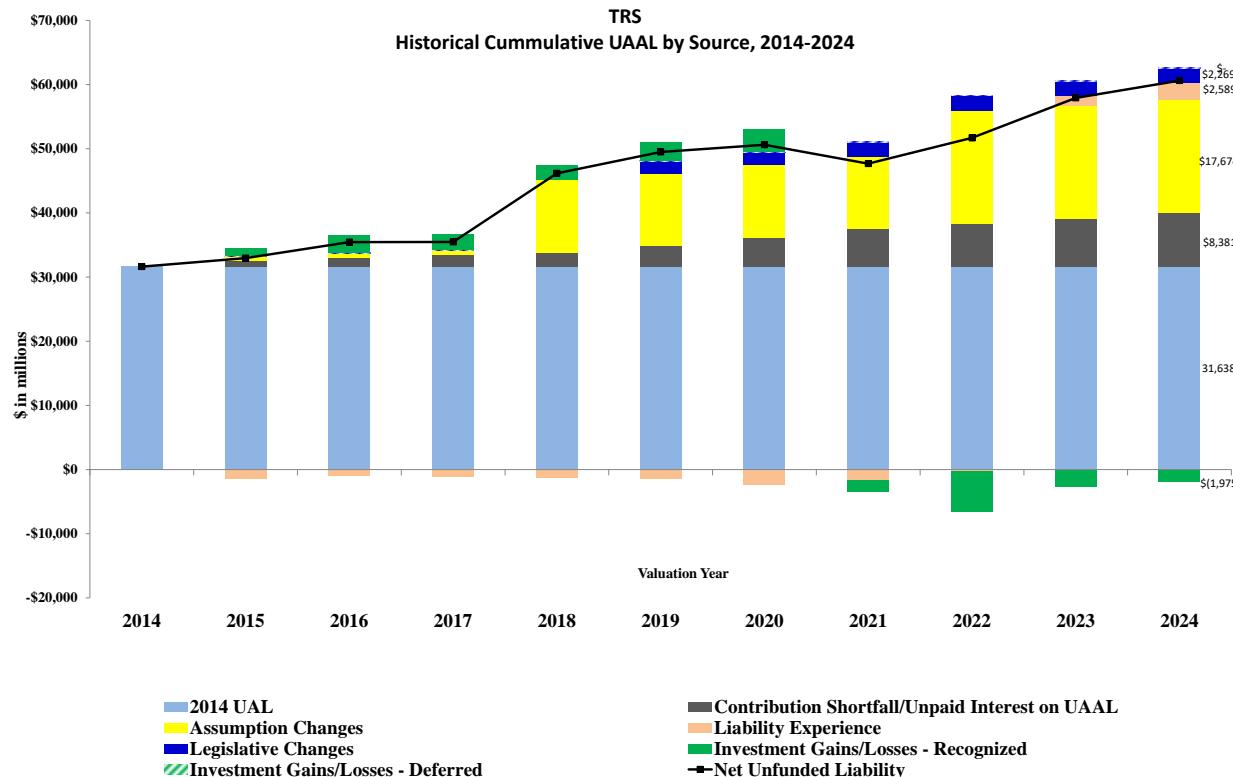
	2020 Valuation	2021 Valuation	2022 Valuation	2023 Valuation	2024 Valuation
<b>Based on Smoothed Asset Value</b>					
UAAL (\$ Billions)	\$50.6	\$47.6	\$51.7	\$57.9	\$60.6
UAAL/Payroll	101.2%	92.8%	95.3%	100.2%	98.7%
Actuarial Funded Ratio	76.8%	79.1%	79.0%	77.5%	77.8%
Funding Period in years*	27	23	26	29	28
<b>Based on Market Value</b>					
Actuarial Funded Ratio	75.9%	88.4%	75.0%	72.7%	77.1%
Funding Period in years*	29	11	36	43	30

\*Assumes current scheduled statutory contribution rates continue indefinitely

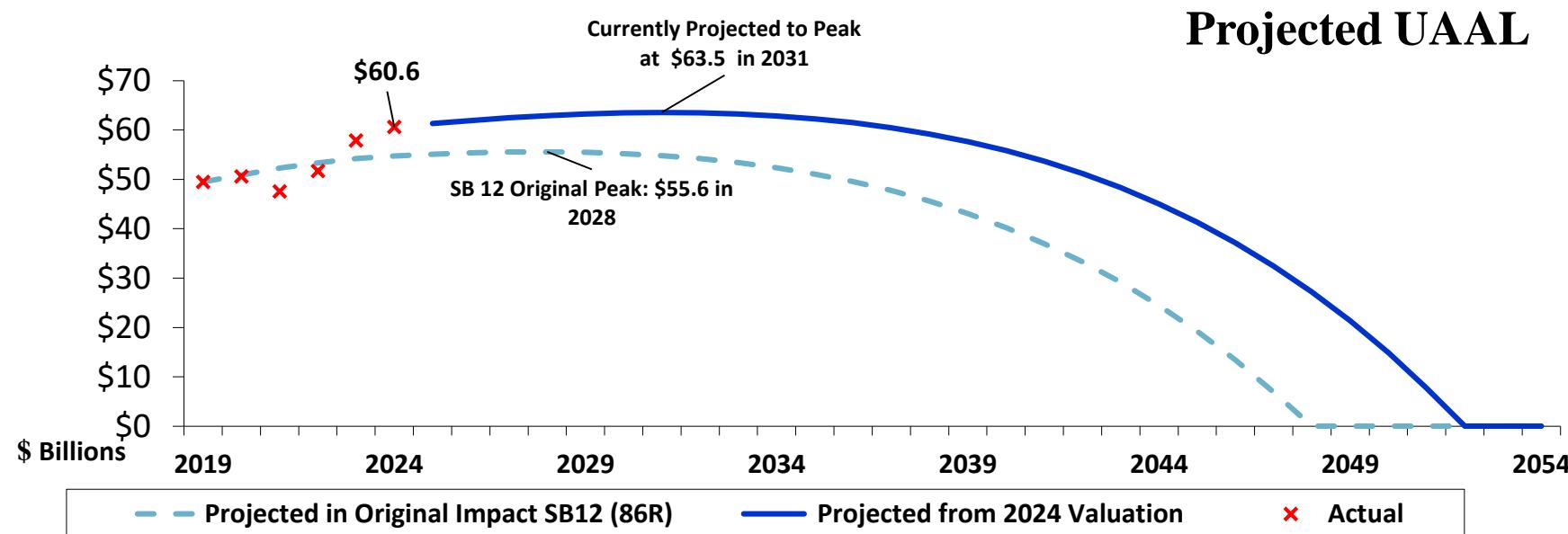
The UAAL is expected to grow each year until the funding period gets below 20 years, this is Negative Amortization. Salary increases continue to be larger than expected.

Reconciliation of UAAL by Source	Detail \$ in millions	Subtotal \$ in millions	As a % of Liabilities
Interest on UAAL at 7.00%	\$4,402		
Net Contributions available for amortization	(3,671)		
Net Expected Increase (Negative Amortization)		\$731	
Salary growth larger than expected	1,508		0.55%
Recognition of previous deferred investment experience	659		0.24%
More retirements than expected	173		0.06%
All other sources	32		0.01%
Retiree mortality experience	(25)		(0.01%)
Turnover higher than expected	(383)		(0.14%)
Net Experience		1,964	
Net Change		\$2,695	

However, the UAAL has effectively doubled over the last decade, with about 2/3 coming from assumption changes and the other 1/3 from unpaid interest



The UAAL is projected to peak in 2031, which is the same time projected from last year's valuation.

