

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

AGENDA

February 15, 2012 – 10:30 a.m.

**Region 17 Education Service Center – Main Hall
1111 West Loop 289
Lubbock, TX**

NOTE: The Board may take up any item posted on the agenda during its meeting on Wednesday February 15, 2012, or during the meeting on the following two days beginning at the time and place specified on this agenda.

The open portions of the February 15-17, 2012 Board meetings are being broadcast over the Internet. Access to the Internet broadcast of the Board meeting is provided on TRS' Web site at www.trs.state.tx.us.

1. Call roll of Board members.
2. Consider and discuss Board administration matters, including the following – R. David Kelly:
 - A. Consider the approval of the December 8-9, 2011 Board meeting minutes.
 - B. Introduce and welcome TRS' new Chief Financial Officer.
3. Provide opportunity for public comment – R. David Kelly.
4. Overview of the theme and agenda for the February 15-17, 2012 TRS Board meeting, a review of TRS' history, structure, operations and recent legislative and organizational accomplishments, and a discussion of agency objectives for Calendar Year 2012 – Brian Guthrie.
5. Receive an overview of financial matters, including a panel discussion on financial valuations, assumptions, and operations – Vin DeBaggis, State Street; Sylvia Bell; Jamie Michels; Scot Leith; Hugh Ohn; and Don Green (moderator).
6. Discuss and consider investment matters, including:
 - A. Overview of Apollo Investment Corporation – Steve LeBlanc and Leon Black, Apollo Investment Corporation.
 - B. Overview of KKR & Co. L.P. – Steve LeBlanc and George Roberts, KKR & Co. L.P.

- C. Review of current market conditions – Henry McVey, KKR & Co. L.P.
- D. Update on TRS’ Emerging Managers Program – Stuart Bernstein.
- E. Historical overview of investment policy and operations prior to 2007 – Brian Guthrie.
- F. Investment, operating, and risk postures in investment matters from 2007 to the present, including changes in asset allocation, delegations to staff, the use of strategic partnerships, and the implementation of risk management – Britt Harris.
- G. Review of services provided by Hewitt EnnisKnupp from 2007 to the present and discussion of services for calendar year 2012 – Brady O’Connell and Steve Voss, Hewitt EnnisKnupp.

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

Thursday, February 16, 2012 – 8:00 am

7. Provide opportunity for public comment – R. David Kelly.
8. Discuss the submission and response process for in-person and web-cast audience questions on the pension benefit design study and the retirees health benefit program (TRS-Care) study – Brian Guthrie.
9. Discuss legislatively required study on pension benefit design options:
 - A. Receive a presentation on and discuss the status and scope of the pension benefit design study, including a panel discussion on pension design and sustainability issues – Keith Brainard, National Association of State Retirement Administrators; Mary Beth Braitman, Ice Miller, LLP; Joseph Newton, Gabriel, Roeder, Smith & Company; and Rebecca Merrill (moderator).
 - B. Respond to in-person and web-cast audience questions on pension benefit design and sustainability issues – Keith Brainard, National Association of State Retirement Administrators; Mary Beth Braitman, Ice Miller, LLP; Joseph Newton, Gabriel, Roeder, Smith & Company; and Rebecca Merrill (moderator).
10. Discuss the retirees health benefit program (TRS-Care):
 - A. Receive a presentation on and discuss the status of the legislatively required retirees TRS-Care study – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.
 - B. Discuss and consider selecting a pharmacy benefit manager (PBM) for TRS-Care and directing the selected PBM to administer the Employer Group Waiver Plan (EGWP) option – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.
 - C. Respond to in-person and web-cast audience questions on the TRS-Care study – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.
11. Receive a presentation on and consider premiums and plan design for the preferred-provider organization (PPO) plan options under the active employees health benefit program (TRS-ActiveCare) – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.
12. Consider premiums and plan design for health maintenance organizations (HMOs) under the active employees health benefit program (TRS-ActiveCare) – Betsey Jones.
13. Consider the enrollment periods for the 2012-2013 plan year for the active employees health benefit program (TRS-ActiveCare), including presentation of participation data – Betsey Jones.

