

February 2020

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

February 20, 2020 – 8:00 a.m.

February 21, 2020 – 8:00 a.m.

TRS East Building, 5th Floor, Boardroom

*All or part of the February 20-21, 2020, 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 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, 5th Floor, Boardroom.***

NOTE: The Board may take up any item posted on the agenda during its meeting on Thursday, February 20, 2020, or during the meeting on the following day, February 21, 2020, beginning at the time and place specified on this agenda.

The open portions of the February 20-21, 2020, Board meeting are being broadcast over the Internet. Access to the Internet broadcast of the Board meeting is provided at www.trs.texas.gov.

1. Call roll of Board members.
2. Consider Board administrative matters, including the following – Jarvis Hollingsworth.
 - A. Approval of the December 12-13, 2019 proposed meeting minutes; and
 - B. Excusing Board member absences from the December 12-13, 2019, Board meeting.
3. Resolution recognizing the service of Trustees Dolores Ramirez and Joe Colonna – Jarvis Hollingsworth.
4. Provide an opportunity for public comment – Jarvis Hollingsworth.
5. Receive an update regarding TRS Long-Term Facilities planning including plans for a future headquarters and considering leases at 816 Congress and Indeed Tower – Brian Guthrie, Andrew Roth, Jerry Albright, Eric Lang; and Julie Becker and Jeanna Cullins, Aon Hewitt Fiduciary Services.
6. Consider adoption of the proposed amendments to the General Authority Resolutions – Heather Traeger.

7. Consider the adoption of amendments to the TRS rules in Chapters 41 and 43 of Title 34, Part 3 of the Texas Administrative Code – Carolina de Onis, Clarke Howard, and Kevin Wakley.
 - A. Amended §41.51 Appeals Relating to Eligibility;
 - B. Amended §43.1 Administrative Review of Individual Requests;
 - C. Amended §43.3 Definitions;
 - D. Amended §43.5 Request for Adjudicative Hearing;
 - E. Amended §43.6 Filing of Documents;
 - F. Amended §43.8 Extensions;
 - G. Amended §43.9 Docketing of Appeal for Adjudicative Hearing and Dismissal for Failure to Obtain Setting;
 - H. Amended §43.10 Authority to Grant Relief; and
 - I. Amended §43.12 Form of Petitions and Other Pleadings
8. Consider authorizing for publication in the *Texas Register* notice of proposed amendments of the TRS rule in Chapter 23 of Title 34, Part 3 of the Texas Administrative Code Amended; §23.5 Nominations for Appointment to the Board of Trustees – Katherine Farrell.
9. Receive an overview of the proposed Strategic Plan for 2021 – 2025 including consideration of the Mission Statement – Brian Guthrie, Rebecca Merrill, and Caasi Lamb.
10. Discuss the Executive Director's report on the following – Brian Guthrie:
 - A. Administrative operational matters, including updates on financial, audit, legal, staff services, board administration activities, special projects, and security.
 - B. Sunset Review update.
 - C. Board operational matters, including a review of draft agendas for upcoming meetings.
 - D. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.
11. CIO Update including Fleet Strategy; Talent Management; Accomplishments; Notices; Awards; and Key Dates and Upcoming Events – Jase Auby.
12. Receive a Market Update – Jase Auby.
13. Discuss and consider selecting a broker and delegating authority to the Executive Director to negotiate a broker agreement on TRS' current headquarters on Red River with selected broker, including considering a finding that deliberating or conferring on the procurements in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie and Andrew Roth.

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

14. Recognize the service of Ray Spivey – Jarvis Hollingsworth.
15. Discuss and consider selecting a health plan administrator(s) (HPAs) for TRS-ActiveCare plans, the TRS-Care Standard and Alternative plans, and a carrier for TRS-MedicareAdvantage plan, including considering a finding that deliberating or conferring on the selection of the HPA(s) and Medicare Advantage carrier in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person. – Katrina Daniel and Yimei Zhao.
16. Receive an update on TRS-ActiveCare district participation, including the potential consequences to TRS-ActiveCare of participating Districts of Innovation (DOI) offering competing health care coverage to their employees and protecting the stability of TRS-ActiveCare – Katrina Daniel.
17. Receive a Diversity, Equity and Inclusion Update – Kellie Sauls.
18. Receive Emerging Manager Annual Update - Kirk Sims.
19. Receive an update and discuss Environmental, Social and Governance (ESG) Investing - Steve Voss and Meredith Jones, Aon Hewitt; Ken Bertsch, Council of Institutional Investors (CII); and Dr. Keith Brown.
20. Receive an update regarding Proxy Voting – Pat McGurn and Brian Walker, ISS.
21. Receive COAO update – Andrew Roth.

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 Operations and Administration Officer, Chief Auditor 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;

- F. Texas Government Code, Section 825.115(e): Deliberation Regarding a Procurement; or
- G. Texas Government Code, Section 825.3011: Certain Consultations Concerning Investments.

TAB 2

Minutes of the Board of Trustees

December 12, 2019

The Board of Trustees of the Teacher Retirement System of Texas met on December 12, 2019 in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River, Austin, Texas. The following Board members were present:

Jarvis V. Hollingsworth, Chair
Nanette Sissney, Vice Chair
Michael Ball
David Corpus
John Elliott
Christopher Moss
James Nance
Robert H. Walls, Jr.

Others present:

Brian Guthrie, TRS	LeRoy DeHaven, TRTA
Andrew Roth, TRS	Karen Peterson, TRS Member
Don Green, TRS	Ann Fickel, TCTA
Carolina de Onis, TRS	Scott McAfee, Perspecta
Jerry Albright, TRS	Mike Bentrrott, Aetna
Jase Auby, TRS	Eric St. Pierre, Humana
Barbie Pearson, TRS	Laura Atlas Kravis, TSTA
Katrina Daniel, TRS	Nick Arnold, Humana
Amanda Jenami, TRS	Cheryl Anderson, AFT
Heather Traeger, TRS	Brock Gregg, TRTA
Chet Henry, TRS	Joni Lozano, CVS
Katherine Farrell, TRS	Sean Donovan, CVS
Steve Voss, Aon Hewitt	Eli Melendrez, AFT
Keith Brown, Investment Advisor	Bo Davis, Perspecta
Suzanne Dugan, Cohen and Millstein	Timothy Wilson, TRS Member

Mr. Hollingsworth called the meeting to order at 8:03 a.m.

1. Call roll of Board members.

Ms. Farrell called the roll. A quorum was present, Dr. Gibson was absent.

Mr. Hollingsworth took the opportunity to welcome new Trustees Michael Ball and Robert H. Walls. Mr. Hollingsworth also welcomed Ms. Suzanne Dugan, the Board's new fiduciary counsel.

2. Consider the following administrative items – Jarvis Hollingsworth:

a. Approval of the proposed September 2019 Board meeting minutes;

On a motion by Mr. Corpus, seconded by Mr. Elliott, the Board voted to approve the proposed minutes of the September 2019.

b. Excusing Board member absences from the September 2019 Board meeting.

On a motion by Mr. Elliott and seconded by Mr. Nance, the Board voted to excuse Trustees Moss and Gibson from the September 20, 2019 meeting.

c. Consider the election of the Board Vice-Chair;

Mr. Hollingsworth said the Board typically tries to balance leadership on the Board and when the chair was a private sector appointee, typically would have the vice chair serve from the members of the education community, and vice versa. He noted Trustee Sissney would love to volunteer to serve as vice chair, and she is very well qualified to serve. Mr. Hollingsworth nominated Ms. Nanette Sissney to serve as vice chair for the next year and Mr. Moss seconded the nomination. The Board unanimously voted by acclamation for Ms. Sissney to serve as Vice Chair.

d. Consider consenting to the Board Chair's appointment of committee members, and receive the Board Chair's public announcement of committee chairs – Jarvis Hollingsworth.

Mr. Hollingsworth presented the following recommendations for chairs of each committee as well as the members:

Audit, Compliance and Ethics	Chris Moss , Michael Ball, John Elliott, Greg Gibson, Nanette Sissney
Benefit	Michael Ball , Chris Moss, Dick Nance, Nanette Sissney, Rob Walls
Budget	Nanette Sissney , David Corpus, John Elliot, Greg Gibson, Dick Nance
Compensation	Dick Nance , Michael Ball, John Elliott, Greg Gibson, Jarvis Hollingsworth
Investment Management	David Corpus , Jarvis Hollingsworth, Chris Moss, Nanette Sissney, Rob Walls
Policy	John Elliott , David Corpus, Jarvis Hollingsworth, Dick Nance, Rob Walls
Strategic Planning	Rob Walls , Jarvis Hollingsworth, Michael Ball, David Corpus, Chris Moss

On a motion by Mr. Nance, seconded by Ms. Sissney, the Board unanimously voted to accept the committee and Chair assignments for the next twelve months as presented.

Mr. Hollingsworth announced without objection taking up agenda item 7.

7. Public Comment – Jarvis Hollingsworth.

Mr. Timothy Wilson from Harlingen, Texas, a U.S. Navy veteran currently serving in a leadership role to a junior ROTC program came to speak about TRS-Care options for veterans. He said while TRS-Care is an outstanding program for educators, he, as a veteran with full healthcare coverage for himself and his family, is required to pay into a program, TRS-Care, he will never use.

At 8:16 am, Mr. Hollingsworth recessed the meeting in order to take up scheduled committee meetings.

At 4:14 pm, Mr. Hollingsworth reconvened the Board meeting announcing taking up agenda items three through six in executive session.

3. **Receive an update regarding long term space planning activities and consider developer solicitations for main campus including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie and Andrew Roth.**
4. **Discuss and consider executive succession planning, and personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of the Executive Director and the Chief Investment Officer– Brian Guthrie.**
5. **Receive an update on the TEAM Program including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie and Chet Henry.**
6. **Consider the evaluation and performance of Bridgepoint Consulting as the TEAM Program Independence Program Assessment (IPA) Vendor including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Amanda Jenami.**

On a motion by Mr. Moss, seconded by Ms. Sissney, the Board unanimously voted to find that deliberating or conferring on long term space planning, the TEAM Program and the Bridgepoint

contract procurements in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person.

At 4:17 pm, Mr. Hollingsworth announced the Board would recess into executive session for the following agenda items and sections of the Government Code:

Item 3, Sections 825.115(e), 551.071, and 551.072 to discuss Board procurement matters, real estate and consult with legal counsel.

Item 4, Section 551.074 to discuss and consider personnel matters related to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of the executive director and the chief investment officer.

Item 5, Sections 825.115(e) and 551.071 to discuss Board procurement matters and consult with legal counsel as needed.

Item 6, Section 825.115(e) to discuss Board procurement matters.

At 7:20 pm, Mr. Hollingsworth reconvened the Board meeting and announced the Board would recess until 8:00 am tomorrow morning.

Minutes of the Board of Trustees

December 13, 2019

The Board of Trustees of the Teacher Retirement System of Texas met on December 13, 2019 in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River, Austin, Texas. The following Board members were present:

Jarvis V. Hollingsworth, Chair
Nanette Sissney, Vice Chair
Michael Ball
David Corpus
John Elliott
Christopher Moss
James Nance
Robert H. Walls, Jr.

Others present:

Brian Guthrie, TRS	LeRoy DeHaven, TRTA
Don Green, TRS	Ann Fickel, TCTA
Carolina de Onis, TRS	Michael Bentrutt, Aetna
Jerry Albright, TRS	Scott Baker, TRS
Jase Auby, TRS	Karen Peterson, TRS Member
Barbie Pearson, TRS	Ann Heuberger, TRS Member
Chet Henry, TRS	Nabalee James, MVP Specialist Surgery Center

Amanda Jenami, TRS
Heather Traeger, TRS
Janet Bray, TRS
Katherine Farrell, TRS
Caasi Lamb, TRS
Keith Brown, Investment Advisor
Steve Voss, Aon Hewitt
Suzanne Dugan, Cohen and Millstein
Joe Newton, GRS
Dan Sibilik, GRS

Dan Chepkauskas, MVP Specialist Surgery Center /
PCCOT
Cheryl Anderson, TAFT
Dolores Medellin, PCA
Joyce Knapkik, TRS Care
Eric St. Pierre, Humana
Brock Gregg, TRTA
Tim Lee, TRTA
Nick Arnold, Humana
Eli Melendrez, TAFT
Joni Lozano, CVS
Sean Donovan, CVS
Bo Davis, Perspecta

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

Mr. Hollingsworth announced the following agenda items would not be taken up for discussion:

8. Recognize the service of Dolores Ramirez and Joe Colonna – Jarvis V. Hollingsworth.

9. Receive a presentation from the TEAM Program Independent Program Assessment (IPA) Vendor – Michael Johnson, Bridgepoint Consulting.

23. **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 – Carolina de Onis.**

Mr. Hollingsworth announced, without objection, taking up Agenda Item 7.

7. Public Comment – Jarvis Hollingsworth.

Ms. Ann Heuberger, a retired school librarian, expressed concern over lack of parking for members to attend meetings.

Mr. Dan Chepkauskas, founder and executive director of the Patient Choice Coalition of Texas, expressed concern over improper reimbursement rates resulting in surprise billing.

Ms. Joyce Knapkik, a retiree, thanked the Board for the \$2,000 supplement and expressed dissatisfaction with the cost and provision of health care by the insurance company Humana.

Ms. Ann Fickel with Texas Classroom Teachers Association, expressed concern over TRS' decisions to have investment offices out of the country, leasing prime downtown office space, and expanding the compensation plant at a time when members are struggling to meet their basic needs.

Dr. Karen Petersen, retiree, expressed concern about being denied medical treatment by Aetna under the medical policy she has through TRS.

Mr. Tim Lee with Texas Retired Teachers Association, expressed concern over the following: the proposed funding policy recommending eliminating the section that talks about using benefit enhancements paid for with one-time appropriations; higher ed contributions that are not similar to what active employer k-12 contributes; and getting the maximum value for the dollars spent on TRS facilities.

Mr. Monty Exter, ATPE, expressed concern about the proposed funding policy as being too prescriptive and would put TRS at odds with the will of the legislature. He recommended tracking the statutory language more closely.

Mr. Hollingsworth announced, without objection, taking up Agenda Item 4.

4. **Discuss and consider executive succession planning, and personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of the Executive Director and the Chief Investment Officer– Brian Guthrie.**

Mr. Hollingsworth provided background on the succession planning process for the Investment Management Division beginning in 2015. He said a third-party consultant was hired in 2016 to assist in developing a three phased succession plan ending with the current CIO, Mr. Albright, stepping down and the deputy CIO, Mr. Auby, to assume the Chief Investment Officer role at the Board's direction. Mr. Albright thanked the board and all of their predecessors over the life of his 26 plus year career at TRS. He said it was a great honor to see TRS go from a sleepy trust fund to a dynamic investment fund that is ready to conquer the world.

Mr. Hollingsworth reiterated the stringent evaluation process leading to this point today, considering transitioning Mr. Albright to a position for one year to serve in a more strategic way and consider the appointment of Mr. Jase Auby as the next CIO.

On a motion by Mr. Corpus, seconded by Ms. Sissney the Board unanimously adopted the following resolution:

**RESOLUTION OF THE BOARD OF TRUSTEES
REGARDING SELECTION OF CHIEF INVESTMENT OFFICER**

DECEMBER 13, 2019

WHEREAS, the current Chief Investment Officer (CIO), Jerry Albright, has announced his intention to step down from his position as CIO effective January 1, 2020, and section 1.7(v) of the Board's Bylaws provides that the Board of Trustees (Board) of the Teacher Retirement System of Texas (TRS) shall select the CIO, in consultation with the Executive Director;

WHEREAS section 1.7(v) also provides that the Board shall "establish the compensation of the chief investment officer, in consultation with the executive director"; and

WHEREAS, section 4.1.2(c)(2) provides that the Executive Director is authorized by the Board to "evaluate the chief investment officer in consultation with the Board and have full authority and responsibility for all other personnel matters; including the chief investment officer's assignment of duties and discipline";

Now, therefore, be it

RESOLVED, that, effective January 1, 2020, the Board hereby selects Jase Auby to fill the position of CIO, and the Board authorizes the Executive Director to extend terms for the monthly salary, as the Executive Director deems reasonable and in the best interest of TRS.

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 CIO or any other employee holding a position in the Schedule of Exempt Positions.

Mr. Auby expressed appreciation for an opportunity of a lifetime and the honor and privilege to accept this role.

Mr. Hollingsworth announced, without objection, taking up Agenda Item 11.

11. Consider adoption of the funding policy for the TRS pension fund –Joe Newton, GRS.

Mr. Guthrie noted this item has been discussed for the past several Board meetings. With the passage of House Bill 2244, each system is required to adopt a funding policy by the end of this calendar year.

Mr. Dan Sibilik discussed the path to get to 100 percent fully funded, getting the unfunded accrued liability to zero. He noted the Texas Pension Review Board (PRB) guidance suggests 10 to 25 years being the preferred range. Mr. Joe Newton stated the idea is to provide a simpler funding policy for the Board has no authority around the contributions into or the retirement benefits paid out of TRS. He said the proposed policy is more of a communication piece to the legislature who does have authority to consider when making decisions about the plan. He then read the proposed policy:

The Board recognizes that there may be alternative methods of financing benefit enhancements and will evaluate any proposal for consistency with the goal of a declining UAAL.

The Board of Trustees supports providing a benefit enhancement to retirees under Tex. Gov't Code § 821.006 provided that, at the time of adoption, the benefit enhancement is paid for with a one-time appropriation in an amount necessary to cover the actuarial liability associated with the benefit enhancement.

Mr. Guthrie said in September only the second sentence was presented, and there was a discussion that it was somewhat limiting so the first sentence was added to reflect the fact that there are a number of different ways that benefit enhancements can be funded and proposed for consideration by the legislature. Mr. Guthrie recommended the cleanest recommendation for the policy is to strike the language regarding the one-time contribution due to potential misunderstanding as expressed by commenters in the morning. In response to Mr. Hollingsworth's inquiry, Mr. Newton stated that while he liked the best practice expressed in the second sentence, he agreed the second sentence was not necessary and it definitely passes what the statute is requesting without it. Ms. de Onis recommended if the second sentence was dropped to include the reference to the Government Code in the first sentence. Mr. Hollingsworth stated the modified policy had the support of both the Executive Director and Actuary.

On a motion by Mr. Nance, seconded by Mr. Elliott, the Board unanimously adopted the funding policy as amended.

Resolution of the Board of Trustees December 12-13, 2019

Resolution Adopting the Funding Policy for the TRS Pension Fund

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

WHEREAS, Senate Bill 2224 of the 86th Texas Legislature amended Section 802.2011(b) of the Texas Government Code to require all public pension systems, including TRS, to adopt a written funding policy (Funding Policy) no later than January 1, 2020.

WHEREAS, Section 802.2011(b) of the Texas Government Code further provides that the Funding Policy shall detail the governing body's plan for achieving a funded ratio of the system that is equal to or greater than 100 percent;

WHEREAS, The development of the Funding Policy was discussed with the Board at the previous two Board meetings in addition to the December meeting, and the Funding Policy was developed in coordination with Gabriel, Roeder, Smith & Company;

WHEREAS, To accomplish the objective of achieving a funded ratio of the system that is equal to or greater than 100 percent, the Funding Policy supports contribution and benefit policies that will systematically decrease the Unfunded Actuarial Accrued Liability (UAAL) over time;

WHEREAS, A declining UAAL over time will evidence that contribution and benefit policies are implemented consistent with Section 802.2011 of the Texas Government Code;

WHEREAS, The process conducted by TRS to develop the Funding Policy followed a prudent process designed to address applicable fiduciary obligations of the Board.

Now therefore, be it

RESOLVED, That, effective December 13, 2019, the Board hereby adopts the Funding Policy set forth in Exhibit A; and

RESOLVED, That the Board hereby authorizes staff to take all actions necessary to implement the Funding Policy in accordance with TRS policies and procedures.

Mr. Hollingsworth announced, without objection, taking up Agenda Item 5.

- 5. Receive an update on the TEAM Program including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie and Chet Henry.**

Mr. Guthrie reported the code delivered by Perspecta after the September Board meeting was deemed to be unacceptable. He said they are working on a new timeline with Perspecta and evaluating the best course forward.

At the announcement of Agenda Item 6, Mr. Hollingsworth turned the meeting over to Ms. Sissney.

- 6. Consider the evaluation and performance of Bridgepoint Consulting as the TEAM Program Independence Program Assessment (IPA) Vendor including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Amanda Jenami.**

On a motion by Mr. Moss, seconded by Mr. Elliott the Board voted to approve delegating to the executive director the full authority to negotiate the renewal of the contract with Bridgepoint Consulting as the TEAM Program independent program assessment vendor, with Mr. Hollingsworth abstaining and recusing himself from this matter pursuant to the trustee ethics policy.

Ms. Sissney then turned the meeting over to Mr. Hollingsworth. Mr. Hollingsworth announced, without objection, taking up agenda item 3.

3. **Receive an update regarding long term space planning activities and consider developer solicitations for main campus including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie and Andrew Roth.**

On a motion by Mr. Corpus, seconded by Mr. Nance, the Board unanimously voted to find that deliberating or conferring on long term space planning in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person.

At 9:29 am, Mr. Hollingsowrth announced the Board would recess into executive session for agenda item 3 under the following sections of the Government Code: 825.115(e), 551.071 and 551.072 to discuss Board procurement matters, real estate and consult with legal counsel.

At 12:00 pm, Mr. Hollingsworth reconvened the Board in open meeting.

On a motion by Mr. Moss and seconded by Mr. Corpus the Board unanimously adopted the following resolution:

Resolution of Board of Trustees December 13, 2019

Relating to Long Term Space Planning for the TRS Administrative Headquarters

WHEREAS, Texas Government Code §821.007 provides that the buildings comprising the home office of the Teacher Retirement System (TRS) are under the control and custodianship of the retirement system;

WHEREAS, TRS performed due diligence activities and presented to the TRS Board of Trustees (the "Board") on the following: space planning and long-term facilities options, engaged a broker and an owner's representative, conducted a workplace study and an employee perspectives survey to evaluate the long-term facilities planning needs of the agency;

WHEREAS, a Request for Proposal ("RFP") was issued to interested entities to solicit design and build proposals to develop a potential new administrative headquarters for TRS;

WHEREAS, TRS received and evaluated the developer responsive proposals for a new TRS main campus;

WHEREAS, TRS staff discussed the proposals with the Board, provided relevant information to the Board, and presented an evaluation to the Board concerning the selection of developer solicitations;

WHEREAS, The Board considered the evaluation made by TRS staff of the developer solicitations submitted in response to the RFP; and

WHEREAS, it being understood that the Board's selection of finalists pursuant to this resolution shall not be construed as a final decision on this solicitation, which remains pending until the execution of a final contract, to occur after approval by the Board at a later meeting;

Now, therefore, be it

RESOLVED, that the Board hereby authorizes and instructs the Executive Director or his delegee, with the assistance of TRS employees and TRS's broker and owner's representative, to expend funds and to take all actions and do all things necessary or desirable to continue negotiations on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of TRS for a final, proposed contract for the purchase of real property and for the design and build of a new administrative headquarters for TRS with the following finalists: _____A_____ and _____B_____;

RESOLVED, that if for any reason, the Executive Director or his delegee concludes in his sole judgment that TRS is not reasonably likely to negotiate a binding agreement with one of the identified finalists, then the Board authorizes the Executive Director to expend funds and to take all actions deemed by him to be necessary or advisable to continue negotiations with the remaining finalist on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of the TRS for a final, proposed contract for the purchase of real property and for the design and build of a new administrative headquarters for TRS;

RESOLVED, it being understood that the Board's selection of finalists pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until a full and final written contract is successfully negotiated and executed by both parties after approval by the Board at a later meeting; and

RESOLVED, that the final, proposed contract will be presented to the Board at a later date for a final decision.

Mr. Guthrie reviewed the history of TRS facilities in general going back to its inception in 1937. He stated today TRS has outgrown the generational solution identified 50 years ago. He is proposing in looking for the next generational solution. He said this makes sense from a business perspective but more importantly makes sense for members and is fiduciarily responsible for the fund. Mr. Guthrie noted, ten years ago, TRS faced space constraints and the solution then was to move IMD to 816 Congress. He said the current headquarters' highest and best use is not necessarily as a headquarters for TRS. It is a very valuable asset that could be monetized and turned into an investment for TRS. He also discussed the review being performed for potential regional offices to address possibly unmet needs in west Texas and the valley.

Mr. Guthrie said in terms of this holistic plan, after the Board's action today, we are moving forward to negotiate on perhaps a new location for headquarters, moving forward with a study on regional service centers and IMD currently leasing space at 816 Congress to move to Indeed Tower. He noted there is no longer enough space at 816 Congress to house IMD and they were able to negotiate favorable terms at Indeed Tower. Mr. Guthrie then reviewed the timeline for next steps. He said if negotiations are successful, they could break ground as early as 2021 and move in as early as 2023. At the same time as construction is ongoing, he said a reevaluation would

continue on whether it makes sense for IMD to be located at the Indeed Tower and to be located downtown.

Mr. Hollingsworth announced, without objection, taking up Agenda Item 15.

15. Receive the report of the Strategic Planning Committee on its December 12, 2019 meeting and consider proposed amendments to the Mission Statement – Committee Chair.

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

The Strategic Planning Committee met on December 12, 2019. The executive director, Mr. Guthrie, and Averil Mullins, who is a member of the mission statement workgroup, provided an overview of the proposed mission statement for the committee and the Board's review. We received some very good feedback, I think, from the committee members and from the Board, and the mission statement will be taken on board that feedback and then represent it to the committee and to the full Board.

The director of Strategic Initiatives, Caasi Lamb, along with the objective owners, discussed and reviewed the results forum information for the 2019-2023 TRS strategic plan objectives. The objectives included achieving the investment rate of return, improving the customer service experience, improving timeliness and accuracy in employer reported data, strengthening ethics and culture, and improving strategic communications. The director of Strategic Initiatives also provided an overview of the Spotlight report.

The director of Strategic Initiatives and a representative from the Public Policy Research Institute from Texas A&M University presented to the committee and to the Board survey results from the member satisfaction survey and the reporting employer satisfaction survey.

16. Receive the report of the Benefit Committee on its December 12, 2019 meeting and consider the following – Committee Chair:
A. Accept the Medical Board Meeting Minutes for July and September 2019;
B. Approve the Benefit Payments for September – November 2019.

Mr. Nance, Acting-Committee Chair, provided the following report of the Benefits Committee:

We met on December 12, 2019. The committee approved the proposed minutes of the Benefits Committee for the September 20, 2019 meeting.

Ms. Katrina Daniel introduced three guests, The Honorable Dr. Greg Bonnen, Dr. Christopher Crow, president of Catalyst Health Network, and Dr. Clive Fields, cofounder and chief medical officer of Village M.D. The physicians talked about how to achieve better quality of care through primary care. Ms. Daniel went on to describe how TRS-ActiveCare and TRS-Care were looking to primary care strategies to improve the quality of health care services purchased by TRS and preserve funds in the process.

Ms. Daniel also updated the Board on concerns that certain districts participating in TRS-ActiveCare are considering offering competing plans which holds the potential to destabilize the fund. Ms. Sissney requested staff to consider a rule or some way to maintain stability and bring a proposal to the Board in February.

Next, Ms. Pearson presented the Medical Board minutes from the July and September 2019 meetings for the committee's consideration to recommend to the Board for acceptance. Ms. Pearson also presented for the committee's consideration to recommend to the Board approval of benefit payments for September through November of 2019.

The committee concluded with an update from Ms. Pearson on Benefit Services operations for the first quarter of fiscal year 2020.

On a motion by Mr. Nance, on behalf of the committee, the Board accepted the Medical Board minutes for the July and September 2019 meetings.

On a motion by Mr. Nance, on behalf of the committee, the Board approved the benefit payments for September through November 2019.

17. Receive the report of the Budget Committee on its December 12, 2019 meeting – Committee Chair.

Ms. Sissney, chair of the committee, presented the following report of the Budget Committee:

The Budget Committee met Thursday, December 12. The first item of business was approval of the minutes of the July 12, 2019 Budget Committee meeting. Those minutes were approved.

Mr. Scheel presented an overview of the Comprehensive Annual Financial Report for fiscal year 2019. The 2019 CAFR showed a net position of \$158 billion, compared to \$154.6 billion on last year's CAFR.

Mr. Green presented a high level overview of the fiscal year 2019 year-end budget and the first two months of fiscal year 2020. He

addressed unexpended balances in the FY2019, and presented an FTE status as well.

18. Receive the report of the Investment Management Committee on its December 12, 2019 meeting– Committee Chair.

Mr. Corpus, chair of the committee, presented the following report of the Investment Management Committee:

The Investment Management Committee met on December 12, 2019. Jerry Albright began with the CIO update. The third quarter 2019 performance review was then reviewed by Steve Voss with Aon. Next Bernie Bozzelli presented the trading group update, followed by James Nield presented an update on the risk group.

Mohan Balachandran then presented an update on the multi-asset strategies group, following Steve Voss with Aon presented an assessment of the TRS quantitative equity portfolio. Concluding the Investment Management Committee, Joel Hinkhouse provided a review of proxy voting at TRS.

19. Receive the report of the Policy Committee on its December 12, 2019 meeting and consider the following – Committee Chair:

- A. Consider the proposed amendments to the Proxy Policy and Procedures;**
- B. Consider the proposed amendments to the Commission Credits Policy;**
- C. Consider the proposed amendments to the Board of Trustees External Communications Policy.**

Mr. Elliott, chair of the committee, presented the following report of the Policy Committee:

The Policy Committee met on December 12, 2019. The committee approved the proposed minutes of its September 2019 meeting. The committee then received a report from TRS staff on the initiation of the review of the proxy voting policy.

The committee then recommended to the Board adoption of proposed amendments to the commission credits policy. The committee recommended to the Board adoption of the proposed amendments to the Board of Trustees external communications policy, and the committee authorized for publication in the *Texas Register* notice of the proposed amended TRS rules, as listed in the agenda in Chapters 41 and 43 of Title 34, Part 3 of the Texas Administrative Code.

On a motion by Mr. Elliott, on behalf of the committee, the Board adopted the proposed amendments to the commission credits policy.

On a motion by Mr. Elliott, on behalf of the committee, the Board adopted the Board of Trustees external communications policy.

20. Receive the report of the Audit, Compliance and Ethics Committee on its December 12, 2019 meeting - Committee Chair.

Mr. Moss, chair of the committee, presented the following report of the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met on Thursday, December 12, 2019. State Auditor's Office staff presented the results of the audit of the TRS Comprehensive Annual Financial Report for fiscal year 2019. Grant Thornton auditors presented the results of the financial audit of the TRS Investment Company of Texas for fiscal year 2019. The chief compliance officer presented routine compliance reports. The executive director and the chief compliance officer provided an update on the implementation of Senate Bill 65 regarding trustee conflicts of interest procedures.

Internal Audit staff presented the results of audits on cash management, collections, and the health care claims data warehouse. Internal Audit staff also presented the annual internal audit report, follow-up on outstanding audit and consulting recommendations, and various administrative reports. TRS Information Security staff presented an overview of the results of Texas DIR cybersecurity maturity assessment.

Mr. Hollingsworth, without objection, announced Agenda Item 14 would be taken up next.

14. Consider selecting a firm to conduct the statutorily required actuarial audit including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Caasi Lamb.

Mr. Guthrie introduced the item, stating selecting a firm to conduct the required actuarial audit is required every five years. Ms. Lamb stated an RFP was issued in October for actuarial audit services and two responses were received. After evaluating the two responses staff recommends Milliman to perform the actuarial audit.

On a motion by Mr. Moss, seconded by Mr. Walls, the Board adopted the following resolution to retain Milliman for the required actuarial audit:

Resolution of Board of Trustees December 13, 2019

Relating to Selection of a Firm to Conduct the Statutorily Required Actuarial Audit

WHEREAS, Section 825.101, Government Code, states that the Board is responsible for the general administration and operation of the retirement system, and Section 825.103, Government Code, states that the Board has exclusive authority over the purchase of goods and services using trust funds, including without limitation professional services;

WHEREAS, Section 825.206(f), Government Code, requires the Board to engage an actuarial audit at least once every five years or in conjunction with an actuarial experience study;

WHEREAS, TRS Bylaws subsections 5.6(b) and 5.6(e) authorize the Executive Director to contract for the purchase of services and the execution of vouchers for payments, in accordance with actions of the Board;

WHEREAS, TRS conducted a competitive process to identify qualified candidates for the actuarial audit;

Now, therefore be it

RESOLVED, That the Board of Trustees of the Teacher Retirement System of Texas (the "Board"), authorizes the Executive Director or the Chief Operations and Administrative Officer of the Teacher Retirement System of Texas ("TRS") to negotiate, with the assistance and advice of legal counsel, an agreement for actuarial audit services with Milliman, Inc. and, if negotiations are deemed in his or her discretion to be successful, then the Executive Director or the Chief Operations and Administrative Officer is hereby authorized to execute an agreement 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 all future extensions or amendments to the contract, that such officer may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of 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 nothing in this resolution creates or forms a contract, an offer to contract, or a power of acceptance to form a contract, it being the intention for the Board that TRS shall not be legally bound unless and until the Executive Director executes and delivers a definitive agreement for the services to be provided by the entity named above.

Mr. Hollingsworth, without objection, announced taking up Agenda Item 12.

12. **Review the TRS Pension Trust Fund Actuarial Valuation for the fiscal year ending August 31, 2019 – Joe Newton and Dan Sibilik, GRS.**

Mr. Sibilik stated the purpose of the pension trust fund actuarial valuation is to go over the adequacy of current contributions and measure the actuarial liabilities and track changes over time, warn about any possible issues. He reviewed the impact the legislative session had on the fund. He reported the actual results is a 29 year funding period. He said TRS is at a 76.4 funded ratio and it will take about seven years to reach 80 percent. Mr. Newton stated the slow increase over the seven years is due to the slow ramp up in the contribution rate. He noted the unfunded accrued liability to be \$49.5 billion. He said the two main sources for the increase were not covering the interest on the unfunded and then about \$1.4 billion from the HB3, which granted salary increases. He projected the unfunded liability will grow in dollar amounts, somewhere between \$55.5 and \$60 billion and then it will start to come back down. He said it will take until 2037 or so to get back to where we are now.

13. Review the TRS-Care Actuarial Valuation and Other Post-Employment Benefits (OPEB) reports as of August 31, 2019 – Joe Newton, GRS.

Mr. Newton said this report is for TRS-Care, the retiree medical program and the entire purpose is for accounting and disclosure purposes. He noted the big difference here is these are not pre-funded, there are no assets to compare to the liability which makes the liability much bigger. He reported the total OPEB liability of 2019 was \$48.6billion, net OPEB liability \$47 billion.

Mr. Hollingsworth announced, without objection taking up Agenda Item 10.

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

- A. **Review administrative operational matters, including updates on legislative, financial, audit, legal, staff services, special projects, investment matters, strategic planning, foreign office update and personnel matters.**
- B. **Sunset Review Update.**
- C. **Board operational matters, including a review of draft agendas for upcoming meetings.**
- D. **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. Guthrie reviewed past conferences attended and announced upcoming meetings of interest. He provided an update on Sunset activities, there has been 39 meetings from September through December. The expected completion date for staff report is spring of 2020. He announced TRS was named Top Workplace in Austin for 2019. Mr. Guthrie mentioned he was named president of NCTR at the October 2019 meeting. Mr. Guthrie concluded by reviewing the February and April proposed agendas.

Mr. Hollingsworth announced, without objection, taking up Agenda Item 21.

21. Receive an update on the Classification Compensation Review Project – Andrew Roth and Janet Bray.

Mr. Roth provided an update on the comprehensive classification review study. He noted Deloitte Consulting was engaged to assist in this study. He said the study was generated in part from the talent and culture audit recommendation was to develop an employee value proposition. He said the first phase of the project was to develop a comprehensive classification structure, comparing best practices, benchmarks and looking at other public pension funds across the United States as well as financial institutions in the public and private sector. The next phase would involve finalizing the work plan, moving forward with a strategy to implement the system. Ms. Christine Robovsky, of Deloitte Consulting, stated they reviewed the current state of the compensation programs at TRS, received measurable feedback from employees and created a draft compensation philosophy. Mr. Chad Atwell also with Deloitte Consulting, stated it is very important that any organization communicate clearly about compensation or broader total rewards and govern it correctly so a lot of time was spent developing deliverables along those lines.

Mr. Roth quickly touched on the limitations with the state classification structure in terms of the overall broad nature and the relatively narrow band that TRS is able to utilize. He said the work Deloitte has provided gives a foundation to create a TRS-specific classification structure, job levels and titles with greater clarity. He noted the intent in terms of salary and compensation is to wherever possible stay with current state salary bands and ranges. He said moving forward, the proposed classification structure will give the flexibility, the availability, the clarity, the efficiency needed in order to attract and retain the right kind of talent for TRS.

22. Receive an update from the COAO – Andrew Roth.

Mr. Roth shared awards that TRS staff and the organization itself received. For shared services update, he stated an effort is being made to evolve project governance, to reestablish and reinvigorate the Enterprise Project Oversight Council (EPOC). He said in recent years EPOC has focused on TRUST implementation. Mr. Roth reviewed other goals for shared services, such as implementing KPIs to report back to the Board.

At 1:24 pm, Mr. Hollingsworth adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM
OF TEXAS ON THE 20th DAY OF FEBRUARY 2020.

ATTESTED BY:

Katherine H. Farrell
Secretary to the TRS Board of Trustees

Date

TAB 5



Teacher Retirement System of Texas

Investment Management Division

Indeed Tower Update

Brian Guthrie, Executive Director

Andrew Roth, COAO

Jase Auby, Chief Investment Officer

Eric Lang, Senior Managing Director

Jerry Albright, Senior Managing Director

February 2020



TRS Long Term Facilities

Indeed Tower Communications



Media Stories

21

INCLUDING:

Austin American-Statesman
Institutional Investor
Education News
Longview News-Journal
Austin Business Journal
KXAN
Texas Scorecard
KETK Fox 51



Facebook Comments

3,506

INCLUDING:

754 public comments on TRS Facebook
1,902 public comments on TRTA Facebook
827 public comments on Statesman Facebook page
23 private messages



TRS Comments

60

INCLUDING:

"It is shameful that our money is spent for the luxury of those who are entrusted with our future while retired teachers must go without what they deserve. Needless to say, we are all furious. Do something about it."



Compact with Texans Comments

97

INCLUDING:

"When our insurance premiums are so devastatingly expensive for coverage that leaves us in a position where we can't afford to actually get sick, and even worse coverage facing us at retirement, you're asking us to accept that is the best deal you can find for office space?"



Letters and Phone Calls

27

INCLUDING:

9 Member letters
18 Member phone calls



Legislative Communication

12

TRS has received correspondence from twelve legislators, and others have tweeted about the Indeed Tower lease. The Senate Finance Committee will hold a hearing on February 25, 2020, and the House Committee on Pensions, Investments, and Financial Services will also hold a hearing March 9, 2020 to discuss TRS' long-term space planning.