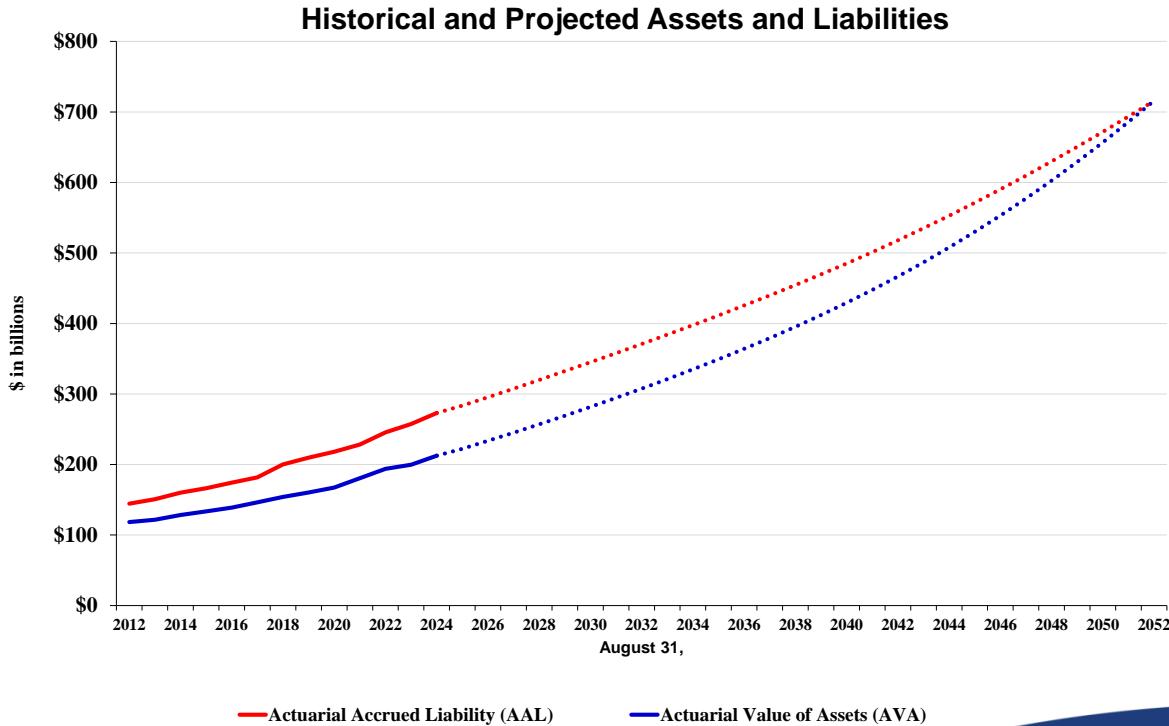


The above assumes all assumptions exactly met, including 7.00% annual investment returns projected from the smoothed assets, level active population  
Assumes no changes to benefit policy

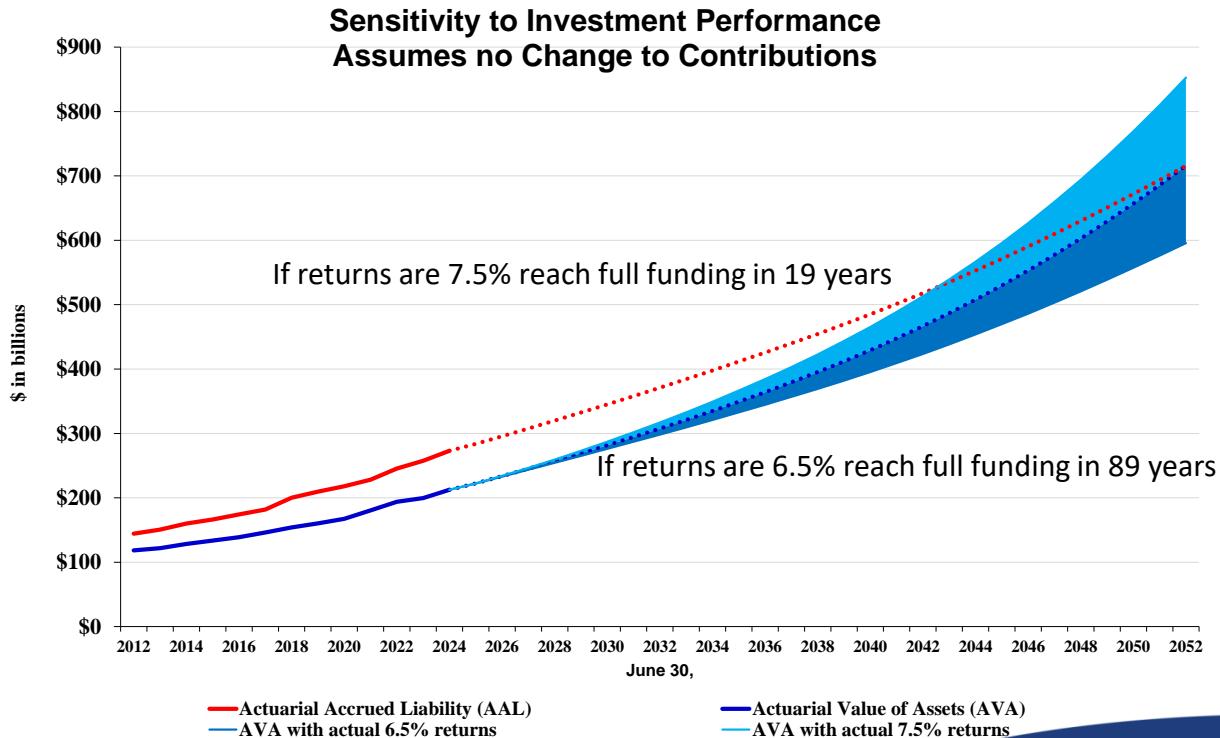
Assumes SB12 (86R) contribution policy remains throughout projection period

# The 2052 date is the date the assets are projected to meet the liabilities

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# The actual timeline will depend on actual experience, but mainly investment performance