14. Discuss budget planning, including – Don Green:
 - A. An overview of the state budgeting process.
 - B. A presentation on TRS budget planning and the development of the Legislative Appropriations Request for the upcoming 83rd Session of the Texas Legislature.
15. Review the reports of the Chief Financial Officer – Don Green:
 - A. Review the report under § 825.314(b), Government Code, of expenditures that exceed the amount of operating expenses appropriated from the general revenue fund and are required to perform the fiduciary duties of the Board.
 - B. Quarterly financial reports on TRS programs.
16. Discuss and consider Board operational matters, including the following – Brian Guthrie:
 - A. Discuss the Board meeting agenda planning process, including timelines, frequency of meetings, and the use of Board committees in accomplishing Board business.
 - B. Preview draft agendas for April and May Board meetings and consider canceling the May Board meeting.
 - C. Review Staff's recommendation for electronic Board materials.
 - D. Review the Board training calendar.
 - E. Consider a resolution authorizing staff to make non-substantive corrections to Board items after adoption, including policies and resolutions, for syntax, typographical errors, and formatting and providing that the staff-corrected versions shall constitute the versions adopted by the Board.
17. Discuss and consider authorizing a direct private investment in the restricted equity securities of an investment management company and authorizing staff to negotiate and execute the subscription agreement, investment contracts, and related transaction documents – Jerry Albright and Rich Hall.
18. Discuss personnel issues, including the duties and responsibilities of the Executive Director and provide input to the Executive Director on the duties and evaluation of the Chief Investment Officer – R. David Kelly.

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

Friday, February 17, 2012 – 8:00 am

19. Provide opportunity for public comment – R. David Kelly.
20. Discuss workforce continuity planning, including an update on the TRS staffing profile and the development and implementation of the TRS Leadership Development Program – Brian Guthrie and Ken Welch.
21. Receive an update on the TEAM Program, including organizational structure, achievements of the program since FY 2010, a timeline of upcoming milestones, communications, financial/ HR software update, and an overview of the data management process – Ken Welch; Marianne Woods Wiley; Garry Sitz; Amy Morgan; Jay Masci, Provaliant; Barbie Pearson; and Don Green.
22. Receive a presentation on and discuss TRS' Enterprise Risk Management Program – Jay LeBlanc.
23. Receive a communications update, including the launch of TRS' social media presence, promotion of *MyTRS*, and plans to celebrate TRS' 75th anniversary year – Howard Goldman.
24. Review trustee roles, responsibilities, and fiduciary duties; qualifications for office and standards of conduct; immunities, indemnification, and insurance; and requirements related to trustee ethics, conflicts, and disclosures – Tim Wei; Steve Huff; and Keith Johnson, Reinhart Boerner Van Deuren, s.c.
25. Review the Texas Open Government requirements – Dan Junell.
26. Review the Deputy Director's report, including – Ken Welch:
 - A. Discuss an update on the implementation of legislation authorizing background checks on TRS employees and filling the vacancy for the position of TRS Human Resources Director.
 - B. Consider proposed changes to the Resolution Designating Persons Authorized to Sign TRS Vouchers (Voucher Authority Resolution).
 - C. Provide an update on the January power outage and, if necessary, make a fiduciary finding concerning the purchase of a back-up power generator.
27. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
 - A. Retirement plan benefits and operations.
 - B. Investment activity and operations.

- C. Health-benefit programs and operations.
 - D. Administrative operations, including financial, audit, legal, and staff services and special projects.
 - E. Member communications.
28. Consult with the Board's attorney in Executive Session on any item listed above as authorized by Section 551.071 of the Texas Open Meetings Act (Chapter 551 of the Texas Government Code) – David Kelly.