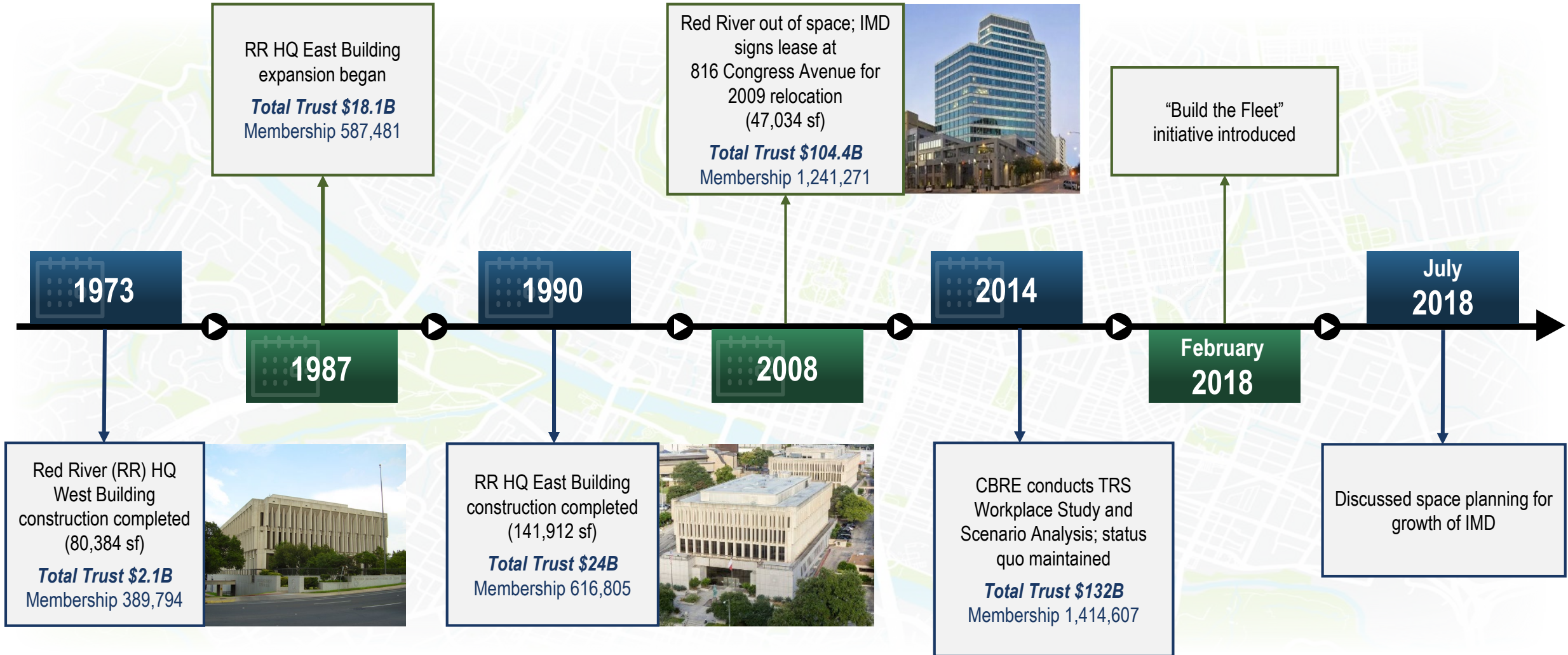
TRS Long Term Facilities

Agenda

- TRS Long Term Facilities Timeline
- History of IMD Facilities
- Independent Fiduciary Review of Process
- History of Proposed New Headquarters (“New HQ”) Building
- IMD Lease Options
- Downtown Austin Market Update
- Recommendation

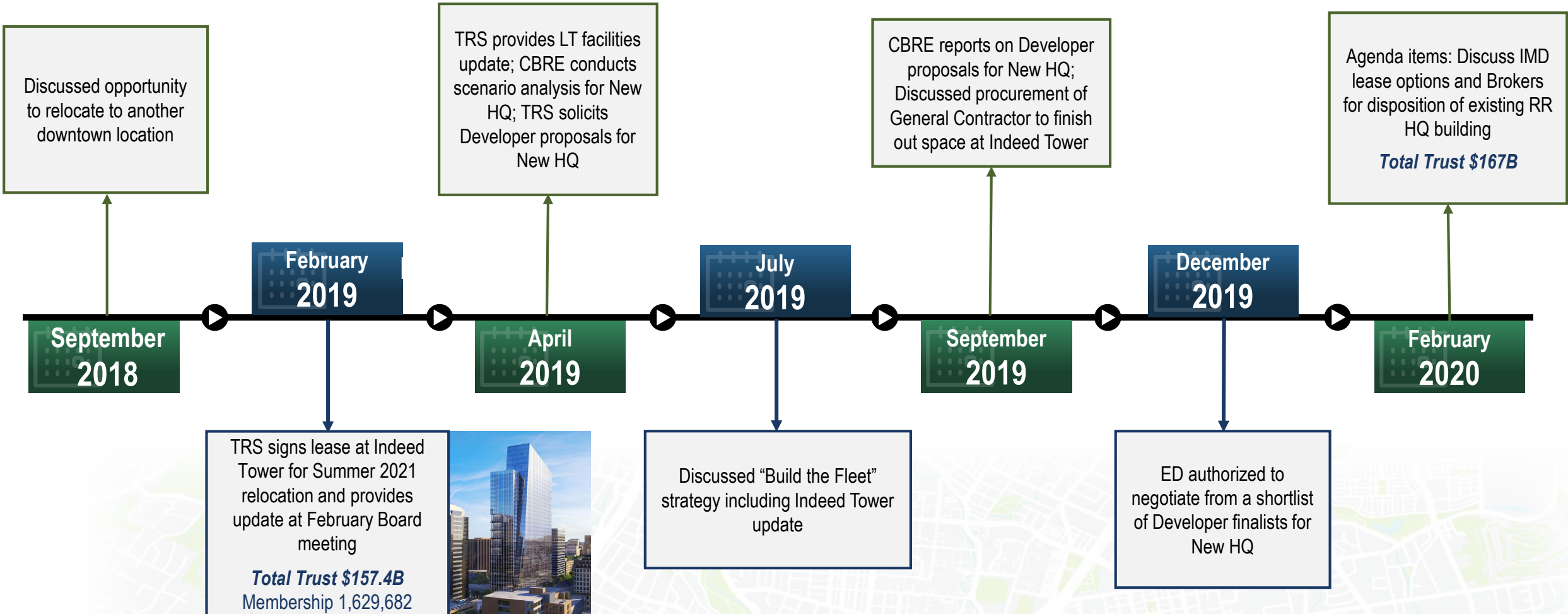
TRS Long Term Facilities

1973-2018: Timeline



TRS Long Term Facilities

2018-2020: Timeline



TRS Long Term Facilities

2008: IMD Relocates to 816 Congress Avenue

History and Options Considered

- Investment strategy shift in 2008
 - Significant increase in diversification and use of external management
 - IMD to expand from 80 to 140 headcount
 - Minimum of 45,000 sf required
- Space options considered
 - Lease new office space
 - Build new facility
 - Purchase a building
 - Invest in an existing building and lease remaining space
- TRS evaluated several locations with 6 finalists:
 - 3 downtown Austin
 - 3 in non-downtown Austin
 - Domain, North Austin, Far Northwest Austin

Conclusion

- Decision was made to stay in downtown location
 - Space available immediately
 - Enabled TRS to build out efficient infrastructure
 - Cost competitive
 - Central to:
 - Red River headquarters
 - Employees and major transportation arteries
 - State investment funds
 - Investment partner visitors
 - Offered ability to easily expand if necessary
- Board authorizes leasing of office space for IMD
 - Lease executed at 816 Congress for 47,034 SF in 2008
 - Moved in March 2009

TRS Long Term Facilities

2014: CBRE conducts TRS Workplace Study

- CBRE performs workplace strategy, provides occupancy scenarios and market options
 - Launched February 2014, update provided in June 2014 with final results presented July 2014
 - Scope included current space analysis, surveys, visioning sessions, real estate market survey and financial modeling
 - Consensus view to maintain status quo where IMD and RR would remain at current locations

Options Considered	Description	Conclusions
Status Quo	IMD and RR remain at current locations	<ul style="list-style-type: none"> • Departments have similar aspirations about space but functionally have different needs • Downtown consolidation is best option operationally for the IMD • Consolidation in suburbs is the best option from a cost standpoint • Ownership is advantageous given time horizon of occupancy but constrained by current market strength
IMD at 816 Congress and Exit Red River	IMD remains at 816 and RR moves to new location	
Separate Member Service Center	RR and IMD co-locate to new facility downtown and Benefits moves to suburban location	
Co-locate	All TRS together in one location	

TRS Long Term Facilities

2018: Build The Fleet initiative introduced

- TRS reaches goal of modernizing the investment management division, diversifying the portfolio, and increasing alpha to become top US pension
 - Over next 10 years, IMD seeks to maintain its success and become a top global investment fund
- Priorities:
 - Achieve actuarial rate of return
 - Scale investment programs with Trust asset growth projections
 - Increase internal management capabilities for cost effective investments
 - Improve retention of investment personnel
- TRS projects estimated savings of \$1.4 billion in fees and carried interest from our investment activities over next 5+years
 - Will require hiring another 120 FTE taking headcount from 150 to 270
 - 270 does not include contractors, secondees and shared services support
 - Total estimated IMD headcount (including contractors, secondees and shared services) is estimated at 350 by 2031
- Initiative will require additional space
 - In August 2018, IMD expanded by 18,660 SF at 816 Congress to accommodate the first phase of “Build the Fleet,” for total of 73,659 sf
 - Approximately 75% of the lease at 816 Congress expires in March 2021, while remainder expires December 2022

TRS Long Term Facilities

2018-2019: IMD negotiates relocation to Indeed Tower

Background:

- Since inception in 1937, TRS has been in downtown Austin
 - TRS determined it was prudent to stay downtown in 2008, 2014 and 2018
- IMD expanding as a result of “Build the Fleet” initiative
 - 75% of the lease at 816 Congress set to expire in March 2021
- Limited availability of large contiguous Class A office space in downtown
 - 816 Congress was fully leased
 - Expert market reports also indicated limited availability
- Market base rental rates as of 2018 at 816 Congress ranged from \$33.00-\$34.00 PSF
 - At March 2021 lease expiration, monthly contractual base rent is \$177,100 (\$28.85 PSF) for 73,659 SF
 - Assumed increase on renewal to a new market rent of \$35.00 PSF in 2021
- Opportunity to pre-lease at Indeed Tower
- Ability to obtain lower rent in early construction phase of building

TRS Long Term Facilities

2018-2019: IMD negotiates relocation to Indeed Tower

Rationale:

- A downtown location is consistent with other public funds and also to private investment managers
 - Several state investment funds with assets in excess of \$400 billion are managed centrally in Austin
 - TRS trades in 56 countries which requires a 24-hour trading group and on-site investment operations group
 - Downtown location allows for more efficiency to schedule meetings with financial partners
 - TRS has 191 external manager relationships
 - Over 1,300 meetings annually with external partners with approximately 2,200 visitors
- As a global institutional investor, a location in close proximity to downtown is essential for attracting and retaining a quality investment team
 - TRS investment portfolio generated \$7.1 billion in excess of the Trust benchmark over the past 10 years
 - Austin considered an “Innovation Hub”
 - 150 company relocations to Austin in last 3 years
 - Austin consistently top ranked as one of the best places to live

Conclusion:

- TRS signs 10-year lease commencing June 2021 for 101,673 SF
 - Annual base rent of \$38.50 PSF with \$0.75 PSF annual increases
 - Monthly base rent at Indeed begins at \$326,201
 - \$296,546 for same square footage at 816 Congress (based on \$35 PSF base rent)
 - Indeed Tower is expected to have initial lower operating expenses than 816 Congress
 - Indeed Tower’s rectangular floor plate allows for more efficient space utilization than 816 Congress

TRS Long Term Facilities

2018-2019: IMD negotiates relocation to Indeed Tower

Summary:

- IMD was outgrowing space and planned for future growth
- IMD needed to add headcount to save \$1.4 billion in fees and carried interest
- Sufficient space was not available in the downtown market
- Indeed Tower rent was comparable to current location

TRS Long Term Facilities

HQ Options

- Staff will continue diligence on long-term facilities options
- The ultimate decision depends on four essential components:
 - Cost of a new headquarters building outside of the downtown business core
 - Value of the existing Red River campus
 - Cost/benefit analysis of renovating and expanding Red River campus
 - Evaluation of member and business needs
- At this meeting, the Board will consider the selection of a broker to explore value of RR campus
- Exclusive negotiations with developer finalists for a potential New HQ are underway
 - Leading candidate is in the Mueller development
 - Potential cost for a new headquarters building at Mueller is estimated to be at least \$150-\$200 million
 - Cost will be offset by proceeds of disposition of RR campus and compared against the cost of renovations
- Consideration of Regional Offices to better serve member needs
 - One pilot office under review

TRS Long Term Facilities

2019-2020: Red River HQ Broker Solicitation

- Solicitation for brokerage services for the disposition of the Red River property:
 - Three finalists interviewed
- Scope of Work
 - Evaluate highest and best use of the TRS Red River Headquarters property, including fee simple sale, ground lease, or contribution to joint venture disposition



TRS Long Term Facilities

Indeed Tower Update

- Since initial lease negotiations with Indeed, the options for 816 Congress have changed
 - Space has become available at 816 Congress
 - The 816 Congress landlord can provide IMD the ability to expand in the building
 - Space would not be contiguous to IMD's existing space
 - IMD expansion at 816 Congress may be phased in over time
- A proposal from landlord shows base rent at 816 Congress is similar to the previously projected rent
 - Since IMD is the largest tenant in the building, the landlord is being competitive in attempt to retain the IMD's tenancy in the building
- Tenant improvement costs at 816 Congress are significantly lower than building out new space at Indeed Tower

TRS Long Term Facilities

IMD Lease Options

	Option 1 816 Congress Extend for 7 years	Option 2 Move to Indeed Tower	Option 3 816 Congress Extend for 5 years	Option 4 816 Congress Extend for 10 years
Size	95, 269 SF	101,673 SF	95, 269 SF	95, 269 SF
Base Rent PSF	\$34.00 PSF	\$38.50 PSF	\$34.00 PSF	\$34.00 PSF
Strengths	<ul style="list-style-type: none"> • Maintains status quo • Ability to phase in expansion space • 7-year term increases 816 Landlord TI allowance • Provides stability to IMD • Ability to attract and retain IMD employees 	<ul style="list-style-type: none"> • Follows current plan • No risk or cost of sublease • Ability to provide growth/swing space for RR at Indeed Tower • Ability to attract and retain IMD employees • Confidential information related to this decision 	<ul style="list-style-type: none"> • Maintains status quo • Ability to phase in expansion space • Provides stability to IMD • Ability to attract and retain IMD employees 	<ul style="list-style-type: none"> • Maintains status quo • Ability to phase in expansion space • 10-year term increases 816 Landlord TI allowance • Provides stability to IMD • Ability to attract and retain IMD employees
Considerations	<ul style="list-style-type: none"> • Risk and cost for subleasing of Indeed Tower • Long-term liability associated with Indeed Tower sublease • Lease term requires a termination option for a fee 	<ul style="list-style-type: none"> • Much higher build out cost for new construction space • Rent is \$4.50 PSF more than 816 Congress • Overall SF higher with no phase in available • Perception of a new building 	<ul style="list-style-type: none"> • Risk and cost for subleasing of Indeed Tower • Long-term liability associated with Indeed Tower sublease • Lease term requires a termination option for a fee • Does not solve long term needs 	<ul style="list-style-type: none"> • Risk and cost for subleasing of Indeed Tower • Long-term liability associated with Indeed Tower sublease • Lease term requires a higher termination option for a fee
Present Value of Savings Compared to Indeed Tower	<ul style="list-style-type: none"> • \$9.1 million 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • \$8.0 million 	<ul style="list-style-type: none"> • \$10.6 million

TRS Long Term Facilities

Indeed Tower Lease – Subleasing Considerations

- TRS does not have the unilateral right to terminate the lease
 - TRS would still be obligated to pay rent and expenses for entire lease term
- TRS can sublease the space
 - Any sublease is subject to the Landlord's approval
 - Subleasing is subject to market risk
 - TRS would have to pay the brokerage cost of sub-leasing the space (estimated at 6% of lease obligation)
- TRS would have to pay rent until a sub-tenant is found
 - To remove TRS from the lease obligation, a similar credit tenant would need to be found
 - Subleasing would most likely be in phases, possibly floor by floor
- TRS would share in the benefits if the sub-tenant pays a higher lease rate

TRS Long Term Facilities

Austin Office Market Update

- Austin has experienced tremendous growth in the current economic cycle, both in terms of population and new jobs
- Demand for office space in Austin remains robust
 - Net absorption in 2019 across Austin was 2.1 million sf, with 622k sf of that total in the Austin Central Business District (“CBD”)
 - Several large users chose to lease office space in both the CBD and in suburban locations such as the Domain
- Vacancy in the market is low, particularly Class A space in the Austin CBD at 5%, resulting in limited options for users with large space needs
- CBD rental rate increases of 18% over the past 2 years
- As a result of strong demand, limited supply, and high rent rates, developers are active in the market with approximately 6 million sf of Class A space under construction and 3 million sf of that space in the Austin CBD
 - Office developments that are currently under construction with delivery dates in the next 1-2 years will benefit from increased demand
 - Tenants with near term space needs have limited options for occupancy

TRS Long Term Facilities

Recommendation and Next Steps

Recommendation

- Proposed Board Resolution
 - TRS authorized to negotiate a renewal and expansion at 816 Congress
 - 7 year term with the one-time right to terminate if TRS is consolidated at a new HQ
 - Expand to accommodate Build the Fleet growth
 - TRS pursue the subleasing of existing space at Indeed Tower

Next Steps

- Continue due diligence on long-term facilities planning
- Provide Board updates on broker and developer finalists negotiations in April and July
- Continue evaluation of Regional Offices
- Seek Board action as appropriate

Appendix

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TAB 6



Memorandum

TRS Investment Compliance

PRIVILEGED & CONFIDENTIAL

To: Board of Trustees

From: Heather Traeger, Chief Compliance Officer

Cc: Carolina de Onis, General Counsel
Brian Guthrie, Executive Director
Jase Auby, Chief Investment Officer

Date: January 15, 2020

Re: Revisions to TRS General Authority Resolutions

The TRS General Authority Resolutions (“GAR”) evidence the Board’s delegation of approval authority to certain TRS employees with respect to investment and related matters. The GAR is also the framework from which we build a detailed series of transaction approvals, workflows and controls in order to effect investment purchases and sales as well as other investment related matters such as contracts. Finally, the GAR is the document that external parties (such as custody banks, counterparties, external managers and brokers) use in order to authenticate TRS transactions.

To comport with governance best practices, Legal & Compliance is proposing to remove the title “Deputy Chief Investment Officer” and any reference to it from the GAR to reflect the changes within the Investment Management Division’s (IMD) executive group. The management changes were approved by the Board in December 2019 and took effect on January 1, 2020. At this time, the IMD does not intend to have a Deputy Chief Investment Officer. The proposed change will ensure that TRS’ GAR and associated Incumbency Certificate (i.e., signature pages reflecting implementation of the GAR) accurately reflect to internal and external parties the authority granted to the IMD to engage in binding actions on behalf of TRS. This governance tool is designed to reduce opportunities for misappropriation or misrepresentation regarding TRS assets and directives.

ATTACHMENT 1



Board of Trustees

Revised General Authority Resolutions Adopted ~~April-February~~ 25, 2020+9

Investment Group

Resolved, That Investment Division employees holding the following TRS working titles are members of the “**Investment Group**”:

Chief Investment Officer
Senior Managing Director
Senior Director
Senior Investment Manager

Managing Director ~~Deputy Chief-
Investment Officer~~
Director

Resolved further, That the Executive Director is authorized and directed to designate in writing those individual members of the **Investment Group** who are authorized within the investment areas designated by the Executive Director, in addition to the Chief Investment Officer ~~and the Deputy Chief Investment Officer~~, to take any one or more of the following actions authorized below in accordance with these resolutions until the authority is revoked.

Resolved further, That the Executive Director is authorized and directed to designate in writing, by investment area and category or item designation, the specific authorities granted to each authorized member of the **Investment Group**, until the authority is revoked.

A. General Authority for Investment Matters other than Derivatives

Resolved further, That the Chief Investment Officer, ~~Deputy Chief Investment Officer~~, and any other member of the **Investment Group** designated by the Executive Director as having such authority, in addition to any other authority expressly designated by the Executive Director under these resolutions, may act on behalf of TRS to:

- A.1** Buy, sell, or give orders or instructions for transactions in currencies and securities, and any amendments or modifications of such orders or instructions.
- A.2** Direct Investment Operations personnel to deliver, pay, expend, or receive cash, currencies, monies, securities (including restricted or Rule 144A securities) in connection with a contract to buy or sell securities.
- A.3** Give directions and instructions to members of the **Trading Group** or external managers relating to execution, brokerage, clearing or settlement of securities transactions.
- A.4** Direct Investment Operations personnel to fund subscribed investment funds or capital called by investment funds; transfer funds or assets between custodial accounts, including external manager separate accounts; transfer funds to pay fees under an investment contract; and to instruct other cash movements, including movements of cash to and from custodial accounts held by the Comptroller of Public Accounts and transfers of assets in kind for investment under an investment contract.

Notwithstanding any provision of this Section A, authority granted under this Section A does not extend to transactions in derivatives, which are governed exclusively by Section C of these resolutions.

B. Investment Contracting Authority other than Derivatives

Resolved further, That the Chief Investment Officer, ~~Deputy Chief Investment Officer~~, and any other member of the **Investment Group** designated by the Executive Director as having such authority, in addition to any other authority expressly designated by the Executive Director under these resolutions, may act on behalf of TRS to:

- B.1** Make, execute, deliver, waive, modify, amend, renew, extend, assign, terminate, or transfer, in each case in writing, investment-related documents, including without limitation, written contracts, investment management agreements, subscription agreements, capital commitments, account agreements, consents, certificates, powers of attorney, notes, deeds, security agreements, pledges, mortgages, endorsements, directions and instructions to amend, modify, fix, and execute written investment guidelines in investment management agreements with external managers and fund managers, and any and all documents necessary or proper to effectuate the authority granted in this Section B.1.

- B.2** Jointly with a member of the **Financial Group** or the **Executive Group**, execute investment fund redemption and withdrawal notices and instructions for the transfer or delivery by wire or physical transfer of cash or securities to a TRS account by a third-party fund, external manager, account, debtor, except that an authorized member of the **Investment Group** may be the sole TRS signatory on subscription agreements, side letter agreements, or other investment-related documents executed by TRS in connection with a new investment, and any amendments or modifications to such documents and agreements other than redemption and withdrawal notices and corresponding instructions for the transfer or delivery by wire or physical transfer of cash or securities.

Notwithstanding any provision of this Section B, the authority granted under this Section B does not extend to transactions in derivatives, which are governed exclusively by Section C of these resolutions.

C. Derivatives Authority

Resolved further, That the Chief Investment Officer ~~or the Deputy Chief Investment Officer~~ and any member of the **Investment Group** who is designated by the Executive Director as a member of the derivatives team, in addition to any authority expressly designated by the Executive Director under these resolutions is authorized may act on behalf of TRS to:

- C.1** Negotiate, make, fix, execute, waive, amend, modify, renew, extend, transfer, assign, endorse, or terminate, in each case in writing, documents related to derivatives transactions, including without limitation, master agreements, schedules, credit support annexes, collateral-management agreements, transaction confirmations, account agreements, and clearing agreements, and deliverables relating to such documents and agreements.
- C.2** Make, execute, waive, amend, modify, renew, extend, transfer, assign, endorse, or terminate, in each case in writing, disclosures, questionnaires, elections, certifications, or other administrative documents and deliverables related to derivatives accounts or transactions.
- C.3** Jointly with a member of the **Financial Group** or the **Executive Group**, execute, amend, modify, or terminate documents, directions, and instructions to deliver and pay cash, currencies, monies, or securities, to margin, collateralize, or settle derivatives transactions.
- C.4** Direct Investment Operations personnel to receive cash, currencies, monies, or securities, to margin, collateralize, or settle derivatives transactions.
- C.5** Buy, sell, or give orders or instructions for transactions in derivatives, and any amendments or modifications of such orders or instructions.
- C.6** Give directions and instructions to members of the **Trading Group** or external managers relating to execution, brokerage, clearing or settlement of derivatives transactions.

Financial Group

Resolved further, That the “**Financial Group**” comprises employees holding the following TRS working titles:

Chief Financial Officer	Director of Investment Accounting
Director of Accounting Operations	Senior Investment Oversight Analyst
Director of Administrative Operations	Budget Manager

Resolved further, That each member of the **Financial Group** is authorized and empowered on behalf of TRS, jointly with an authorized member of the **Investment Group** or the **Executive Group**, to execute redemption and withdrawal notices and instructions for the transfer or delivery by wire or physical transfer of cash, collateral, margin, or securities to a TRS account by a third-party fund, account, debtor, or derivatives counterparty, except that an authorized member of the **Investment Group** may be the sole TRS signatory on subscription agreements and side letter agreements and any amendments to subscription agreements or side letter agreements.

Resolved further, That each member of the **Financial Group** is authorized and empowered on behalf of TRS, to execute authorizations to fund subscribed investment funds or capital called by investment funds; transfer funds or assets between custodial accounts, including external manager separate accounts; transfer funds to pay fees under an investment contract; instruct other cash movements, including movements of assets to and from custodial accounts held by the Comptroller of Public Accounts and transfers of assets in kind for investment under an investment contract.

Resolved further, That each member of the **Financial Group** is authorized and empowered on behalf of TRS to authorize and direct members of the Investment Accounting team to verify or confirm to a custodian or prime broker any order for the transfer or delivery of currencies, monies, securities, or contracts to any other person.

Executive Group

Resolved further, That the “**Executive Group**” comprises employees holding the TRS working titles of Executive Director and Chief Operations and Administration Officer, and each member of the **Executive Group** is authorized and empowered to perform, with respect

to a particular matter or transaction, any and all of the acts that any and all employees in the **Investment Group** or the **Financial Group** are authorized to perform, except that when joint action by a member of the **Investment Group** and a member of the **Financial Group** is required, only one member of the **Executive Group** may act jointly with a member of either of the **Investment Group** or the **Financial Group**.

Trading Group

Resolved further, That the “**Trading Group**” comprises the employees holding the following TRS working titles: Managing Director, Director, and Trader. Each member of the **Trading Group** is authorized and empowered on behalf of TRS to take the following actions: to place orders or agree with brokers, dealers and market-makers to purchase or sell securities, derivatives, forward contracts, or currency; to monitor and supervise execution and settlement of such orders or agreements; and to negotiate, fix, and vary the commissions, spreads, or discounts for individual orders or agreements to purchase or sell securities, derivatives, forward contracts, or currency.

Fixed Income, Currency, and Commodities Trading Group

Resolved further, That the “**Fixed Income, Currency, and Commodities (“FICC”) Trading Group**” comprises the employees holding the following TRS working titles: FICC Trader. Each member of the FICC Trading Group is authorized and empowered on behalf of TRS to take the following actions: to place orders or agree with brokers, dealers and market-makers to purchase or sell fixed income securities, derivatives, forward contracts, or currency; to monitor and supervise execution and settlement of such orders or agreements; and to negotiate, fix and vary the commissions, spreads, or discounts for individual orders or agreements to purchase or sell fixed income securities, derivatives, forward contracts, or currency.

Chief Compliance Officer

Resolved further, That the “**Chief Compliance Officer**” is authorized and empowered on behalf of TRS to take the following actions: to execute and deliver compliance-related disclosures, reports, filings, and certifications and, with the Chief Investment Officer and Executive Director’s approval, to develop, disseminate and collect disclosure forms to monitor the requirements of the Investment Policy Statement.

ATTACHMENT 2



Board of Trustees

Revised General Authority Resolutions Adopted February __, 2020

Investment Group

Resolved, That Investment Division employees holding the following TRS working titles are members of the “**Investment Group**”:

Chief Investment Officer
Senior Managing Director
Senior Director
Senior Investment Manager

Managing Director
Director

Resolved further, That the Executive Director is authorized and directed to designate in writing those individual members of the **Investment Group** who are authorized within the investment areas designated by the Executive Director, in addition to the Chief Investment Officer, to take any one or more of the following actions authorized below in accordance with these resolutions until the authority is revoked.

Resolved further, That the Executive Director is authorized and directed to designate in writing, by investment area and category or item designation, the specific authorities granted to each authorized member of the **Investment Group**, until the authority is revoked.

A. General Authority for Investment Matters other than Derivatives

Resolved further, That the Chief Investment Officer and any other member of the **Investment Group** designated by the Executive Director as having such authority, in addition to any other authority expressly designated by the Executive Director under these resolutions, may act on behalf of TRS to:

- A.1** Buy, sell, or give orders or instructions for transactions in currencies and securities, and any amendments or modifications of such orders or instructions.
- A.2** Direct Investment Operations personnel to deliver, pay, expend, or receive cash, currencies, monies, securities (including restricted or Rule 144A securities) in connection with a contract to buy or sell securities.
- A.3** Give directions and instructions to members of the **Trading Group** or external managers relating to execution, brokerage, clearing or settlement of securities transactions.
- A.4** Direct Investment Operations personnel to fund subscribed investment funds or capital called by investment funds; transfer funds or assets between custodial accounts, including external manager separate accounts; transfer funds to pay fees under an investment contract; and to instruct other cash movements, including movements of cash to and from custodial accounts held by the Comptroller of Public Accounts and transfers of assets in kind for investment under an investment contract.

Notwithstanding any provision of this Section A, authority granted under this Section A does not extend to transactions in derivatives, which are governed exclusively by Section C of these resolutions.

B. Investment Contracting Authority other than Derivatives

Resolved further, That the Chief Investment Officer and any other member of the **Investment Group** designated by the Executive Director as having such authority, in addition to any other authority expressly designated by the Executive Director under these resolutions, may act on behalf of TRS to:

- B.1** Make, execute, deliver, waive, modify, amend, renew, extend, assign, terminate, or transfer, in each case in writing, investment-related documents, including without limitation, written contracts, investment management agreements, subscription agreements, capital commitments, account agreements, consents, certificates, powers of attorney, notes, deeds, security agreements, pledges, mortgages, endorsements, directions and instructions to amend, modify, fix, and execute written investment guidelines in investment management agreements with external managers and fund managers, and any and all documents necessary or proper to effectuate the authority granted in this Section B.1.

- B.2** Jointly with a member of the **Financial Group** or the **Executive Group**, execute investment fund redemption and withdrawal notices and instructions for the transfer or delivery by wire or physical transfer of cash or securities to a TRS account by a third-party fund, external manager, account, debtor, except that an authorized member of the **Investment Group** may be the sole TRS signatory on subscription agreements, side letter agreements, or other investment-related documents executed by TRS in connection with a new investment, and any amendments or modifications to such documents and agreements other than redemption and withdrawal notices and corresponding instructions for the transfer or delivery by wire or physical transfer of cash or securities.

Notwithstanding any provision of this Section B, the authority granted under this Section B does not extend to transactions in derivatives, which are governed exclusively by Section C of these resolutions.

C. Derivatives Authority

Resolved further, That the Chief Investment Officer and any member of the **Investment Group** who is designated by the Executive Director as a member of the derivatives team, in addition to any authority expressly designated by the Executive Director under these resolutions is authorized may act on behalf of TRS to:

- C.1** Negotiate, make, fix, execute, waive, amend, modify, renew, extend, transfer, assign, endorse, or terminate, in each case in writing, documents related to derivatives transactions, including without limitation, master agreements, schedules, credit support annexes, collateral-management agreements, transaction confirmations, account agreements, and clearing agreements, and deliverables relating to such documents and agreements.
- C.2** Make, execute, waive, amend, modify, renew, extend, transfer, assign, endorse, or terminate, in each case in writing, disclosures, questionnaires, elections, certifications, or other administrative documents and deliverables related to derivatives accounts or transactions.
- C.3** Jointly with a member of the **Financial Group** or the **Executive Group**, execute, amend, modify, or terminate documents, directions, and instructions to deliver and pay cash, currencies, monies, or securities, to margin, collateralize, or settle derivatives transactions.
- C.4** Direct Investment Operations personnel to receive cash, currencies, monies, or securities, to margin, collateralize, or settle derivatives transactions.
- C.5** Buy, sell, or give orders or instructions for transactions in derivatives, and any amendments or modifications of such orders or instructions.
- C.6** Give directions and instructions to members of the **Trading Group** or external managers relating to execution, brokerage, clearing or settlement of derivatives transactions.

Financial Group

Resolved further, That the “**Financial Group**” comprises employees holding the following TRS working titles:

Chief Financial Officer	Director of Investment Accounting
Director of Accounting Operations	Senior Investment Oversight Analyst
Director of Administrative Operations	Budget Manager

Resolved further, That each member of the **Financial Group** is authorized and empowered on behalf of TRS, jointly with an authorized member of the **Investment Group** or the **Executive Group**, to execute redemption and withdrawal notices and instructions for the transfer or delivery by wire or physical transfer of cash, collateral, margin, or securities to a TRS account by a third-party fund, account, debtor, or derivatives counterparty, except that an authorized member of the **Investment Group** may be the sole TRS signatory on subscription agreements and side letter agreements and any amendments to subscription agreements or side letter agreements.

Resolved further, That each member of the **Financial Group** is authorized and empowered on behalf of TRS, to execute authorizations to fund subscribed investment funds or capital called by investment funds; transfer funds or assets between custodial accounts, including external manager separate accounts; transfer funds to pay fees under an investment contract; instruct other cash movements, including movements of assets to and from custodial accounts held by the Comptroller of Public Accounts and transfers of assets in kind for investment under an investment contract.

Resolved further, That each member of the **Financial Group** is authorized and empowered on behalf of TRS to authorize and direct members of the Investment Accounting team to verify or confirm to a custodian or prime broker any order for the transfer or delivery of currencies, monies, securities, or contracts to any other person.

Executive Group

Resolved further, That the “**Executive Group**” comprises employees holding the TRS working titles of Executive Director and Chief Operations and Administration Officer, and each member of the **Executive Group** is authorized and empowered to perform, with respect

to a particular matter or transaction, any and all of the acts that any and all employees in the **Investment Group** or the **Financial Group** are authorized to perform, except that when joint action by a member of the **Investment Group** and a member of the **Financial Group** is required, only one member of the **Executive Group** may act jointly with a member of either of the **Investment Group** or the **Financial Group**.

Trading Group

Resolved further, That the “**Trading Group**” comprises the employees holding the following TRS working titles: Managing Director, Director, and Trader. Each member of the **Trading Group** is authorized and empowered on behalf of TRS to take the following actions: to place orders or agree with brokers, dealers and market-makers to purchase or sell securities, derivatives, forward contracts, or currency; to monitor and supervise execution and settlement of such orders or agreements; and to negotiate, fix, and vary the commissions, spreads, or discounts for individual orders or agreements to purchase or sell securities, derivatives, forward contracts, or currency.

Fixed Income, Currency, and Commodities Trading Group

Resolved further, That the “**Fixed Income, Currency, and Commodities (“FICC”) Trading Group**” comprises the employees holding the following TRS working titles: FICC Trader. Each member of the FICC Trading Group is authorized and empowered on behalf of TRS to take the following actions: to place orders or agree with brokers, dealers and market-makers to purchase or sell fixed income securities, derivatives, forward contracts, or currency; to monitor and supervise execution and settlement of such orders or agreements; and to negotiate, fix and vary the commissions, spreads, or discounts for individual orders or agreements to purchase or sell fixed income securities, derivatives, forward contracts, or currency.

Chief Compliance Officer

Resolved further, That the “**Chief Compliance Officer**” is authorized and empowered on behalf of TRS to take the following actions: to execute and deliver compliance-related disclosures, reports, filings, and certifications and, with the Chief Investment Officer and Executive Director’s approval, to develop, disseminate and collect disclosure forms to monitor the requirements of the Investment Policy Statement.

TAB 7



Teacher Retirement System of Texas

Legal & Compliance

Adoption of Proposed New Rules, Ch. 41, 43

Carolina de Onís, General Counsel
Kevin Wakley, Assistant General Counsel
Clarke Howard, Assistant General Counsel

February 20, 2020



What are the proposed revisions to the appeals process?

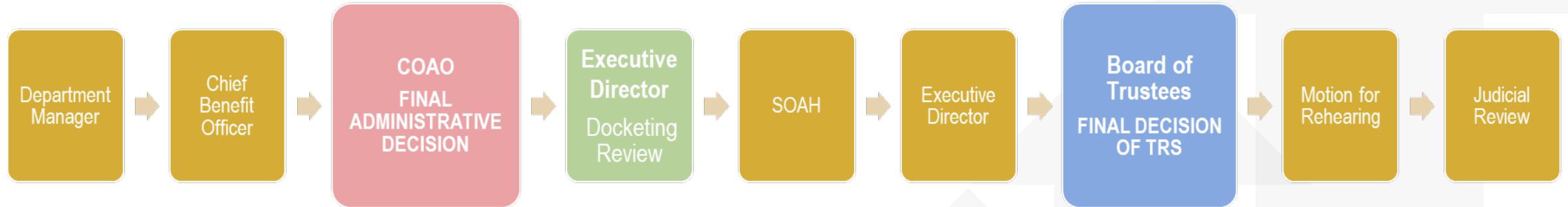
- Authorize the Chief Benefit Officer to issue the final administrative decision of TRS
- Authorize COAO to review petitions for adjudicative hearing for docketing
- Clarify appeals process for members appealing a decision of the Medical Board

Why did TRS need to revise the current appeals process?

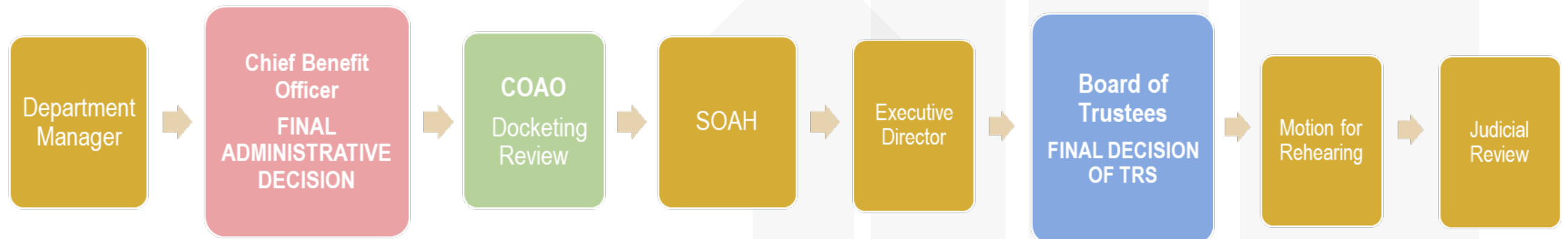
- The proposed revisions simplify and streamline TRS's current benefit appeals process.
- Minor modernizing updates to certain terminology and filing procedures

PROPOSED CHANGES TO BENEFIT APPEAL PROCESS

CURRENT BENEFIT APPEALS PROCESS (9 STEPS)



PROPOSED BENEFIT APPEALS PROCESS (8 STEPS)



Proposed amendments to Rule 43.5

House Bill 2629, enacted by the 86th Texas Legislature, requires TRS to establish deadlines providing a member or retiree at least the same amount of time to file an appeal as TRS has to issue a final administrative decision. The new law applies to administrative appeals that TRS receives after January 1, 2020.

HB 2629 applies to decisions of the Chief Benefits Officer or Medical Board on pension appeals.

Proposed amendments to Rule 41.51

In the spirit of HB 2629, TRS Staff proposed amendments to Rule 41.51 to create a more enrollee-friendly rule by giving Petitioners the same amount of time to file an appeal as the TRS Appeal Committee took in issuing its determination concerning eligibility for TRS-ActiveCare.

Rule 41.51 applies to decisions of the TRS Appeal Committee, acting on behalf of TRS-ActiveCare.

Proposed Amended Rules	Description of Changes
43.5	Substantive change that modifies the deadline for members or retirees to appeal certain decisions in compliance with House Bill 2629, 86 th Leg.
41.51	Substantive change that, in the spirit of House Bill 2629, 86 th Leg, modifies the deadline for enrollees to appeal a decision of the TRS Appeal Committee.

Proposed rule amendments to Chapter 43

Proposed Amended Rules	Description of Changes
Rule 43.1	Clarify process for appealing a final administrative decision regarding the certification of disability; Change final administrative decision from COAO level to Chief Benefit Officer level; and describe requirements of final administrative decision.
Rule 43.5	Revise deadline to appeal a final administrative decision to conform with requirements of HB 2629.
Rule 43.9	Change docketing review of petitions for adjudicative hearing from Executive Director to COAO.
Rules 43.3, 43.6, 43.8, 43.10, and 43.12.	Conforming amendments and minor updates

Adoption of proposed new rules Ch. 41, 43

The proposed new rules were published in the *Texas Register* on January, 10, 2020.

No public comments were received in response to the proposed new rules.

Upon adoption, the new rules will become effective 20 days after the filing of the adoption order with the Secretary of State.



Legal & Compliance

Memorandum

DATE: February 20, 2020

TO: TRS Board of Trustees ("Board")

FROM: Carolina de Onís, General Counsel

THROUGH: Brian Guthrie, Executive Director

RE: Adoption of Proposed Rule: TRS Rule §41.51

Requested Action

TRS Staff asks the Board to adopt the following proposed TRS Rule:

- § 41.51 (Appeals Relating to Eligibility)

Pursuant to Section 825.102 of the Texas Government Code, the Board is authorized to adopt rules regarding the general administration of TRS. During this past session, the Texas Legislature passed House Bill 2629, which requires the Board, in adopting rules governing the appeal of a final administrative decision of TRS, to ensure that rules establishing deadlines for the filing of an appeal afford a member or retiree at least the same amount of time to file an appeal as TRS has to issue a decision. The new law applies to all appeals that TRS receives after January 1, 2020.

While TRS Staff does not believe that the appeal process under TRS Rule 41.51 is a "final administrative decision" of TRS, TRS Staff believes that the proposed changes to this rule are in the spirit of this legislation and create a more enrollee-friendly rule by giving Petitioners the same amount of time to file an appeal as the TRS Appeal Committee (the "Appeal Committee") took in issuing its determination concerning eligibility for TRS-ActiveCare.

Proposed amended Rule 41.51 provides that an appeal to the Executive Director relating to eligibility for TRS-ActiveCare must be received by TRS by the later of: (i) 30 days after the date the initial written decision by the Appeal Committee is mailed; or (2) a number of days after the decision of the Appeal Committee is mailed equal to the number of days it took the Appeal Committee to make its decision. The proposed amendment additionally provides that the number of days it took the Appeal Committee to issue its decision is calculated from the date TRS received the Petitioner's appeal to the date TRS mailed the Appeal Committee's decision.

The proposed amended rule was published in the *Texas Register* on January 10, 2020, at 45 TexReg 329-330. To date, TRS has not received any written comments regarding the proposed rules. The deadline for receiving public comments was February 10, 2020. Any written comments that TRS receives will be addressed at the February meeting.

A redlined draft of the proposed new rule is attached as Attachment 1 and a clean version is attached as Attachment 2.

Conclusion

If the Board authorizes adoption of the proposed rule, the new rules will become effective 20 days after the filing of the adoption order with the secretary of state.

ATTACHMENT 1

<u>TITLE 34</u>	PUBLIC FINANCE
<u>PART 3</u>	TEACHER RETIREMENT SYSTEM OF TEXAS
<u>CHAPTER 41</u>	HEALTH CARE AND INSURANCE PROGRAMS
<u>SUBCHAPTER C</u>	TEXAS SCHOOL EMPLOYEES GROUP HEALTH (TRS-ACTIVECARE)
RULE §41.51	Appeals Relating to Eligibility

(a) A full-time or part-time employee ("Petitioner") whose application to enroll themselves and/or their dependents in TRS-ActiveCare is denied by either TRS, the administering firm, or a participating entity may appeal the denial to TRS.

(b) An appeal made pursuant to subsection (a) of this section shall be made in writing and must be received by TRS no later than 45 days after the date of denial. The appeal shall be directed to the TRS-ActiveCare Grievance Administrator. TRS may, at its sole discretion, provide a copy of the appeal to the administering firm or the participating entity that denied enrollment.

(c) An appeal made pursuant to subsection (a) of this section shall state the basis for appeal and shall include all relevant documents and correspondence that were considered by TRS, the administering firm, or a participating entity when the enrollment was denied. The administering firm or participating entity is required, upon request by TRS, to participate in the process.

(d) The TRS Appeal Committee ("Committee") is responsible for the review and determination of appeals made pursuant to subsection (a) of this section. The Committee shall be appointed by the TRS Deputy Director or, if the position of the Deputy Director is vacant, the TRS Chief Financial Officer and shall serve at the discretion of the Deputy Director or, if the position of the Deputy Director is vacant, the Chief Financial Officer.

(e) In determining eligibility for enrollment, the Committee shall apply the TRS-ActiveCare plan design and rules in effect for the plan year in which the Petitioner is seeking enrollment. If TRS finds that extraordinary circumstances constituting "good cause" prevented the Petitioner from complying fully with a deadline established by TRS under the TRS-ActiveCare plan design or rules, the appeal may be granted. For purposes of this subsection, "good cause" means that a person's failure to act was not because of a lack of due diligence the exercise of which would have caused a reasonable person to take prompt and timely action. A failure to act based on ignorance of the law or facts reasonably discoverable through the exercise of due diligence does not constitute good cause. If a person was reasonably prevented from complying with a deadline as a result of an unexpected natural disaster or sudden catastrophic event, that event may constitute "good cause" even though the event occurs on or near a deadline and arguably Petitioner

could have met the deadline if Petitioner had acted sooner. Misinformation concerning a deadline provided to Petitioner by either TRS, the health plan administrator of TRS-ActiveCare, or a participating entity, and relied upon by Petitioner, may be grounds for "good cause" if the act of providing misinformation to Petitioner is documented or substantiated and a reasonable person would have relied on the information provided to Petitioner and reasonably would not have known the information provided to Petitioner was inaccurate.

(f) The Committee shall notify the Petitioner, the administering firm, and the participating entity of its decision in writing.

(g) If the Committee determines that the enrollment should be allowed, it shall inform the Petitioner, the administering firm, and the participating entity of the manner and effective date of enrollment by the Petitioner.

(h) The Petitioner may appeal the written decision of the ~~TRS Appeal~~ Committee relating to eligibility to the executive director.

(1) A request for an appeal to the executive director must be submitted by the Petitioner in writing and must be received by TRS ~~by the later of: no later-~~
~~than~~

(A) 30 days after the date ~~of~~ the initial written decision by the ~~TRS Appeal~~
Committee is mailed; or

(B) a number of days after the decision of the Committee is mailed equal to
the number of days it took the Committee to issue its decision.

(2) The number of days it took the Committee to issue its decision is calculated
from the date TRS received the Petitioner's appeal made pursuant to
subsection (a) of this section to the date TRS mailed the Committee's
decision.

(3) The request for an appeal to the executive director shall be directed to the attention of the TRS-ActiveCare Grievance Administrator.

(4) Subject to subsection (i) of this section and pursuant to the delegation of authority through this section, the decision of the executive director is the final decision of TRS.

(i) The Committee shall review an appeal made pursuant to subsection (a) or (h) of this section for timeliness and may deny an appeal that is not timely received by TRS. An

appeal made pursuant to subsection (a) or (h) of this section that is denied because TRS did not timely receive the appeal is a final decision by TRS.

ATTACHMENT 2

<u>TITLE 34</u>	PUBLIC FINANCE
<u>PART 3</u>	TEACHER RETIREMENT SYSTEM OF TEXAS
<u>CHAPTER 41</u>	HEALTH CARE AND INSURANCE PROGRAMS
<u>SUBCHAPTER C</u>	TEXAS SCHOOL EMPLOYEES GROUP HEALTH (TRS-ACTIVECARE)
RULE §41.51	Appeals Relating to Eligibility

(a) A full-time or part-time employee ("Petitioner") whose application to enroll themselves and/or their dependents in TRS-ActiveCare is denied by either TRS, the administering firm, or a participating entity may appeal the denial to TRS.

(b) An appeal made pursuant to subsection (a) of this section shall be made in writing and must be received by TRS no later than 45 days after the date of denial. The appeal shall be directed to the TRS-ActiveCare Grievance Administrator. TRS may, at its sole discretion, provide a copy of the appeal to the administering firm or the participating entity that denied enrollment.