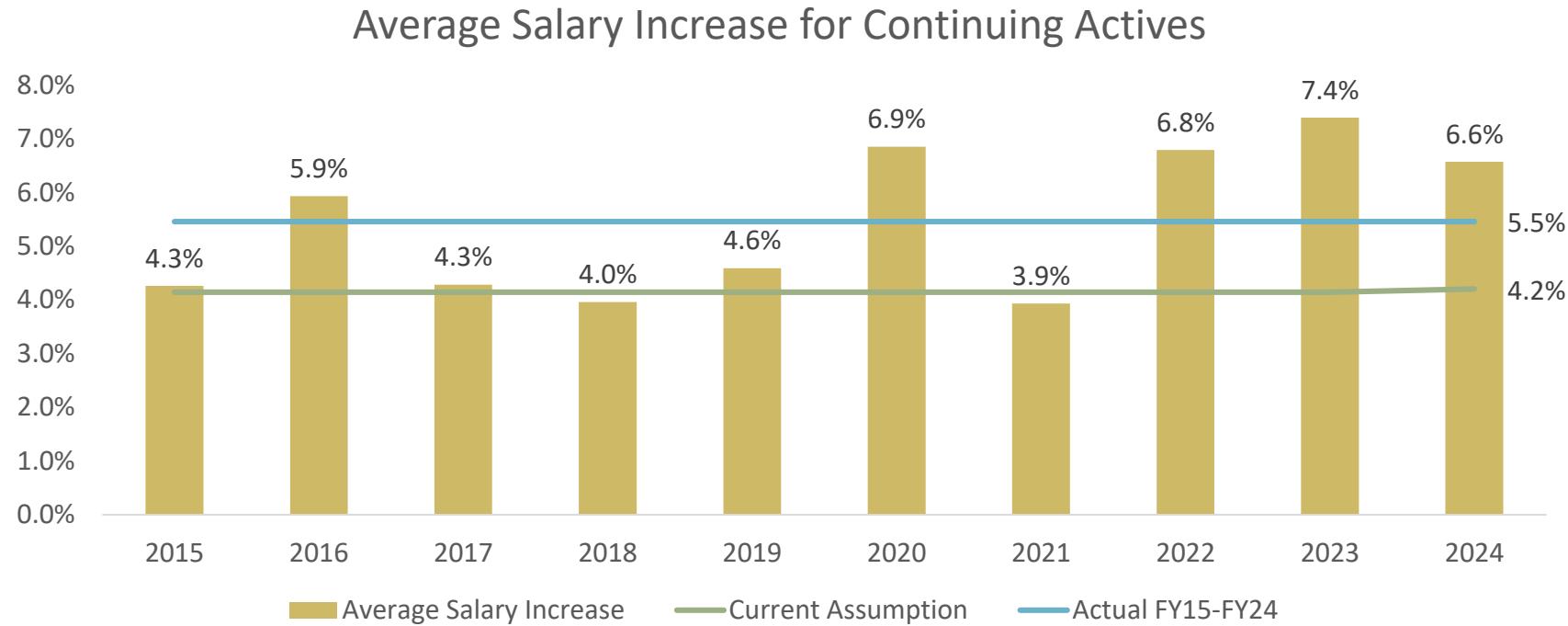
# Funding Period Sensitivities

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Scenario	Reach Positive Amortization	Reach Full Funding
8.0% Actual Returns	2	15
7.5% Actual Returns	3	19
<b>7.0% Actual Returns</b>	<b>8</b>	<b>28</b>
6.5% Actual Returns	67	89
6.5% Actual Returns + Board Funding Policy	19	42

Scenario	Reach Positive Amortization	Reach Full Funding
1% Annual Population Growth	6	24
1% Annual Population Decline	12	35
+0.5% Annual Wage Inflation	12	30

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



Last Experience Study:  
Actual from FY12-FY21 was 3.75%

A significant portion of this recent salary experience is attributable to higher education employers.

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	Others (Mainly Public Education)	Higher Education
% of Active Membership	81%	19%
% of Covered Payroll	75%	25%
Average FY24 salary increase	5.7%	9.4%
Actuarial loss for TRS from the salary increase larger than expected	\$748 million	\$760 million
Impact on Funding Period	+1 month	+4 months

This is important because the 2% public employer contribution is not collected on higher education payroll, which means there are fewer future contributions to offset the higher liabilities than the public education group

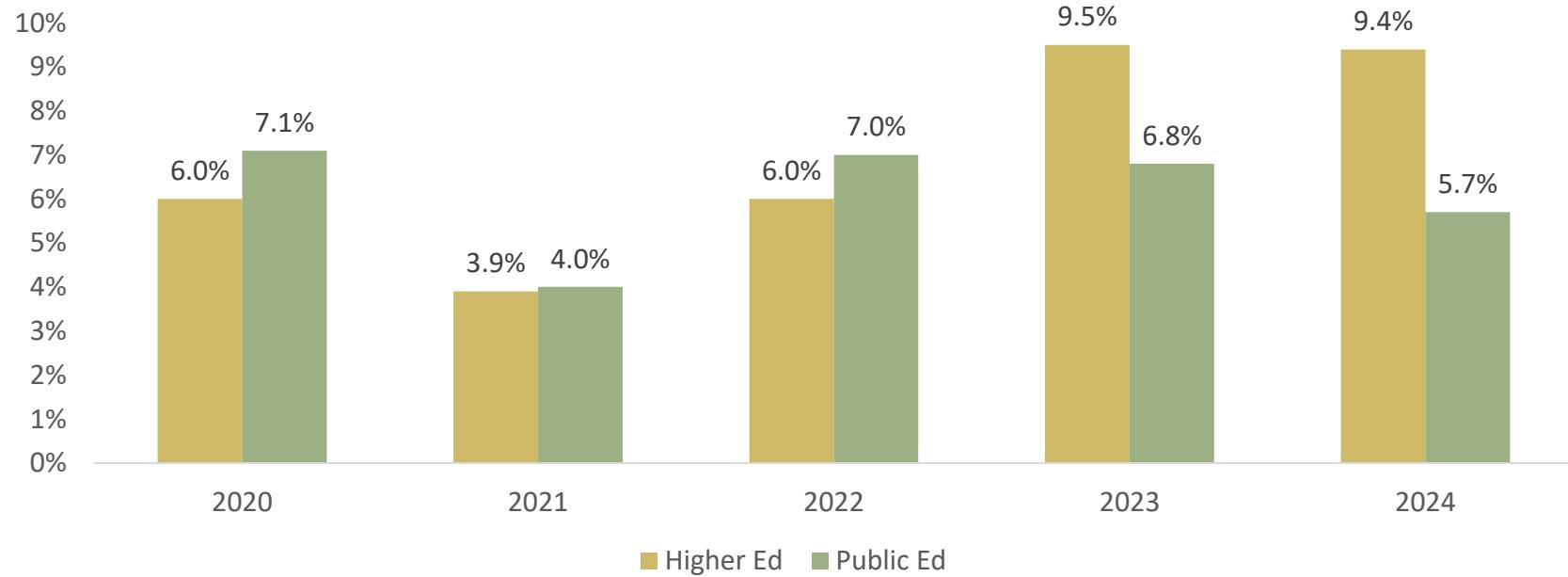
	Public Education	Higher Education
Member Contribution Rate	8.25%	8.25%
State Contribution Rate	8.25%	8.25%
Employer Contribution Rate	2.00%	0.00%
	18.50%	16.50%
Normal Cost as % of Salary	-11.96%	-12.54%
Available to Finance UAAL	6.54%	3.96%

Impact From Salary Increases more than Expected (\$ in millions)			
Increase in FY25 Payroll	\$ 616	\$ 590	
Increase in FY25 Contributions Available to Finance the UAAL	\$ 40	\$ 23	
Increase in FY24 UAAL	\$ 748	\$ 760	
Present Value of increased UAAL contributions to be received over next 28 years	(676)	(392)	
Net impact to TRS UAAL over next 28 years	\$ 72	\$ 368	
Years needed so that contributions will make up for additional liabilities	34 years	Never	

This is the second year higher education salaries increases were over 9% on average. There have been years in the past when public education received higher increases, but not by as wide an amount

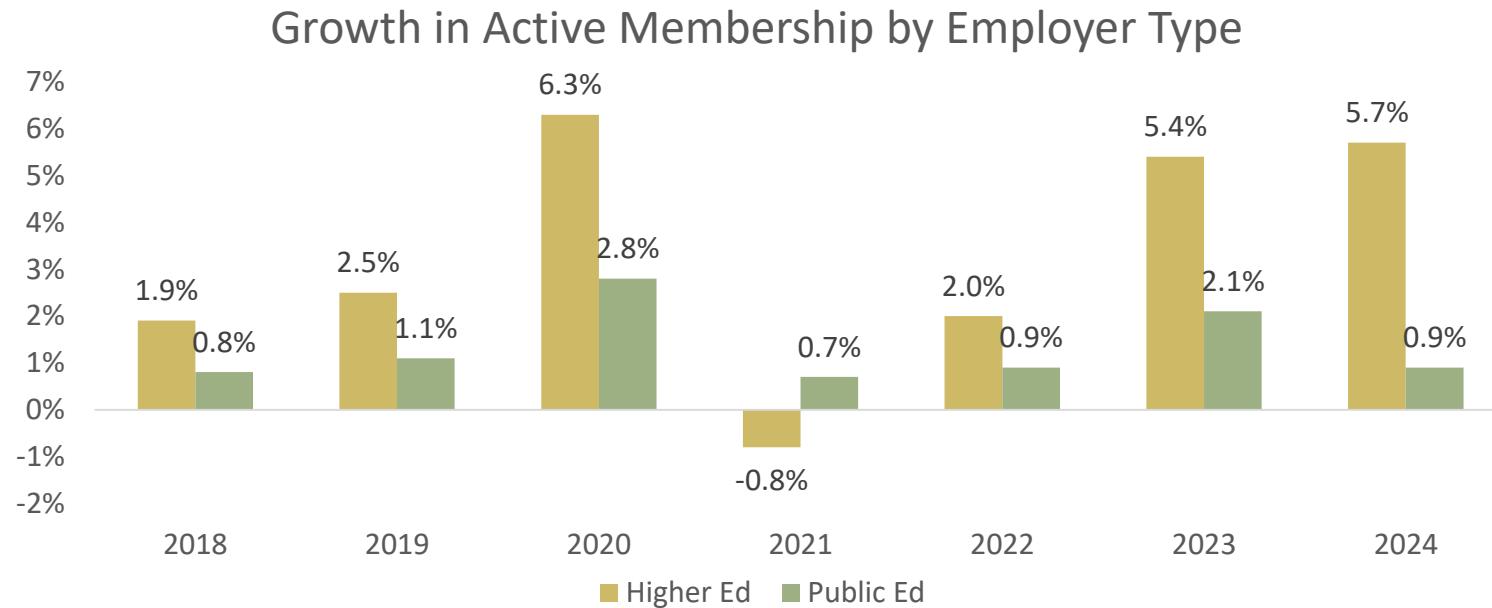
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Average Salary Increase by Employer Type



Higher education has grown from 17% of the TRS active membership in 2017 to 19% in 2024. Over that timeframe, higher education active membership is growing at 3.3% per year vs 1.3% per year for public education.

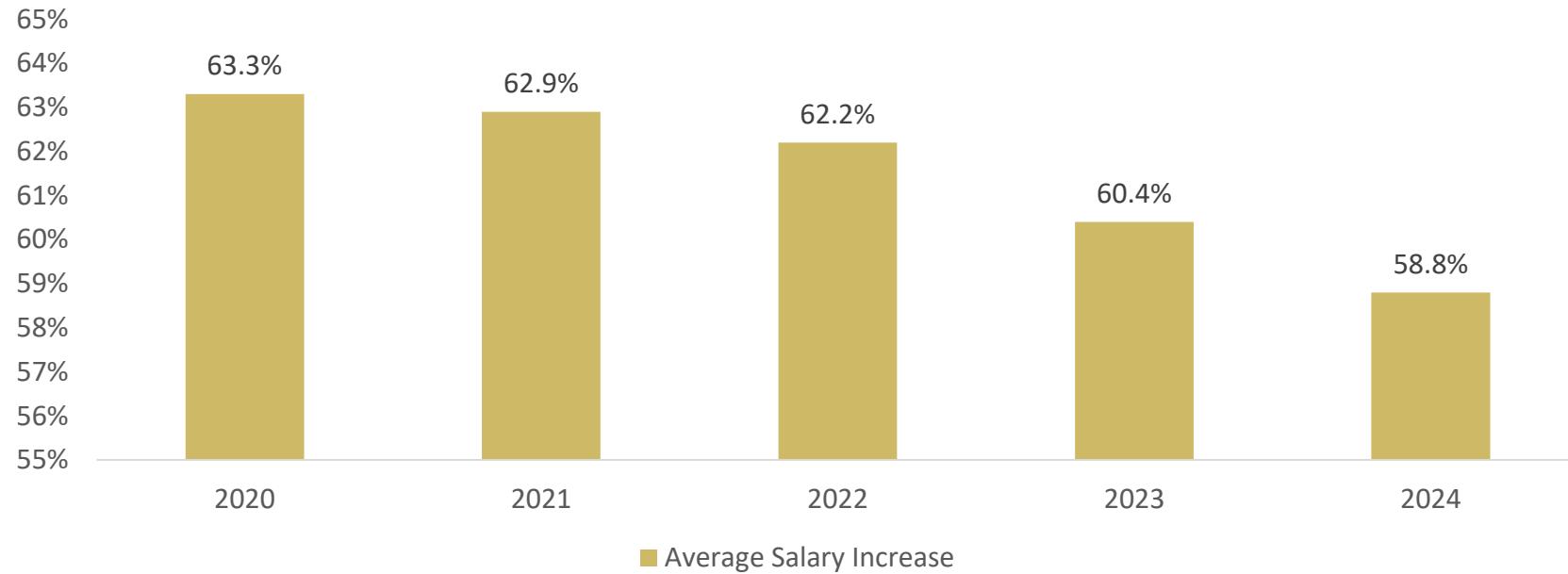
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The 2% public employer contribution only applies to public education salaries up to the State Minimum Schedule. The portion of payroll not eligible for the contribution is growing faster than the portion eligible for it.

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### Portion of Payroll Eligible for 2% Public Employer Contribution