(c) An appeal made pursuant to subsection (a) of this section shall state the basis for appeal and shall include all relevant documents and correspondence that were considered by TRS, the administering firm, or a participating entity when the enrollment was denied. The administering firm or participating entity is required, upon request by TRS, to participate in the process.

(d) The TRS Appeal Committee ("Committee") is responsible for the review and determination of appeals made pursuant to subsection (a) of this section. The Committee shall be appointed by the TRS Deputy Director or, if the position of the Deputy Director is vacant, the TRS Chief Financial Officer and shall serve at the discretion of the Deputy Director or, if the position of the Deputy Director is vacant, the Chief Financial Officer.

(e) In determining eligibility for enrollment, the Committee shall apply the TRS-ActiveCare plan design and rules in effect for the plan year in which the Petitioner is seeking enrollment. If TRS finds that extraordinary circumstances constituting "good cause" prevented the Petitioner from complying fully with a deadline established by TRS under the TRS-ActiveCare plan design or rules, the appeal may be granted. For purposes of this subsection, "good cause" means that a person's failure to act was not because of a lack of due diligence the exercise of which would have caused a reasonable person to take prompt and timely action. A failure to act based on ignorance of the law or facts reasonably discoverable through the exercise of due diligence does not constitute good cause. If a person was reasonably prevented from complying with a deadline as a result of an unexpected natural disaster or sudden catastrophic event, that event may constitute "good cause" even though the event occurs on or near a deadline and arguably Petitioner

could have met the deadline if Petitioner had acted sooner. Misinformation concerning a deadline provided to Petitioner by either TRS, the health plan administrator of TRS-ActiveCare, or a participating entity, and relied upon by Petitioner, may be grounds for "good cause" if the act of providing misinformation to Petitioner is documented or substantiated and a reasonable person would have relied on the information provided to Petitioner and reasonably would not have known the information provided to Petitioner was inaccurate.

(f) The Committee shall notify the Petitioner, the administering firm, and the participating entity of its decision in writing.

(g) If the Committee determines that the enrollment should be allowed, it shall inform the Petitioner, the administering firm, and the participating entity of the manner and effective date of enrollment by the Petitioner.

(h) The Petitioner may appeal the written decision of the Committee relating to eligibility to the executive director.

(1) A request for an appeal to the executive director must be submitted by the Petitioner in writing and must be received by TRS by the later of:

(A) 30 days after the date the initial written decision by the Committee is mailed; or

(B) a number of days after the decision of the Committee is mailed equal to the number of days it took the Committee to issue its decision.

(2) The number of days it took the Committee to issue its decision is calculated from the date TRS received the Petitioner's appeal made pursuant to subsection (a) of this section to the date TRS mailed the Committee's decision.

(3) The request for an appeal to the executive director shall be directed to the attention of the TRS-ActiveCare Grievance Administrator.

(4) Subject to subsection (i) of this section and pursuant to the delegation of authority through this section, the decision of the executive director is the final decision of TRS.

(i) The Committee shall review an appeal made pursuant to subsection (a) or (h) of this section for timeliness and may deny an appeal that is not timely received by TRS. An appeal made pursuant to subsection (a) or (h) of this section that is denied because TRS

did not timely receive the appeal is a final decision by TRS.



Legal & Compliance

Memorandum

DATE: February 20, 2020

TO: TRS Board of Trustees ("Board")

FROM: Carolina de Onís, General Counsel

THROUGH: Brian Guthrie, Executive Director

RE: Adoption of Proposed Rules: TRS Rules §§ 43.1, 43.3, 43.5, 43.6, 43.8, 43.9, 43.10, and 43.12.

Requested Action

TRS Staff asks the Board to adopt the following proposed TRS Rules:

- § 43.1 (relating to Administrative Review of Individual Requests)
- § 43.3 (relating to Definitions)
- § 43.5 (relating to Request for Adjudicative Hearing)
- § 43.6 (relating to Filing of Documents)
- § 43.8 (relating to Extensions)
- § 43.9 (relating to Docketing of Appeal for Adjudicative Hearing and Dismissal for Failure to Obtain Setting)
- § 43.10 (relating to Authority to Grant Relief)
- § 43.12 (relating to Forms of Petitions and Other Pleadings)

Background and Reasons for Proposed Amended Rules

Pursuant to Section 825.102 of the Texas Government Code, the Board is authorized to adopt rules regarding the general administration of TRS. Staff proposed amendments to Rule 43.1 and 43.9 to streamline and simplify the benefit administrative appeals process, including authorizing the Chief Benefit Officer to make the final administrative decision of TRS, authorizing the Chief Operations and Administration Officer ("COAO") to review petitions for adjudicative hearing for docketing, and clarifying the

administrative appeal process for members applying for disability retirement. In addition, the proposed amended Rule 43.5 implements House Bill 2629, enacted by the 86th Texas Legislature, which requires TRS to modify the deadline for members to appeal a final administrative decision of TRS. Lastly, TRS makes non-substantive conforming changes to the rule text in 43.3, 43.6, 43.8, 43.10, and 43.12.

Proposed amended rules 43.1 and 43.9 make substantive changes to the benefit administrative appeal process. The proposed amendments to Rule 43.1 eliminate one level of review by providing for the chief benefit officer to make the final administrative decision followed by the COAO determining whether the appeal should be docketed at SOAH. Proposed amended Rule 43.1 also clarifies the disability appeal process by permitting a member to appeal a denial of a request for reconsideration by the Medical Board to the COAO for a docketing decision. The proposed amendments to 43.9 pertain to the COAO's process for making docketing decisions.

The proposed amendment to Rule 43.5 implements House Bill 2629, which requires the Board, in adopting rules governing the appeal of a final administrative decision of TRS, to ensure that deadlines for the filing of an appeal afford a member or retiree at least the same amount of time to file an appeal as TRS has to issue a decision. The new law applies to all appeals that TRS receives after January 1, 2020. The proposed amendment is needed to comply with the recently enacted law and ensures that TRS provides at least the same amount of time to appeal a final administrative decision as TRS has to issue a decision.

The changes to Rules 43.3, 43.6, 43.8, 43.10 and 43.12 make minor modernizing updates to certain terminology and filing procedures as well as conforming text to the amendments above.

The proposed amended rules were published in the *Texas Register* on January 10, 2020, at 45 TexReg 330-334. To date, TRS has not received any written comments regarding the proposed rules. The deadline for receiving public comments was February 10, 2020. Any written comments that TRS receives will be addressed at the February meeting.

Redlined drafts of the new rules are attached as Attachment 1 and clean versions are attached as Attachment 2.

Conclusion

If the Board authorizes adoption of the proposed rules, the new rules will become effective 20 days after the filing of the adoption order with the secretary of state.

ATTACHMENT 1

TITLE 34

PUBLIC FINANCE

PART 3

TEACHER RETIREMENT SYSTEM OF TEXAS

CHAPTER 43

CONTESTED CASES

RULE §43.1

Administrative Review of Individual Requests

(a) Organization. ~~TRS [The Teacher Retirement System of Texas (TRS)]~~ is divided into administrative divisions, which are further divided into departments, for the efficient implementation of its duties. Any person who desires any action from TRS must consult with the proper department within TRS and comply with all proper requirements for completing forms and providing information to that department.

(b) Final administrative decision by ~~chief benefit officer [deputy director]~~. In the event that a person is adversely affected by a determination, decision, or action of department personnel, the person may ~~appeal the determination, decision, or action [make a request]~~ to the appropriate manager within the department, ~~and~~ then to the chief ~~benefit~~ officer ~~of TRS [of the division, and then to the deputy director]~~. The ~~chief benefit officer [deputy director]~~ shall mail a final written administrative decision, which shall include:

(1) ~~The chief benefit officer's determination regarding the person's appeal and reasons for denying the appeal, if applicable; and~~

(2) a statement that ~~if the person is adversely affected by the decision,~~ the person may ~~request an adjudicative hearing to~~ appeal the decision ~~[to the executive director]~~ and the deadline for doing so.

(c) A person adversely affected by a decision of the ~~chief benefit officer [deputy director]~~ may ~~request an adjudicative hearing to~~ appeal the decision ~~of the chief benefit officer [to the executive director of TRS]~~ as provided in §43.5 of this chapter (relating to Request for Adjudicative Hearing). The ~~deputy [executive]~~ director shall determine whether the appeal should be docketed and set for a contested case hearing pursuant to §43.9 of this chapter (relating to Docketing of Appeal for Adjudicative Hearing and Dismissal for Failure to Obtain Setting).

(d) ~~[(e)]~~ Final administrative decision by Medical Board. In the event that the Medical Board does not certify disability of a member under Government Code, §824.303(b), or the Medical Board certifies that a disability retiree is no longer mentally or physically incapacitated for the performance of duty under Government Code, §824.307(a), the member or retiree may request reconsideration and submit additional information to the Medical Board. The Medical Board shall consider a request for reconsideration and additional information and make a determination on the disability of the member or retiree. If a request for reconsideration has been denied, a member or retiree may appeal ~~the decision [an adverse final administrative decision of the Medical Board to the TRS Board of Trustees]~~ by requesting an adjudicative hearing ~~as provided in §43.5 of this chapter. [A final administrative decision of the Medical Board shall include a statement of whether the member or retiree may request additional reconsideration or may appeal the decision to the board, as well as the deadline for doing so.]~~ The ~~deputy [executive]~~ director ~~shall [is authorized to]~~ determine whether ~~the [an]~~ appeal ~~[of a Medical Board decision]~~ should be docketed ~~and set for a contested case hearing pursuant to §43.9 of this chapter [and to make other procedural decisions relating to such an appeal]~~.

(e) ~~[(d)]~~ Applicability. The procedures of this chapter apply only to administrative decisions, appeals, and adjudicative hearings relating to the TRS pension plan, unless rules relating to other

programs specifically adopt by reference the provisions of this chapter.

TITLE 34
PART 3
CHAPTER 43
RULE §43.3

PUBLIC FINANCE
TEACHER RETIREMENT SYSTEM OF TEXAS
CONTESTED CASES
Definitions

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise:

~~[(1) Adjudicative hearing--An evidentiary hearing in a contested case, as provided by Government Code, §2001.051 and paragraph (5) of this section.]~~

~~(1[2])~~ Administrative law judge--An individual appointed to conduct the adjudicative hearing in a contested case. The deputy director ~~[Executive Director]~~ may refer an appeal to be heard by an administrative law judge employed by the State Office of Administrative Hearings or may employ, select, or contract for the services of another administrative law judge or hearing examiner to conduct a hearing.

~~(2[3])~~ Appeal--A formal request to the executive director or board, as applicable under this chapter, to reverse or modify a final administrative decision by the chief benefit officer ~~[deputy director]~~ or the Medical Board on a matter over which TRS has jurisdiction and authority to grant relief and the relief sought does not conflict with the terms of the pension plan.

~~(3[4])~~ Board--The Board of Trustees of ~~[the Teacher Retirement System of Texas (TRS)]~~.

(4) Chief Benefit Officer – the Chief Benefit Officer of TRS or person acting in that position.

(5) Contested case--A proceeding in which the legal rights, duties, or privileges of a party are to be determined by TRS after an opportunity for adjudicative hearing on a matter over which TRS has jurisdiction and authority to grant relief and the relief sought does not conflict with the terms of the pension plan.

(6) Deputy Director – the Deputy Director of TRS or person acting in that position.

~~(7[6])~~ Executive director--The executive director of TRS or person acting in that position; when the executive director determines that a need exists, the executive director at his or her discretion may designate a person to accomplish the duties assigned in this chapter to the executive director.

~~(8[7])~~ Final administrative decision--An action, determination, or decision by the chief benefit officer ~~[deputy director]~~ or the Medical Board, as applicable, based on review of a person's request on an administrative basis (i.e., without an adjudicative hearing).

~~(9[8])~~ Final decision of TRS--A decision that may not be appealed further within TRS, either because of exhaustion of all opportunities for appeal within TRS or because of a failure to appeal the decision further within TRS in the manner provided for in this chapter.

~~[(9) Hearing--The trial-like portion of the contested case proceeding that is handled by an administrative law judge after the Executive Director of TRS docket an appeal.]~~

(10) Medical board--The medical board appointed by the TRS board of trustees under Government Code, §825.204.

(11) Member--A person who is a member, retiree, or beneficiary of TRS.

(12) Order--The whole or a part of the final disposition of an appeal, whether affirmative, negative, injunctive, or declaratory in form, of the executive director, deputy director, or the board in a contested case.

(13) Party--Each person named or admitted in a contested case.

(14) Person--Any natural person or other legal entity.

(15) Pleading--A written document that is submitted by a party, by TRS staff, or by a person seeking to participate in a case as a party and that requests procedural or substantive relief, makes claims or allegations, presents legal arguments, or otherwise addresses matters involved in a contested case.

(16) SOAH--The State Office of Administrative Hearings.

(17) State Office of Administrative Hearings--The state agency established by Chapter 2003, Government Code, which may serve as the forum for the conduct of an adjudicative hearing upon referral of an appeal by TRS.

(18) Third party respondent or petitioner--A person joined as an additional party to a proceeding; a party shall be designated as either a third party respondent or third party petitioner based on whether the person opposes the action requested in the petition or supports it or whether the person's interests are aligned with petitioner or respondent.

(19) TRS--The Teacher Retirement System of Texas.

(20) Trustee--One of the members of the board.

(21) With prejudice--Barring a subsequent contested case on the same claim, allegation, or cause of action.

TITLE 34

PUBLIC FINANCE

PART 3

TEACHER RETIREMENT SYSTEM OF TEXAS

CHAPTER 43

CONTESTED CASES

RULE §43.5

Request for Adjudicative Hearing

(a) On a matter over which TRS has jurisdiction and authority to grant relief that does not conflict with the terms of the pension plan, a person ~~[party]~~ may appeal a final administrative decision by filing a petition for adjudicative hearing with the deputy ~~[executive]~~ director ~~[no later than 45 days after the date the final administrative decision is mailed]~~. The petition shall conform to the requirements of §43.12 of this chapter (relating to Form of Petitions and Other Pleadings).

(b) A petition for adjudicative hearing must be filed by the later of:

(1) 45 days after the date the final administrative decision is mailed; or

(2) a number of days after the final administrative decision is mailed equal to the number of days it took TRS to issue the final administrative decision.

(c) The number of days it took TRS to issue the final administrative decision is calculated from the date TRS received the person's appeal of the department manager's decision to the date TRS mailed the final administrative decision.

TITLE 34

PUBLIC FINANCE

PART 3

TEACHER RETIREMENT SYSTEM OF TEXAS

CHAPTER 43

CONTESTED CASES

RULE §43.6

Filing of Documents

All documents relating to any appeal of a final administrative decision ~~[pending or to be instituted before the executive director or the board]~~ shall be filed with the deputy ~~[executive]~~ director at TRS, 1000 Red River Street, Austin, Texas 78701-2698. A document may be filed with TRS by hand-delivery, courier-receipted delivery, facsimile transmission, or regular, certified, or registered mail. A document is deemed filed when mailed if it is received by TRS within a timely manner under Texas Rule of Civil Procedure 5 and the sender provides adequate proof of the mailing date. If the deputy ~~[executive]~~ director has docketed an appeal and referred it for an adjudicative hearing, documents shall be filed with the administrative law judge and a copy provided to the TRS docket clerk during the time the matter is pending before the administrative law judge.

TITLE 34

PART 3

CHAPTER 43

RULE §43.8

PUBLIC FINANCE

TEACHER RETIREMENT SYSTEM OF TEXAS

CONTESTED CASES

Extensions

Unless otherwise provided by statute, the time for filing pleadings or other documents may be extended, upon the filing of a motion, prior to the expiration of the applicable period of time, showing that there is good cause for such extension of time and that the need for the extension is not caused by the neglect, indifference, or lack of diligence of the party making the motion. A copy of any such motion shall be served upon all other parties of record to the proceeding contemporaneously with its filing. In the case of filings that initiate a proceeding or that are made before an appeal has been referred for an adjudicative hearing, the deputy [~~executive~~] director will determine whether good cause exists and whether an extension should be granted. In the case of filings made in a proceeding after TRS has referred the appeal for an adjudicative hearing, rules governing hearings before SOAH will control so long as the matter is before SOAH. If a matter is referred for an adjudicative hearing to a hearing official not affiliated with SOAH, then the rules of this chapter shall apply to the conduct of the hearing while pending before the hearing official. For matters returned by an administrative law judge or hearing examiner to TRS, either through dismissal from the adjudicative hearing docket or through issuance of a proposal for decision, the executive director may determine whether good cause exists and whether an extension should be granted. The executive director is authorized to rule on motions for extensions on matters directed to the Board if no Board meeting is scheduled before the expiration of the applicable period of time.

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 43	CONTESTED CASES
RULE §43.9	Docketing of Appeal for Adjudicative Hearing and Dismissal for Failure to Obtain Setting

(a) On an appeal over which TRS has jurisdiction, authority to grant relief, in which the relief requested is consistent with the terms of the plan, and that otherwise complies with this chapter, the deputy [executive] director shall assign the petition a TRS docket number, provide all parties notice of the docket number, and refer the matter for an adjudicative hearing before the State Office of Administrative Hearings or otherwise as authorized by law.

(b) The deputy [executive] director may decline to docket an appeal over which TRS has no jurisdiction or no authority to grant relief, that seeks relief that is inconsistent with the terms of the pension plan, that is not timely filed, or that otherwise fails to comply with this chapter. ~~[The executive director may also decline to docket a matter for which a contested case hearing is not required by law or for which other available procedures are more appropriate.]~~ The deputy [executive] director's decision declining to docket an appeal is the final decision of TRS when the circumstances described in §2001.144, Government Code, are met. A person may not appeal such decision to the executive director or the board.

(c) Prior to docketing an appeal, the deputy [executive] director ~~[or his designee]~~ may review the request [petition] filed with TRS to determine the sufficiency. If the petition does not materially comply with this chapter, the deputy [executive] director shall return the petition to the person who filed it, along with reasons for the return. The person shall be given a reasonable time (not to exceed 90 days) to file a corrected petition. If the petition is not corrected to substantially comply with this chapter within the time given, the deputy [executive] director may decline to docket the appeal.

(d) If a contested case is referred to the SOAH [State Office of Administrative Hearings (SOAH)] for adjudicative hearing, then during the period of time the case is before SOAH, the adjudicative hearing rules for SOAH (1 TAC Chapter 155) shall apply unless inconsistent with applicable statutes or constitutional provisions. If a matter is referred for an adjudicative hearing to a hearing official not affiliated with

SOAH, then the rules of this chapter shall apply to the conduct of the hearing while pending before the hearing official.

(e) A party that files an appeal and causes a matter to be docketed and referred to for adjudicative hearing shall have the responsibility of prosecuting the appeal within a reasonable time period. TRS may seek dismissal with prejudice of an appeal if a responsible party fails to obtain a setting for a hearing on the merits within two years of referral of the matter for an adjudicative hearing.

TITLE 34

PUBLIC FINANCE

PART 3

TEACHER RETIREMENT SYSTEM OF TEXAS

CHAPTER 43

CONTESTED CASES

RULE §43.10

Authority to Grant Relief

At any time before an appeal is referred for adjudicative hearing, the deputy ~~executive~~ director or, in the matter of certification for disability retirement, the Medical Board may grant the relief sought by the petitioner and dismiss the appeal, provided that the interest of other individual parties are not adversely affected and the relief does not conflict with the terms of the pension plan. If a matter has been referred to SOAH, the SOAH administrative law judge may dismiss the case from the SOAH docket in accordance with SOAH rules. If a matter is referred for an adjudicative hearing to a hearing official not affiliated with SOAH, then the rules of this chapter shall apply to the dismissal of the case.

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PART 3
CHAPTER 43
RULE §43.12

PUBLIC FINANCE
TEACHER RETIREMENT SYSTEM OF TEXAS
CONTESTED CASES
Form of Petitions and Other Pleadings

(a) Petitions, briefs, and other pleadings shall be typed ~~[typewritten]~~ or printed on paper not to exceed 8 1/2 inches by 11 inches with an inside margin of at least one inch width. Annexed exhibits shall be folded to the same size. Only one side of the paper shall be used. Copies ~~[Reproductions]~~ may be used, provided they ~~[all copies]~~ are clear and permanently legible.

(b) The pleadings shall state their object and shall contain a concise statement of the supporting facts. The petition appealing a final administrative decision and requesting an adjudicative hearing shall specify the action desired from TRS and shall be filed with TRS, directed to the attention of the deputy ~~[executive]~~ director.

(c) The original of any pleading filed with TRS shall be signed [in permanent ink] by the party filing it or by his authorized representative. Pleadings shall contain the address, [and] telephone number, and email address of the party filing the documents or the name, business address, telephone number, email address, and fax ~~[facsimile]~~ number ~~[, and business address]~~ of counsel.

(d) The original petition for an adjudicative hearing should also include the name, address, [and] telephone number, and email address of petitioner and the name, address, telephone number, email address, and, if known, the tax number of any member whose interest or whose beneficiary's interest may be involved in the case. In lieu of the tax number, the petition may include other information sufficient to identify the member or beneficiary whose interest may be involved in the case. The petition should further identify all persons who may have a material interest in the outcome of the case, the basis for that interest, and such person's last known address, [and] telephone number, and email address. If such information is not provided on the original petition, the executive director, board of trustees, or administrative law judge may require submission of such information before proceeding with the hearing.

(e) Pleadings should be styled: "Petition of (Name of Petitioner)." If a TRS, SOAH, or other adjudicative hearing docket number has been assigned, pleadings shall contain the docket number.

(f) All pleadings shall contain the following:

- (1) the name of the party filing the pleading;
- (2) a concise statement of the facts relied upon by the party;
- (3) a request stating the type of relief, action, or order desired by the party;
- (4) a certificate of service conforming to subsection (g) of this section; and

(5) any other matter required by statute.

(g) Written pleadings [~~other than the original petition~~] may be served by hand-delivery, courier-receipted delivery, ~~fax~~ [~~facsimile transmission~~], or regular, certified, or registered mail upon all other known parties of record, and a certification of such service should be submitted with the original copy of the pleading filed with TRS. If a party is represented by an attorney, service may be made upon a party by serving the attorney of record. The following form of certification will be sufficient: "I hereby certify that I have this _____ day of _____, 20 , served copies of the foregoing pleading upon all other parties to this proceeding, by (state the manner of service). Signature."

(h) A party may object to the form or sufficiency of a pleading by filing the objections in writing at least 15 days before the hearing date. If the objections are sustained, the administrative law judge shall allow a reasonable time for amendment.

ATTACHMENT 2

TITLE 34
PART 3
CHAPTER 43
RULE §43.1

PUBLIC FINANCE
TEACHER RETIREMENT SYSTEM OF TEXAS
CONTESTED CASES
Administrative Review of Individual Requests

(a) Organization. TRS is divided into administrative divisions, which are further divided into departments, for the efficient implementation of its duties. Any person who desires any action from TRS must consult with the proper department within TRS and comply with all proper requirements for completing forms and providing information to that department.

(b) Final administrative decision by chief benefit officer. In the event that a person is adversely affected by a determination, decision, or action of department personnel, the person may appeal the determination, decision, or action to the appropriate manager within the department, and then to the chief benefit officer of TRS. The chief benefit officer shall mail a final written administrative decision, which shall include:

(1) The chief benefit officer's determination regarding the person's appeal and reasons for denying the appeal, if applicable; and

(2) a statement that if the person is adversely affected by the decision, the person may request an adjudicative hearing to appeal the decision and the deadline for doing so.

(c) A person adversely affected by a decision of the chief benefit officer may request an adjudicative hearing to appeal the decision of the chief benefit officer as provided in §43.5 of this chapter (relating to Request for Adjudicative Hearing). The deputy director shall determine whether the appeal should be docketed and set for a contested case hearing pursuant to §43.9 of this chapter (relating to Docketing of Appeal for Adjudicative Hearing and Dismissal for Failure to Obtain Setting).

(d) Final administrative decision by Medical Board. In the event that the Medical Board does not certify disability of a member under Government Code, §824.303(b), or the Medical Board certifies that a disability retiree is no longer mentally or physically incapacitated for the performance of duty under Government Code, §824.307(a), the member or retiree may request reconsideration and submit additional information to the Medical Board. The Medical Board shall consider a request for reconsideration and additional information and make a determination on the disability of the member or retiree. If a request for reconsideration has been denied, a member or retiree may appeal the decision by requesting an adjudicative hearing as provided in §43.5 of this chapter (relating to Request for Adjudicative Hearing). The deputy director shall determine whether the appeal should be docketed and set for a contested case hearing pursuant to §43.9 of this chapter (relating to Docketing of Appeal for Adjudicative Hearing and Dismissal for Failure to Obtain Setting).

(e) Applicability. The procedures of this chapter apply only to administrative decisions, appeals, and adjudicative hearings relating to the TRS pension plan, unless rules relating to other programs specifically adopt by reference the provisions of this chapter.

TITLE 34
PART 3
CHAPTER 43
RULE §43.3

PUBLIC FINANCE
TEACHER RETIREMENT SYSTEM OF TEXAS
CONTESTED CASES
Definitions

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise:

- (1) Administrative law judge--An individual appointed to conduct the adjudicative hearing in a contested case. The deputy director may refer an appeal to be heard by an administrative law judge employed by the State Office of Administrative Hearings or may employ, select, or contract for the services of another administrative law judge or hearing examiner to conduct a hearing.
- (2) Appeal--A formal request to the executive director or board, as applicable under this chapter, to reverse or modify a final administrative decision by the chief benefit officer or the Medical Board on a matter over which TRS has jurisdiction and authority to grant relief and the relief sought does not conflict with the terms of the pension plan.
- (3) Board--The Board of Trustees of TRS.
- (4) Chief Benefit Officer – the Chief Benefit Officer of TRS or person acting in that position.
- (5) Contested case--A proceeding in which the legal rights, duties, or privileges of a party are to be determined by TRS after an opportunity for adjudicative hearing on a matter over which TRS has jurisdiction and authority to grant relief and the relief sought does not conflict with the terms of the pension plan.
- (6) Deputy Director – the Deputy Director of TRS or person acting in that position.
- (7) Executive director--The executive director of TRS or person acting in that position; when the executive director determines that a need exists, the executive director at his or her discretion may designate a person to accomplish the duties assigned in this chapter to the executive director.
- (8) Final administrative decision--An action, determination, or decision by the chief benefit officer or the Medical Board, as applicable, based on review of a person's request on an administrative basis (i.e., without an adjudicative hearing).
- (9) Final decision of TRS--A decision that may not be appealed further within TRS, either because of exhaustion of all opportunities for appeal within TRS or because of a failure to appeal the decision further within TRS in the manner provided for in this chapter.
- (10) Medical board--The medical board appointed by the TRS board of trustees under Government Code, §825.204.
- (11) Member--A person who is a member, retiree, or beneficiary of TRS.

(12) Order--The whole or a part of the final disposition of an appeal, whether affirmative, negative, injunctive, or declaratory in form, of the executive director, deputy director, or the board in a contested case.

(13) Party--Each person named or admitted in a contested case.

(14) Person--Any natural person or other legal entity.

(15) Pleading--A written document that is submitted by a party, by TRS staff, or by a person seeking to participate in a case as a party and that requests procedural or substantive relief, makes claims or allegations, presents legal arguments, or otherwise addresses matters involved in a contested case.

(16) SOAH--The State Office of Administrative Hearings.

(17) State Office of Administrative Hearings--The state agency established by Chapter 2003, Government Code, which may serve as the forum for the conduct of an adjudicative hearing upon referral of an appeal by TRS.

(18) Third party respondent or petitioner--A person joined as an additional party to a proceeding; a party shall be designated as either a third party respondent or third party petitioner based on whether the person opposes the action requested in the petition or supports it or whether the person's interests are aligned with petitioner or respondent.

(19) TRS--The Teacher Retirement System of Texas.

(20) Trustee--One of the members of the board.

(21) With prejudice--Barring a subsequent contested case on the same claim, allegation, or cause of action.

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PUBLIC FINANCE

PART 3

TEACHER RETIREMENT SYSTEM OF TEXAS

CHAPTER 43

CONTESTED CASES

RULE §43.5

Request for Adjudicative Hearing

(a) On a matter over which TRS has jurisdiction and authority to grant relief that does not conflict with the terms of the pension plan, a person may appeal a final administrative decision by filing a petition for adjudicative hearing with the deputy director. The petition shall conform to the requirements of §43.12 of this chapter (relating to Form of Petitions and Other Pleadings).

(b) A petition for adjudicative hearing must be filed by the later of:

(1) 45 days after the date the final administrative decision is mailed; or

(2) a number of days after the final administrative decision is mailed equal to the number of days it took TRS to issue the final administrative decision.

(c) The number of days it took TRS to issue the final administrative decision is calculated from the date TRS received the person's appeal of the department manager's decision to the date TRS mailed the final administrative decision.

TITLE 34

PART 3

CHAPTER 43

RULE §43.6

PUBLIC FINANCE

TEACHER RETIREMENT SYSTEM OF TEXAS

CONTESTED CASES

Filing of Documents

All documents relating to any appeal of a final administrative decision shall be filed with the deputy director at TRS, 1000 Red River Street, Austin, Texas 78701-2698. A document may be filed with TRS by hand-delivery, courier-receipted delivery, facsimile transmission, or regular, certified, or registered mail. A document is deemed filed when mailed if it is received by TRS within a timely manner under Texas Rule of Civil Procedure 5 and the sender provides adequate proof of the mailing date. If the deputy director has docketed an appeal and referred it for an adjudicative hearing, documents shall be filed with the administrative law judge and a copy provided to the TRS docket clerk during the time the matter is pending before the administrative law judge.

TITLE 34

PUBLIC FINANCE

PART 3

TEACHER RETIREMENT SYSTEM OF TEXAS

CHAPTER 43

CONTESTED CASES

RULE §43.8

Extensions

Unless otherwise provided by statute, the time for filing pleadings or other documents may be extended, upon the filing of a motion, prior to the expiration of the applicable period of time, showing that there is good cause for such extension of time and that the need for the extension is not caused by the neglect, indifference, or lack of diligence of the party making the motion. A copy of any such motion shall be served upon all other parties of record to the proceeding contemporaneously with its filing. In the case of filings that initiate a proceeding or that are made before an appeal has been referred for an adjudicative hearing, the deputy director will determine whether good cause exists and whether an extension should be granted. In the case of filings made in a proceeding after TRS has referred the appeal for an adjudicative hearing, rules governing hearings before SOAH will control so long as the matter is before SOAH. If a matter is referred for an adjudicative hearing to a hearing official not affiliated with SOAH, then the rules of this chapter shall apply to the conduct of the hearing while pending before the hearing official. For matters returned by an administrative law judge or hearing examiner to TRS, either through dismissal from the adjudicative hearing docket or through issuance of a proposal for decision, the executive director may determine whether good cause exists and whether an extension should be granted. The executive director is authorized to rule on motions for extensions on matters directed to the Board if no Board meeting is scheduled before the expiration of the applicable period of time.

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PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 43	CONTESTED CASES
RULE §43.9	Docketing of Appeal for Adjudicative Hearing and Dismissal for Failure to Obtain Setting

(a) On an appeal over which TRS has jurisdiction, authority to grant relief, in which the relief requested is consistent with the terms of the plan, and that otherwise complies with this chapter, the deputy director shall assign the petition a TRS docket number, provide all parties notice of the docket number, and refer the matter for an adjudicative hearing before the State Office of Administrative Hearings or otherwise as authorized by law.

(b) The deputy director may decline to docket an appeal over which TRS has no jurisdiction or no authority to grant relief, that seeks relief that is inconsistent with the terms of the pension plan, that is not timely filed, or that otherwise fails to comply with this chapter. The deputy director's decision declining to docket an appeal is the final decision of TRS when the circumstances described in §2001.144, Government Code, are met. A person may not appeal such decision to the executive director or the board.

(c) Prior to docketing an appeal, the deputy director may review the request filed with TRS to determine the sufficiency. If the petition does not materially comply with this chapter, the deputy director shall return the petition to the person who filed it, along with reasons for the return. The person shall be given a reasonable time (not to exceed 90 days) to file a corrected petition. If the petition is not corrected to substantially comply with this chapter within the time given, the deputy director may decline to docket the appeal.

(d) If a contested case is referred to the SOAH for adjudicative hearing, then during the period of time the case is before SOAH, the adjudicative hearing rules for SOAH (1 TAC Chapter 155) shall apply unless inconsistent with applicable statutes or constitutional provisions. If a matter is referred for an adjudicative hearing to a hearing official not affiliated with SOAH, then the rules of this chapter shall apply to the conduct of the hearing while pending before the hearing official.

(e) A party that files an appeal and causes a matter to be docketed and referred to for adjudicative hearing shall have the responsibility of prosecuting the appeal within a reasonable time period. TRS may seek dismissal with prejudice of an appeal if a

responsible party fails to obtain a setting for a hearing on the merits within two years of referral of the matter for an adjudicative hearing.

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TEACHER RETIREMENT SYSTEM OF TEXAS

CHAPTER 43

CONTESTED CASES

RULE §43.10

Authority to Grant Relief

At any time before an appeal is referred for adjudicative hearing, the deputy director or, in the matter of certification for disability retirement, the Medical Board may grant the relief sought by the petitioner and dismiss the appeal, provided that the interest of other individual parties are not adversely affected and the relief does not conflict with the terms of the pension plan. If a matter has been referred to SOAH, the SOAH administrative law judge may dismiss the case from the SOAH docket in accordance with SOAH rules. If a matter is referred for an adjudicative hearing to a hearing official not affiliated with SOAH, then the rules of this chapter shall apply to the dismissal of the case.

TITLE 34
PART 3
CHAPTER 43
RULE §43.12

PUBLIC FINANCE
TEACHER RETIREMENT SYSTEM OF TEXAS
CONTESTED CASES
Form of Petitions and Other Pleadings

(a) Petitions, briefs, and other pleadings shall be typed or printed on paper not to exceed 8 1/2 inches by 11 inches with an inside margin of at least one inch width. Annexed exhibits shall be folded to the same size. Only one side of the paper shall be used. Copies may be used, provided they are clear and permanently legible.

(b) The pleadings shall state their object and shall contain a concise statement of the supporting facts. The petition appealing a final administrative decision and requesting an adjudicative hearing shall specify the action desired from TRS and shall be filed with TRS, directed to the attention of the deputy director.

(c) The original of any pleading filed with TRS shall be signed by the party filing it or by his authorized representative. Pleadings shall contain the address, telephone number, and email address of the party filing the documents or the name, business address, telephone number, email address, and fax number of counsel.

(d) The original petition for an adjudicative hearing should also include the name, address, telephone number, and email address of petitioner and the name, address, telephone number, email address, and, if known, the tax number of any member whose interest or whose beneficiary's interest may be involved in the case. In lieu of the tax number, the petition may include other information sufficient to identify the member or beneficiary whose interest may be involved in the case. The petition should further identify all persons who may have a material interest in the outcome of the case, the basis for that interest, and such person's last known address, telephone number, and email address. If such information is not provided on the original petition, the executive director, board of trustees, or administrative law judge may require submission of such information before proceeding with the hearing.

(e) Pleadings should be styled: "Petition of (Name of Petitioner)." If a TRS, SOAH, or other adjudicative hearing docket number has been assigned, pleadings shall contain the docket number.

(f) All pleadings shall contain the following:

- (1) the name of the party filing the pleading;
- (2) a concise statement of the facts relied upon by the party;
- (3) a request stating the type of relief, action, or order desired by the party;
- (4) a certificate of service conforming to subsection (g) of this section; and

(5) any other matter required by statute.

(g) Written pleadings may be served by hand-delivery, courier-receipted delivery, fax, or regular, certified, or registered mail upon all other known parties of record, and a certification of such service should be submitted with the original copy of the pleading filed with TRS. If a party is represented by an attorney, service may be made upon a party by serving the attorney of record. The following form of certification will be sufficient: "I hereby certify that I have this _____ day of _____, 20____, served copies of the foregoing pleading upon all other parties to this proceeding, by (state the manner of service). Signature."

(h) A party may object to the form or sufficiency of a pleading by filing the objections in writing at least 15 days before the hearing date. If the objections are sustained, the administrative law judge shall allow a reasonable time for amendment.

TAB 8



Teacher Retirement System of Texas

Proposed Chapter 23 Rule Amendments

Katherine Farrell
February 20, 2020



Nomination and Election for Appointments to the Board of Trustee Rules – Proposed Chapter 23 Amendments

Why does TRS need to revise the current election process?

- Addressing minor issues identified during past election.
- Clarifying terminology for consistency with current TRS election practices.
- The nomination period for the 2021 Trustee election begins June 2020.

What are the proposed revisions to the Trustee Election process?

- Define “Member” and “Retiree” and clarify that EAR does not affect retiree eligibility to vote.
- Clarify voter eligibility for elections.
- Restructure rule to provide greater clarity.
- Changed the due date for petitions from January 20th (a day that is often a legal holiday) to January 25th.

What are the proposed revisions to the Trustee Election process (Cont.)?

- Include current practice within the rule:
 - Public school district nominees must be currently employed in TRS-eligible positions;
 - Use of an agent during the petition phase;
 - TRS may require additional information on petitions to identify the individuals signing the petition; and
 - Write in candidates must receive a minimum of 250 votes to be considered one of the top three candidates.
- Update the terms of office for each seat and eliminate reference to the Higher Education seat which was statutorily eliminated in 2017.



Memorandum

DATE: February 20, 2020

TO: TRS Board of Trustees ("Board")

FROM: Rebecca Merrill, Chief Strategy Officer

COPY: Brian Guthrie, Executive Director

RE: Proposed Amended Rule: TRS Rule § 23.5 Nomination for Appointment to the Board of Trustees

Requested Action

TRS Staff asks the Board to authorize publication in the *Texas Register* of proposed amended TRS Rule 23.5.

Background and Reasons for Proposed Amended Rule

TRS Staff proposes amendments to TRS Rule 23.5 concerning nomination for appointment to the Board of Trustees. The proposed amendments are necessary to address minor issues identified in the most recent election and clarify terminology for consistency with current TRS election practices. TRS Staff recommends proposing these amendments at this time in order for the amendments to be effective prior to June 2020, which is the beginning of the nomination period for the 2021 Trustee election.

The proposed amendments to TRS Rule 23.5 make the following changes to the rule:

- Add definitions of "member" and "retiree" and clarify that a retiree exceeding limits on employment after retirement does not affect the retiree's eligibility to vote or otherwise participate in an election;
- Clarifies the eligibility requirements to vote in elections;
- Changes the due date for candidate petitions from January 20th to January 25th;
- Makes changes to align the rule with current TRS practices, including:

- Providing that public school district nominees and certain at-large nominees must be currently employed in TRS-eligible positions;
- Clarifying that TRS may use an agent during the petition phase of an election;
- Requiring that write-in candidates must receive at least 250 votes to be a nominee for appointment; and
- Providing that TRS may require additional information on petitions to identify the individuals signing the petitions;
- Updates the terms of office for each Board of Trustees seat and deletes the reference to the Higher Education set, which was statutorily removed in 2017; and
- Restructures the rule for clarity and readability.

The proposed amendments also make other minor, non-substantive changes to the rule for style purposes or to conform with other changes.

Conclusion

If the Policy Committee authorizes publication, the proposed amended rule will be published in the *Texas Register* for public comment for at least 30 days before presentation to the Policy Committee and Board of Trustees for final adoption.

ATTACHMENT 1

TITLE 34

PART 3

CHAPTER 23

RULE §23.5

PUBLIC FINANCE

TEACHER RETIREMENT SYSTEM OF TEXAS

ADMINISTRATIVE PROCEDURES

Nomination for Appointment to the Board of Trustees

(a) The following words and terms, when used in this section, have the following meanings, unless context clearly indicates otherwise:

(1) Retiree – a former member who has retired under Chapter 824, Government Code and is currently entitled to receive service retirement benefits or disability retirement benefits, disregarding any forfeiture of benefits under Government Code § 824.601.

(2) Member – A TRS member whose membership has not terminated and who has not elected to participate in the Optional Retirement Program.

(3) TRS – the Teacher Retirement System of Texas

(4) Board of trustees – the Board of Trustees of TRS

(b)[(a)] During any calendar year in which the term of office expires for one of the four trustees of [the Teacher Retirement System of Texas-(]TRS [or-system)-]for which an election is required, TRS will conduct the required election between March 15 and May 5 of that calendar year to select the nominees to be considered by the governor for appointment to the position. To be a nominee, an individual must first either qualify as a candidate in a nominee election in accordance with subsection (c) of this section or be elected as a nominee as a write-in candidate under subsection (j) of this section. TRS may designate an agent to implement or monitor any procedure under this section.

(c) An individual may qualify as a candidate on the ballot for a nominee election under this section if the individual meets the applicable nomination eligibility requirement under subsection (d) of this section and submits an official petition that meets the requirements of subsection (e) of this section. If more than one position is open during the same election period, an individual may be a candidate for only one of the positions.

(d) To be eligible for nomination under this section, an individual must meet the following requirements:

(1) To be a public school district nominee, the individual must be a member currently employed by a public school district, a charter school, or a regional education service center in a position eligible for TRS membership.

(2) To be an at-large nominee, the individual must be either a retiree or a member currently employed by an institution of higher education, a public school district, a charter school, or a regional education service center in a position eligible for TRS membership.

(3) To be a retiree nominee, the individual must be a retiree.

(e) Official petitions must be on a form prescribed by TRS and include the following:

(1) the name and expiration date of the appointment sought;

(2) the signature of 250 individuals who meet the requirements to vote in the election for the nomination sought by the candidate at the time the individual signed the petition;

(3) the date each individual signed the petition;

(4) the printed or typed name of each individual who signed the petition and the first five digits of each individual's current residential zip code; and

(5) any additional information required to identify the individuals signing the petition.

(f) An individual may sign more than one candidate's petition in any election in which the individual is eligible to vote. The signature of an individual shall not be counted on a petition for a candidate in an election in which the individual is ineligible to vote.

~~[(b) Members of the system who are currently employed by a public school district, a charter school, or a regional education service center may have their names listed on the official ballot as candidates for nomination to a public school district position by filing an official petition bearing the signature, printed or typed name, first five digits of the member's current residential zip code, and last four digits of the Social Security numbers of 250 members of the retirement system whose most recent credited service is or was performed for a public school district, a charter school, or a regional education service center.]~~

~~(c) Retirees may have their names listed on the official ballot as candidates for nomination to the retiree position by filing an official petition bearing the signature, printed or typed name, first five digits of the retiree's current residential zip code, and last four digits of the Social Security numbers of 250 retirees of the system.~~

~~(d) Retirees or members of the system who are currently employed by either a public school district, a charter school, a regional education service center, or an institution of higher education may have their names listed on the official ballot as candidates for nomination to the at-large position by filing an official petition bearing the signature, printed or typed name, first five digits of the signatory's current residential zip code, and last four digits of the Social Security numbers of 250 signatories who are retirees or who are members of the system whose most recent credited service is or was performed for an institution of higher education, a public school district, a charter school, or a regional education service center.]~~

~~(g)~~~~(e)~~ Official petition forms, as required under subsection (e)~~[subsections (b), (c), and (d)]~~ of this section, shall be available from the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701-2698. Official petitions must be received by TRS ~~[the system]~~ by January 25 ~~[20]~~ of the calendar year in which the election is to be held. If January 25 ~~[20]~~ is a Saturday, Sunday or legal holiday, the filing period is extended to include the next day that is not a Saturday, Sunday or legal holiday.

(h) An individual may vote in any election under this section if the individual meets the following requirements at the time of voting:

(1) For elections for public school district nominees, individuals must be members whose most recent credited service is or was performed for a public school district, a charter school, or a regional education service center.

(2) For elections for retiree nominees, individuals must be retirees.

(3) For elections for at-large nominees, individuals must be either a retiree or a member whose most recent credited service is or was performed for an institution of higher education, a public school district, a charter school, or a regional education service center.