# Summary

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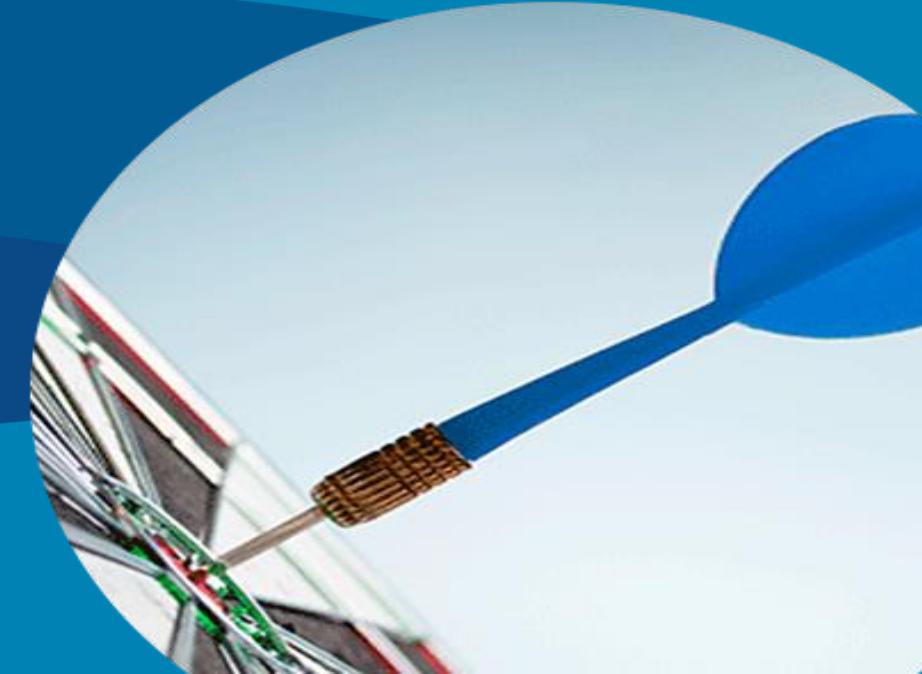
- The funding period remains on track from last year's expectation, but still lags behind the original 2019 impact statement
- Active membership growth (1.8% this year, 1.3% per year over last decade) continues to be the main positive driver keeping the funding period in check even though the UAAL is growing. This year the active membership growth decreased the funding period by 2 years.
- Salary increases were larger than expected, increasing the UAAL by \$1.5 billion more than expected
- The UAAL is expected to grow through 2031. It would take a 0.97% increase in the contribution rate in order to have Positive Amortization in FY26 and would meet the requirements of a Reasonable Actuarially Determined Contribution under ASOP No.4. This would decrease the funding period from 28 to 23 years and save \$27b over the amortization horizon.

**TAB 16**



## TRS-Care OPEB

GASB 74 – 2024 Fiscal Year End



# GASB 74 Overview

## OPEB – Other Post Employment Benefits

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



# August 31, 2024 Net OPEB Liability

- The GASB 74 Net OPEB Liability increased by \$8.2 billion from 8/31/2023 to 8/31/2024

*Amounts in Billions*

August 31,	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability	\$35.2	\$26.0	\$27.1	\$41.1	\$40.0	\$48.6	\$50.7	\$43.9
Plan Fiduciary Net Position	(4.8)	(3.9)	(3.1)	(2.5)	(2.0 )	(1.3 )	(0.8)	(0.4)
Net OPEB Liability	30.4	22.1	23.9	38.6	38.0	47.3	49.9	43.5
Net Benefit Payments	<b>0.47</b>	<b>0.54</b>	<b>0.61</b>	<b>0.50</b>	<b>0.55</b>	<b>0.54</b>	<b>0.88</b>	<b>1.00</b>
Discount Rate (GASB 74)	3.87%	4.13%	3.91%	1.95%	2.33%	2.63%	3.69%	3.42%

- Sources of increase:

Decrease in 2025 premium share for Medicare retirees from \$135 to \$75

Decrease in discount rate



**TAB 17**



## Memorandum

**DATE:** November 27, 2024

**TO:** TRS Board of Trustees

**FROM:** Janice Ehlert, Senior Pension Policy Advisor

**Through:** Brian Guthrie, Executive Director

**RE:** Evaluation of Gabriel, Roeder, Smith & Company Pension Fund  
Actuarial Services for Fiscal Year 2024

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### **Requirement**

Texas Government Code Section 825.206 (c) requires, “The board of trustees annually shall evaluate the performance of the actuary during the previous year.” This meeting serves as that evaluation.

### **Summary of Work Performed**

During fiscal year 2024, Gabriel, Roeder, Smith & Company (GRS) provided timely professional advice and technical support for pension-related matters to TRS staff.

Services included the following:

- Prepared and presented the annual valuation to the Board, legislative staff, and associations;
- Prepared information for GASB/ACFR Pension and OPEB reporting;
- Coordinated with TRS to complete the study for HB 4141, which considers the costs associated with TRS implementing new benefits for peace officers covered by TRS; and
- Updated factor tables used to calculate benefits and mortality rates.

### **Assessment of Performance**

Over the past year, GRS completed the 2024 actuarial valuation and GASB-required ACFR reporting schedules. The Peace Officer study will be completed by the end of December.

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

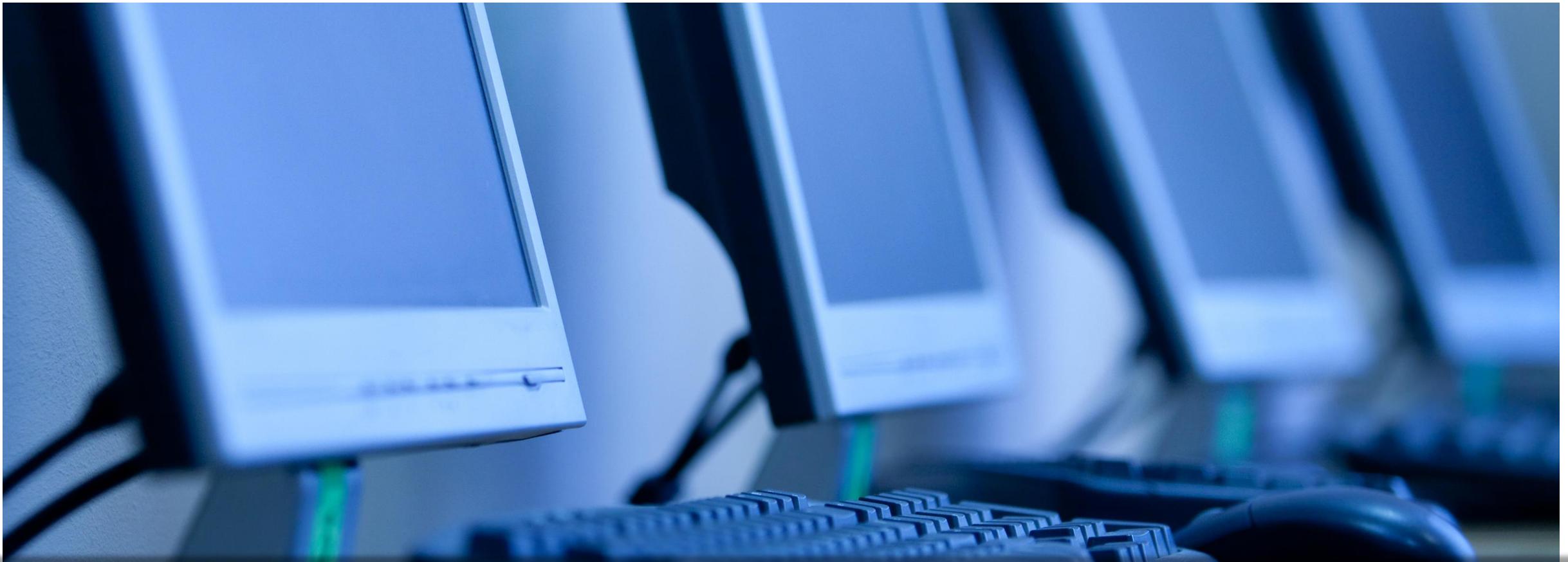
TRS surveyed staff about GRS' work with the agency. All of the ten staff members requested to respond, responded to the survey. These ten represent staff in Executive, Government Affairs, Benefits, Information Technology, Legal & Compliance, and Finance. Staff responses were favorable to the following types of questions:

- Met contract performance requirements (which includes all mandated reporting).
- Presentations are clear and informative.
- Provide relevant information with sufficient detail to help me carry out my duties.
- Are responsive to my questions.
- Provided timely, complete, relevant, and reliable information that assisted me in decision-making.