~~[(f) A qualified member who is employed by a public school district, a charter school, a regional education service center, or an institution of higher education or who is a retiree may sign more than one candidate's petition in any election in which the member or retiree, respectively, is eligible to vote. The signature of a member or retiree shall not be counted on a petition for a candidate in an election in which the member or retiree is ineligible to vote.]~~

~~(i)[(g)]~~ Upon verification of petitions by ~~TRS[the system]~~ or its designated agent, the names of qualified candidates shall be represented on the ballot. ~~[The system may designate an agent to implement and to monitor the voting process.]~~ Voting may be conducted by paper ballot or in another manner established by the board of trustees under subsection ~~(k)[(h)]~~ of this section~~;~~ ~~including by telephone or other electronic means. Upon request by a qualified voter, the system or its designated agent shall provide the voter the means to vote for a candidate who is not represented on the ballot, and such means shall be in a manner consistent with the method by which the election is conducted].~~ Voting instructions shall be sent on or before March 15 of the year in which the election is held to the last known home address of each ~~[active]~~ member or retiree or to an electronic mail address designated by the ~~[active]~~ member or retiree. To be counted, a completed ballot must be received by ~~TRS[the system]~~ or its designated agent by May 5 of the year in which the election is held and in accordance with the provided voting instructions. If May 5 is a Saturday, Sunday or legal holiday, the voting period is extended to include the next day that is not a Saturday, Sunday or legal holiday. The executive director shall cause the votes to be counted. Names of the candidates for each position receiving the three highest number of votes shall be certified by the executive director as the nominees to be considered by [tø] the governor for appointment.

(j) TRS or its designated agent shall provide the voter the means to vote for a candidate who is not represented on the ballot. A candidate not represented on the ballot must be eligible for the nomination under subsection (d) of this section and receive a minimum of 250 votes to be considered as one of the three candidates who received the highest number of votes.

~~(k)(h)~~ The board of trustees may establish the manner by which ~~TRS[the system]~~ or its designated agent conducts the election, provided that the manner of voting is secure, effective, verifiable, and is conducted using:

(1) paper ballot;

(2) telephone or other electronic means; or~~[-including an automated telephone system;~~

~~(3) electronic mail, an internet-enabled service or other application or other electronic means of transmission; or]~~

~~(3)[(4)]~~ a combination of paper ballot and one or more of the means authorized under this subsection.

~~(1)[(4)]~~ When a vacancy in a public school district position, at-large position, or retiree position occurs for a reason other than the expiration of a term of office, the board of trustees may conduct an election at any time it determines appropriate.

~~(m)[(4)]~~ In conducting an election under subsection ~~(1)[(4)]~~ of this section, the board of trustees shall establish deadlines for filing petitions, the date of mailing ballots, the date for returning ballots, and any other necessary details related to the election process, and the executive director or a designee shall ensure that each candidate has met the requirements of subsection (c) of this section to qualify to be on the ballot for nomination.[:

~~(1) that each nominee placed on the ballot for any public school district position vacancy is employed by a public school district, a charter school, or a regional education service center and has submitted an official petition consistent with subsections (b) and (e) of this section;~~

~~(2) that each nominee placed on the ballot for any retiree position vacancy is a retiree of the system and has submitted an official petition consistent with subsections (c) and (e) of this section; and~~

~~(3) that each nominee placed on the ballot for any at-large position vacancy is employed by a public school district, a charter school, a regional education service center, or an institution of higher education or is a retiree of the system, and has submitted an official petition consistent with subsections (d) and (e) of this section.]~~

~~[(k) Beginning on September 1, 2011 the higher education trustee position has been expanded and is referred to as the at-large position. If a vacancy in the institution of higher education trustee position appointed by the governor on August 30, 2011 occurs for a reason other than the expiration of the term of office, the board of trustees shall conduct an election in the same manner it would to fill any other vacancy. The executive director or a designee shall ensure each nominee placed on the ballot is a retiree or is employed by a public school district, a charter school, a regional education service center, or an institution of higher education and that each nominee has submitted an official petition consistent with subsections (d) and (e) of this section. This subsection expires August 31, 2017 or upon the appointment of an at-large trustee, whichever occurs earlier.]~~

~~[(l) When more than one position on the board of trustees is being contested during the same election period, each candidate shall specify on his or her official petition which position he or she is seeking by indicating the name and expiration date of the office sought. Petitions that fail to specify the position sought shall be returned to the candidates for completion if time permits. Failure to designate a specific position by the deadline shall disqualify the candidate. When more than one position is contested during the same election period, a person may be a candidate for only one of the positions.]~~

~~(n)~~ ~~(m)~~ Terms of board members run for six years and expire August 31. Terms expire on the following dates and every six years thereafter:

(1) Public school district appointment, Place One, August 31, 2025 ~~[2013]~~.

(2) Gubernatorial appointment, Place One, August 31, 2025 ~~[2013]~~.

(3) State Board of Education appointment, Place One, August 31, 2025 ~~[2013]~~.

(4) Public School district appointment, Place Two, August 31, 2021 ~~[2015]~~.

(5) Gubernatorial appointment, Place Two, August 31, 2021 ~~[2015]~~.

(6) State Board of Education appointment, Place Two, August 31, 2021 ~~[2015]~~.

(7) At-large appointment, ~~[formerly the Higher Education appointment,]~~ August 31, 2023.
~~[If there is a vacancy in the Higher Education appointment prior to August 31, 2017, then the remainder of the term that expires August 31, 2017 will be filled with an at-large appointment.]~~

(8) Retiree appointment, August 31, 2023 ~~[2017]~~.

(9) Gubernatorial appointment, Place Three, August 31, 2023 ~~[2017]~~.

~~[(10) Higher education appointment, August 31, 2017. This paragraph expires August 31, 2017 or upon the appointment of an at-large trustee, whichever occurs earlier.]~~

ATTACHMENT 2

TITLE 34

PART 3

CHAPTER 23

RULE §23.5

PUBLIC FINANCE

TEACHER RETIREMENT SYSTEM OF TEXAS

ADMINISTRATIVE PROCEDURES

Nomination for Appointment to the Board of Trustees

(a) The following words and terms, when used in this section, have the following meanings, unless context clearly indicates otherwise:

(1) Retiree – a former member who has retired under Chapter 824, Government Code and is currently entitled to receive service retirement benefits or disability retirement benefits, disregarding any forfeiture of benefits under Government Code § 824.601.

(2) Member – A TRS member whose membership has not terminated and who has not elected to participate in the Optional Retirement Program.

(3) TRS – the Teacher Retirement System of Texas

(4) Board of trustees – the Board of Trustees of TRS

(b) During any calendar year in which the term of office expires for one of the four trustees of TRS for which an election is required, TRS will conduct the required election between March 15 and May 5 of that calendar year to select the nominees to be considered by the governor for appointment to the position. To be a nominee, an individual must first either qualify as a candidate in a nominee election in accordance with subsection (c) of this section or be elected as a nominee as a write-in candidate under subsection (j) of this section. TRS may designate an agent to implement or monitor any procedure under this section.

(c) An individual may qualify as a candidate on the ballot for a nominee election under this section if the individual meets the applicable nomination eligibility requirement under subsection (d) of this section and submits an official petition that meets the requirements of subsection (e) of this section. If more than one position is open during the same election period, an individual may be a candidate for only one of the positions.

(d) To be eligible for nomination under this section, an individual must meet the following requirements:

(1) To be a public school district nominee, the individual must be a member currently employed by a public school district, a charter school, or a regional education service center in a position eligible for TRS membership.

(2) To be an at-large nominee, the individual must be either a retiree or a member currently employed by an institution of higher education, a public school district, a charter school, or a regional education service center in a position eligible for TRS membership.

(3) To be a retiree nominee, the individual must be a retiree.

(e) Official petitions must be on a form prescribed by TRS and include the following:

- (1) the name and expiration date of the appointment sought;
 - (2) the signature of 250 individuals who meet the requirements to vote in the election for the nomination sought by the petitioner at the time the individual signed the petition;
 - (3) the date each individual signed the petition;
 - (4) the printed or typed name of each individual who signed the petition and the first five digits of each individual's current residential zip code; and
 - (5) any additional information required to identify the individuals signing the petition.
- (f) An individual may sign more than one candidate's petition in any election in which the individual is eligible to vote. The signature of an individual shall not be counted on a petition for a candidate in an election in which the individual is ineligible to vote.
- (g) Official petition forms, as required under subsection (e) of this section, shall be available from the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701-2698. Official petitions must be received by TRS by January 25 of the calendar year in which the election is to be held. If January 25 is a Saturday, Sunday or legal holiday, the filing period is extended to include the next day that is not a Saturday, Sunday or legal holiday.
- (h) An individual may vote in any election under this section if the individual meets the following requirements at the time of voting:
- (1) For elections for public school district nominees, individuals must be members whose most recent credited service is or was performed for a public school district, a charter school, or a regional education service center.
 - (2) For elections for retiree nominees, individuals must be retirees.
 - (3) For elections for at-large nominees, individuals must be either a retiree or a member whose most recent credited service is or was performed for an institution of higher education, a public school district, a charter school, or a regional education service center.
- (i) Upon verification of petitions by TRS or its designated agent, the names of qualified candidates shall be represented on the ballot. Voting may be conducted by paper ballot or in another manner established by the board of trustees under subsection (k) of this section. Voting instructions shall be sent on or before March 15 of the year in which the election is held to the last known home address of each member or retiree or to an electronic mail address designated by the member or retiree. To be counted, a completed ballot must be received by TRS or its designated agent by May 5 of the year in which the election is held and in accordance with the provided voting instructions. If May 5 is a Saturday, Sunday or legal holiday, the voting period is extended to include the next day that is not a Saturday, Sunday or legal holiday. The executive director shall cause the votes to be counted. Names of the candidates for each position receiving the three highest number of votes shall be certified by the executive director as the nominees to be considered by the governor for appointment.
- (j) TRS or its designated agent shall provide the voter the means to vote for a candidate who is not represented on the ballot. A candidate not represented on the ballot must be eligible for the

nomination under subsection (d) of this section and receive a minimum of 250 votes to be considered as one of the three candidates who received the highest number of votes.

(k) The board of trustees may establish the manner by which TRS or its designated agent conducts the election, provided that the manner of voting is secure, effective, verifiable, and is conducted using:

(1) paper ballot;

(2) telephone or other electronic means; or

(3) a combination of paper ballot and one or more of the means authorized under this subsection.

(l) When a vacancy in a public school district position, at-large position, or retiree position occurs for a reason other than the expiration of a term of office, the board of trustees may conduct an election at any time it determines appropriate.

(m) In conducting an election under subsection (l) of this section, the board of trustees shall establish deadlines for filing petitions, the date of mailing ballots, the date for returning ballots, and any other necessary details related to the election process, and the executive director or a designee shall ensure that each candidate has met the requirements of subsection (c) of this section to qualify to be on the ballot for nomination.

(o) Terms of board members run for six years and expire August 31. Terms expire on the following dates and every six years thereafter:

(1) Public school district appointment, Place One, August 31, 2025.

(2) Gubernatorial appointment, Place One, August 31, 2025.

(3) State Board of Education appointment, Place One, August 31, 2025.

(4) Public School district appointment, Place Two, August 31, 2021.

(5) Gubernatorial appointment, Place Two, August 31, 2021.

(6) State Board of Education appointment, Place Two, August 31, 2021.

(7) At-large appointment, August 31, 2023.

(8) Retiree appointment, August 31, 2023.

(9) Gubernatorial appointment, Place Three, August 31, 2023.

TAB 9



Teacher Retirement System of Texas Strategy Office

2021-2025 Strategic Plan Update
February 20, 2020

Rebecca Merrill, Chief Strategy Officer
Caasi Lamb, Director of Strategic Initiatives



Strategy and Strategic Planning

Strategy is identifying, developing, and executing on initiatives that position TRS for the future when considering all the **forces** that impact TRS, such as:



Political



Economic



Social



Technological



Legal



Environmental

Strategic Planning is a process of identifying an organization's **future direction** and **allocating resources** in pursuit of that future direction.



Develop a new 5 year plan every even-numbered year

- Current plan: FY 2019-23
- New plan: FY 2021-25



Submit plan to LBB and Governor's Office on June 1st

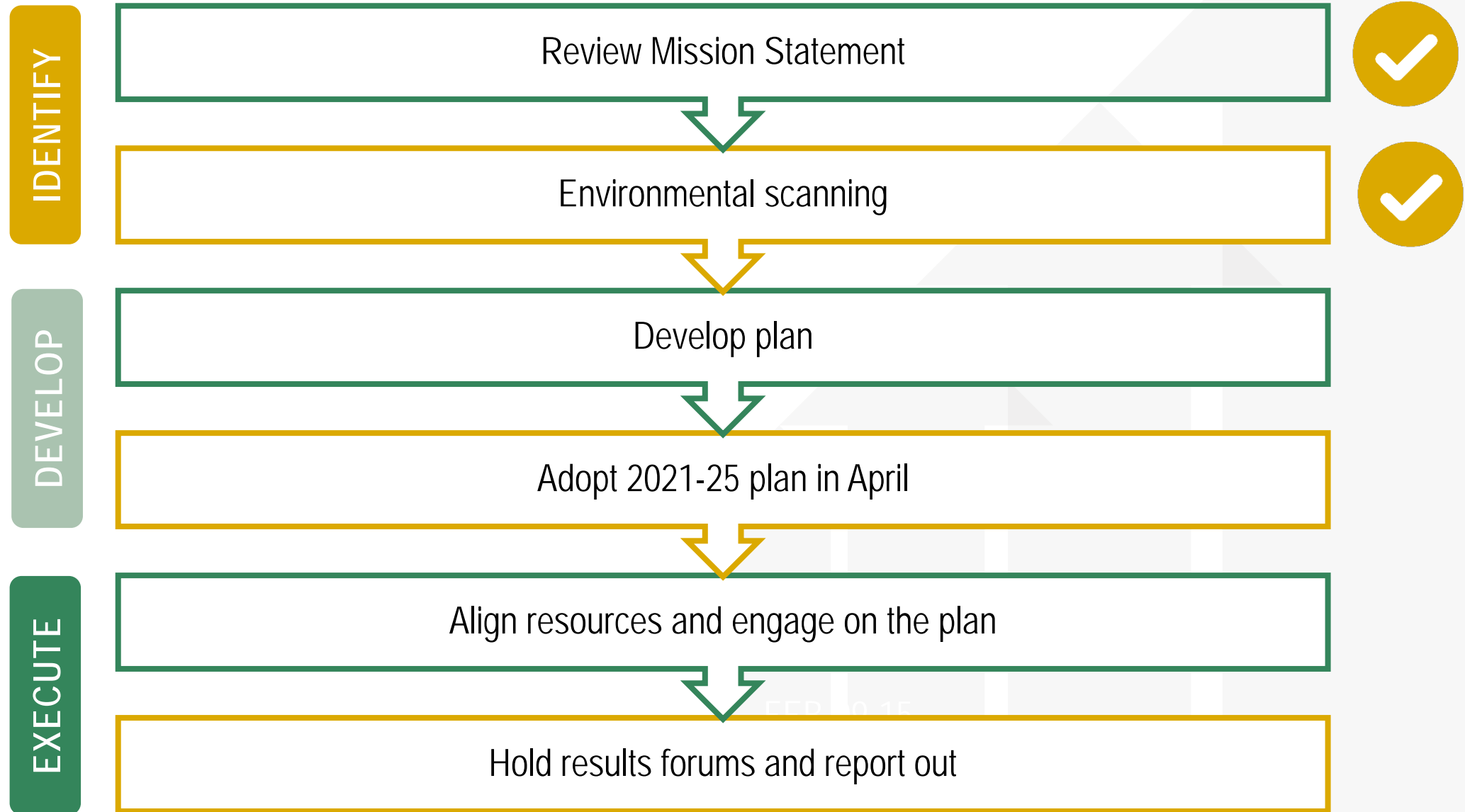


Strategic Planning Committee of the Board meets quarterly



Areas of Focus that align with the Strategic Plan

Strategic Planning





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.



Environmental Scanning

Understand the environment in which TRS operates and how TRS fits into that bigger picture

Identify opportunities as well as threats to the organization that need attention both internally and externally

IDENTIFY



Develop Plans: Strategic Seedlings

- Address a longer-term timeframe
- Engage more than one other department
- Create value or contribute to key results or outcomes
- Enhance positive differentiation
- Enhance organizational productivity
- Lead to sustained success and growth of the organization



Ask who has to align on the seedlings for execution and what time frame is appropriate?

Develop Plan: Strategic Fit

Opportunities

1. Health care innovation
2. Data analytics
3. Educate stakeholders

Threats

1. Failure to meet rate of return
2. Failures on TEAM HILOB implementation
3. Failure to adequately address talent issues
4. Cyber security
5. Destabilization of TRS-ActiveCare
6. Procurement

Customer Needs

1. TRUST Phase II
2. Member self-service
3. Ease of access to TRS
4. Employers wanting more input on health benefits

Internal Operational Needs

1. Adequate staffing/training (business operations and once 'in the door')
2. Data management
3. Cross-functional intelligence

Example Strategic Seedlings

1. Expand work from everywhere
2. Offer statewide 403(b)
3. Reshape health care by collaborating with health care vendors in radical transparency
4. Go paperless
5. Incorporate AI into contract management
6. Expand Learning & Development
7. Develop a culture of digital business transformation
8. Embark on plain language initiative
9. Explore opening regional offices
10. Communicate with future educators
11. Utilize institutional knowledge based systems

Ask how well do the seedlings address the top opportunities, threats, customer needs, and internal operational needs?

- **Goal** – general statement of desired outcome
- **Objective** – specific, measurable statement of desired outcome, linked to a goal
- **Strategy** – general statement of how an objective will be achieved



Develop Plan: Process



Delete items that are no longer needed



Delete operational items



Add new objectives and strategies



Reconcile Areas of Focus

Changes to Goals

- Refine language in Goal 4
- Fold current Goal 5 into Goal 4

New Objectives/Strategies

- One Team One Mission
- Regional Centers
- Re-Engineer TRS-ActiveCare
- Procurement and Contracting
- Artificial Intelligence

Continuation of Strategies

- Achieve assumed rate of return
- TEAM
- Learning & Development

Develop Plans: Draft FY 2021-2025 Goals, Objectives and Strategies

GOAL 1 | Sustain a financially sound pension system.

Objective 1: Improve communication regarding pension funding needs.

Strategy 1: Serve as a trusted resource and engage with policymakers on pension funding.

Objective 2: Increase identification of underpayments and collection of future contributions to TRS.

Strategy 1: Increase testing coverage of high-risk reporting employers.

Objective 3: Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods.*

Strategy 1: Maintain an effective investment governance structure.

Strategy 2: Enhance current competitive advantages and total returns.

Strategy 3: Manage cost structures to increase net alpha generated.

Objective 4: Improve communication regarding the impact of changing pension plan design.

Strategy 1: Serve as a trusted resource and engage with policymakers on pension plan design.

* Executive Director's Areas of Focus

Develop Plans: Draft FY 2021-2025 Goals, Objectives and Strategies

GOAL 2

Continuously improve our benefit delivery.

Objective 1: Improve the customer service experience for members and employers.*

Strategy 1: Increase capacity to serve members.

Strategy 2: Improve response time to reporting employers.

Strategy 3: Provide additional online functionality.

Strategy 4: Build and define operational support for Benefit Services.

Strategy 5: Consolidate customer service inquiries regarding health care and pension benefits into one call center (One Team One Mission).*

Objective 2: Improve timeliness and accuracy in employer reported data.

Strategy 1: Stabilize the reporting employer portal.

Strategy 2: Begin using data analytics tools to review employer-reported data.

* Executive Director's Areas of Focus

Develop Plans: Draft FY 2021-2025 Goals, Objectives and Strategies

GOAL 3 | Facilitate access to competitive, reliable health care benefits for our members.

Objective 1: Improve communication efforts regarding health care funding needs.

Strategy 1: Serve as a trusted resource and engage with policymakers on health care funding.*

Objective 2: Increase the value of health care benefits.

Strategy 1: Engage the best health care vendors through competitive procurement to ensure our members have the highest value health care.

Strategy 2: Re-engineer TRS-ActiveCare to better meet district needs.*

Objective 3: Improve the health of our members.

Strategy 1: Improve engagement of plan participants with an initial focus on population with high impact conditions, such as diabetes.

Strategy 2: Optimize disease management for high risk populations.

* Executive Director's Areas of Focus

Develop Plans: Draft FY 2021-2025 Goals, Objectives and Strategies

GOAL 4 | Ensure that people, processes, and technology align to achieve excellence in the delivery of services to members.

Objective 1: Attract, retain, and develop a diverse and highly competent staff.*

Strategy 1: Position TRS as a destination employer to meet the needs of our current and future workforce.

Strategy 2: Promote a strong workplace culture that is inclusive and fosters creativity and innovation.

Strategy 3: Improve diversity representation at all levels of the organization.

Strategy 4: Expand learning and development opportunities.

Objective 2: Advance and enhance IT systems and services.*

Strategy 1: Build, maintain and enhance a robust, highly available IT environment in support of applications and services.

Strategy 2: Expand and ease the ability to perform TRS work from anywhere, at any time, and across most any device.

Strategy 3: Provide advanced data analytics tools and data management practices to gain business intelligence and improve decision-making.

Strategy 4: Implement modern information systems across all lines of business divisions with priority on modernization of legacy systems.*

Strategy 5: Enhance the operating model for continuous business process improvement that enables transparent, data-driven decisions and rapid delivery of high-quality IT capabilities.

* Executive Director's Areas of Focus

Develop Plans: Draft FY 2021-2025 Goals, Objectives and Strategies

GOAL 4 | Ensure that people, processes, and technology align to achieve excellence in the delivery of services to members.

Objective 3: Enhance the information security program.*

Strategy 1: Provide a secure computing environment that supports a data privacy and integrity framework.

Strategy 2: Develop an information security framework based on adaptive security architecture best practices to manage and mitigate cyber-security threats.

Objective 4: Identify appropriate solutions for TRS facilities and space requirements.*

Strategy 1: Successful completion of generational solution for housing all of TRS.

Strategy 2: Explore feasibility of regional offices, including funding needs and associated LAR requests, if appropriate.*

Objective 5: Foster a culture of fiduciary responsibility and ethical conduct.

Strategy 1: Embed/Integrate culture of ethics and compliance within the business process.

Strategy 2: Enhance visibility of, and accessibility to, Legal & Compliance throughout TRS.

* Executive Director's Areas of Focus

Develop Plans: Draft FY 2021-2025 Goals, Objectives and Strategies

GOAL 4 | Ensure that people, processes, and technology align to achieve excellence in the delivery of services to members.

Objective 6: Evaluate automation and technology solutions to enhance existing processes.

Strategy 1: Investigate best practices and feasibility of incorporating artificial intelligence into Legal & Compliance processes.

Objective 7: Improve and maintain effective procurement and contract management practices.*

Strategy 1: Implement significant program recommendations related to the Purchasing & Contracts Enhancement Plan.

Strategy 2: Increase the number of utilized Historically Underutilized Businesses (HUBs).*

Strategy 3: Promote purchasing selection practices that foster meaningful and substantive inclusion of historically underutilized businesses (HUBs).

Strategy 4: Improve outreach activities to foster and strengthen relationships among HUB vendors, prime contractors, and purchasers.

Strategy 5: Leverage Diversity, Equity, & Inclusion (DE&I) outreach and partnerships to identify and work with HUB eligible businesses as a pipeline for HUB contracted services.

* Executive Director's Areas of Focus



...the process of actually tying performance information to funding decisions in an effective, meaningful, and practical manner continues to be a major challenge for all levels of government.

NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS (NASBO)



Year Ahead

February Board Meeting
Preview Draft 2021-2025
Strategic Plan

Fiscal Year 2020

Fiscal Year 2021

Dec. 2019
Strategic Planning Committee

Apr. 2020
Strategic Planning Committee

Jul. 2020
Strategic Planning Committee

Sep. 2020
Strategic Planning Committee

Dec. 2020
Strategic Planning Committee

Results Forum Report Out (Q1)

- Achieve the investment rate of return
- Improve the customer service experience
- Improve benefit estimates and disbursements
- Strengthen ethics and culture
- Improve strategic communications

Results Forum Report Out (Q2)

- Advance and enhance IT systems and services
- Enhance the information security program

**Adopt 2021-25
Strategic Plan
Due Jun. 1**

Results Forum Report Out (Q3)

- Improve pension funding communication
- Improve information regarding the impact of changing plan design
- Improve health care funding needs communication
- Increase the value of health care benefits
- Improve the health of our members
- Increase the number of HUBs utilized by TRS

Results Forum Report Out (Q4)

- Increase identification of underpayments and collection of future contributions
- Attract, retain and develop a highly competent staff
- Implement modern benefit and health information systems

Fiscal Year 2020 Recap

**2021-25 Strategic Plan
Begins Sept. 1**

Results Forum Report Out (Q1)

- Achieve the investment rate of return
- Improve the customer service experience
- Improve benefit estimates and disbursements
- Strengthen ethics and culture
- Improve strategic communications

EXECUTE



Appendix A

Excerpt of Results Forum Report Out Data

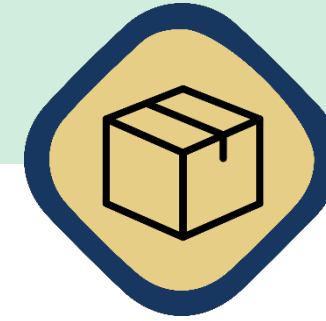
Appendix A data was originally reported in the December 2019 Strategic Planning Committee as part of the Results Forum Report Out Data. An excerpt of the December Report is provided in this appendix as an example of the reporting methodology on strategic plan execution.

ED's Areas of Focus Success Measures – Customer Service



TARGETS

KPI	Target	Q1 FY 20
Member satisfaction survey score (percent satisfied for actives and retirees)	80%	43% (actives) 77% (retirees)
Calls answered within 3 minutes Benefits	80%	32.61%
Calls answered within 3 minutes HIB	80%	97.27%
Retiree receiving first annuity payment within 31 days of TRS receiving required information or due date, whichever is later	98%	99.21%
Claims payments issued within 31 days of receipt of all required paperwork	95%	82.10%



DELIVERABLES

Deliverable	Status
Development of project plan for regional service centers to advance for legislative funding, if appropriate	In Progress
Program to expand cross-sharing within Benefit Services and cross-training between Benefits and HIB	In Progress



NEXT STEPS

- Summarize consistent issues that need to be addressed
- Determine actionable items to move toward meeting member expectations
- Add additional new hire classes next calendar year for telephone counseling
- Fill vacancies for office visit counseling and Benefit Accounting
- Roll out remaining InContact modules in phases over the next 12 months
- Provide more online, onsite and one-on-one training opportunities for reporting employers

GOAL 2: Continuously improve our benefit delivery.

OBJECTIVE 1: Improve the customer service experience.

KEY PERFORMANCE INDICATORS (1-7 of 21)

KPI	Fiscal Target	Q1 FY 20	Q2 FY 20	Q3 FY 20	Q4 FY 20
Refunds validated within 5 business days of receiving final deposit and all paperwork	95%	92%			
Benefit estimates mailed within 31 days	90%	62.67%			
Retirees receiving first annuity payment within 31 days of TRS receiving required information or due date, whichever is later	98%	99.21%			
Claims acknowledged within 14 days of receipt of death notification	90%	98.70%			
Claims payments issued within 31 days of receipt of all required paperwork	95%	82.10%			
Calls answered within 3 minutes	80%	32.61%			
Available benefit counseling office visits	20,000	4,756			

TRS Strategic Plan Results Forum Data



NEXT STEPS

- Development work is occurring on the TRUST version of *MyTRS*. New functionality at go-live will include requesting refunds and changing beneficiaries.
- Determine appropriate number of assigned reporting employers per Reporting Employer Coach
- Ensure that Benefit teams are adequately staffed and looking for opportunities to reassign staff
- Continue to cross-train staff so that we can quickly adjust to work backlogs
- Explore system changes that can improve the retirement process

GOAL 2: Continuously improve our benefit delivery.

OBJECTIVE 1: Improve the customer service experience.

KEY PERFORMANCE INDICATORS (8-18 of 21)

KPI	Fiscal Target	Q1 FY 20	Q2 FY 20	Q3 FY 20	Q4 FY 20
Scheduled benefit counseling office visits	N/A	2,710			
Cancelled/No shows benefit counseling office visits	N/A	373/129			
Conducted benefit counseling office visits	N/A	2,208			
Walk-ins benefit counseling office visits	N/A	702			
Regular payroll reports completed by the end of each quarter	90%	92.73%			
Benefit Services Staffing – Authorized	242	252			
Benefit Services Staffing – Filled	242	196.5			
Benefit Services Staffing – Vacancies	0	56			
Benefit Services Staffing – Turnover	N/A	3%			
Calls answered within 3 minutes (Health & Insurance Benefits)	80%	97.27%			
Calls answered internally vs. externally (Health & Insurance Benefits)	50%	47.31%			



NEXT STEPS

- Continue identifying and fixing system defects and implementing system enhancements
- Continue soliciting feedback from Employer Advisory Group
- Provide more training to reporting employer staff – includes sessions at TRS, regional service centers, online training opportunities, and 1-on-1 meetings
- Fill vacancies in Benefit Accounting
- Partner with software providers to conduct more joint training sessions

GOAL 2: Continuously improve our benefit delivery.

OBJECTIVE 2: Improve timeliness and accuracy in employer reported data.

KEY PERFORMANCE INDICATORS (19-21 of 21)

KPI	Fiscal Target	Q1 FY 20	Q2 FY 20	Q3 FY 20	Q4 FY 20
Regular payroll reports completed by the end of each quarter	90%	92.73%			
Reporting entity workarounds	0	13			
Increase testing coverage of reporting employers	Data Collection In Progress	To be reported Q4 FY 20.			

TAB 10



Teacher Retirement System of Texas

EXECUTIVE DIRECTORS REPORT

Brian Guthrie
February 20, 2020



- General Updates
- Upcoming Training and Conferences
- Legislative and Sunset Update
- Upcoming Board Meeting Agendas

Past Conferences and Meetings:

- February 6, 2020: Texas Hedge Fund Conference, Austin, TX
- February 10-11, 2020: Pension Bridge ESG 2020, San Diego, CA
- February 11, 2020: 18th Annual Purchasing and HUB Forum, Austin, TX
- February 12 -14, 2020: PPI's Winter Roundtable, Pasadena, CA

Upcoming Conferences and Meetings:

- February 26, 2020: TRS/ERS Emerging Manager Conference, Austin, TX
- Feb. 29 – March 2, 2020: NASRA 2020 Winter Meeting, Washington, D.C.
- March 9-11, 2020: CII Spring Conference, Washington, D.C.
- April 14-15, 2020: Pension Bridge Conference, San Francisco, CA.
- May 10-13, 2020: NCPERS' Annual Conference & Exhibition, Las Vegas, NV

Legislative Activity:

- February 25, 2020: Senate Finance Committee Hearing
- March 9, 2020: House Pensions Investments & Financial Services Committee Hearing

Sunset Activity:

- March 5-6, 2020: Receive Draft Issues from Sunset Staff
- March 13, 2020: Exit Interview with Sunset Staff
- April 30, 2020: Sunset Hearing

Upcoming Agendas

April 16-17, 2020 (Quarterly Meeting)

April 16, 2020

Strategic Planning Committee

Report on 2nd Quarter Results Forum
Proposed Adoption of Strategic Plan for 2021-2025

Benefits Committee

Benefits Update
ActiveCare Plan design, rates and benefits
Selection of TRSCare HMO vendor

Budget Committee

Review Proposed FY2021 Budget

Policy Committee

Proposed Adoption of Proxy Policy
Proposed Adoption of Chpt. 23 Rules

Investment Management Committee

CIO Update
4th Quarter 2019 Performance Review
Semi-annual Risk Report
Hedge Funds, Public Equity Markets

Audit Compliance and Ethics Committee

Review of ENRI Operations
Follow-up of HIPAA
Employer Audits
Risk Training presentation

April 17, 2020

TEAM Update

Committee Reports

Long Term Space Planning

ED Report

COAO Report

Fiduciary Training presentation

Upcoming Agendas

July 16-17, 2020 (Quarterly Meeting)

July 16, 2020

Strategic Planning Committee

Report on 3rd Quarter Results Forum
Proposed Core Values

Benefits Committee

Benefits Update
HIB Update

Budget Committee

Propose Adoption of FY2021 Budget
State Certifications
Receive overview of proposed 2022-2023 LAR

Policy Committee

Propose Adoption of Proxy Policy

Investment Management Committee

CIO Update
1st Quarter 2020 Performance Review
External Private Market Update

Audit Compliance and Ethics Committee

Review of Accounting Operations
Review of Quantitative Equity Strategies
Review of Compliance with federal Regulations
Employer Data Analysis Testing

July 17, 2020

TEAM Update

Committee Reports

Long Term Space Planning

Actuarial Audit

ED Report

COAO Report

TAB 11



Teacher Retirement System of Texas **Investment Management Division**

CIO Update

Jase Auby, Chief Investment Officer
February 2020



CIO Update

IMD at a Glance

Priorities

- **Focus on Culture.** Transparency + Trust = Authority/Autonomy
- **Texas Way.** Focused on executing on processes that generate alpha
- **2020 Priorities.** Over 90 priorities and projects set by our investment teams to drive innovation
- **SAA Implementation.** Completed in December 2019
- **Performance Evaluation Report.** Signed contract with Aon to complete TRS' reporting requirement under SB 322

Upcoming Events

Event	Location	Dates
TRS Emerging Manager Conference	Austin, TX	February 26, 2020
Council of Institutional Investors (CII) Spring Conference	Washington DC	March 9-11, 2020

Our People

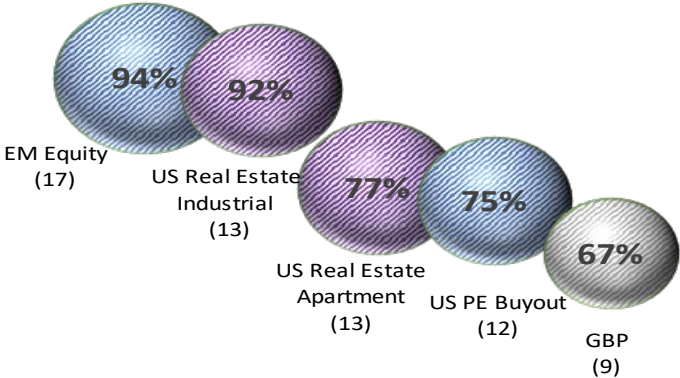
Snapshot as of February 2020		Activity	Phase I	Phase II
IMD FTEs	181	Hired	27	3
Shared-Services	6	Interviewing	4	3
Contractors	22	Pipeline	1	25
Secondees	4		32	31

- **Town Hall.** Hosted Town Hall meeting at the Texas Capitol including guest speaker Chairman Jim Murphy
- **Investor of the Year.** Scott Gonsoulin, External Public Markets
- **Spotlight Award.** Stephen Machicek, Operations
- **Recruiting.**
 - Internship candidate offers accepted in Private Markets (3), Public Markets (3), Operations (2)
 - Executive Lecture Series completed at Howard University
- **Benchmarking.** Conducting study to obtain data on organizational structure and diversity to compare to asset management industry

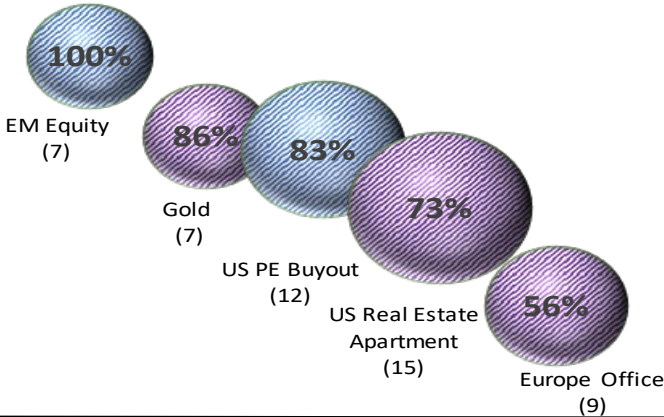
CIO Update

2020 Best Ideas Survey

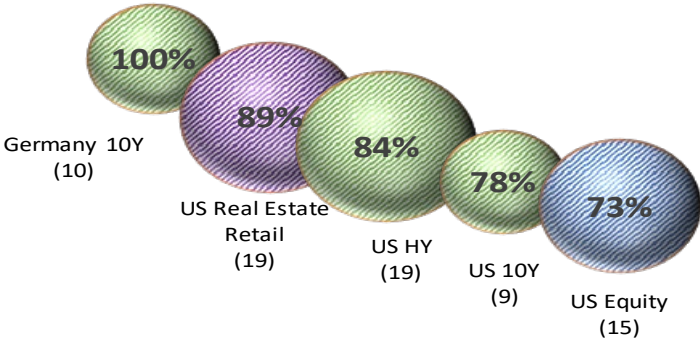
ONE YEAR MOST ATTRACTIVE



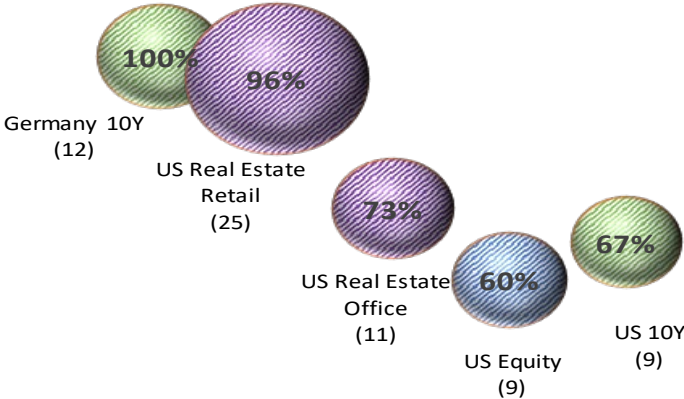
THREE YEAR MOST ATTRACTIVE



ONE YEAR LEAST ATTRACTIVE



THREE YEAR LEAST ATTRACTIVE



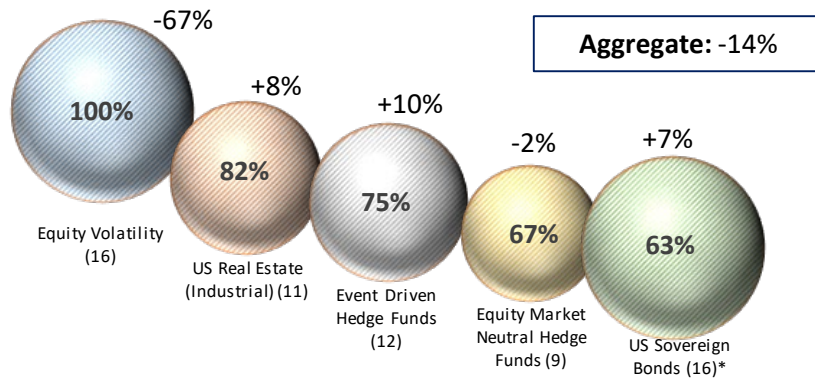
1. Y-axis position demonstrates the attractiveness of each idea. The size of the bubble demonstrates the number of survey participants expressing a view on the asset.
2. Categorization of ideas is based on asset class. Asset Class view only ideas are included in this analysis.

CIO Update

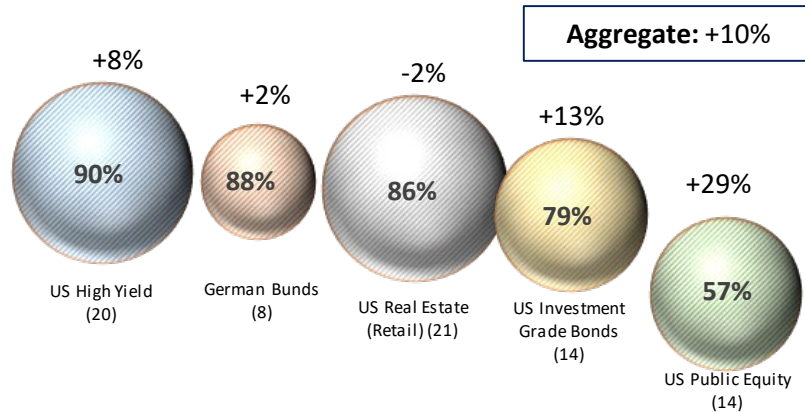
2019 Best Ideas Survey

2019 One-Year

ONE YEAR MOST ATTRACTIVE

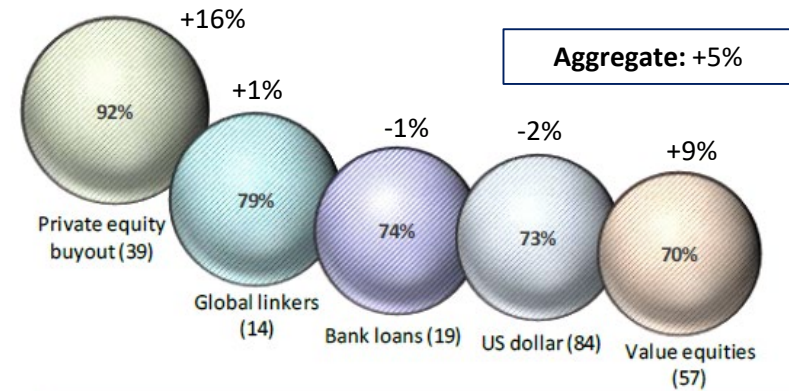


ONE YEAR LEAST ATTRACTIVE

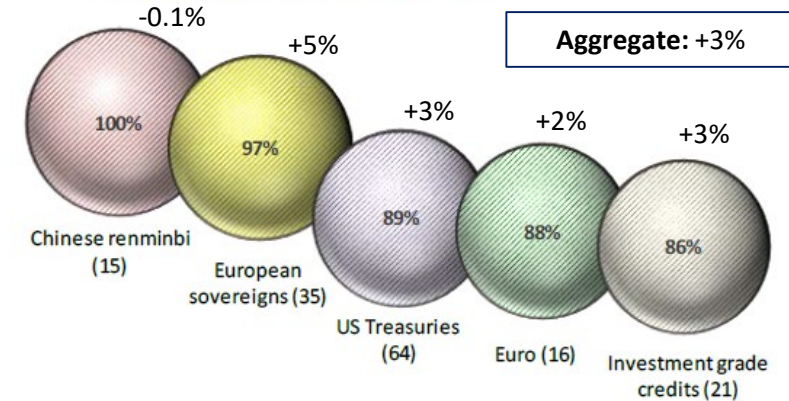


2017 Three-Year (Annualized)

THREE YEAR MOST ATTRACTIVE



THREE YEAR LEAST ATTRACTIVE



1. Y-axis position demonstrates the attractiveness of each idea. The size of the bubble demonstrates the number of survey participants expressing a view on the asset.
2. Categorization of ideas is based on asset class. Asset Class view only ideas are included in this analysis.

TAB 12



Teacher Retirement System of Texas Investment Management Division

Market Update

Jase Auby, Chief Investment Officer
February 2020



Executive Summary

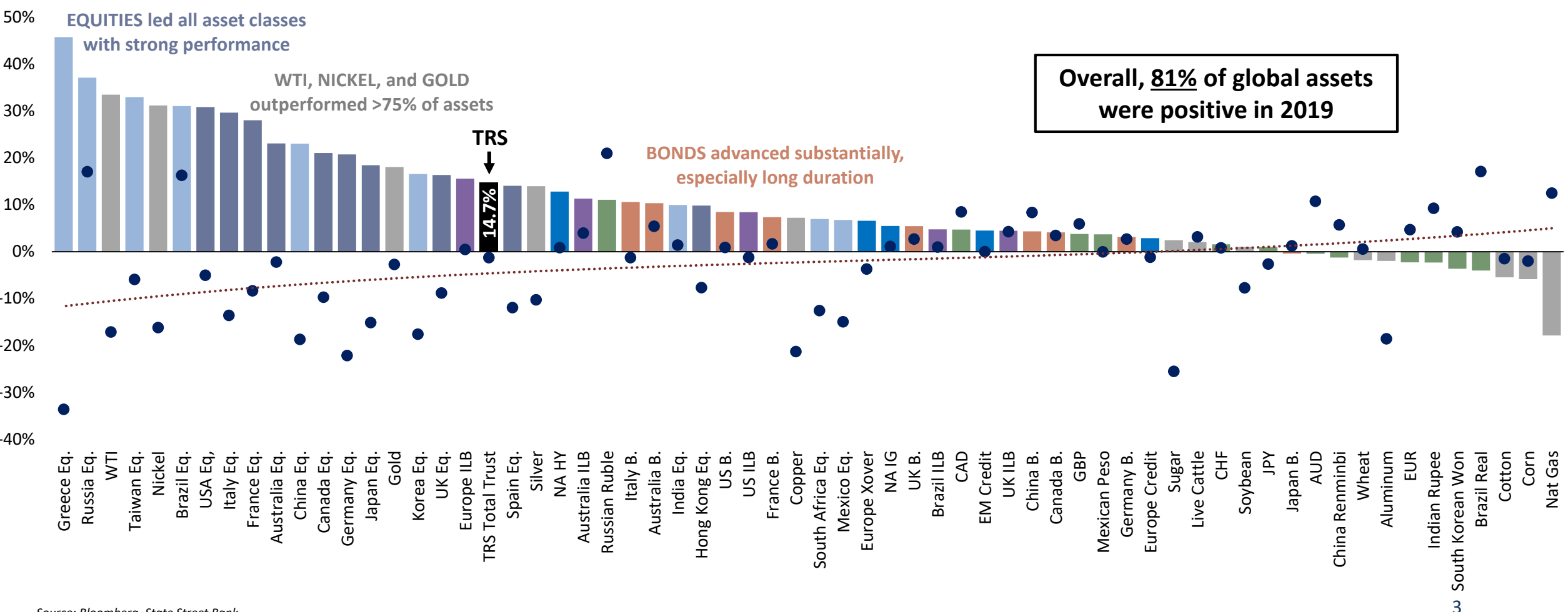
- The second half of 2019 was characterized by:
 - Strong advances in global equity market performance (United States outperformed all Developed and Emerging Markets)
 - Global shift towards easing of monetary policy, led by the US “mid-cycle adjustment” (three federal funds rate reductions)
 - Initial signs of de-escalation of major global geopolitical conflicts (US and China Trade and Brexit)
 - Low and stable global inflation; continuation of low employment and modest wage growth
 - Economic resilience and continued expansion despite slowdown of global growth
- In the first half of 2020, markets are focused on:
 - Continuation of slow global and US growth amid low unemployment and recovering manufacturing sectors
 - Subdued global inflation to remain low and below target in both developed and emerging economies
 - Pause in expected loosening of monetary policy in the United States with further room to ease in Emerging Markets
 - Emerging Markets to gain momentum over Developed Markets due to easing trade tensions and monetary policy
 - Potential for market volatility due to a US election year and uncertainty around the election primaries

2019 In Review

Market Returns

Calendar Year 2019 Asset Class Performance

■ Dev Equity ■ EM Equity ■ Bonds ■ Currency ■ Commodities ■ Credit ■ ILB ■ TRS ● 2018

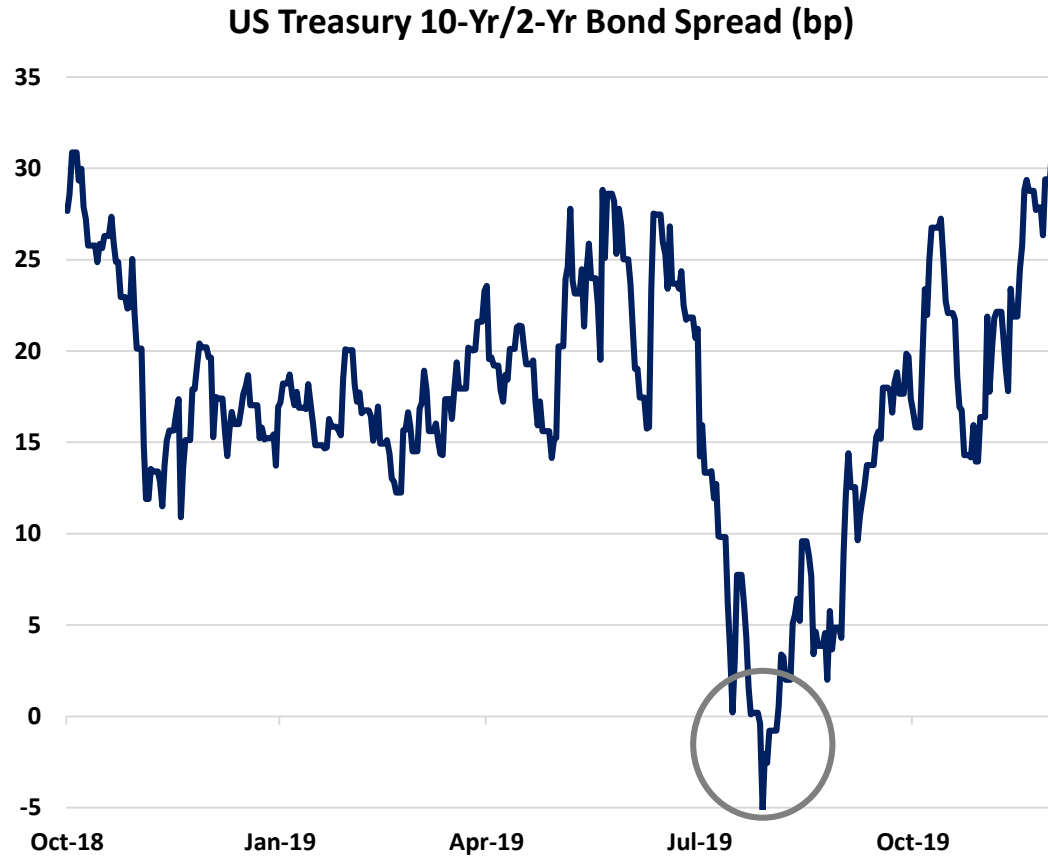


Source: Bloomberg, State Street Bank
Note: One-year returns in local currencies as of 12/31/2019. TRS Trust return is preliminary

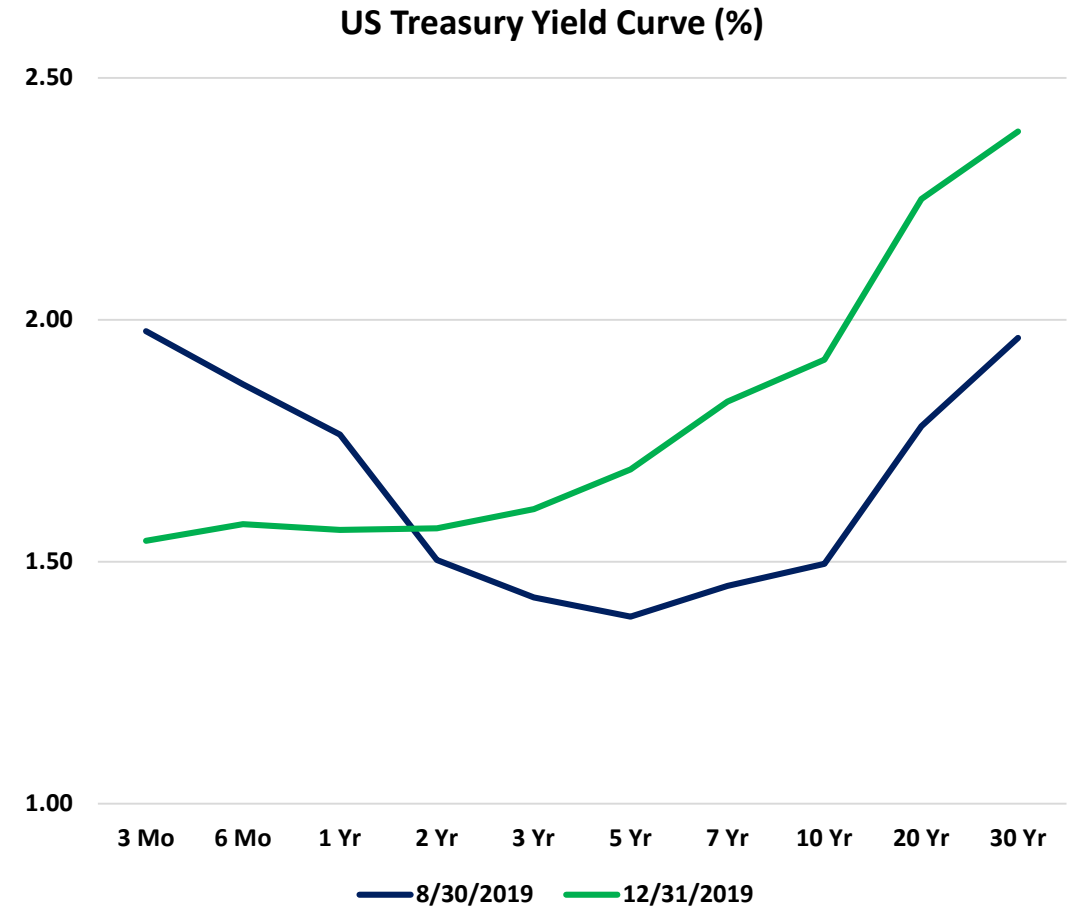
2019 In Review

Yield Curve Inversion

The Treasury curve briefly inverted in August...



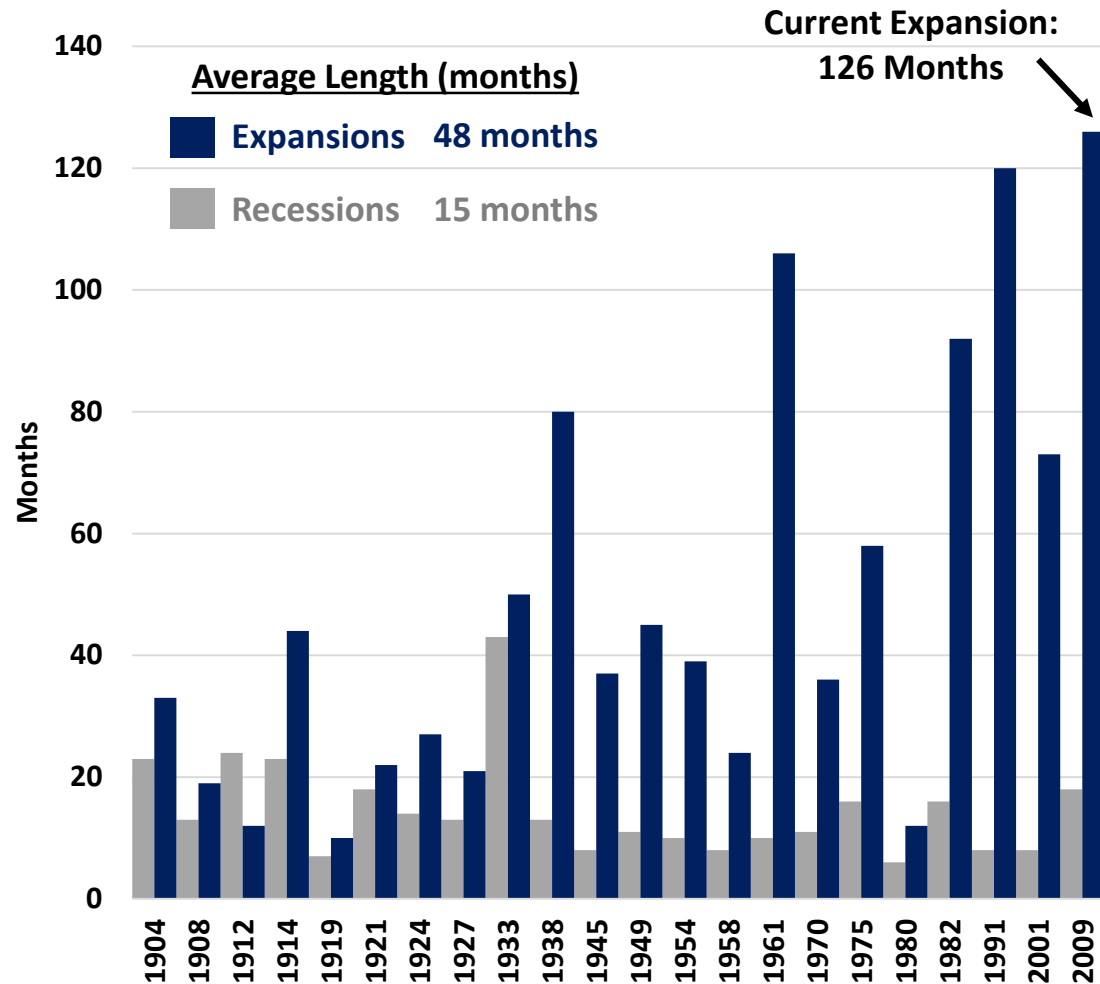
...but has normalized as economic sentiment strengthens



2019 In Review

Economic Resilience

The US expansion continues to show resilience...



Source: National Bureau of Economic Research (NBER), Credit Suisse
Note: As of 12/31/2019

...while the risk of recession appears lower today

- The expansion was closer to ending at the start of 2019. However, the Fed reversed course with its “mid-cycle adjustment.”

Recession Dashboard

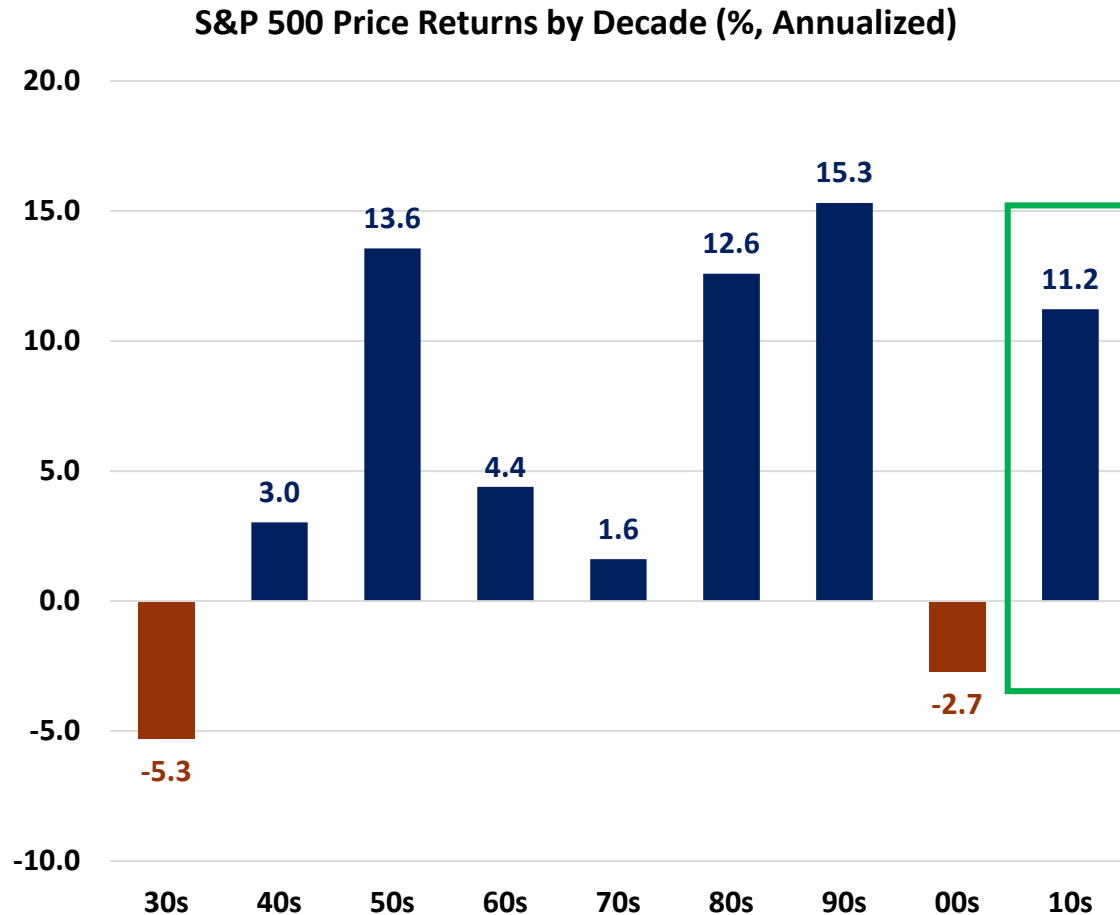
Start of Recession	Yield Curve	Mfg.	Inflation	Jobs	Housing Activity	Credit Perform	Earnings
Nov-73	↓	↓	↓	↓	↓	--	↓
Jan-80	↓	↓	↓	↓	↓	--	↓
Jul-81	↓	↓	↑	↑	↓	--	↓
Jul-90	↓	↓	↓	↓	↓	↓	↓
Mar-01	↓	↓	↓	↓	↔	↓	↓
Dec-07	↓	↓	↓	↔	↓	↓	↓
Present	↔	↓	↑	↑	↑	↑	↔

Key: ↓ Recessionary ↑ Expansionary ↔ Neutral

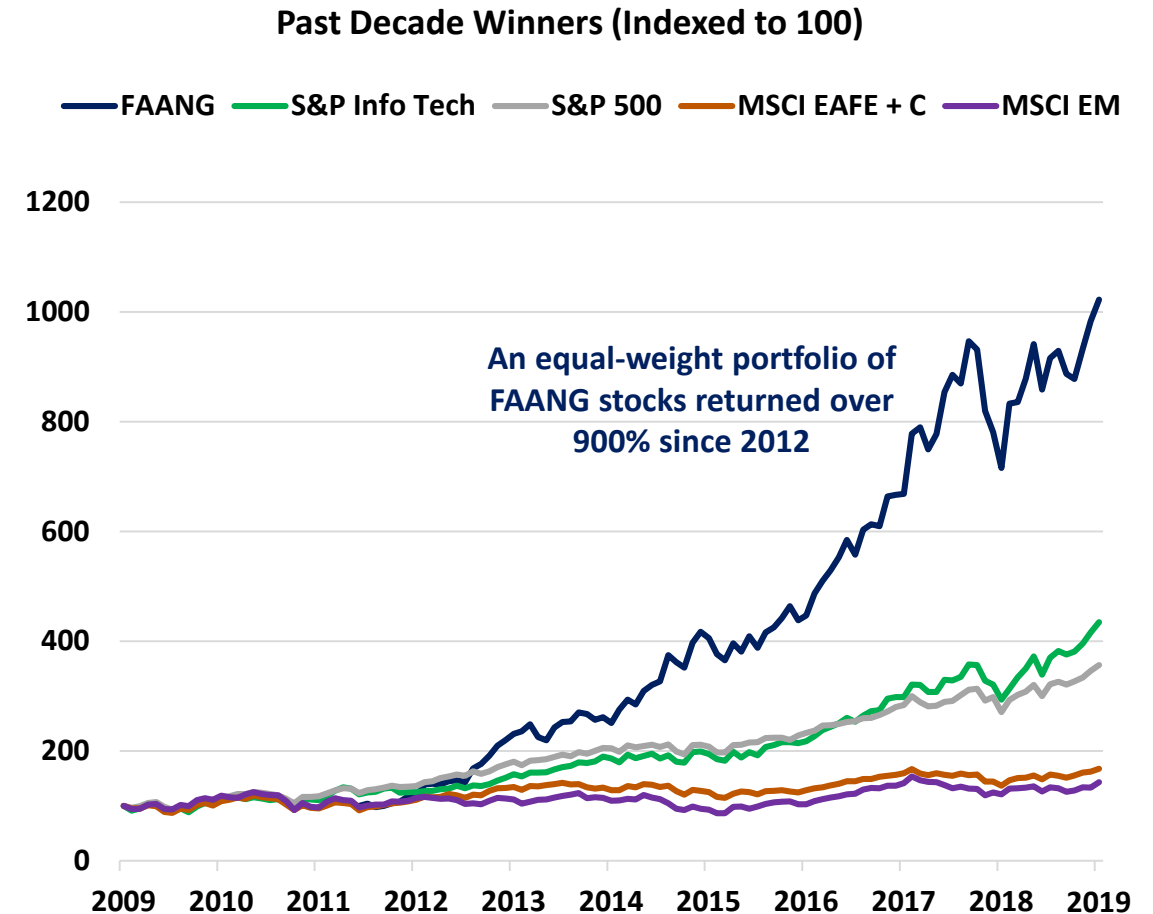
Decade In Review

US Bull Market

Returns were strong over the past decade relative to history...



...especially US Technology and Large-Cap equities

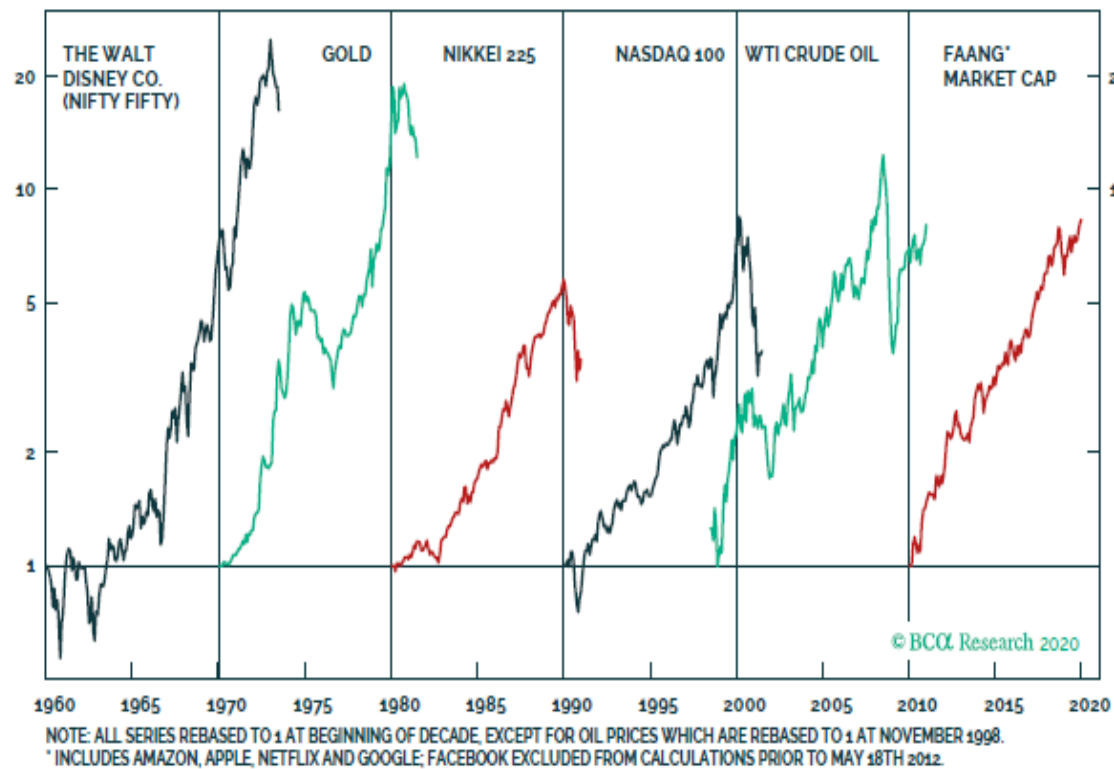


Decade In Review

Winners by Decade

FAANG stocks dominated the last decade...

Manias: An Historical Roadmap



...and substantially grew their share of the S&P 500 market cap



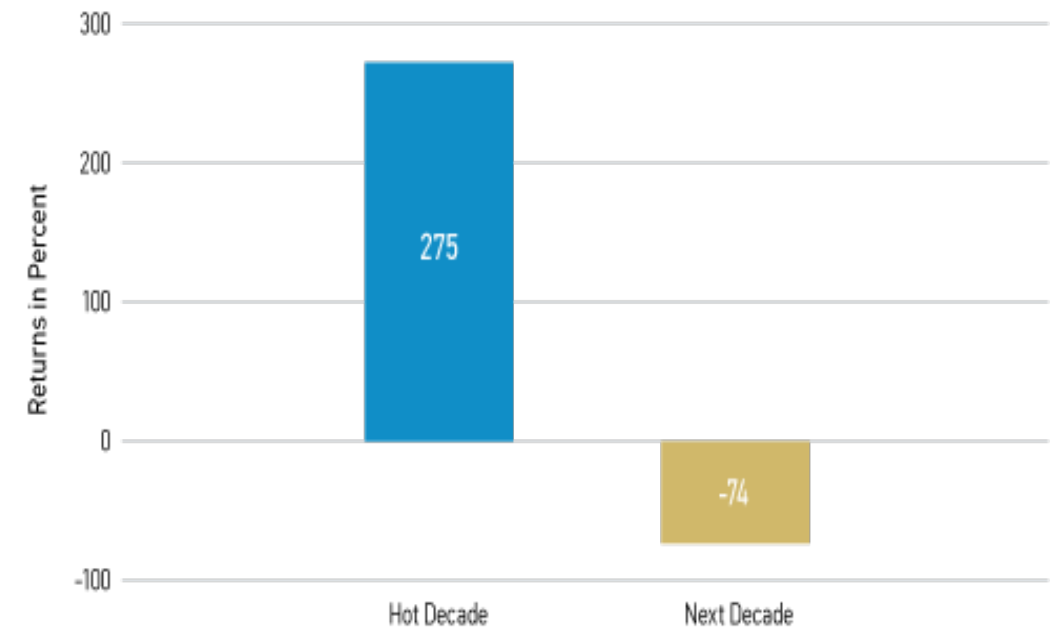
Decade In Review

Winners by Decade (Cont.)

Equity Market Winners by Decade

Decade	Hot Equity Market
1950s	Europe
1960s	US “Nifty Fifty”
1970s	Emerging markets
1980s	Japan
1990s	US Technology
2000s	Emerging Markets
2010s	US Large Cap
2020s	???

Return in Hot Decade and Subsequent Decade (versus ACWI)



Decade In Review

Persistence of Largest Ten Stocks

Ten Largest Market Capitalization Stocks in the World, at the Beginning of Each Year

1980	1990	2000*	2010	2019
IBM	Nippon Tel and Tel	Microsoft	PetroChina	Microsoft
AT&T	Bank of Tokyo-Mitsubishi	General Electric	Exxon Mobil	Apple Inc.
Exxon Mobil	Industrial Bank of Japan	NTT DoCoMo	Microsoft	Amazon
Standard Oil	Sumitomo Mitsui Banking	Cisco Systems	ICBC	Alphabet Inc.
Schlumberger	Toyota Motors	Wal-Mart	Wal-Mart	Berkshire Hathaway
Shell	Fuji Bank	Intel Corporation	China Construction Bank	Facebook
Mobil	Dai-ichi Kangyo Bank	Nippon Tel and Tel	BHP Billiton	Tencent
Atlantic Richfield	IBM	Exxon Mobil	HSBC	Alibaba Group
General Electric	UFJ Bank	Lucent Technologies	Petrobras	Johnson & Johnson
Eastman Kodak	Exxon Mobil	Deutsche Telekom	Apple Inc.	JPMorgan Chase

Legend:

Black = US Company

Blue = Non-US Company

Drops off List Next Period

A vertical dotted line in white, located on the left side of the dark blue banner.

Special Topic: Diversification

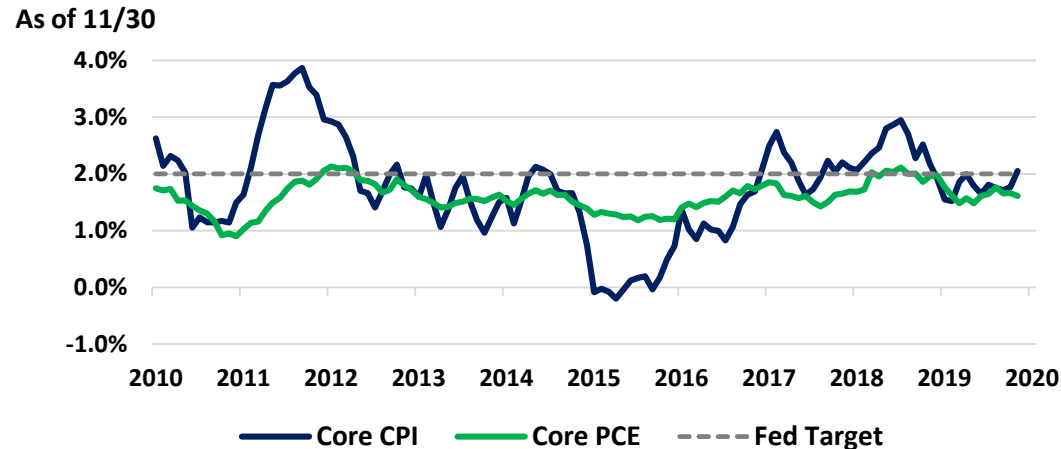
Special Topic: Diversification

Overview

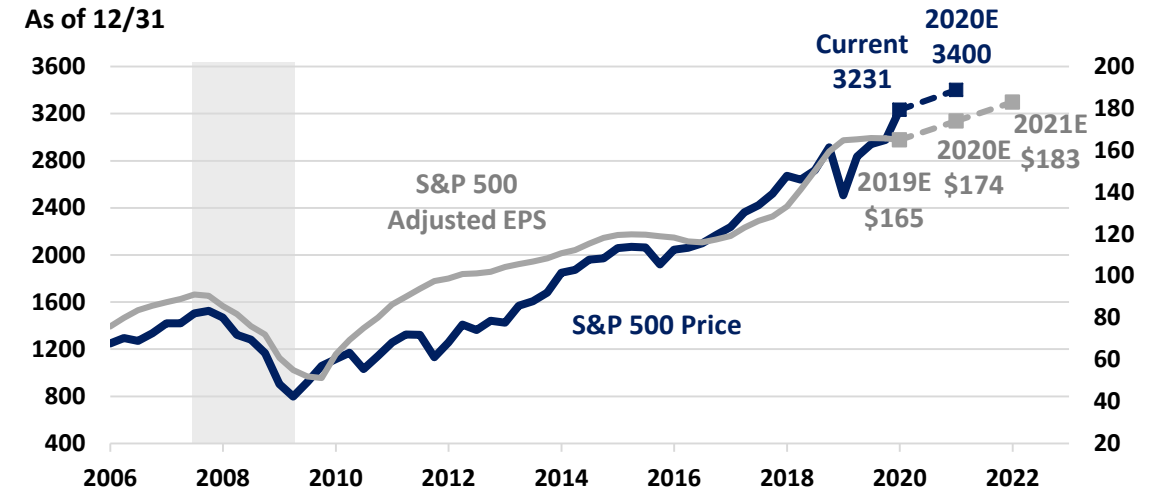
Special Topics

Topic	Date
Recession	September 2017
Growth	February 2018
Inflation	September 2018
Strategic Asset Allocation	February 2019
Value	September 2019
Diversification	February 2020

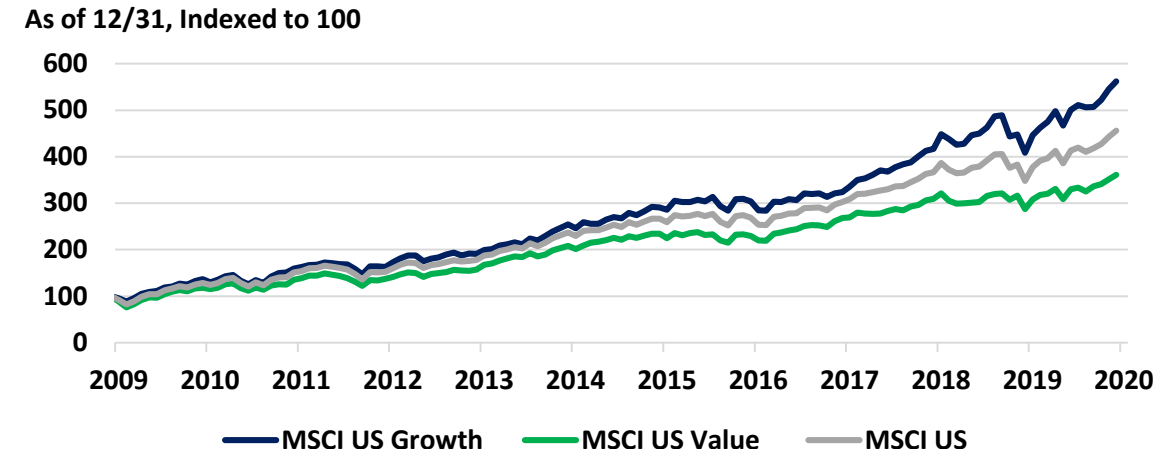
Update on Inflation Special Topic



Update on Growth Special Topic



Update on Value Special Topic



Special Topic: Diversification

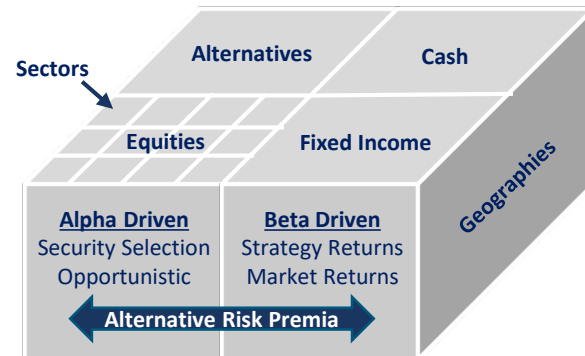
What is Diversification?

Diversification

- **Diversification** is the practice of spreading investments across several different assets to help minimize risk...

...and it comes in multiple forms.

- Asset Classes
- Sectors
- Strategies
- Geographies
- Time
- Liquidity



“Diversification is the only free lunch in finance”

– Harry Markowitz

Diversification Over the Last Decade

- However, diversification has not worked as well over the past ten years

Asset Allocation	Return		
	3Y	5Y	10Y
60% US Equity / 40% US Bonds	10.5%	8.2%	9.7%
60% Global Equity / 40% US Bonds	9.4%	6.6%	7.2%
Risk Parity	8.8%	6.0%	9.1%

Less Diverse



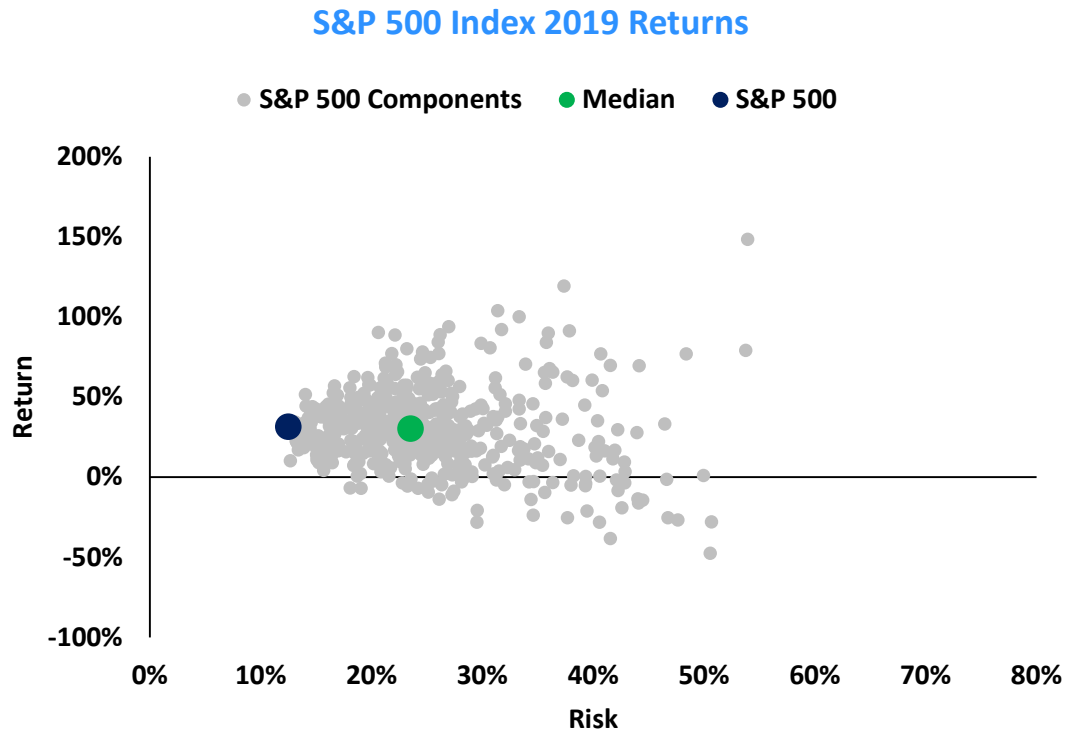
More Diverse

Special Topic: Diversification

Implications of Diversification

S&P 500 Example

- Combinations of assets can have a higher return for the same level of risk than a single asset



Managing Risk Effectively is an Important Priority for the Trust

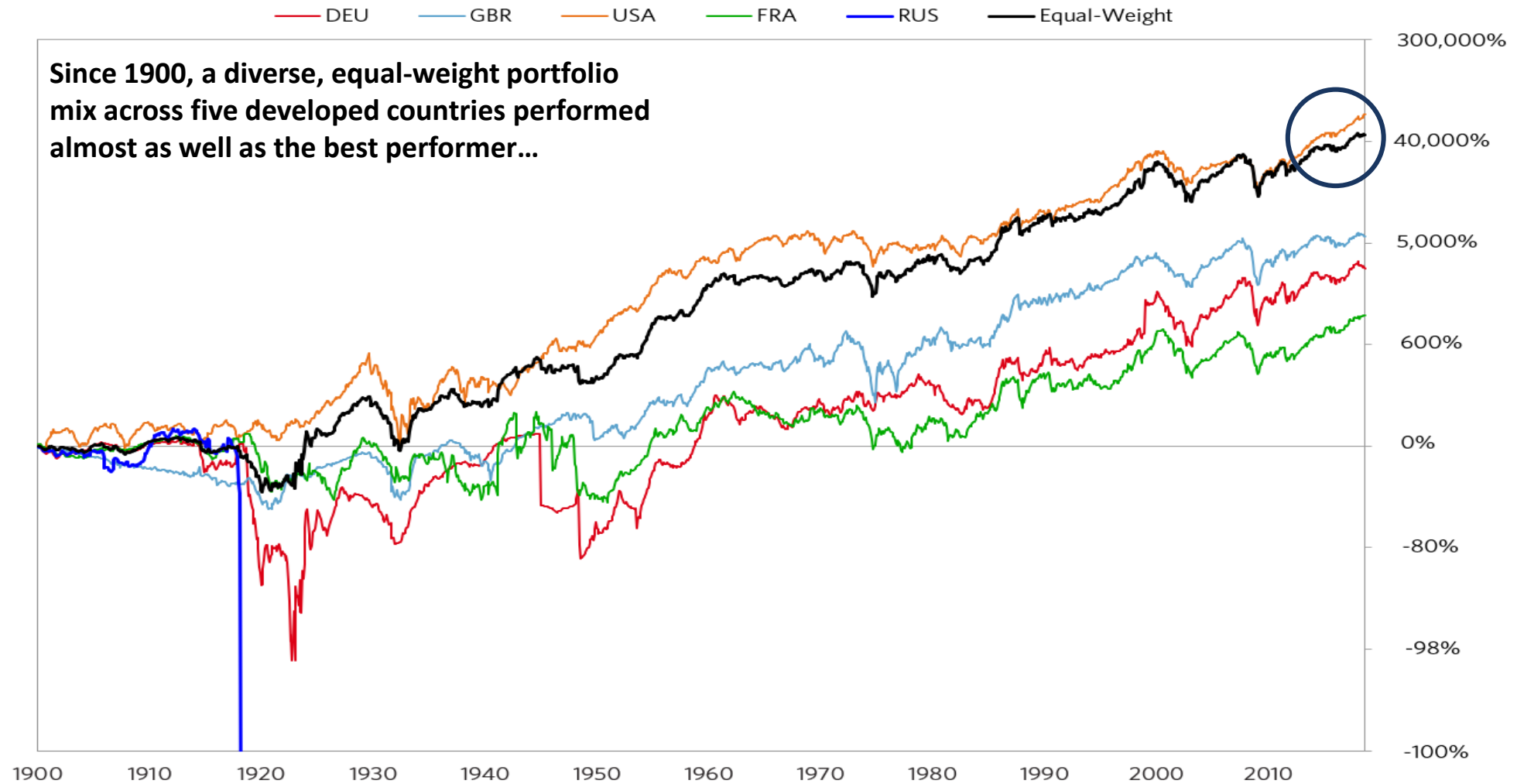
Trust Asset Classes Using SAA Capital Market Assumptions



Special Topic: Diversification

Long-Term Value

Equity Market Cumulative Excess Returns since 1900 (In Scale)



Special Topic: Diversification

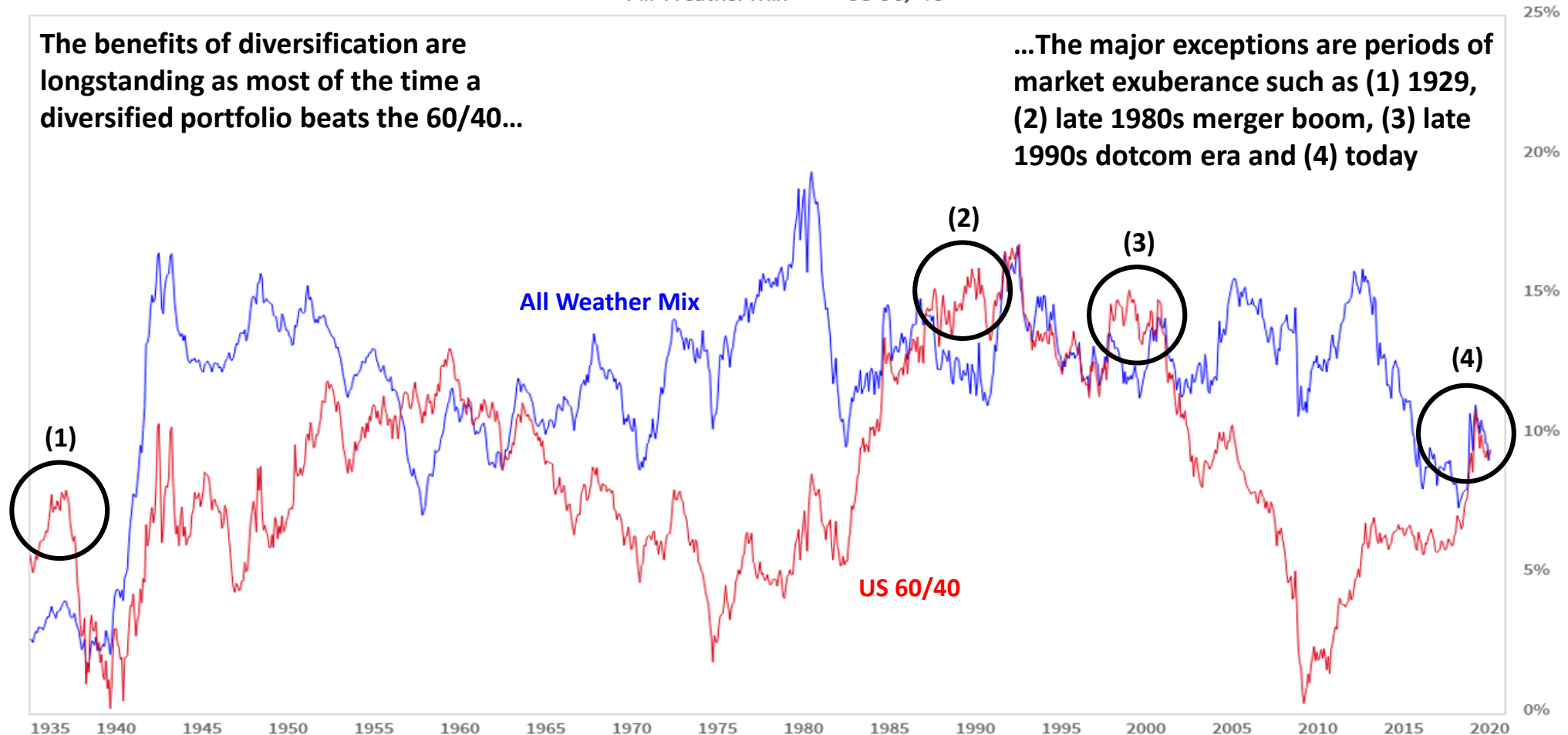
Long-Term Value (Cont.)