Overall, the TRS staff performance evaluation concluded that GRS met expectations. GRS was evaluated on a scale of meets or does not meet expectations.

In 2021, the Board selected GRS to serve as the actuary for TRS for the four-year period from January 2022 through December 2025. Since the contract is set to expire at the end of next year, staff is beginning to write the next Request for Proposal and is targeting next summer to bring successful candidates for the Board's consideration.

**TAB 18**



# IT/TEAM

Presentation Date: December 6, 2024

Presented By:

**Chris Cutler, Adam Fambrough, Billy Lowe, Jennifer Whitman**



# TEAM – WHERE WE ARE NOW

Annuity Payroll, Benefit Account Adjustment & Tax Reporting (PBT)

## PBT New Dates:

Cutover:

February 26 to March 1, 2026

Go-Live:

March 2, 2026

## KEY STATUS UPDATES

### Achievements

- Pension & Health Line of Business Systems Production Releases
  - 10/06/2024

### Key Goals Upcoming

- 03/01/2025 - Begin PBT Blackout Period
- 03/19/2025 - Begin Regression Testing by IT
- 03/19/2025 - Begin Pre-User Acceptance Testing Preparation
- 05/17/2025 - Begin User Acceptance Testing by Business Users

## Re-Baselined Workstream Status

- |                          |                         |
|--------------------------|-------------------------|
| Development & Testing    | Data Migration          |
| End-to-End Testing       | Data Reconciliation     |
| Parallel Payroll Testing | General Ledger Testing  |
| Change Management        | Regression Testing      |
|                          | User Acceptance Testing |

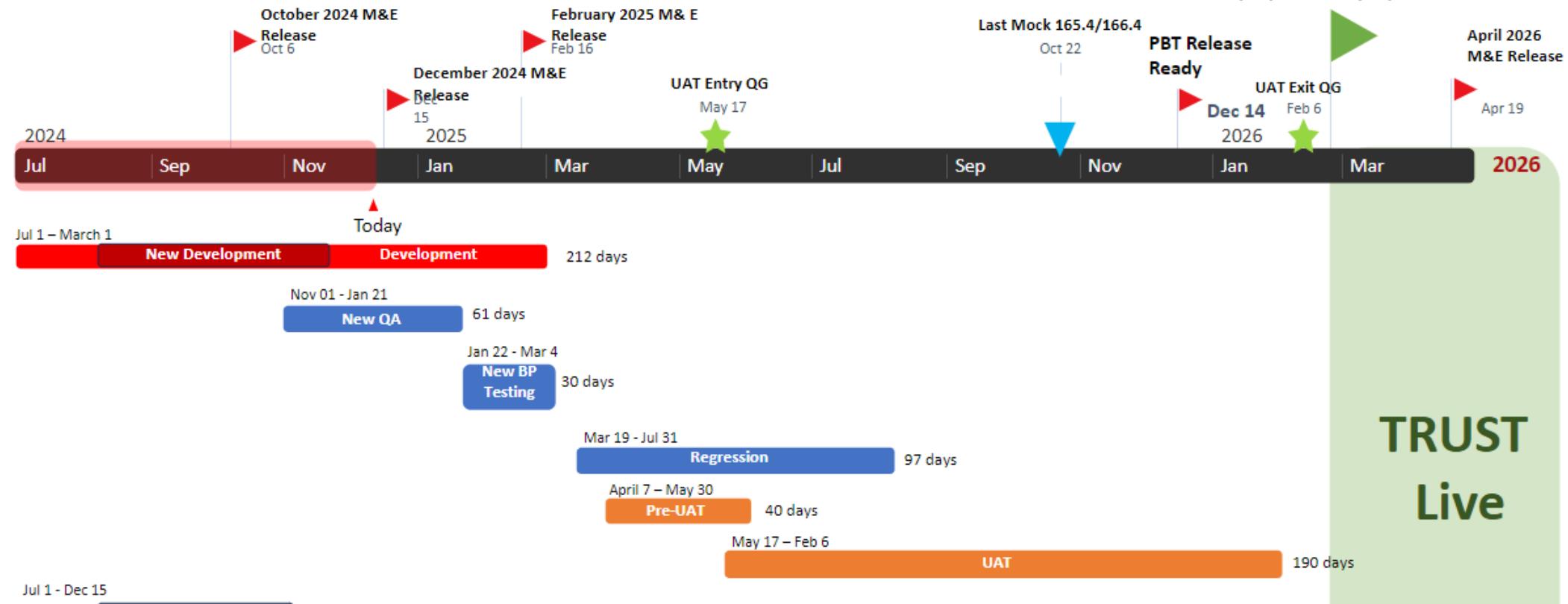
### LEGEND

- |                             |             |
|-----------------------------|-------------|
| ON SCHEDULE                 | NOT STARTED |
| CAUTION, ISSUE BEING WORKED |             |



# SCHEDULE

## PBT Re-baselined Schedule



**TRUST**  
Live

Legacy Decommissioning



## ANALYSIS SUMMARY

- December conflicts with calendar year end tax reporting, health open enrollment, tax reconciliation and re-con, and holiday leave
- January conflicts with tax processing (1099's, etc) and mass tax mailings
- February allows for tax form mailings and most tax processing for calendar year 2025 to be completed in legacy systems. In addition, February allows for time to fix any issues with migrated calendar year 2026 payment data prior to performing 2026 tax processing in TRUST.
- Benefit Services, Health Division, Finance, and IT involved in decision making.
- Monitored Risk: Any legislative changes that might require changes to TRUST.

Decision = February 2026 (Actual Go-Live on 3/2/2026)