10 Year Rolling Total Returns (1925 - 2019, Ann., All Weather Mix Simulated)

— All Weather Mix — US 60/40

The benefits of diversification are longstanding as most of the time a diversified portfolio beats the 60/40...

...The major exceptions are periods of market exuberance such as (1) 1929, (2) late 1980s merger boom, (3) late 1990s dotcom era and (4) today



Market Update

Conclusion

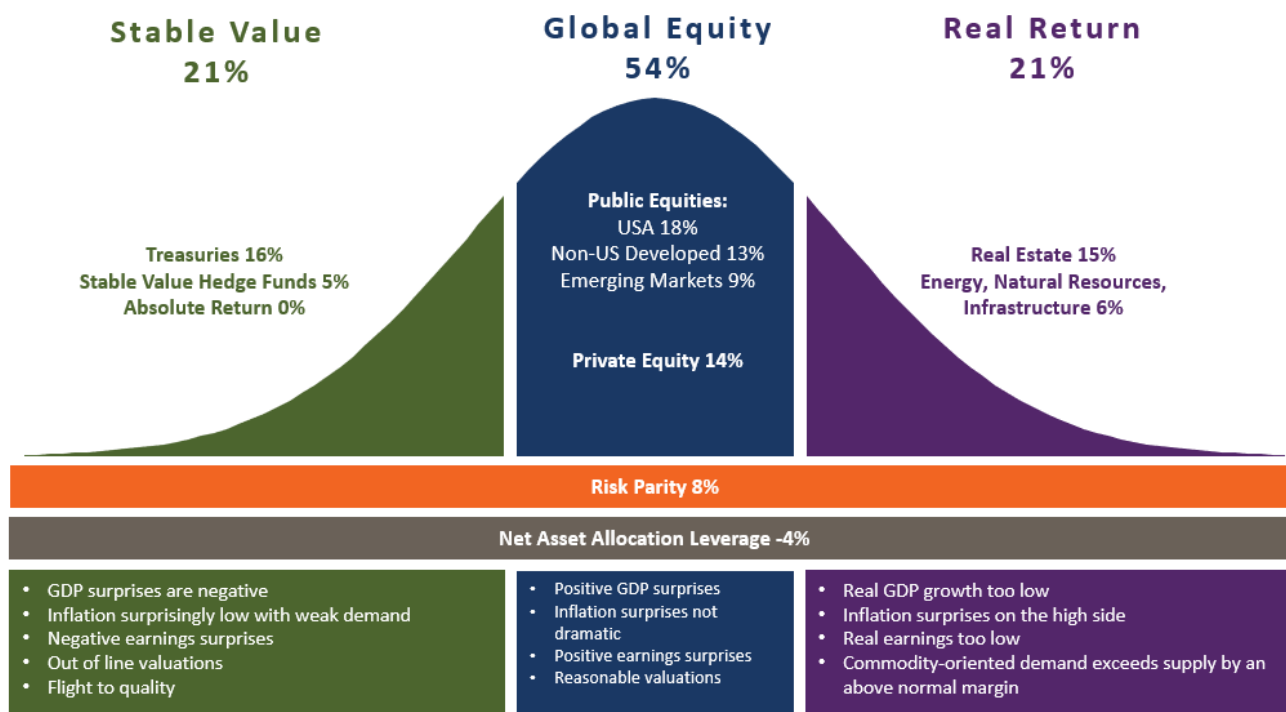
- Market Update
 - The second half of 2019 was characterized by bullish performance in global equity markets, led by the US, amid a global shift towards easing of monetary policy and economic resilience
 - Over the first half of 2020, global markets are expected to continue to extend the momentum of strong performance propelled by easing trade tensions and monetary policy, and a lowered risk of recession
- Special Topic: Diversification
 - A long-held belief by investors is that diversification can generate higher returns by spreading investments across several different assets to help minimize risk
 - Combinations of securities produce different levels of risk and return and often times have a higher return for the same level of risk than a single asset
 - Over the long-term, diversification has helped investors produce strong risk-adjusted returns and remains a top priority for the Trust

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Appendix

Strategic Asset Allocation

Diversification Framework



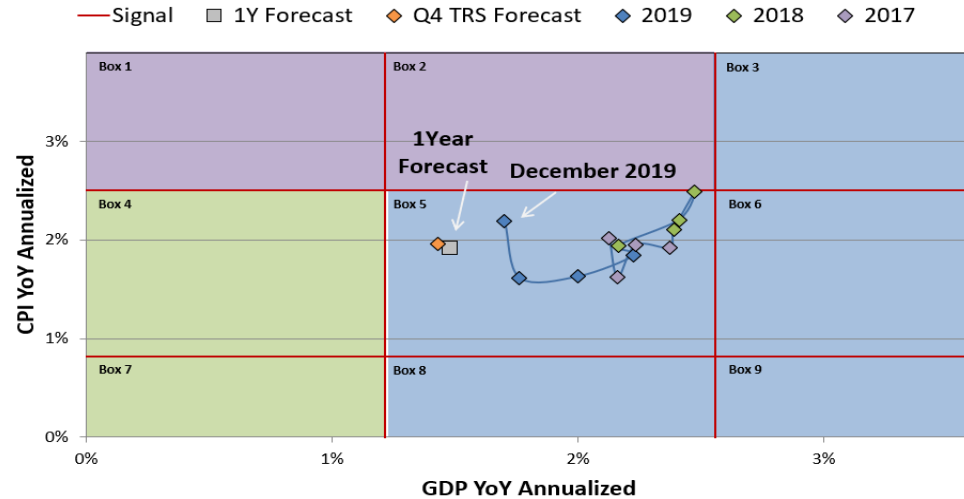
Strategic Asset Allocation

USA	18%	} Public Equities
Non-US Developed	13%	
Emerging Markets	9%	
Private Equity	14%	
Total Global Equity	54%	
US Treasuries	16%	
Absolute Return	0%	
Stable Value Hedge Funds	5%	
Total Stable Value	21%	
Real Estate	15%	
Energy, Natural Resources & Infrastructure	6%	
Total Real Return	21%	
Total Risk Parity	8%	
Net Asset Allocation Leverage	-4%	
Total Trust	100%	

Macroeconomic Update

Inflation, Growth, LEI

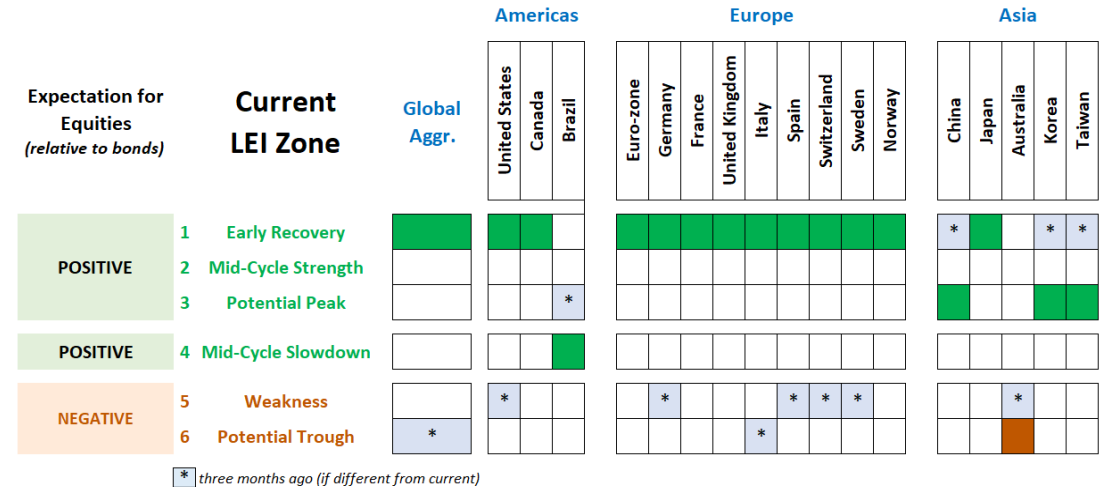
USA 9-Box



Global 9-Box

	June 2019	September 2019	December 2019
US	Box 5	Box 5	Box 5
Europe	Box 2	Box 8	Box 5
Japan	Box 5	Box 5	Box 4
China	Box 5	Box 2	Box 5
EM ex-China	Box 5	Box 5	Box 5

Leading Economic Indicators



Government Bond Yields and ERP¹

Region	10yr gov. bond yields ²	Equity Risk Premium	
		Current	10-Year Average
USA	1.9%	3.0%	3.8%
Eurozone	-0.2%	6.5%	6.0%
UK	0.8%	6.3%	5.5%
Japan	0.0%	6.5%	5.7%
Emerging Markets	3.1%	3.7%	3.8%

Source: Bloomberg, FactSet, TRS IMD, Blackrock as of 12/31/2019

¹ Equity Risk Premium is the earnings yield of the local equity market index less applicable 10 year government bond yield

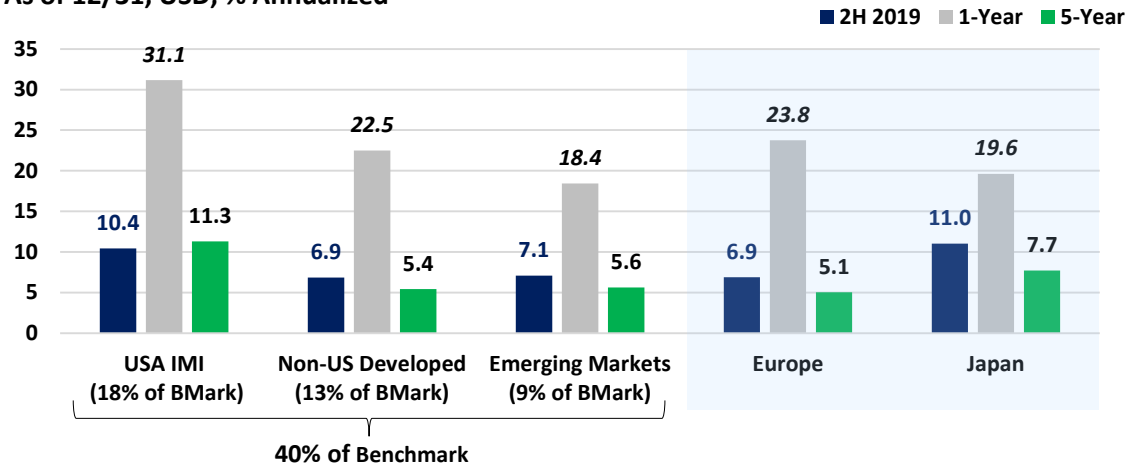
² For USA, 10yr US Treasuries; for Europe, 10yr German gov. bonds; for Japan, 10yr Japanese gov. bonds; for EM, a blend of 10yr Chinese, South Korean, and Brazilian gov. bonds

Public Equities

40% of TRS Policy Benchmark

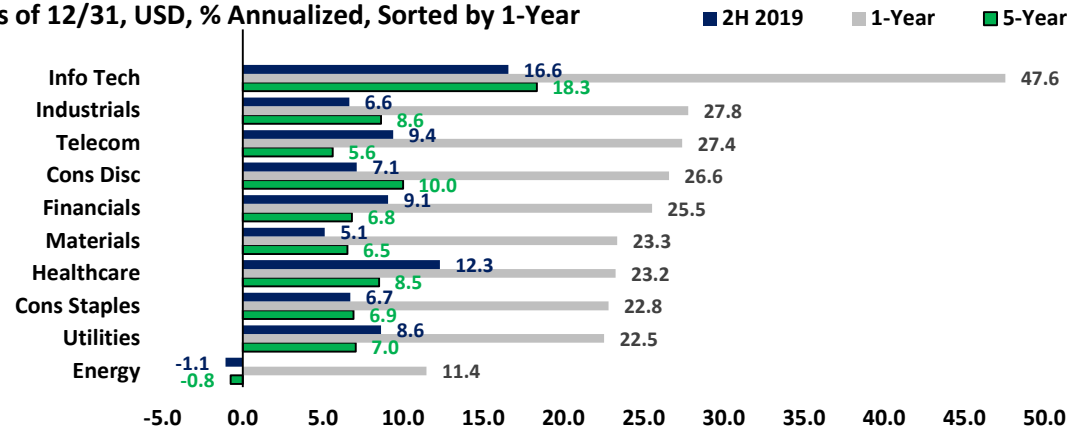
Regional Performance

As of 12/31, USD, % Annualized



Global Sector Performance

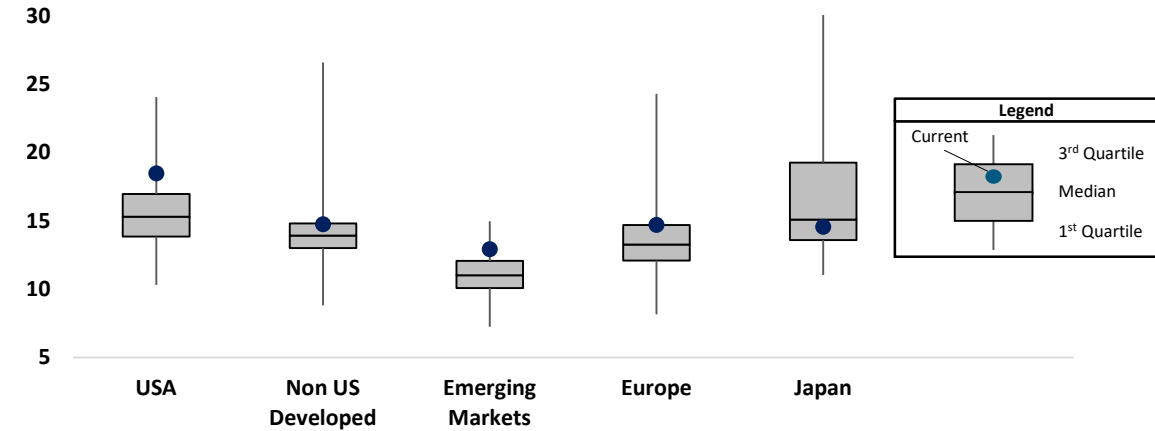
As of 12/31, USD, % Annualized, Sorted by 1-Year



Source: Bloomberg, FactSet
Note: All returns are in US Dollar terms

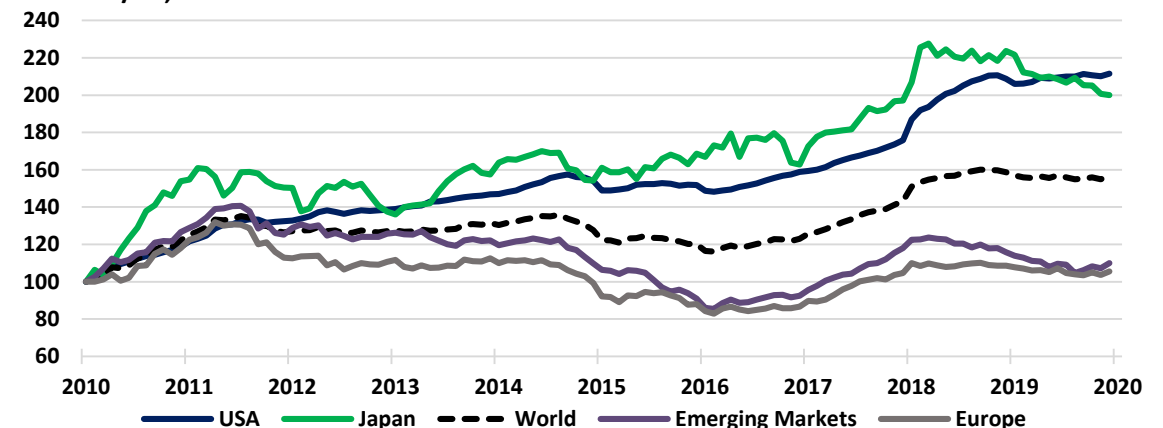
Regional Valuations

As of 12/31, Forward PE (1999-2019)



Regional Earnings

As of 12/31, Forward EPS Indexed to 100

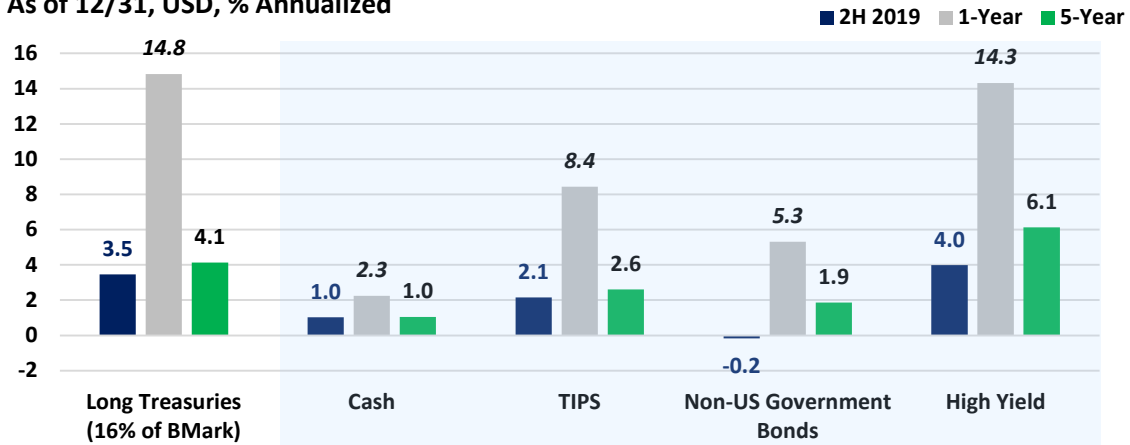


Fixed Income

16% of TRS Policy Benchmark

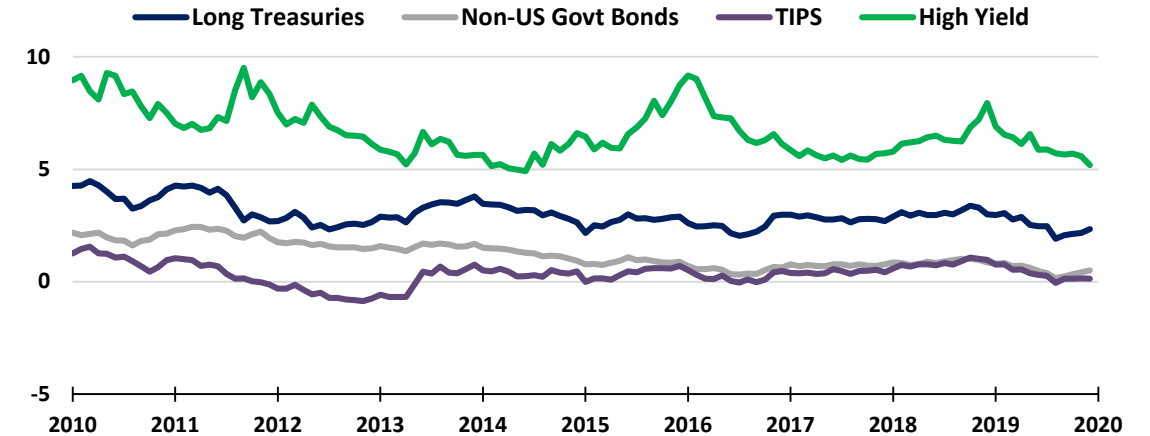
Performance

As of 12/31, USD, % Annualized



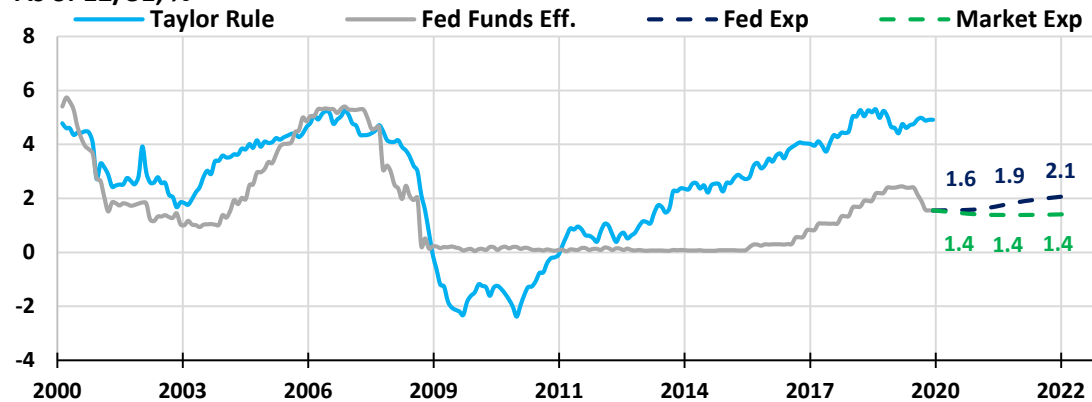
Yields

As of 12/31, %



Cash Rate¹

As of 12/31, %

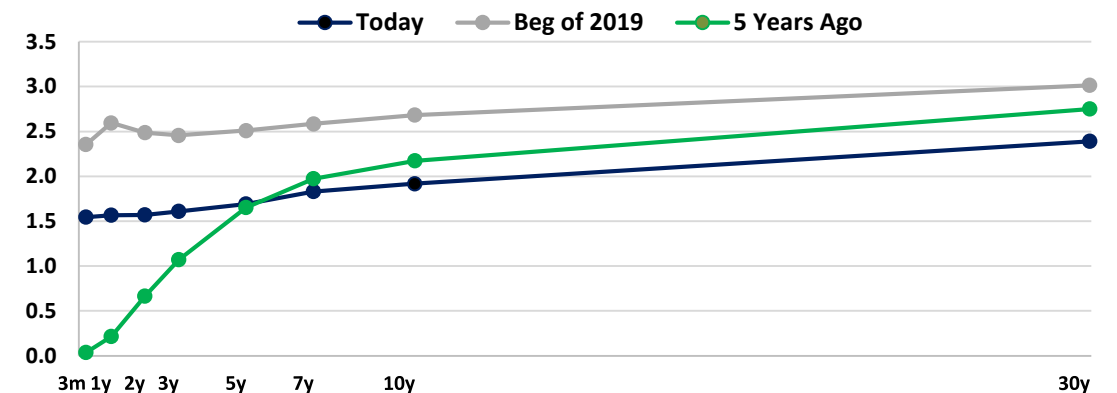


Source: Bloomberg, MSCI, FactSet (note all returns are in US Dollar terms)

¹Taylor Rule Definition: A central bank nominal policy rate set equal to a neutral real rate plus the current level of inflation, which responds to changes in the inflation gap (as measured by the difference between the current rate of inflation and the central bank's inflation target) and the output gap (as measured by the difference between NAIRU and the current unemployment rate).

US Yield Curve

As of 12/31, Yield to Maturity, %

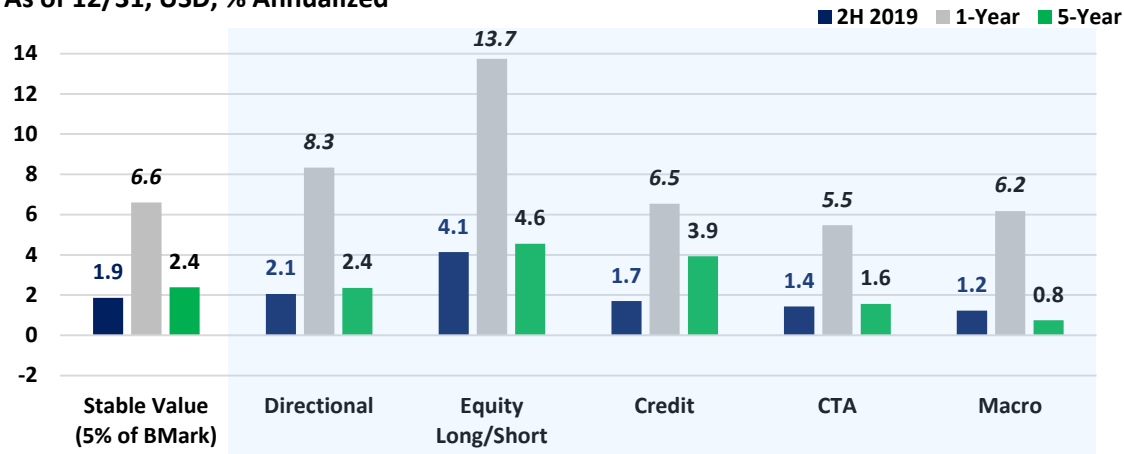


Hedge Funds

5% of TRS Policy Benchmark

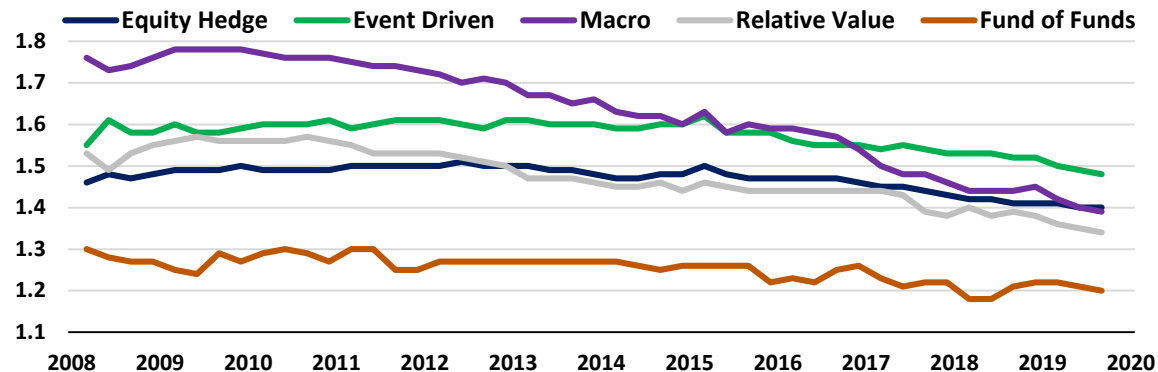
Performance

As of 12/31, USD, % Annualized



Average Hedge Fund Fees

As of 9/30, Average Management Fee Per Strategy (%)



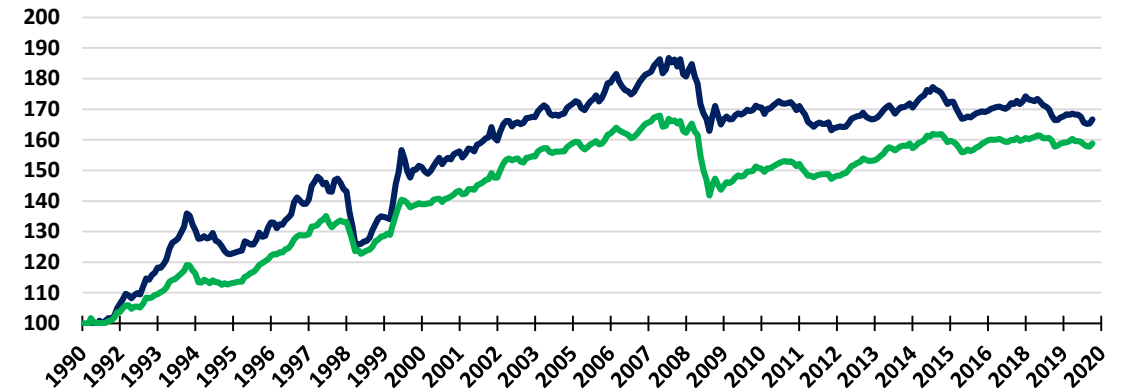
Source: Bloomberg, HFR

¹Jensen's alpha is a measure of alpha versus the equity market at equivalent risk. For example, if hedge funds are 20% as risky as the market then they are judged to have a 20% equity/80% cash benchmark.

Alpha Versus Equivalent Risk Equity¹

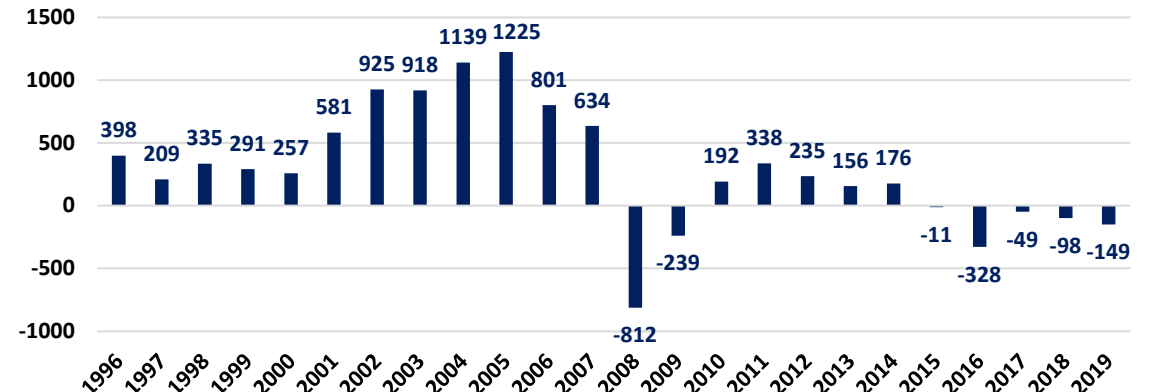
As of 12/31, Cumulative Jensen's Alpha, Indexed to 100

Directional HFs (HFRI FOF Index) Stable Value HF (HFRI FOFC Index)



Hedge Fund Launches v. Liquidations

As of 9/30, Count of Net Launches (Launches – Liquidations)

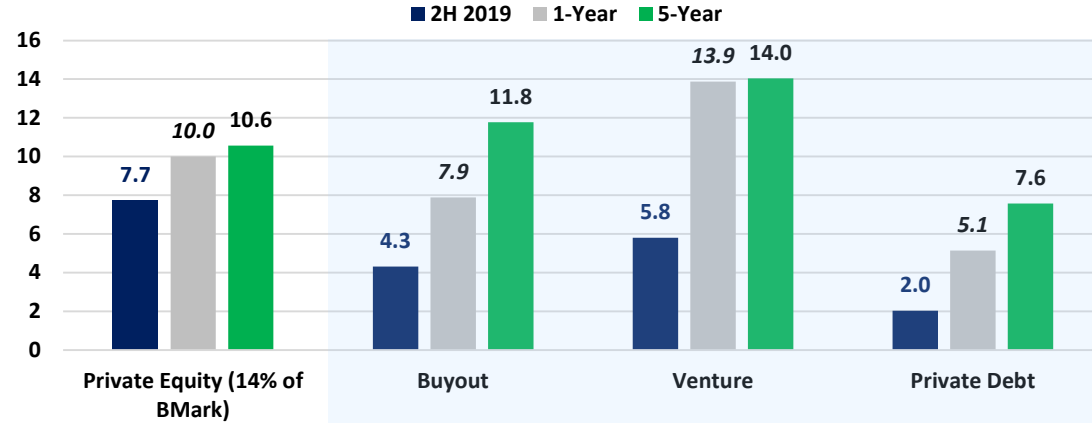


Private Equity

14% of TRS Policy Benchmark

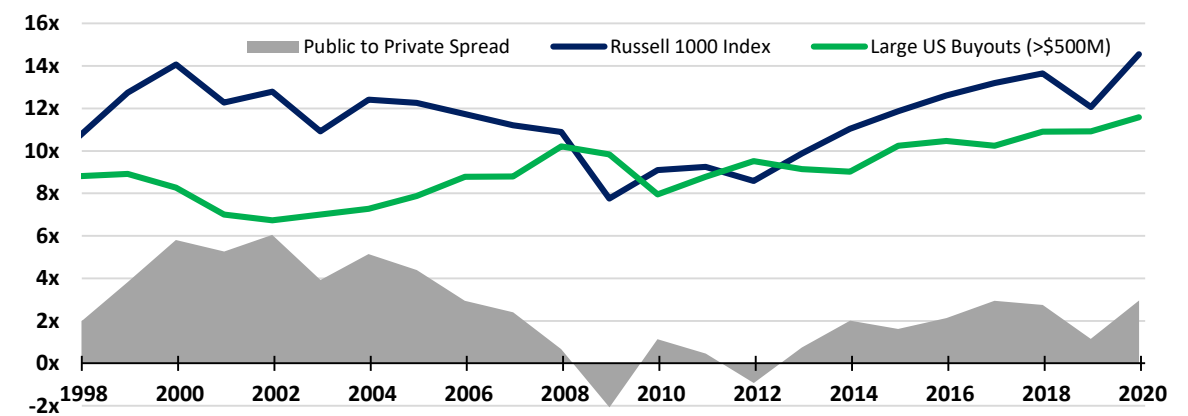
Performance¹

As of 12/31, % Annualized



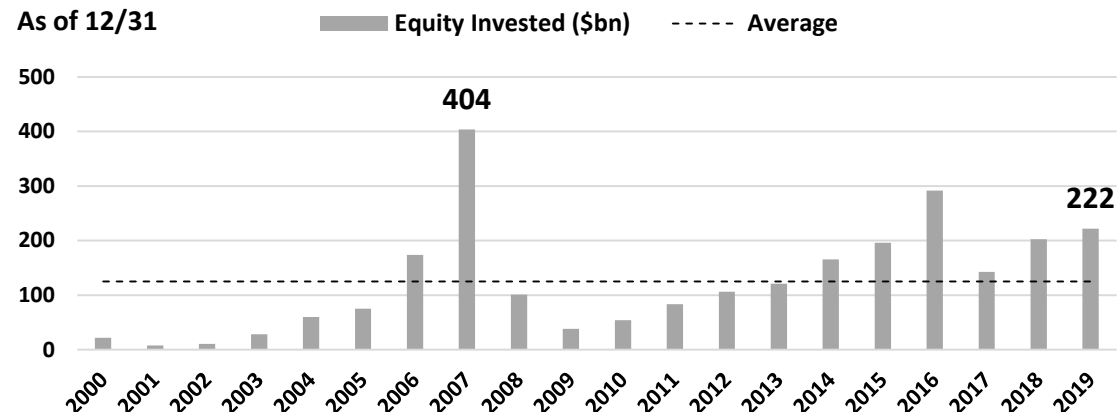
Multiples

As of 12/31



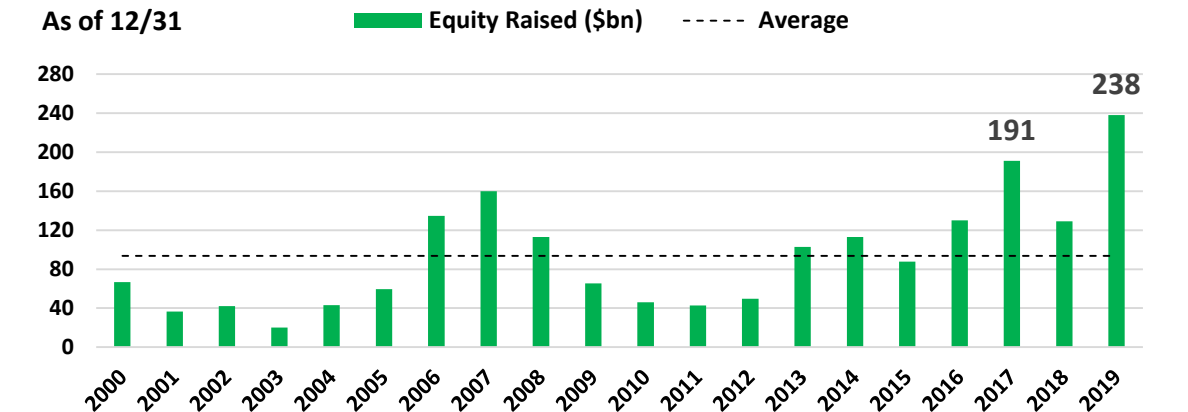
Transaction Volume

As of 12/31



Fundraising Activity

As of 12/31



Source: State Street Bank, Preqin, S&P, Dealogic

Note: Market data for US Large Buyout Market unless specified otherwise

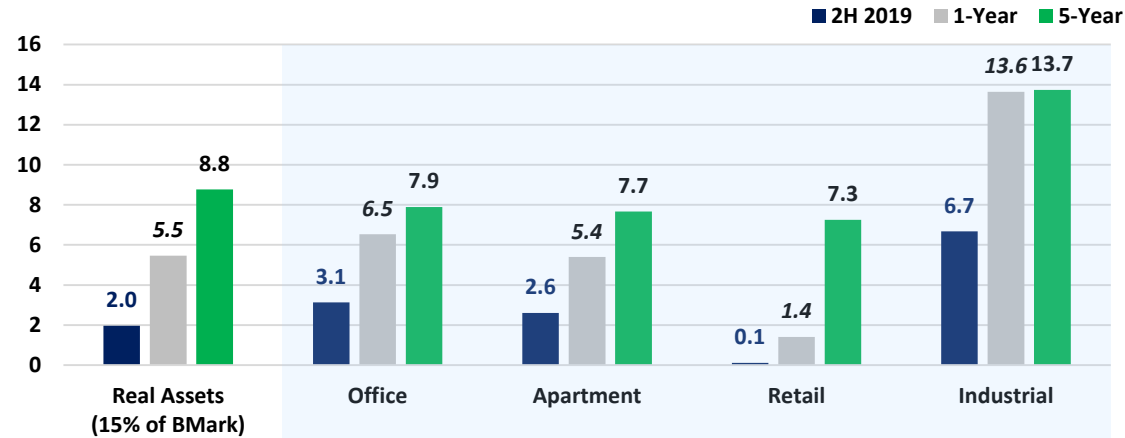
¹PE Benchmark performance shown as TWRs, PE Strategy (Buyout, Venture, Private Debt) performance shown as IRRs. PE Benchmark and Strategy performance based on valuations as of 9/30/2019.

Real Estate

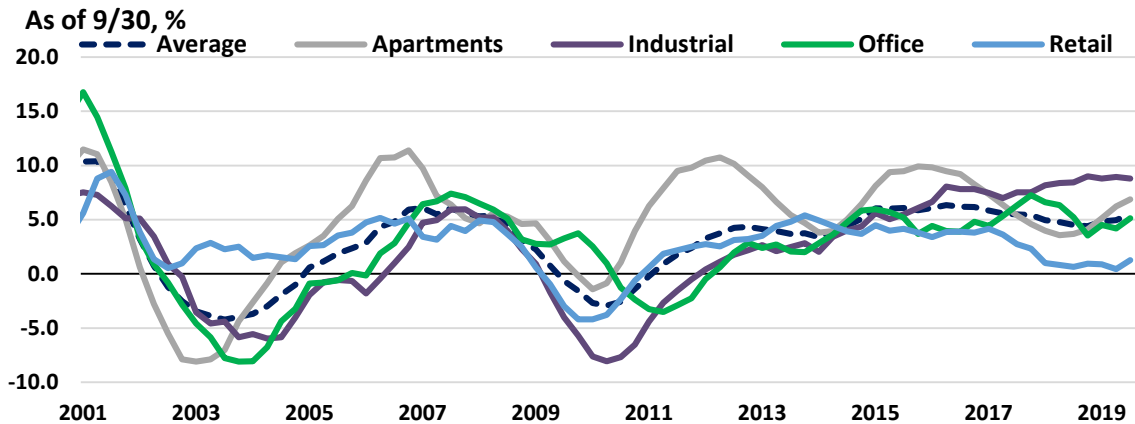
15% of TRS Policy Benchmark

Performance¹

As of 12/31, % Annualized



Income Growth

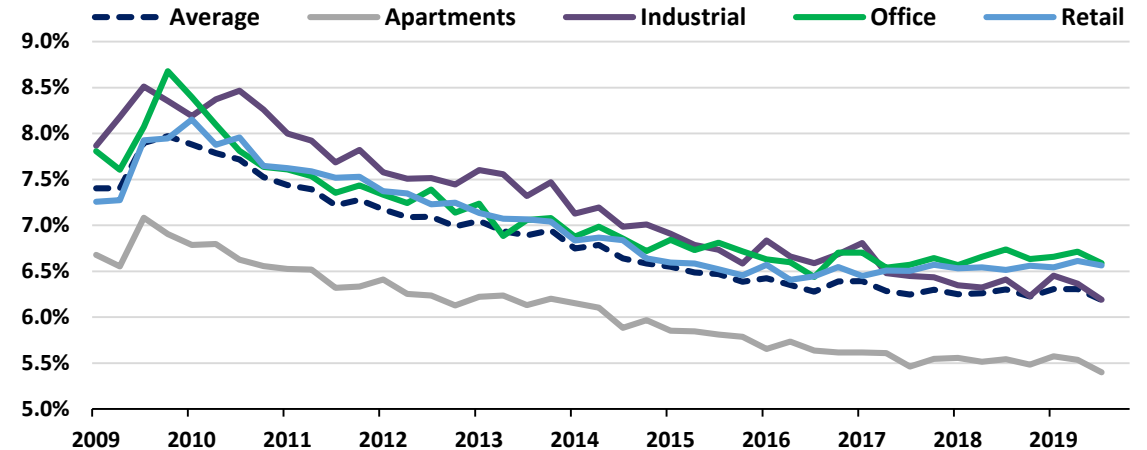


Source: Bloomberg, NCREIF, Real Capital Analytics, State Street Bank

¹Property Type Return Indices are Property-level indices and do not reflect leverage or asset management fees, whereas NCREIF ODCE is a fund-level index and is levered and net of fees. Returns are for US-based properties only. Real Estate Benchmark and Strategy performance (Office, Apartment, Retail, Industrial) shown as TWRs based on valuations as of 9/30/2019.

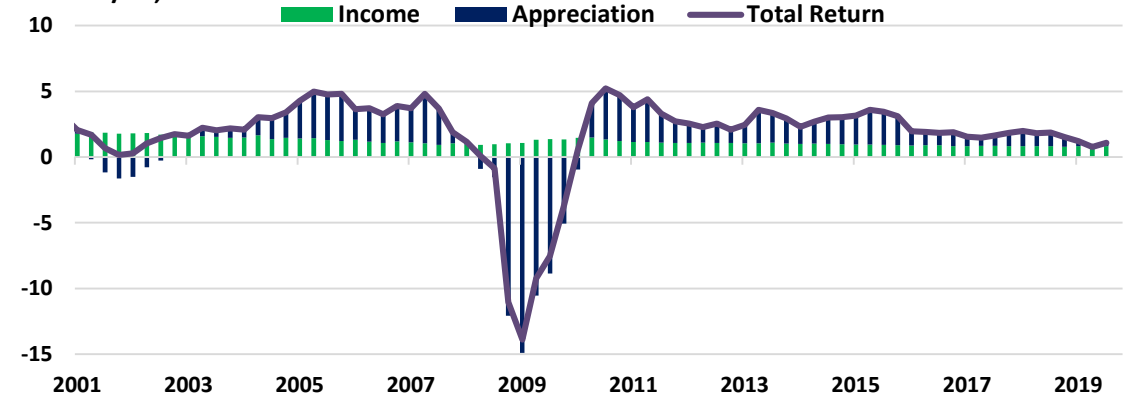
Cap Rates

As of 9/30, %



Composition of Returns

As of 9/30, %

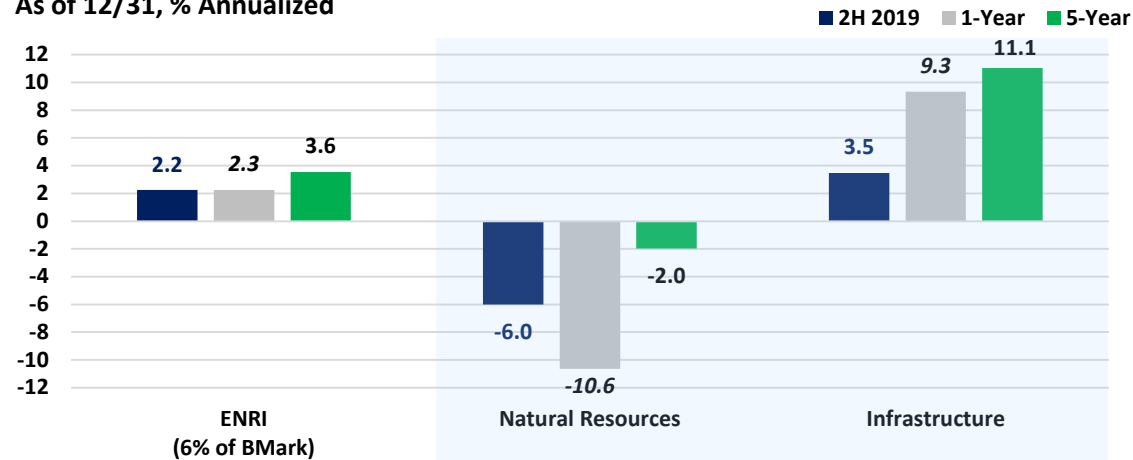


Energy, Natural Resources and Infrastructure

6% of TRS Policy Benchmark

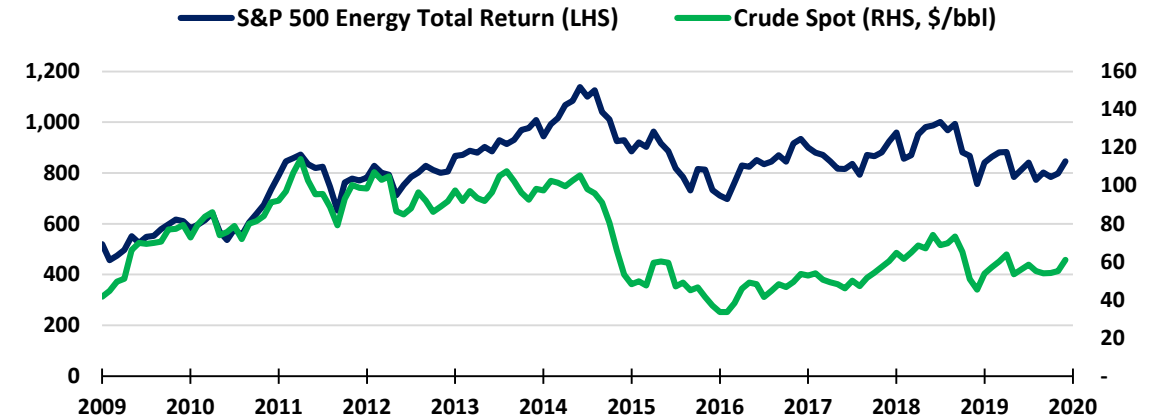
Performance¹

As of 12/31, % Annualized



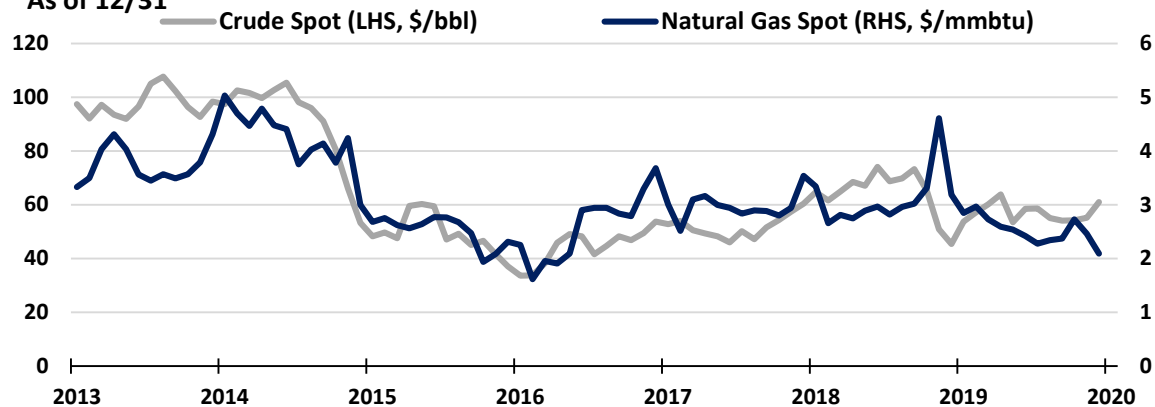
Energy Equity Performance

As of 12/31



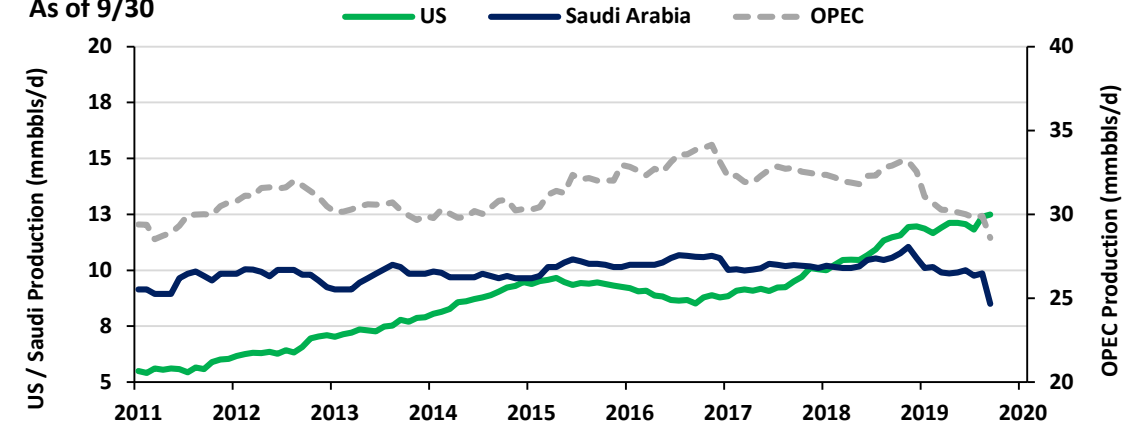
Energy Prices

As of 12/31



Oil Market Production

As of 9/30



Source: State Street Bank, Bloomberg, Cambridge, EIA

¹ENRI Benchmark performance shown as TWRs, ENRI Strategy (Natural Resources and Infrastructure) shown as IRRs. ENRI benchmark and Strategy performance based on valuations as of 9/30/2019

TAB 13



Teacher Retirement System of Texas

Select Broker for Red River Assessment

Brian Guthrie, Executive Director
February 20, 2020



Long Term Facilities

Red River Broker Solicitation

Solicitation for brokerage services for the potential disposition of the Red River property:

- RFP issued; multiple finalists interviewed

Scope of Work:

- Evaluate highest and best use of the TRS Red River Headquarters property, including fee simple sale, ground lease, or contribution to a joint venture.



TAB 17



Teacher Retirement System of Texas

DIVERSITY, EQUITY AND INCLUSION UPDATE

Kellie Sauls
February 21, 2020



Overview

Agenda:

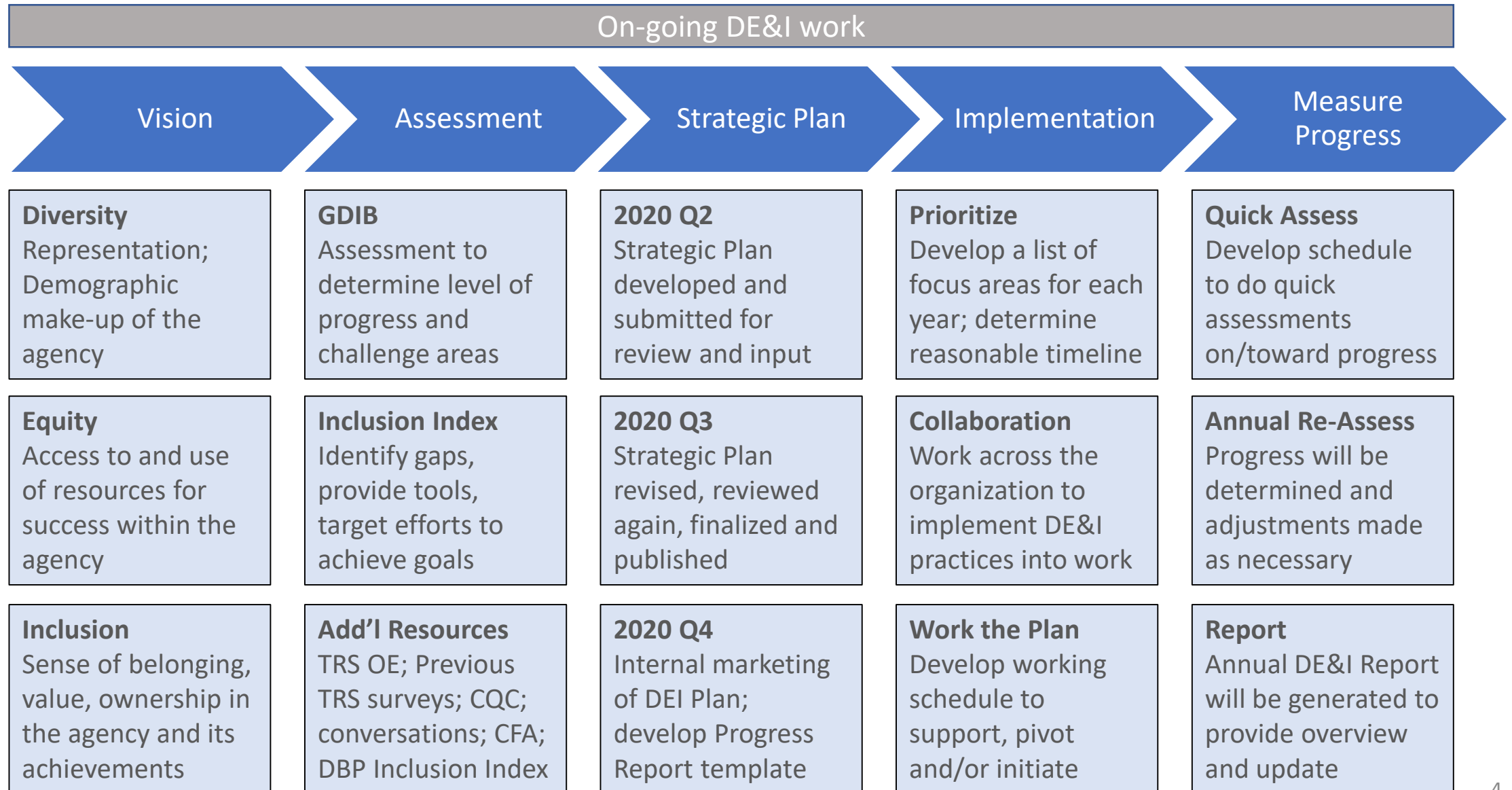
- Vision
- Approach to DE&I at TRS
- Status
- Concurrent DE&I Work
- On Horizon

Vision

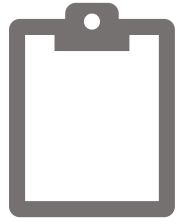
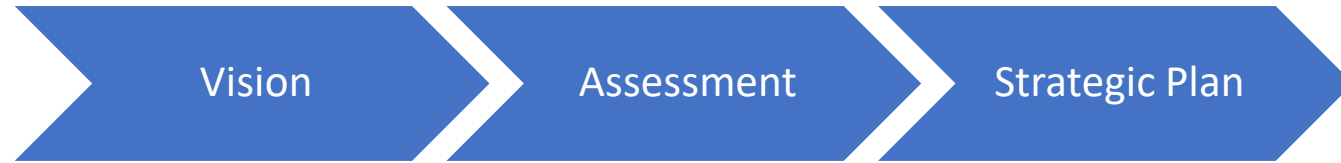
Diversity, Equity and Inclusion for TRS

All areas of the organization will reflect the diversity of the state of Texas, promoting our culture of inclusion and belonging. All employees across the organization will professionally thrive, grow and achieve a high level of professional satisfaction knowing they have been encouraged and supported in their contribution to the achievement of the organization's mission.

Approach

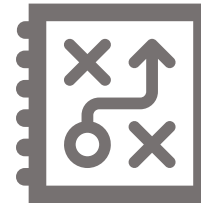


Status



Assessment Phase

- LDP Report (OE)
- Focus Groups Report (OE)
- OE Data Analysis
- GDiP Assessment
- DBP Inclusion Index



Strategic Plan Phase

- Detailed outline created
- TRS Employee Diversity Council
- Further development and revision

Success Measures

Diversity

Representation;
Demographic
make-up of the
agency



- Diversity hires at all levels across the organization
- Diversity retention
- Reflection of demographic make-up of the state

Equity

Access to and use
of resources for
success within the
agency



- Increased use of professional development opportunities
- Established internal promotion support program
- Activated diversity pipeline succession plan

Inclusion

Sense of belonging,
value, ownership in
the agency and its
achievements



- Higher engagement survey ratings
- Progression in GDiB[®] Assessment and DBP[®] Inclusion Index
- TRS Leadership all with DE&I related training

Concurrent

TRS Employee Diversity Council



Peter Parchesky
IT – Project Management Office



Roxanne Quintero
IT – Client Services



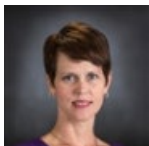
Samantha Cochran
IMD – Talent Management



Ryan Leary
IMD – Asset Allocation Group



Demetrius Pope
IMD – Trading Center



Averi Mullins
HIB – Operations



Sunitha Downing
IT – Proj Mgt Office



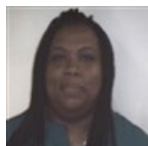
Nathan Ward
Internal Audit



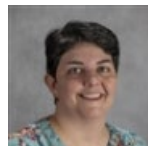
Jenna Saldana
OE – Org Change Mgt



Anas Alkhoffash
OE – Compensation



Rochelle Taylor
Benefit Services – Counseling



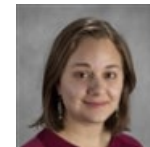
Toma Miller
Strategic Initiatives



Alan Roa
Benefit Services – Processg



Jackson Wu
IMD – Int'l Public Mkts



Lianna Gonzalez
HIB – Operations



Anandhi Mani
Finance – Invest Acctg



Brandi Gardner
Benefit Serv – Reporting



Renay Washington
L&C – Compliance Counsel

Concurrent

Projects: Communications and IT

DE&I at TRS Branding Effort

DE&I Intranet Site

TRS Stories

Training

Cultural Intelligence

Unconscious Bias

Allyship Training



HUB Forum

Outreach

Promotion

Support Day of

Diversity Recruitment

IMD

Pipeline Development

Referrals

Community Engagement

Community Outreach and Partnership



On Horizon

Employee Affinity Groups

Employee Resource Groups (ERGs)

Women at IMD

Women in TRS Tech

Diversity Recruiting Pipeline

Austin Youth Council – Youth Career Fest

National Association of Black Accountants, Western Region Student Conference

TAB 18



Teacher Retirement System of Texas
Investment Management Division

Emerging Managers

Kirk Sims, Head of Emerging Manager Program
February 2020



Executive Summary

Key Objectives

Outperformance

- 8.6% 1-year and 11.1% 3-year net returns, exceeding benchmarks by 207bps and 142bps, respectively
 - \$3.8 billion underlying allocations since inception
 - \$633 million approved to be allocated across 29 emerging managers in 2019

Diversity

- 52% of total allocations since inception, and 64% of allocations in 2019 have been made to Minority and Women-Owned managers

Manager Graduation

- Since program inception, 7 managers have been promoted to the TRS Premier List and received a Trust-level commitment
- Trust-level commitments to EM Program graduates is \$2.8 billion

Key Accomplishments

Building the Fleet

- Kirk Sims joined TRS as the Head of Emerging Manager Program
 - Tommy Heitz converted from contractor to FTE
 - Charles Pippen joined as GCM Seconded

Program Activity

- Hosted over 120 manager meetings since Kirk's arrival
- Completed sale of \$261 million private equity legacy assets in secondary market
- Committed to the first two ENRI Investments
- Reviewed and refined the Long Only and Hedge Fund portfolios
- TRS Emerging Manager Conference: February 26, 2020

EM Select

- Two managers received EM Select commitments

TRS Emerging Manager Program Team



Kirk Sims, CFA
Head of Emerging
Manager Program

EM Program Team



Tommy Heitz, CAIA
Sr. Investment Analyst
Emerging Manager
Program

Key Partners

Private Markets



Charles Phippen
Dedicated GCM Seconded
(Onsite at TRS in Austin)

Public Markets

Rock Creek

EM Program Advisors



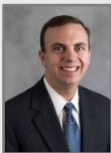
Jase Auby, CFA
Chief Investment Officer



Sylvia Bell, CPA
Chief Operating Officer



Carolyn Hansard
Sr. Director
Energy, Infrastructure,
& Natural Resources



Scott Ramsower
Sr. Investment Manager
Private Equity

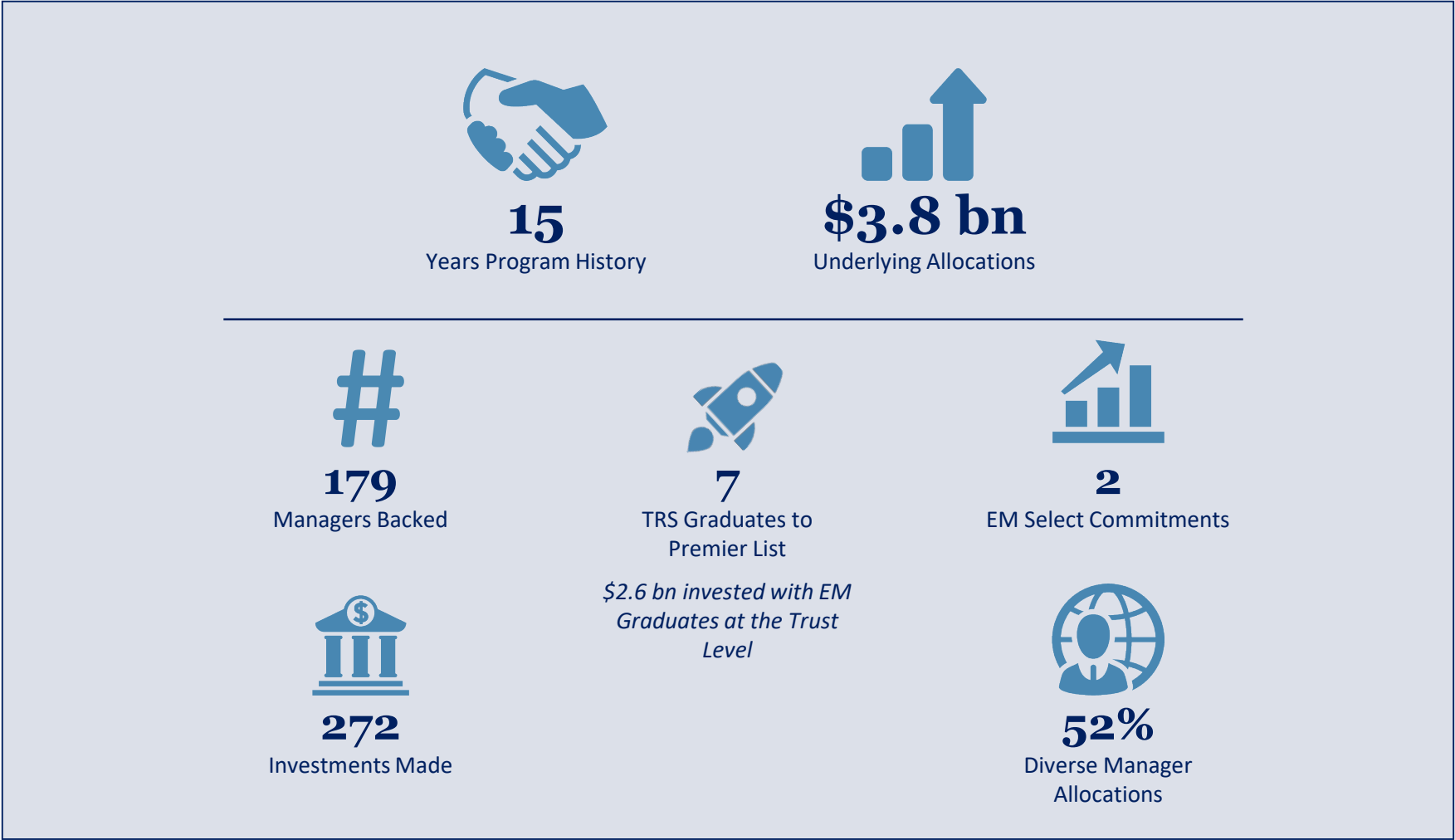


Matt Halstead
Sr. Investment Manager
Real Estate



Michael Ijeh, CAIA
Sr. Investment Analyst
Public Markets

Emerging Manager Program Highlights



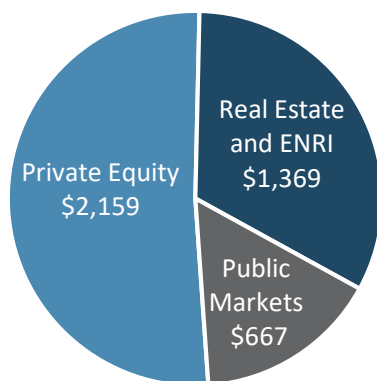
Source: TRS IMD

Performance and Commitments

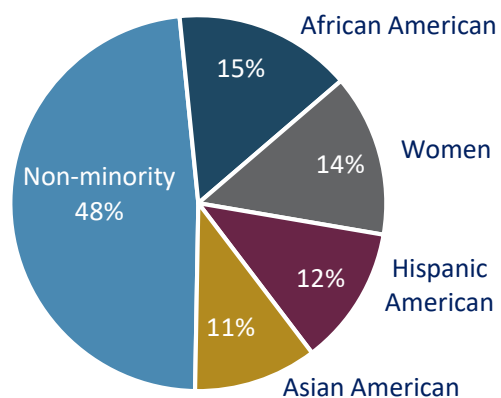
As of September 30, 2019

Emerging Manager Returns			
Total Program Returns			
	1-Yr	3-Yr	5-Yr
Returns	8.6%	11.1%	9.6%
Benchmark	6.6%	9.7%	8.5%
Alpha (bp)	207	142	117

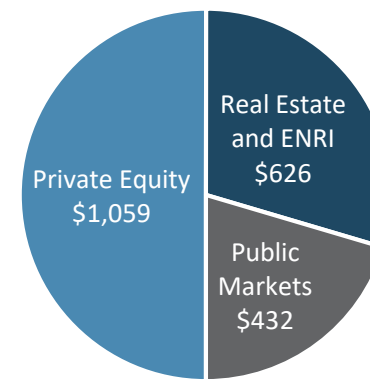
Underlying Allocations: \$3800 MM



Commitments by Diversity Type



Net Asset Value: \$2117 MM



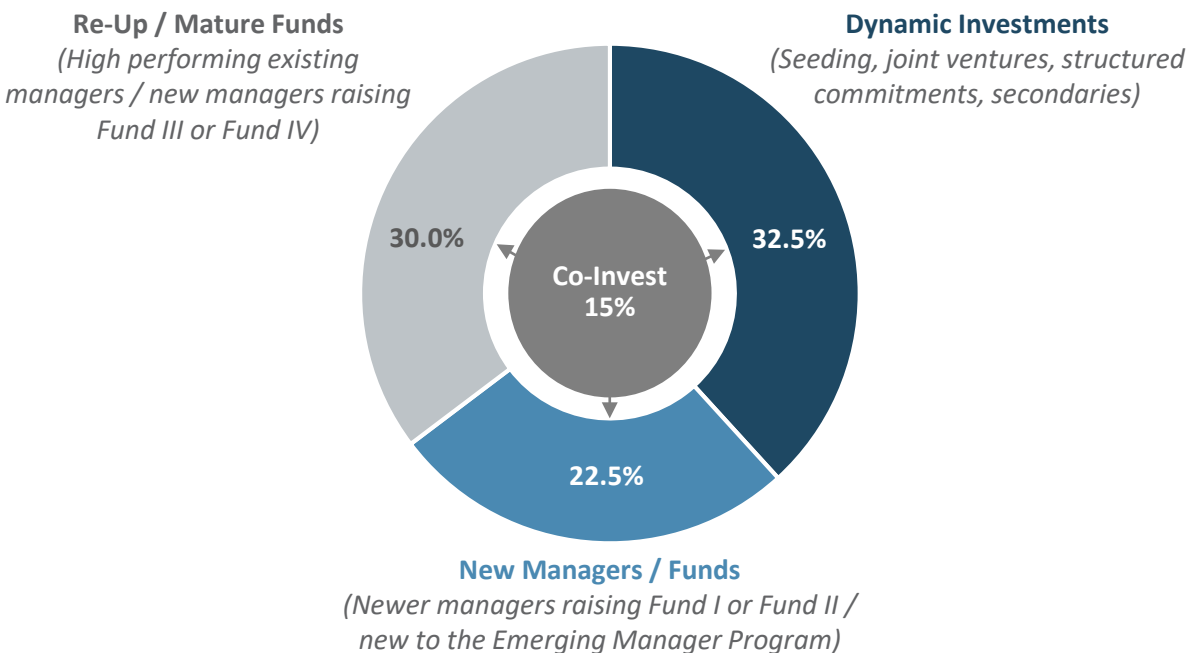
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EM Private Markets Capital Planning Process

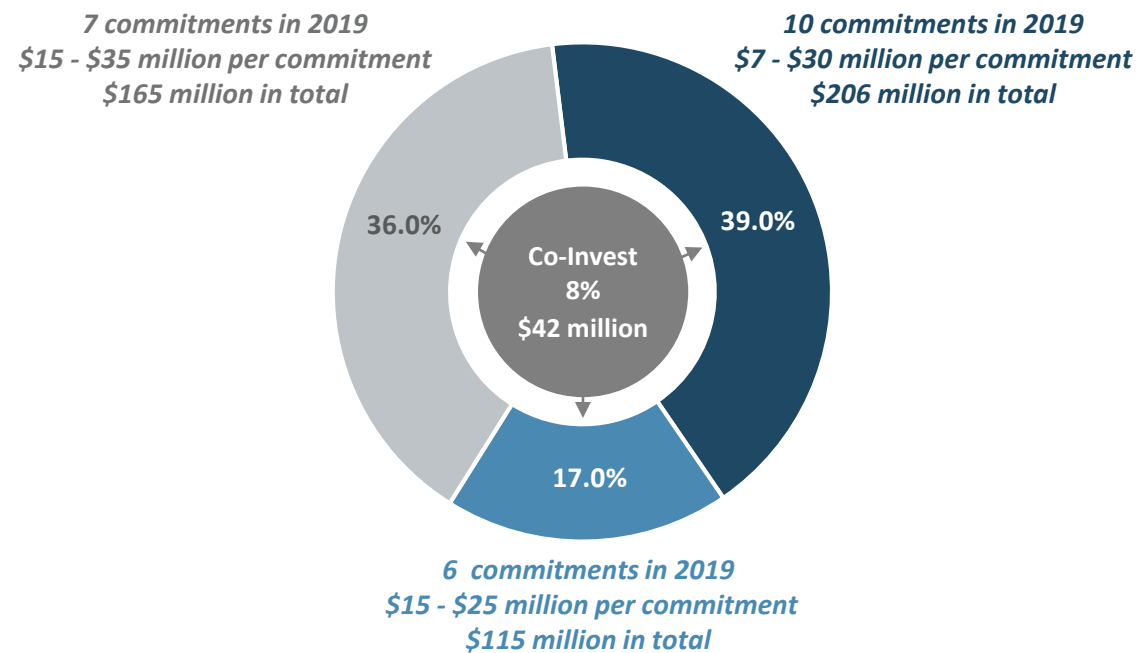
As of December 31, 2019

- On target to achieve the 2019 budgeted capital allocation

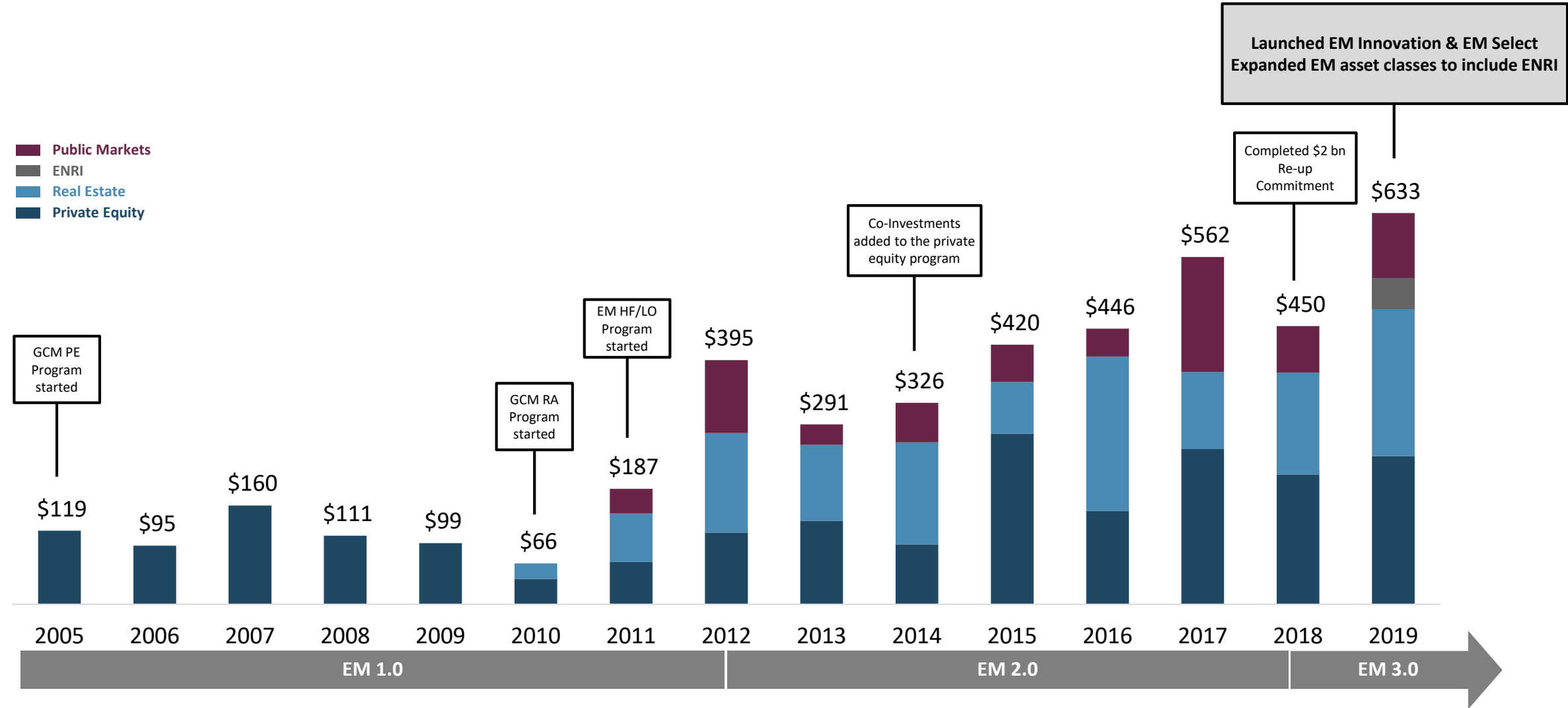
2019 Planned Capital Allocation



2019 Actual Capital Allocation



History of Emerging Manager Program Allocations



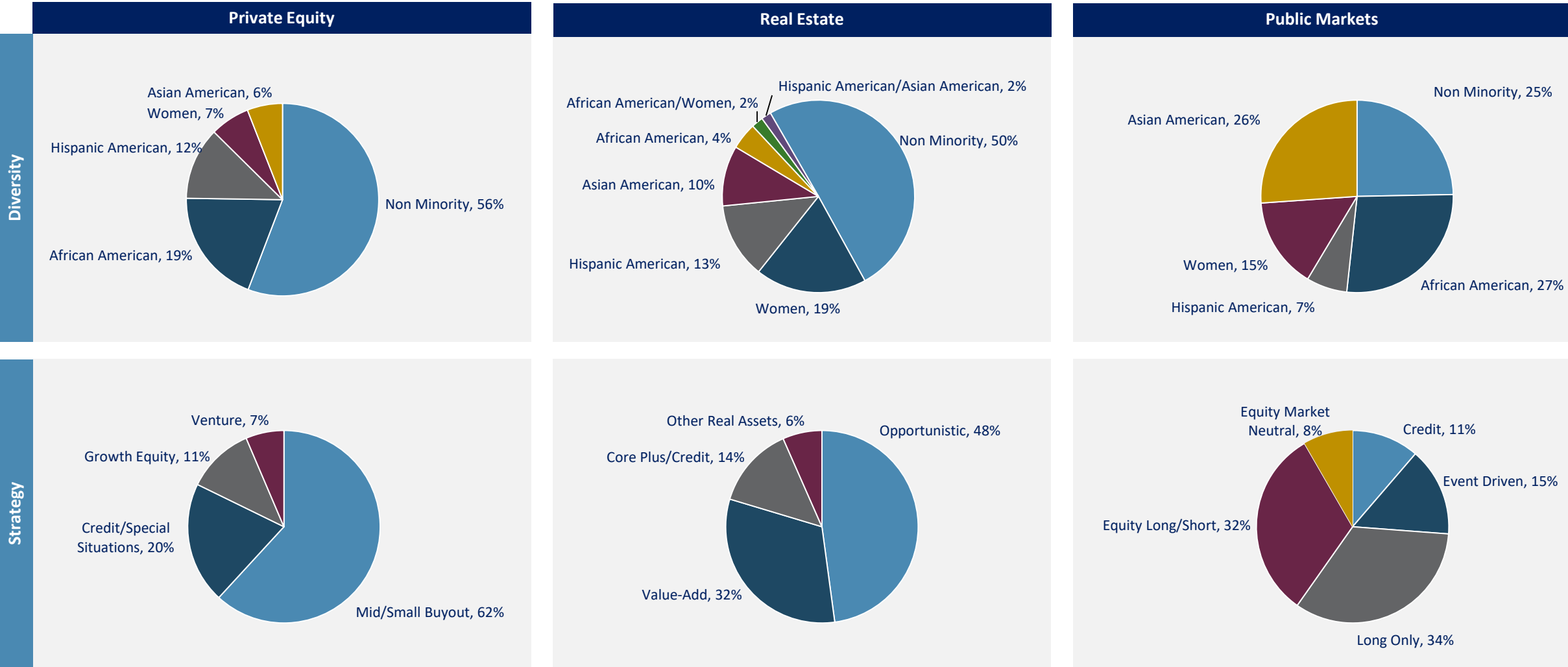
Source: TRS IMD
Note: Represents timing of underlying allocations to investment managers. US Dollars in millions

A vertical dotted line in white, located on the left side of the dark blue header bar.

Appendix

Portfolio Diversification

As of September 30, 2019



Source: State Street , TRS IMD, and GCM Grosvenor

TAB 19



Key Considerations for ESG Investing

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice. This presentation is based on the Aon white paper titled, "Key Considerations for Responsible Investing Initiatives," dated February 2019.

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Discussion Agenda

- What is ESG?
 - Definition of the term
 - How ESG differs from Socially Responsible Investing and investing initiatives designed to “do good and do well”
 - How ESG factors can impact corporate financial and investment performance
- How investor views about ESG are changing
 - Why is everyone talking ESG?
 - How investor attitudes about ESG are evolving globally
- Peer Analysis
 - Public plan activity in ESG
 - Current TRS activities in ESG
- Q&A
 - Additional discussion of peer activity
 - Discussion of range of ESG implementation options
 - Clarification on regulatory environment (if needed)
 - Additional questions from the Trustees

What Is ESG?

- ESG stands for Environmental, Social and Governance data
- This data is commonly referred to as the “non-financial” metrics of a company, but may also be referred to as “extra-financial”, “pre-financial” or “sustainability” data
- ESG data is forward looking and generally cannot be boiled down to a financial metric, like P/E ratios, expected earnings, etc.
- This “non-financial” data becomes financial when it is material to a company’s future (or current) financial performance
- Not all non-financial ESG data is material to all companies or investments. What is material may vary between industry sectors

What is ESG?

A certain amount of “word salad” exists under the broader umbrella of Responsible Investing.
The following sets out what ESG is and is not.

Socially Responsible Investing (SRI)

Selection Process:
Negative



Attempts to screen out investments in stocks, companies or industries based on a set of ethical values.

(Anti-pornography, private prisons, carbon, coal, Iran, Sudan, fossil fuel, etc.)

ESG Integration

Selection Process:
Positive or Negative



Integrates environmental, social and governance criteria into fundamental investment analysis to the extent they are material to investment performance.

(Underweight or not invest in companies with material ESG issues or invest in companies with good ESG fundamentals to reduce risk or enhance return)

Impact Investing

Selection Process:
Positive



Looks for investments that have a positive investment return as well as desired social, economic or environmental outcome.

(MWBE, alternative energy, micro-funding)

Mission Related Investing

Selection Process:
Positive



Places investments with companies or funds that complement the investor's mission.

(Healthcare, senior issues, child issues, religious)

ESG In Practice

- When implementing an ESG strategy, fundamentals (financial data) of an investment are the first priority



- Unlike other types of Responsible Investing, the values of an individual or entity do not come into play when considering ESG factors
- The materiality of the ESG factor to future performance is what matters

Environmental Factors	Social Factors	Governance Factors
Carbon/Greenhouse Gas Emissions	Diversity	Transparency
Ecosystem Change	Consumer Protection	Reporting and Disclosure
Fossil Fuel Dependence	Fair Trade	Executive Compensation
Climate Change	Animal Testing	Shareholder Rights
Water Issues	Human Rights	Board Accountability and Makeup
Clean Tech	Health Care	Director Independence
Toxic Chemical Usage	Working Conditions	Accounting Practices and Policies
Renewable Energy	Child Labor	Voting Practices

How ESG Factors Can Impact Future Financial Performance

- ***Environmental factors***

- Regulation and fines associated with emissions, reduced efficiency, increased cost of business
- Impact of climate change on distribution
- Increased water costs

- ***Social factors***

- Deterioration of brand/image can impact customer base and financials
- Workforce conditions (e.g., accidents, productivity, and workforce disruption) can directly add to the cost of doing business
- Diversity has shown to have positive impacts on corporate performance

- ***Governance factors***

- Board structure and executive compensation have shown to be factors in predicting a company's financial performance
 - Ammann, Oesch, and Schmid (2011) evaluated companies across 22 countries (2003-2007) and found a relationship between corporate governance and firm valuation

Source: Amman, Oesch, Schmid (2011), "Corporate Governance and Firm Value: International Evidence"

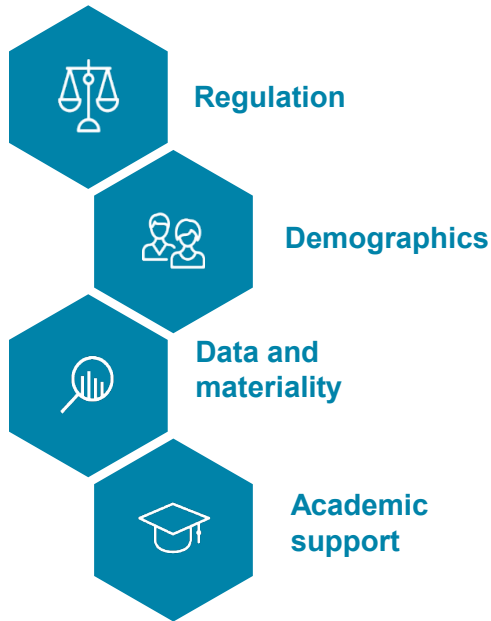
Impact on Investment Results

- Though rigorous academic studies on pure ESG (not combined RI mandates) are still limited, studies that have been produced show ESG has a neutral to positive impact on investment returns
 - Most ESG studies have been conducted over a relatively short period of time—less than a full market cycle, and primarily in a bull market environment
- The methodology and underlying data by which ESG ratings are calculated can have a significant impact on a company's ESG rating across providers
- ESG integration may impact a fund's sector and industry allocations, which may have an impact on fund performance
 - This can be mitigated to a degree through thoughtful portfolio construction techniques
- The findings of various research papers can be discussed in more detail as desired by the Board, and are also discussed in a May 2019 Aon white paper on the topic



How Global Investor Demand For Responsible Investing Is Changing

Drivers of Interest in ESG and Responsible Investing



- The number of regulations globally that govern ESG is increasing
- Demographic shifts (increasing proportion of millennials in the workforce) are pushing institutional investors to align values with investments
- Better and more widely available data on ESG factors and their impacts makes ESG investing more accessible
- A growing body of research showing the impact of ESG on corporate financial performance
- Assets in ESG (and Responsible Investing) strategies have increased (growing 34% between 2016 and 2018 to \$30.7 trillion*)

*<https://www.bloomberg.com/news/articles/2019-04-01/global-sustainable-investments-rise-34-percent-to-30-7-trillion>

US Regulatory Guidance

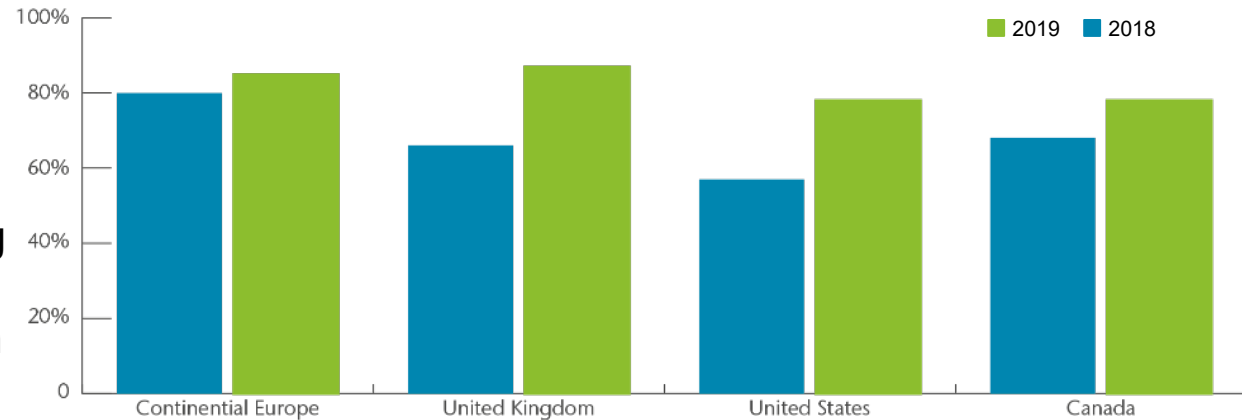
- The US Department of Labor has issued ESG guidance to ERISA plans, but many non-ERISA investing entities also look to this guidance
- The most recent memo (2018) reminds fiduciaries that they still have to fulfill their ERISA fiduciary duties when selecting investments and reviewing ESG funds for possible investment
- Fiduciaries may not accept lower expected returns or take on greater risks in order to secure collateral benefits, but may take such benefits into account as "tiebreakers"
- When ESG issues "present material business risk or opportunities," investment professionals would treat the issues as "economic considerations under generally accepted investment theories,"
- Fiduciaries "must disregard" rote compliance with ESG-related investment policy statements if it would be imprudent to comply in a particular instance."