# TEAM QUALITY ASSURANCE

## **Continuous quality rigor built into the process**

Continuous Agile Testing

Parallel Payroll Testing

General Ledger Testing

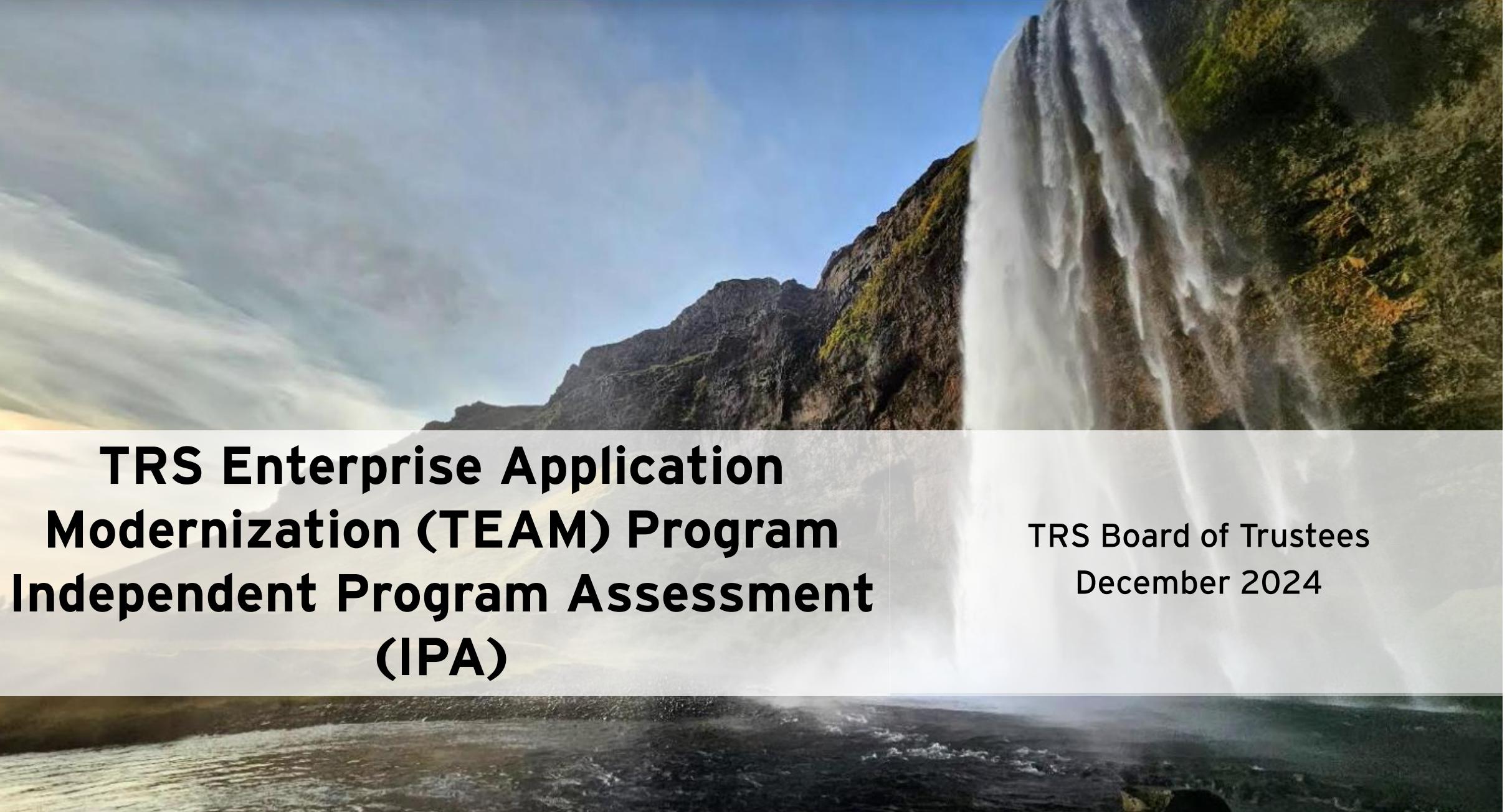
Multiple regression cycles

User Acceptance Testing

## **Automation**

Increased automation to retest previously developed features

**TAB 19**



# **TRS Enterprise Application Modernization (TEAM) Program Independent Program Assessment (IPA)**

**TRS Board of Trustees  
December 2024**

# Assessment observations

## Program status

Scope	Following analysis of the project scope, it has been determined that all development and testing for PBT can be completed as early as December 2025.
Schedule	The PBT go-live date has been scheduled for early March 2026, marking a 9-month extension from the most recent target of June 2025, and after the December 2025 readiness date to accommodate business needs.
Budget	The TEAM program has historically operated under budget; however, the extension will increase the overall program budget, an analysis to assess the full impact through the FY26 budget will be conducted

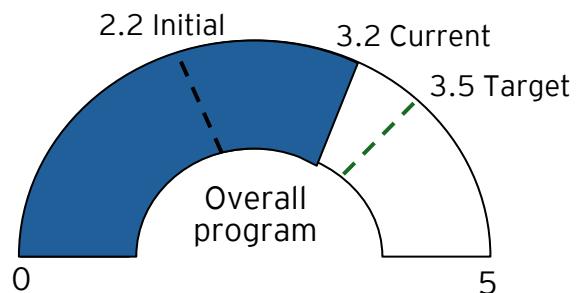
## Definitions

**PBT** - Payroll, annuity, and tax reporting

**M&E** - Maintenance & enhancements

**Steering committee** - Group of key decision-makers from Benefit Services, Health Division, Finance and IT who oversee a project or initiative.

## Agile Maturity Level



## Observations

### PBT go-live

TEAM decided on a March release, primarily because tax reporting will be nearly complete by that time, freeing up resources post-release for M&E and the PBT stabilization phase.

### Project Reporting

IPA Team is working with product owners to gather data to review and understand product schedule, health, and support the development of future recommendations by the IPA Team.

## Recommendations status

Recommendations since project inception



# Measurements

---

- ▶ **FTE output rate** - The amount of work done per FTE in a specific period. This could mean fixing problems, completing tasks, or finishing parts of a project.

Average QA story point completion

Average DEV story point completion

Average BA story point completion

FTE count

- ▶ **Defect inflation rate** - How quickly new problems are found in the software over a certain period of time.

Average defect to test rate

Average defect generated per sprint

FTE output rate

Story point completion accuracy

Story point estimation accuracy

- ▶ **Defect resolution time** - The time it takes to fix a problem in the software, starting from when the problem is first reported until it is resolved.

Defect (time)

Defect (count)

Defect location

Defect history

- ▶ **Testing to defect rate** - A measure of how many defects were found in the software per testing cycle.