****For exact wording on the DOL guidance, please see the appendix****

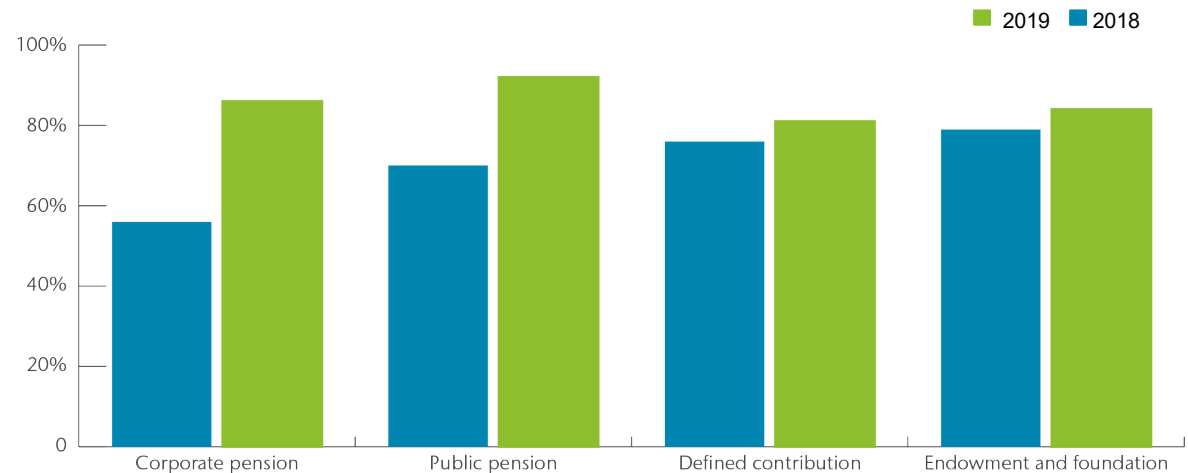
Importance of responsible investment is growing across geographies and investor types

- Our 2018 survey revealed that 68% of those polled believed responsible investing is at least somewhat important to their organization
- Our 2019 results saw that figure increase to 85 percent

Year-on-year change in responsible investing attitudes by geographic region



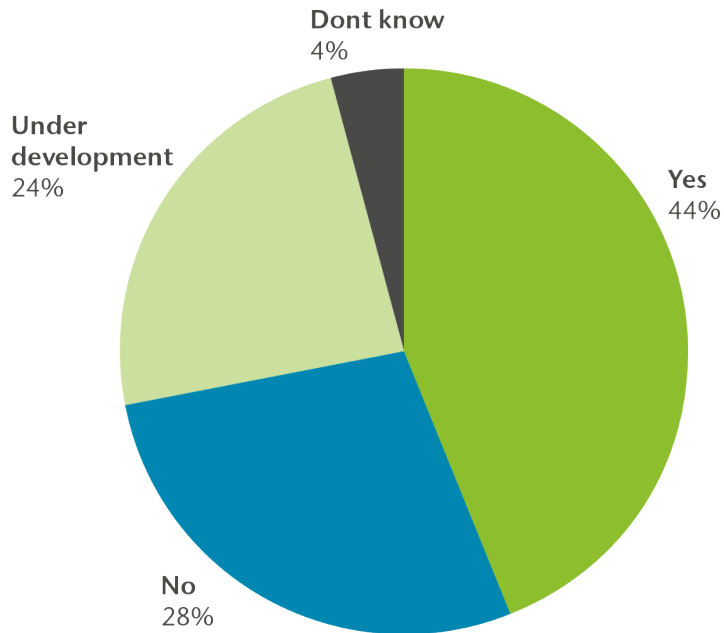
Year-on-year change in responsible investing attitudes by investor type



*The charts above outline the results of a global survey (229 investment professionals globally) produced by Aon in 2019 (Global Perspectives on Responsible Investing)

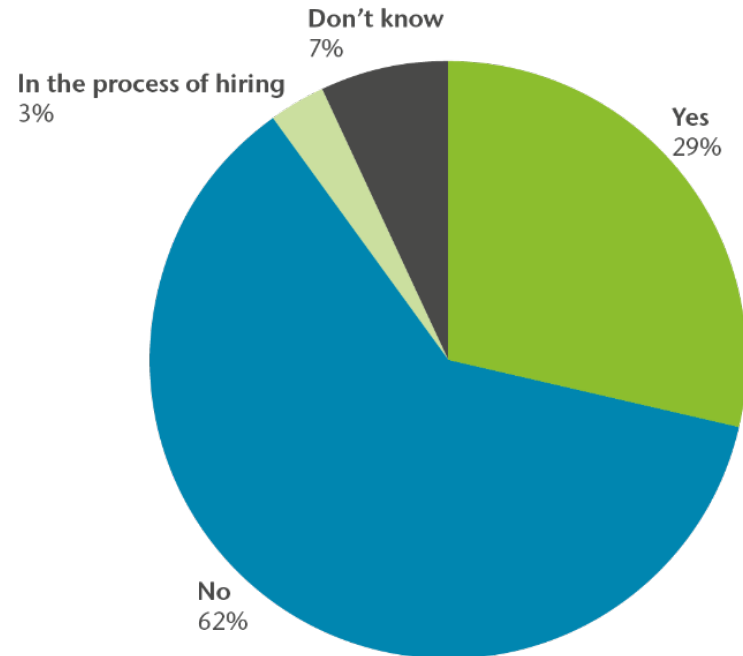
More investors have a responsible investment policy and dedicated RI staff

Investors with responsible investment policy



- In 2019, 44% of those polled indicated they had an RI policy (40% in 2018)
- 24% indicated a policy was under development (14% in 2018)

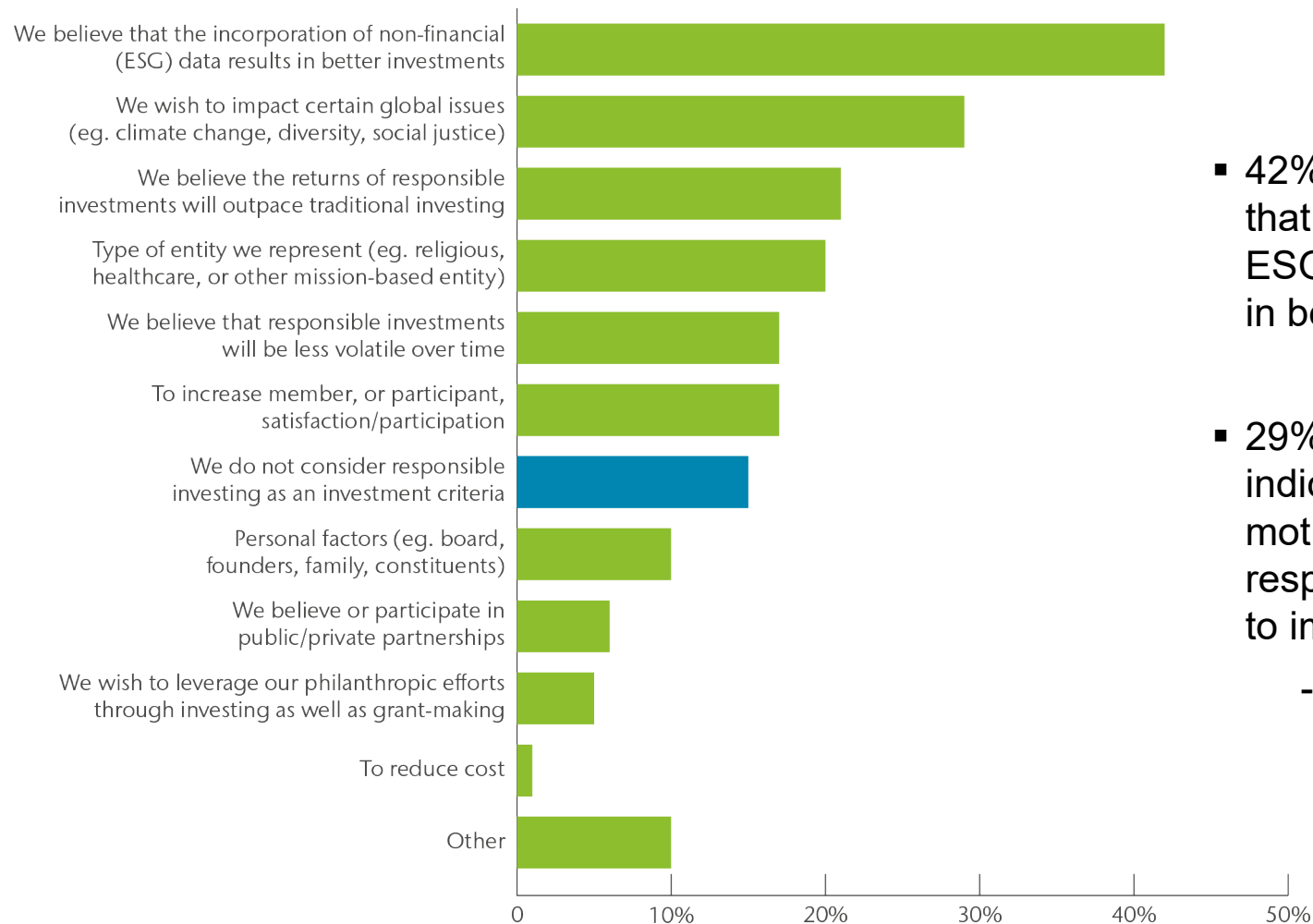
Investors with staff dedicated to responsible investing



- 20% of those polled in 2018 had dedicated responsible investment staff
 - That figure increased by 9% in the last year
 - Increases in RI staff were made in all geographic regions

*The charts above outline the results of a global survey (229 investment professionals globally) produced by Aon in 2019 (Global Perspectives on Responsible Investing)

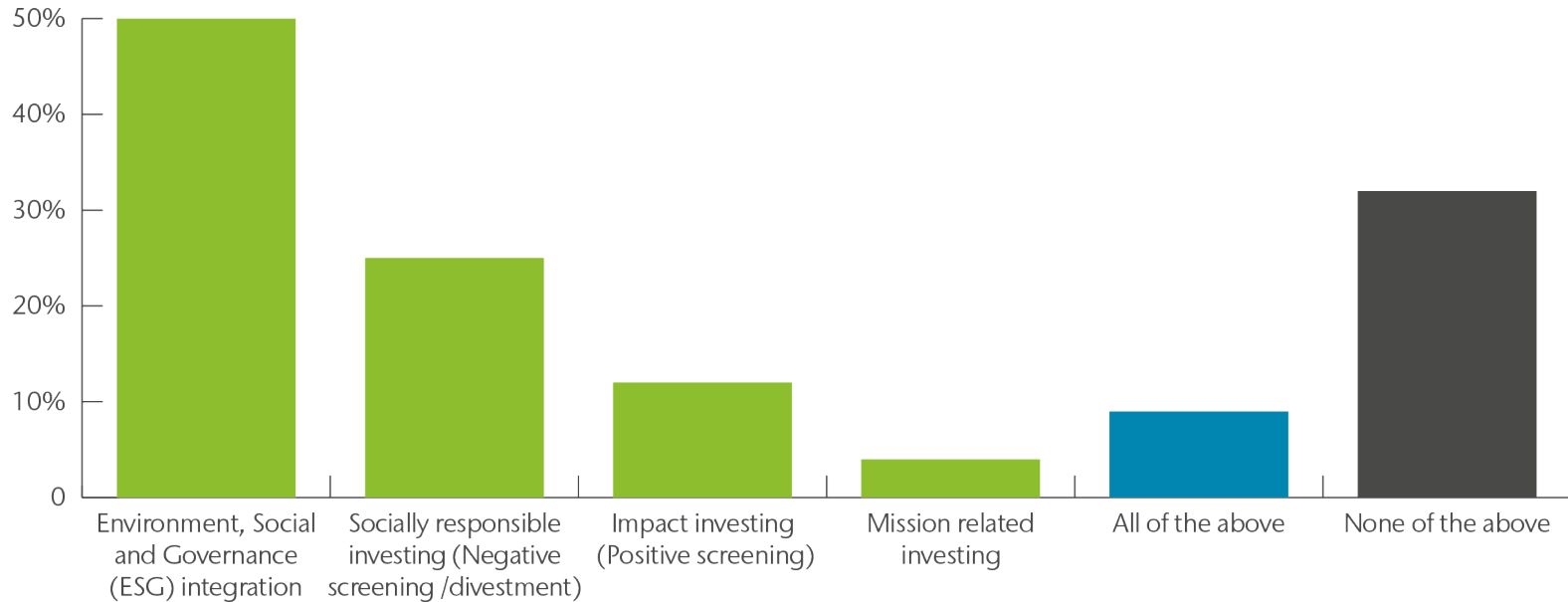
Primary drivers of responsible investing



- 42% of respondents felt that the incorporation of ESG data actually results in better investments
- 29% of respondents indicated their primary motivation for engaging in responsible investing was to impact global issues
 - This is largely a UK and Continental Europe/European Union phenomenon

*The charts above outline the results of a global survey (229 investment professionals globally) produced by Aon in 2019 (Global Perspectives on Responsible Investing)

What type of responsible investments do investors make?

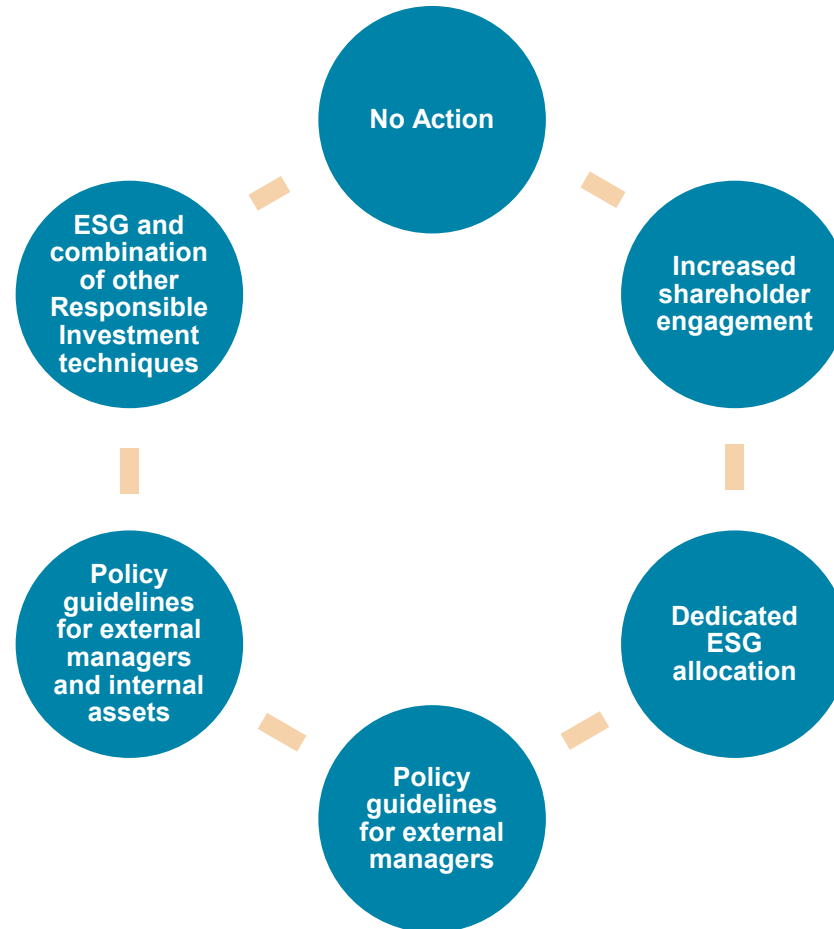


- ESG is the most common form of responsible investing
 - The remaining types of responsible investing are described further in the Appendix

*The charts above outline the results of a global survey (229 investment professionals globally) produced by Aon in 2019 (Global Perspectives on Responsible Investing)

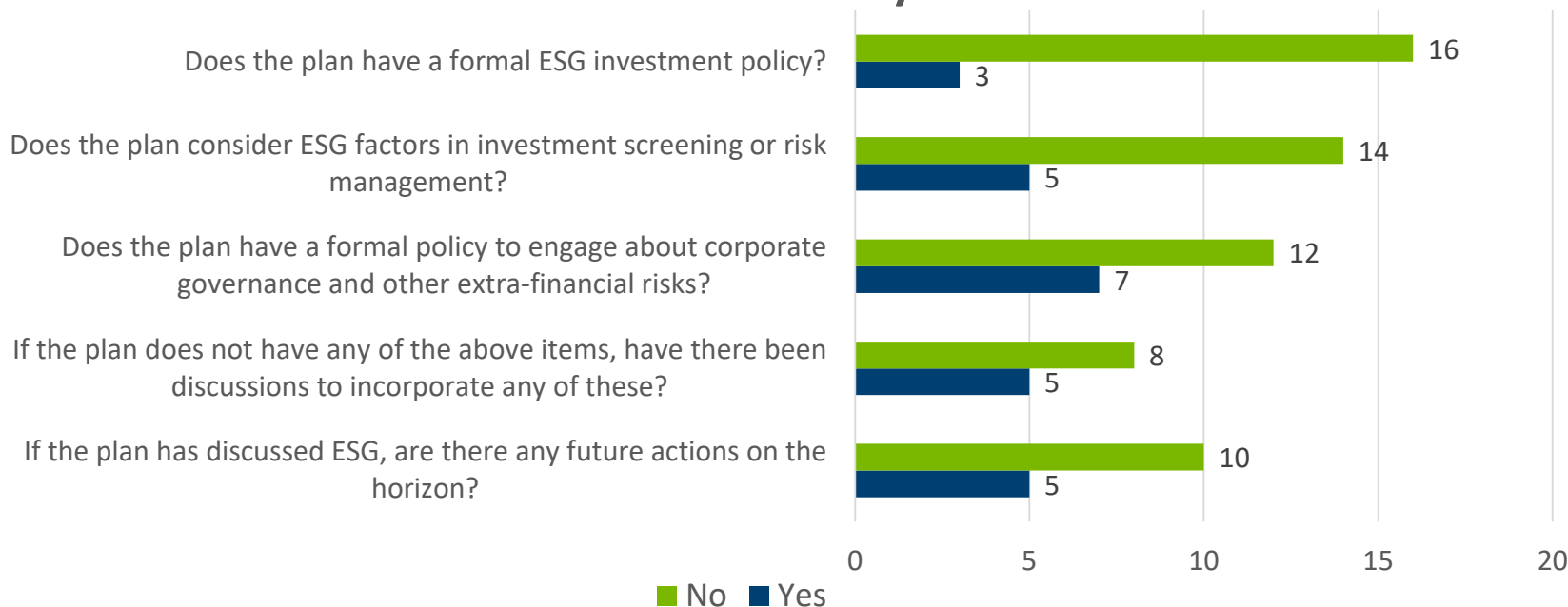
Possible Approaches to Responsible Investing

- In the absence of an ESG regulatory regime, there are multiple approaches to integrating ESG into an investment program



TRS Peer Activity – AHIC Public Plan Clients

Peer ESG Activity



- Across AHIC's client base ESG activity remains relatively low
 - This activity has increased over recent years
- These discussions continue to be very common across the investment management community and educational conferences
- A study from the North Carolina Treasurer found similar levels of activity within the public pension arena
 - For more information on that study, please see the appendix

Current TRS Policies and Procedures

- **Negative Screens**

- **State Law:** No investments in Iran, Sudan, terrorism, and companies boycotting Israel
- **Board Policy:** No investments in adult entertainment

- **Emerging Managers Program**

- A majority of commitments within TRS' Emerging Manager Program are with diverse managers

- **Voting Proxies**

- Institutional Shareholder Services (ISS) serves as TRS' proxy advisor, providing benchmark guidelines for all proxy votes conducted by TRS, with a strong emphasis on corporate governance

- **Transparency**

- All Private Equity investments utilize the Institutional Limited Partners Association's (ILPA) due diligence questionnaire which includes basic ESG questions

- **LP Alignment**

- Private Equity helped author and follows ILPA's Principles which advocate for fostering transparency, governance, and alignment of interests for General and Limited Partners

- **UN PRI Signatories**

- 49 invested managers are UN PRI Signatories, equating to >\$41B in invested capital across both public and private markets

- **ESG Research**

- IMD has a designated investment professional focusing on ESG research

IMD Participation in Industry Standard-Setting Organizations

- ***Council for Institutional Investors***
 - Jerry Albright, Member (Sr. Managing Director Global Investment Initiatives)
- ***Institutional Limited Partners Association (ILPA)***
 - Neil Randall, Chairman (Managing Director Private Equity)
- ***ILPA Legal Advisory Committee***
 - Heather Traeger, Member (Chief Compliance Officer)
- ***ILPA's Diversity & Inclusion Working Group***
 - Shelby Wanstrath, Member (Sr. Investment Manager Private Equity)
- ***National Association of Public Pension Attorneys (NAPPA) – Investment Section***
 - Caroline de Onis, Member (General Counsel)
- ***NAPPA Litigation Working Group and Investments Steering Committee***
 - Lane Arnold, Member (Assistant General Counsel)
- ***Standards Board for Alternative Investments***
 - Dale West, Board Member (Sr. Managing Director Public Markets)
- ***The Robert Toigo Foundation***
 - Jerry Albright, Vice Chair (Sr. Managing Director Global Investment Initiatives)

Summary Information

- ESG is a growing trend across the investment management community
 - The topic is widely discussed at educational conferences, and has been driven by ongoing research as well as cultural and legislative shifts
- Regulatory requirements are a significant concern for investors in the United States
 - The guiding principle of most jurisdictions is that investors must always consider financial prudence above other ancillary impacts
- While market momentum shows increased uptake of ESG investing, a majority of peer public funds in the United States are not formally implementing ESG practices
- At present, TRS' ESG activities are in-line with other North American public pensions
 - Many plans are also discussing/planning to discuss whether additional ESG integration measures should be incorporated, and TRS is likewise engaged in these conversations

Questions?



TRS Peer Activity – AHIC Public Plan Clients (Detail)

Client	Formal ESG Investment Policy	ESG in Investment Process	Formal ESG Engagement Policy	Past Discussion of ESG	Planned Discussion of ESG
Investor 1	No	No	No	Yes	No
Investor 2	No	Yes but part of process not formal	Proxy Voting Only	NA	No
Investor 3 (Education)	No		Proxy Voting Only	No Response	No
Investor 4	Yes	Yes	Yes	NA	NA
Investor 5	No	No	No	Been mentioned but not pursued	No set date
Investor 6	No	Yes	Yes	NA	Yes
Investor 7 (Education)	No	No	Proxy Voting Only	Plan to do so in 2020	Plan to discuss in 2020
Investor 8	Yes	Yes	Yes	NA	Yes
Investor 9 (Education)	No	No	No	Fossil Fuel Discussion	Not at this time
Investor 10 (Education)	No	No	No	No	No
Investor 11	No	No	No	No	No
Investor 12	No	No	No	No	No
Investor 13 (Education)	Yes	Yes	Yes	NA	NA
Investor 14	No	No	No	Yes	No
Investor 15 (Education)	No	No	No	No	NA
Investor 16	No	No	No	Discussion in 2019	Nothing planned
Investor 17 (Education)	No	No	No	No	On agenda for 2020 discussion
Investor 18	No	No	No	No	NA
Investor 19	No	No	No	No	On agenda for 2020 discussion
Total	3 of 19	5 of 19	7 of 19	5 of 13	5 of 15

- Sample of Aon’s current public plan clients
- An investor was categorized as “Education” if they are associated with a teacher retirement plan at a state or county level or if they are affiliated with a school system
- Data was collected as of January 2020

Source: Aon Investment Consulting

TRS Peer Activity – North Carolina Survey

Table I – ESG Activity by Investor Type

Investor Group	Active	WIP	Inactive	Sample Size
US Public Pensions	15%	26%	59%	61
Endowments	53%	0%	47%	14
Foundations	80%	0%	20%	5
Sovereign Wealth Funds	15%	26%	59%	11

Source: IMD Staff

- Phone interviews of 61 US pension funds by NC Investment Management Department Staff.
- Size ranged from less than \$5 billion to greater than \$100 billion.
- Phone interviews of 19 US endowments and foundation. Average AUM approximately \$10 billion.
- 11 of the largest sovereign wealth funds that manage a combined \$5.2 trillion in assets were also interviewed.
- **“Active”** = an established ESG policy, incorporated ESG factors into either its investment or risk management process or had a systematic approach to corporate governance issues such as shareholder activism.
- **“Work In Progress”** (“WIP”) = not Active, but met one or more of the following conditions: 1) investor is working on establishing an ESG policy; 2) the investor lacks a formal ESG policy, but is incorporating certain ESG factors into its due diligence for investments; or 3) the investor is active in corporate engagement on a matter-by-matter basis, rather than adopting a systematic approach.
- **“Inactive”** = it was neither Active nor WIP. The Inactive plans self-reported this status.

Source: <https://www.nctreasurer.com/inv/IAC%20Resources/IACESGIntegration-092116.pdf>

Direct DOL Guidance on ESG

- An October 22, 2015 ruling by the Department of Labor found “The financial health of retirement plans and participants remains paramount under federal law. The new guidance, Interpretive Bulletin 2015-01, confirms the department’s longstanding view from IB 94-1 that **fiduciaries may not accept lower expected returns or take on greater risks in order to secure collateral benefits, but may take such benefits into account as “tiebreakers” when investments are otherwise equal with respect to their economic and financial characteristics.** The guidance also acknowledges that environmental, social, and governance factors may have a direct relationship to the economic and financial value of an investment. When they do, these factors are more than just tiebreakers, but rather are proper components of the fiduciary’s analysis of the economic and financial merits of competing investment choices.”
- On April 23, 2018, the guidance was changed so that “[w]hile reaffirming that where “otherwise collateral” ESG issues “**present material business risk or opportunities,**” such that companies should be managing them as part of business planning and qualified investment professionals would treat the issues as “**economic considerations under generally accepted investment theories,**” the DOL cautioned that fiduciaries of ERISA-covered plans must avoid too readily treating ESG issues as being economically relevant to any particular investment choice and calls on ERISA fiduciaries to focus on economic factors that have a material effect on risk and return.”
- “The new guidance notes that DOL policy does not require fiduciaries to include ESG considerations in investment policies, develop ESG-specific policy statements or guidelines or incorporate ESG-related tools, metrics or analyses into risk/return analyses. **The bulletin does not per se prohibit such actions, but warns that ERISA fiduciaries “must disregard” rote compliance with ESG-related investment policy statements if it would be imprudent to comply in a particular instance.**”

Sources: United States Department of Labor October 22, 2015 and <https://corpgov.law.harvard.edu/2018/05/02/department-of-labor-cautionary-tone-on-esg-related-activities/>

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TAB 20



February 21, 2020

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Managing Director, Research

Brian Walker
brian.walker@issgovernance.com
Executive Director, Sales



ISSGOVERNANCE.COM

AGENDA



- WHO IS ISS?
- WHY VOTE PROXIES?
- HOW ISS SUPPORTS TRS
- RESEARCH POLICY DEVELOPMENT
- 2020 BENCHMARK POLICY CHANGES
- 2020 KEY TRENDS
- CONFLICTS/COMPLIANCE REVIEW

WHO IS ISS?

2,000 employees spread across more than 30 offices in 13 countries

- ISS is...
 - A Fiduciary (a trusted advisor)
 - A For-Profit Service Provider
 - An Independent Research Shop
 - A Data Aggregator
 - A Global Technology Company
- ISS is not...
 - An Activist
 - A Watchdog
 - A Credit Rater or Sell-Side Analyst
 - A Quasi-regulator/Standard-setter



WHO IS ISS?

Expertise

- 30+ years of market leadership and experience
- Team of 400+ research & data professionals globally
- Team of 60 + custom research analysts dedicated to custom client requirements
- Specialists in compensation, M&A, ESG and industry-specific issues, as well as market and regional specialists around the world

Quality

- Thorough internal reviews throughout our process – meeting materials, company data, research analysis, and voting recommendations. Plus ongoing audits and specialized focus on complex matters.
- Publicly available information only – verifiable and available to all shareholders
- Continuous product innovation to enhance value to clients in research content and timeliness

Flexibility & Choice

- Research and policies covering the globe
- Customized corporate governance research service to help you convert your unique philosophy into an actionable voting policy
- Thematic policies available including Taft-Hartley, SRI, Sustainability, Catholic, Public funds

Coverage

- Comprehensive global coverage of all of your common equity holdings
- 44,000 meetings and 200,000+ agenda items covered each year across 115+ markets

Engagement

- Engagement with many companies throughout the year
- Fact-checking and company dialogue where needed, before research is published
- Robust process, including draft reports for fact-checking to largest companies in U.S and some other major markets



WHY VOTE PROXIES?

Your rights as a shareholder include “sell, vote or sue”

- Voting Drives Stewardship of Public Companies
 - Election of Directors (contested and uncontested)
 - Who selects senior managers and oversees their actions? Who monitors risk?
 - Mergers and Acquisitions (contested and uncontested)
 - When do you sell your shares and for how much? When does the company make major deals?
 - Charter and Bylaw Provisions
 - What is the company’s capital structure? How does the company govern itself?
 - Compensation (Say-on-Pay and Equity Plans)
 - What incentives drive the performance of senior managers? How dilutive/costly are pay programs?
 - Auditor Ratification
 - Who maintains the integrity of the company’s financial reporting practices?
 - Shareholder Proposals
 - Shareholder Rights—How are rights apportioned between shareholders and directors?
 - Environmental & Sustainability—Is the board addressing emerging risks? Is disclosure robust?



HOW ISS SUPPORTS TRS

ESTABLISH VOTING GUIDELINES

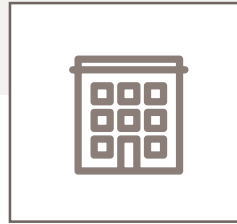
ISS provides a full spectrum of research and voting options to support TRS' investment philosophy at every point of need.

VOTE PROXIES

TRS has unmatched control and transparency over its proxy voting activities. Advanced electronic platform enables TRS to flawlessly execute its mandates, season after proxy season.

COMPREHENSIVE SOLUTIONS

IN SUPPORT OF YOUR EVOLVING GOVERNANCE NEEDS



STAY UP TO DATE

ISS offers industry-leading research services and a global network of experts that allow TRS to track trends and analyze company-, market- and sector-specific governance practices.

ASSESS RISK

Innovative ratings and screening solutions allow TRS to factor in risks and opportunities when analyzing portfolio companies.

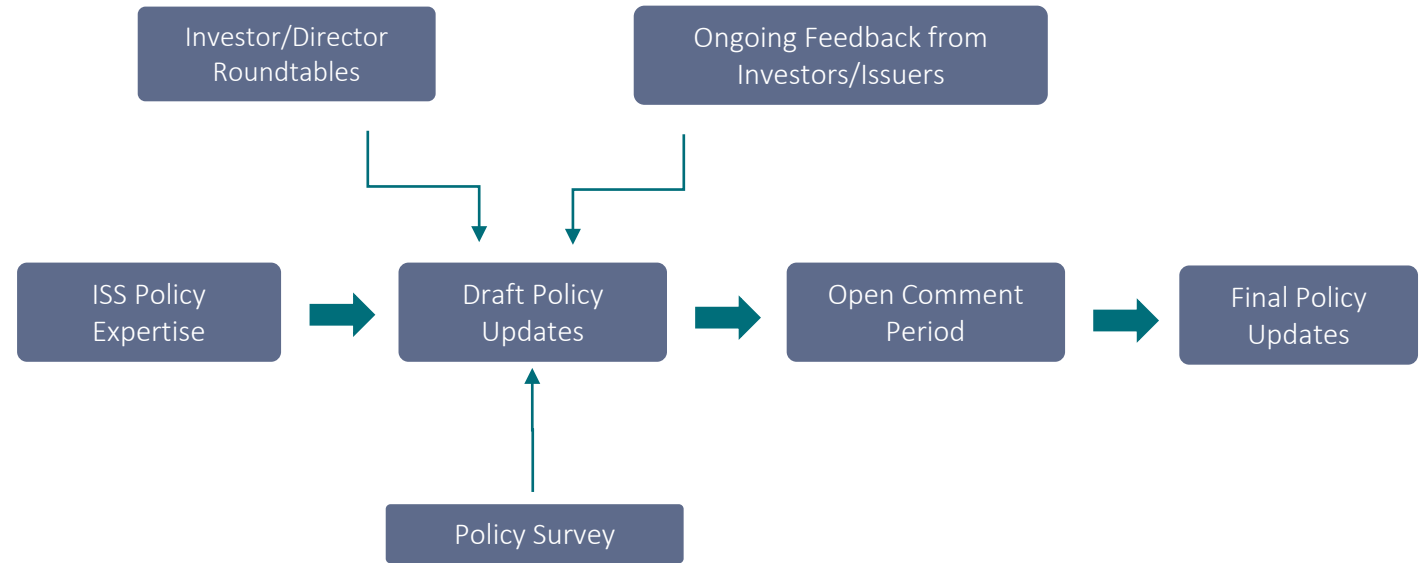
MONITOR PORTFOLIO & ENGAGE

TRS can access critical sources of data on companies, giving its team a more complete picture of extra financial risks and opportunities. ISS data and analytics support TRS' dialogue with issuers, investor organizations and external stakeholders.



RESEARCH POLICY DEVELOPMENT

Rigorous, transparent and inclusive policy formulation for informed decision-making.



Balancing global principles and local market specificity, ISS upholds a transparent and inclusive approach that includes ongoing market feedback, surveys, roundtables and an open industry comment period.

- Global in-person discussion forums and roundtables frame the policy process.
- Annual policy survey brings in perspectives from institutional investors, corporate issuers and governance experts. Offers all market constituents the ability to actively participate in ISS' policy development process.
- Numerous viewpoints are considered to develop guidelines that strike the right balance between shareholder interests and economic practicality.



2020 BENCHMARK POLICY CHANGES

Market	Benchmark Policies
US	<ul style="list-style-type: none">• Problematic Governance Structure-Newly Public Companies• Independent Board Chair – Shareholder Proposals• Share Repurchase Program Proposals
Americas Regional and Brazil	<ul style="list-style-type: none">• Director/Officer Indemnification Proposals
Continental Europe	<ul style="list-style-type: none">• Director Terms• Board Gender Diversity• Remuneration Committee Responsiveness• Use of Discretion by Remuneration Committees
UK & Ireland	<ul style="list-style-type: none">• Board Gender Diversity• Use of Discretion by Remuneration Committees
EMEA Regional	<ul style="list-style-type: none">• Board Independence (Middle East & North Africa, Turkey)• Director Disclosure-Cumulative Voting (UAE, Saudi Arabia, Egypt, Jordan, Qatar)
Asia	<ul style="list-style-type: none">• Board Independence – Controlled Companies (Japan)• Board Gender Diversity (India)• Director Accountability-Governance Failures (South Korea)• Share Repurchase Pricing Limit Proposals (Singapore)• Article Amendment Proposals – Cash Dividend Distribution Plans (Taiwan)



2020 KEY TRENDS

Boards: Record High Levels of Opposition to Directors Expected

Investors will increase scrutiny on boards over concerns related to accountability, risk oversight, responsiveness, overboarding and gender diversity; few high-profile proxy contests will reach votes as activist hedge funds pursue wide variety of goals.

US Market

Legislative & Regulatory: Election Uncertainty Will Drive Agendas

SEC will consider rule changes on shareholder proposals and proxy voting advice; Congressional gridlock will hamper passage of new legislation.

Shareholder Rights: Perennial Concerns Will Dominate

Shareholder proposal proponents will push for independent chairs, written consent/special meetings rights, majority voting, proxy access, votes on bylaw amendments and Rooney Rule policies.

Environmental & Social: E&S Proposals Will Broaden Focus

Rising support will continue to drive engagement and withdrawals; climate change proposals will widen range of risks addressed to include coastal flooding, deforestation, water and lobbying; sustainability topics will focus on human capital, corporate purpose, supply chain and data privacy.



CONFLICTS / COMPLIANCE REVIEW: ISS Corporate Solutions, Inc. (ICS)



Registered Investment Adviser

Physical and functional separation

- Strict firewall prevents the identity of ICS clients from being known to members of ISS' Global Research team

ICS explicitly informs all ICS corporate clients that:

- ISS Research does not give preferential treatment to ICS corporate clients
- ISS Research analysts prepare vote recommendations independently of ICS

ICS "Blackout Period"

- ICS shall NOT engage in selling efforts
- ICS shall NOT provide any issuer with advisory services with respect to any matters that are currently "live" or pending on that issuer's proxy statement

Disclosure of the business model

Disclosure of ICS client names to ISS clients on request and through ProxyExchange

Policy-based research with published voting policies

- Proxy recommendations can be verified against published policies

CONFLICTS / COMPLIANCE REVIEW: Relationship with Owner

ISS' relationship with Genstar

- ISS is a privately-held company, whose owner is GC Lighthouse Holdings, Inc., an affiliate of Genstar Capital (“Genstar”), a private equity firm based in San Francisco, CA.
- ISS and Genstar have established policies and procedures to restrict the involvement of Genstar and any of Genstar’s employees in the content of ISS' analyses.
- Neither Genstar nor their employees are informed of the contents of any of ISS' analyses or recommendations prior to their publication or dissemination.
- Disclosure of “Genstar Affiliated Companies”



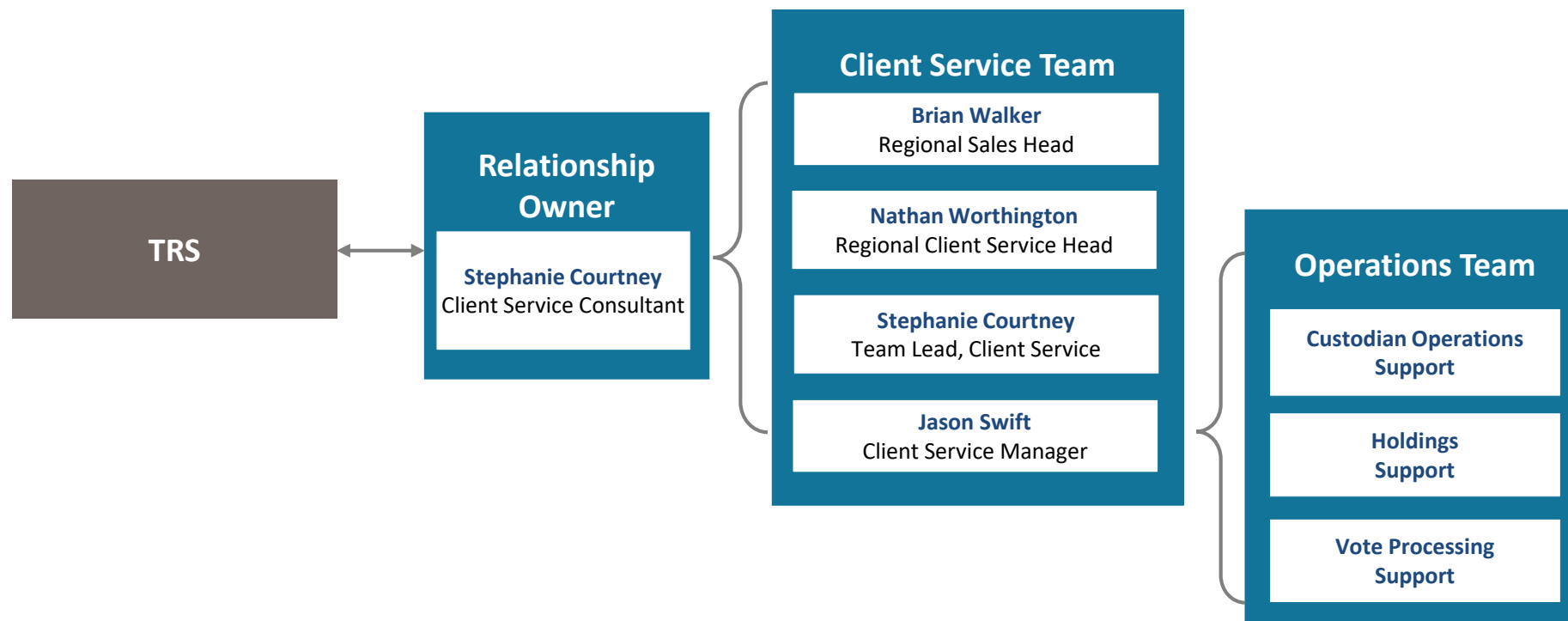
APPENDIX



- CLIENT SERVICE SUPPORT TEAM
- 2020 KEY TRENDS: GLOBAL

CLIENT SERVICE SUPPORT TEAM

Committed to your success



2020 KEY TRENDS: Global

Canada

- Canadian Expert Panel Report on Sustainable Finance and Canadian Securities Administrators update Staff Notice 51-358 Reporting of Climate Change-related Risks, brings climate-related disclosure and engagement to the forefront.
- Board gender diversity scrutiny expand beyond Composite Index.
- Awaiting final Canada Business Corporations Act amended requirements for mandatory say-on-pay, legal majority voting and board/management diversity disclosure.

LatAm

- E&S: Amazon fires highlight risks as global stakeholders scrutinize supply chain including dependencies on agriculture and cattle.
- Boards: Brazil and Mexico reference gender diversity in GC codes and Argentina adds requirements for firms to be listed under governance segment.
- Argentina: Concerns rising over debt default risks in light of deteriorating economic and political conditions.
- Brazil: More firms seek approval of indemnification for current/former administrators in wake of ongoing corruption investigations.
- Chile: First LatAm sovereign green bonds sold in June 2019.

THEMES PLUS LOCAL FLAVOURS

Climate/CSR, Gender Diversity, Voting Rights, Pay & Boards

Europe

- Shareholder Rights Directive II: Changing voting landscape for 2020 after implementation of SRD II with new remuneration vote and possibly votes on related party transactions.
- Discharge: 2019 dissent in Germany, the Netherlands and Switzerland fueled by firm- or sector-specific issues.
- Belgium: Double voting rights for “loyal” shareholders did not prove popular in first year of implementation.
- France: Expect more companies to adopt a “raison d’être” (corporate purpose) after slow start in 2019.
- Spain: Investors now vote on the non-financial report.

ME & Africa

- Diversity: Boards increase number of women in Middle Eastern markets led by Egypt (average roughly 10%).
- Egypt: Expect increase in use of cumulative voting in wake of 2018/2019 introduction.
- Saudi Arabia: Roughly 30 securities added to emerging markets index.
- Zimbabwe: Sustainability reports mandated for listed firms. Issuers must disclose policies, performance and impact on environment/society.

Australia/NZ

- Big changes to ASX300 remuneration practices following FY18 “strikes.”
- Australian Prudential Regulation Authority draft standard prescribes certain pay practices (such as >50% non-financial performance conditions for bonuses).
- Increased enforcement by Australian Securities and Investments Commission especially against banks.
- Annual director re-election debate heats up.

Japan

- Shareholder proposals requesting dividends/share buybacks continue to rise with such calls on ballots at 22 meetings this year (up from 18 in 2018).
- Women directors make inroads as 38% of Japanese boards now have at least one female director (up from 31% in 2018, and 9% in 2012).

Asia ex-Japan

ESG

- HK—Stock Exchange seeks comment on proposed changes to Reporting Guide that would mandate ESG disclosure.
- India—Companies Act amendments make 2% spending on CSR mandatory. SEBI expected to update business responsibility reporting rules for top 500 listed firms.

Voting Rights

- China—Shanghai Stock Exchange STAR Market’s pilot registration-based IPO system allows tech and emerging industry firms to issue unequal voting rights stock.
- India—SEBI allows tech firms to issue superior voting rights to promoters/founders up to a maximum of 74% of paid-up capital. Finance Minister announced proposal to raise minimum public shareholding in listed firms to 35% from 25%.



TAB 21



Teacher Retirement System of Texas

CHIEF OPERATIONS AND ADMINISTRATION OFFICER REPORT

Andrew Roth
February 21, 2020



Shared Services

IT

- The team is finalizing its selection for a Mainframe managed services vendor. To mitigate the extensive risks associated with hosting an aging mainframe, TRS will outsource this activity.
- In addition, the team is review options for a new TRS data center.

Finance

- Annual record retention activities underway
- Controller leaving at the end of February; recruitment will be posted in March

OE

- Performance evaluation cycle complete
- Leadership Development Program
- Get Involved Initiative
- Black History Month; LGBTQ “Allyship at Work” program

Staff Recognition

Facilities and Security

- Tree falling across Red River street
- Fire in kitchen

The team consistently responds with great professionalism. Kudos!