Lines of code per defect

Testing to new defect ratio

Feature defects

FTE output rate

**TAB 20**



# Deputy Director Report

December 6, 2024

Presented By: Caasi Lamb



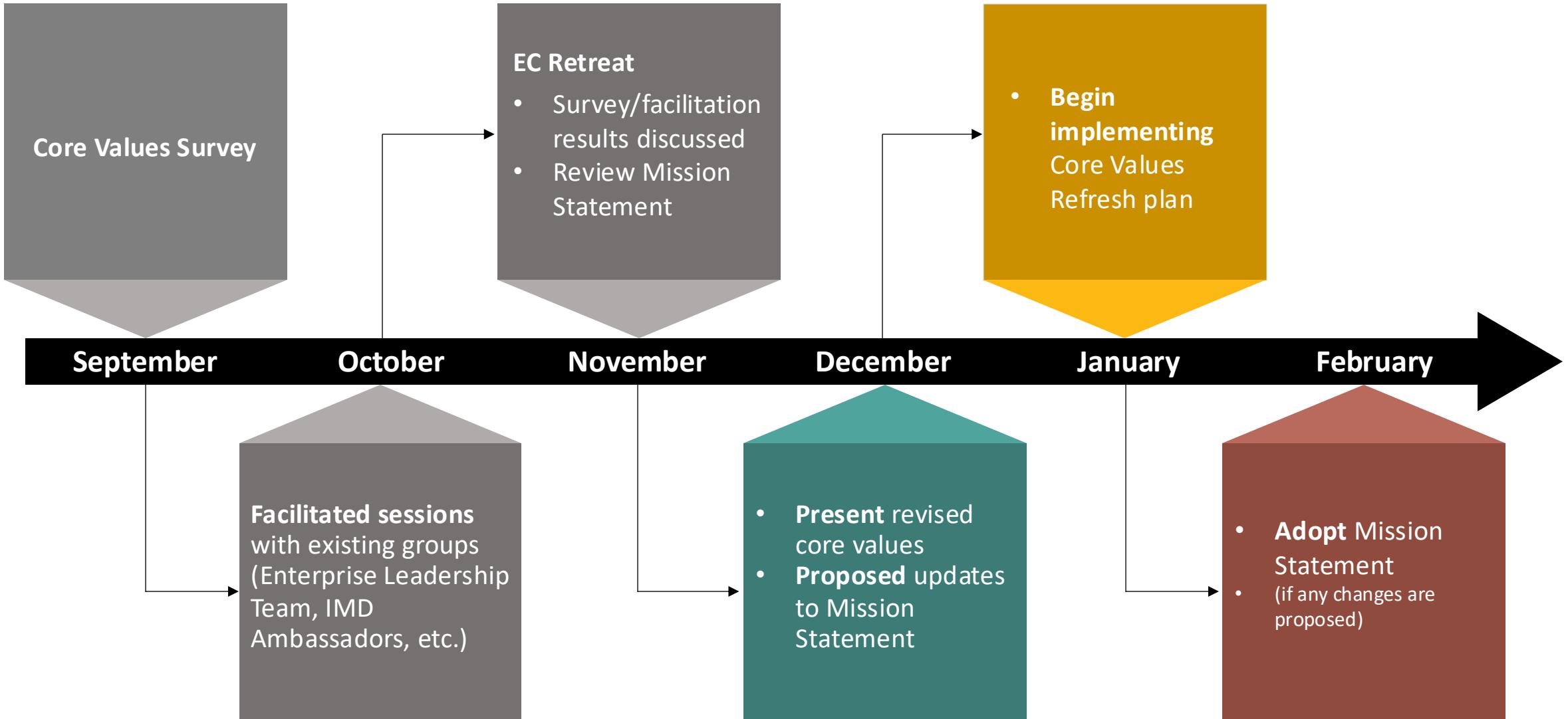
# Agenda



- Core Values Refresh & Mission Statement Review Timeline
- Our Values
- Mission Statement
- Bravo Move Schedule
- Quarterly Contract Report – Q1 FY 25



# Core Values Refresh & Mission Statement Review Timeline





## Our Values

- Designed to create a culture at TRS that supports the agency's **mission**
- Help set TRS apart from other employers and shape the organization's culture
- Communicated regularly to TRS staff and external oversight entities



*Improving the retirement security of our members by prudently investing and managing the Trust assets and delivering benefits that make a positive difference in their lives.*



# Our Values



## Survey

- All employees
- 564 total responses (45% response rate)



## Focus Groups

- Gain additional insight into survey results
- 6 facilitated sessions; 102 participants
- Strong alignment across all groups



## Executive Council

- Discussion of survey results and common themes from facilitated sessions



# Our Values



Member Focus



Respect

*Collaboration  
Diversity*



Ethics



Excellence

*Accountability*



Innovation

*(new)  
Efficiency*





# Mission Statement



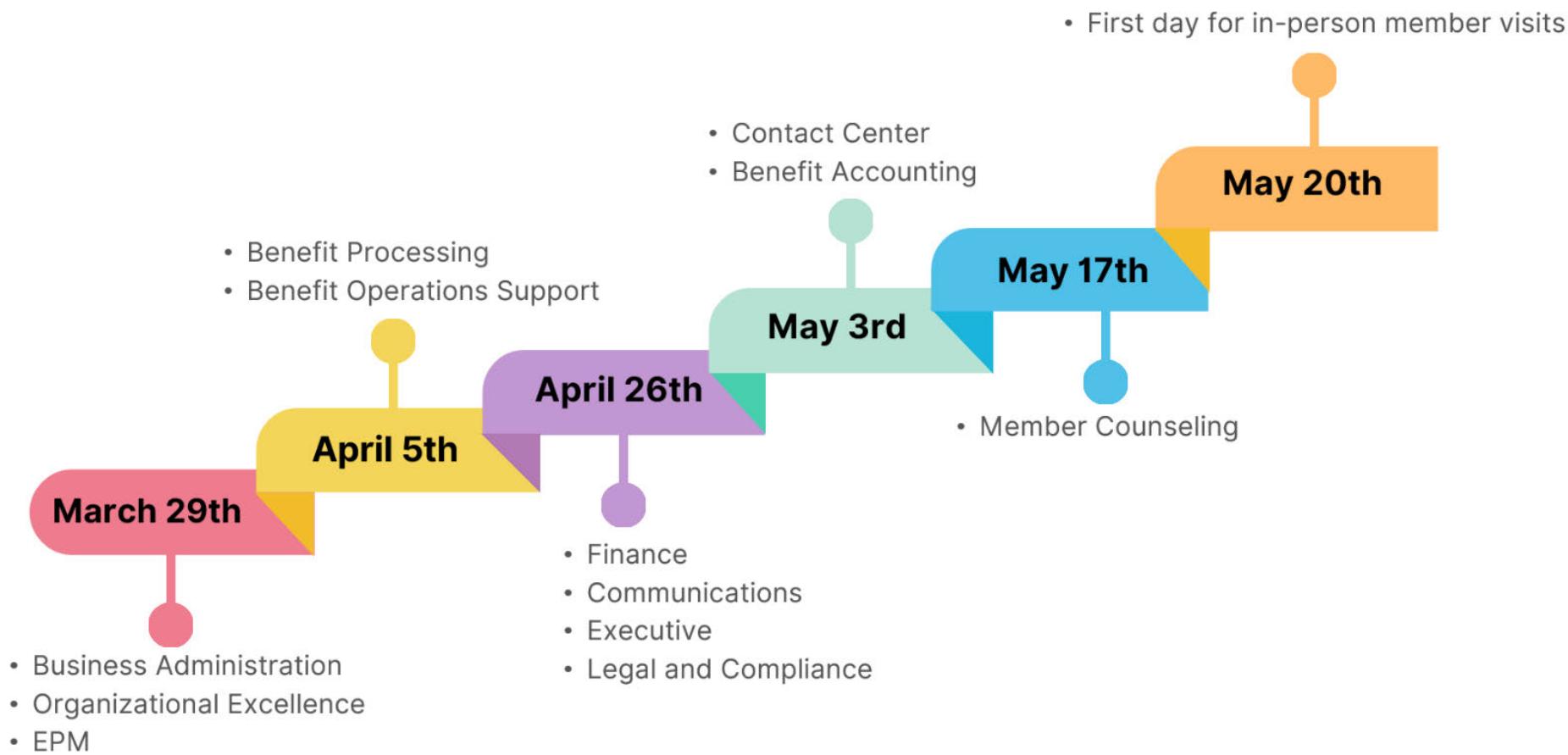
*Improving the retirement security  
of our members by prudently  
investing and managing the Trust  
assets and delivering benefits  
that make a positive difference in  
their lives.*



# Bravo Move Schedule



## *Planned* Bravo Move Schedule





# Quarterly Contract Report – Q1 FY 25



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

Type	Q1	Q2	Q3	Q4	Total
New Executed Contracts	2				2
New Executed Health Contracts	2				2
New FY 25 Solicitations	0				0
New FY 25 Health Solicitations	2				2

### BOARD PROCUREMENT POLICY

*For those contracts that are to be brought to the Board for approval solely because they exceed an estimated value of \$1 million or more per year, TRS staff will present a report to the Board at each quarterly meeting summarizing the key information for the proposed procurement. The Board may accept the report in its entirety or identify specific procurements for additional discussion or direct selection or approval by the Board.*