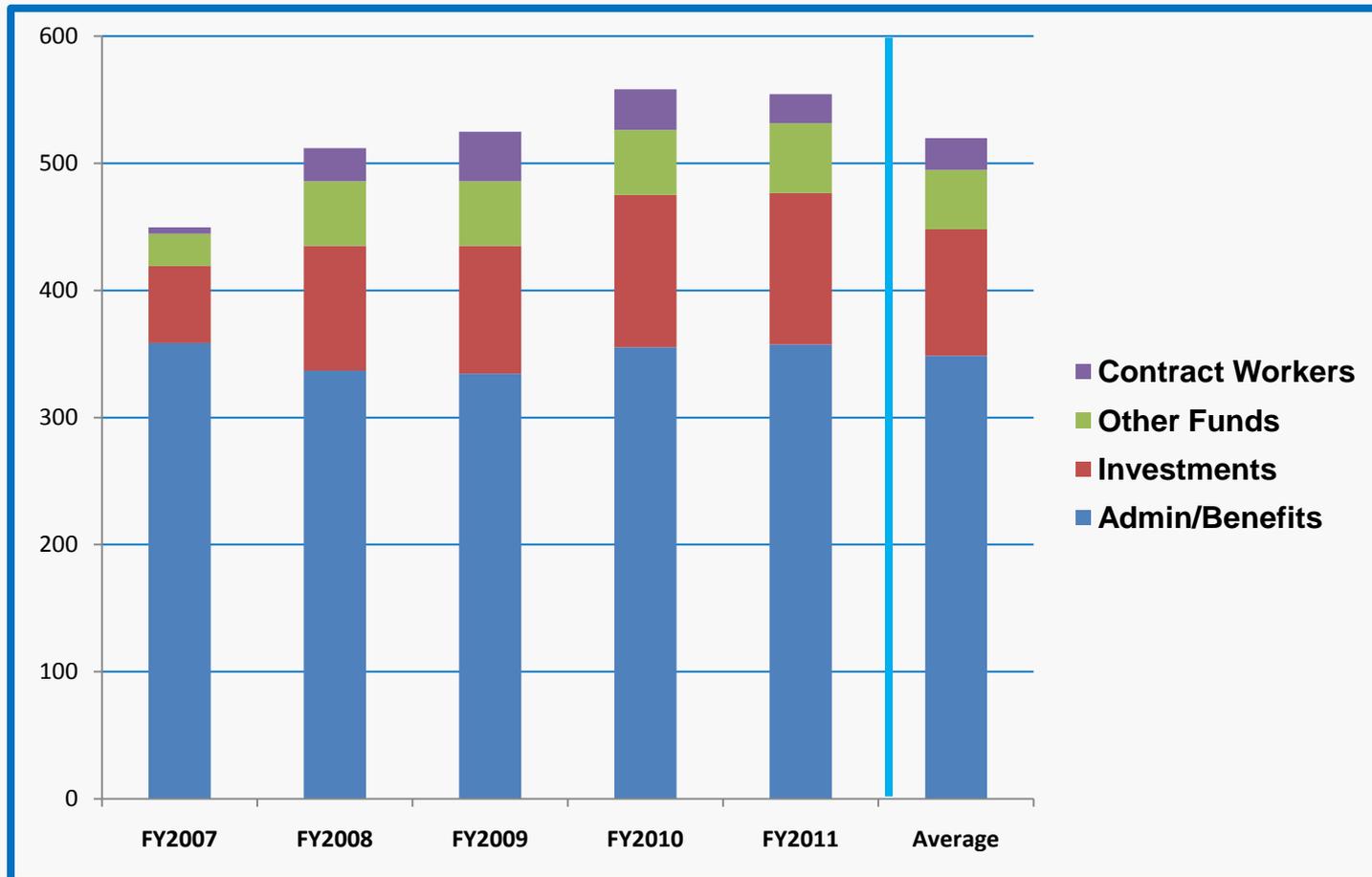
Workforce Continuity

Workforce Profile, Workforce Continuity & Leadership Development

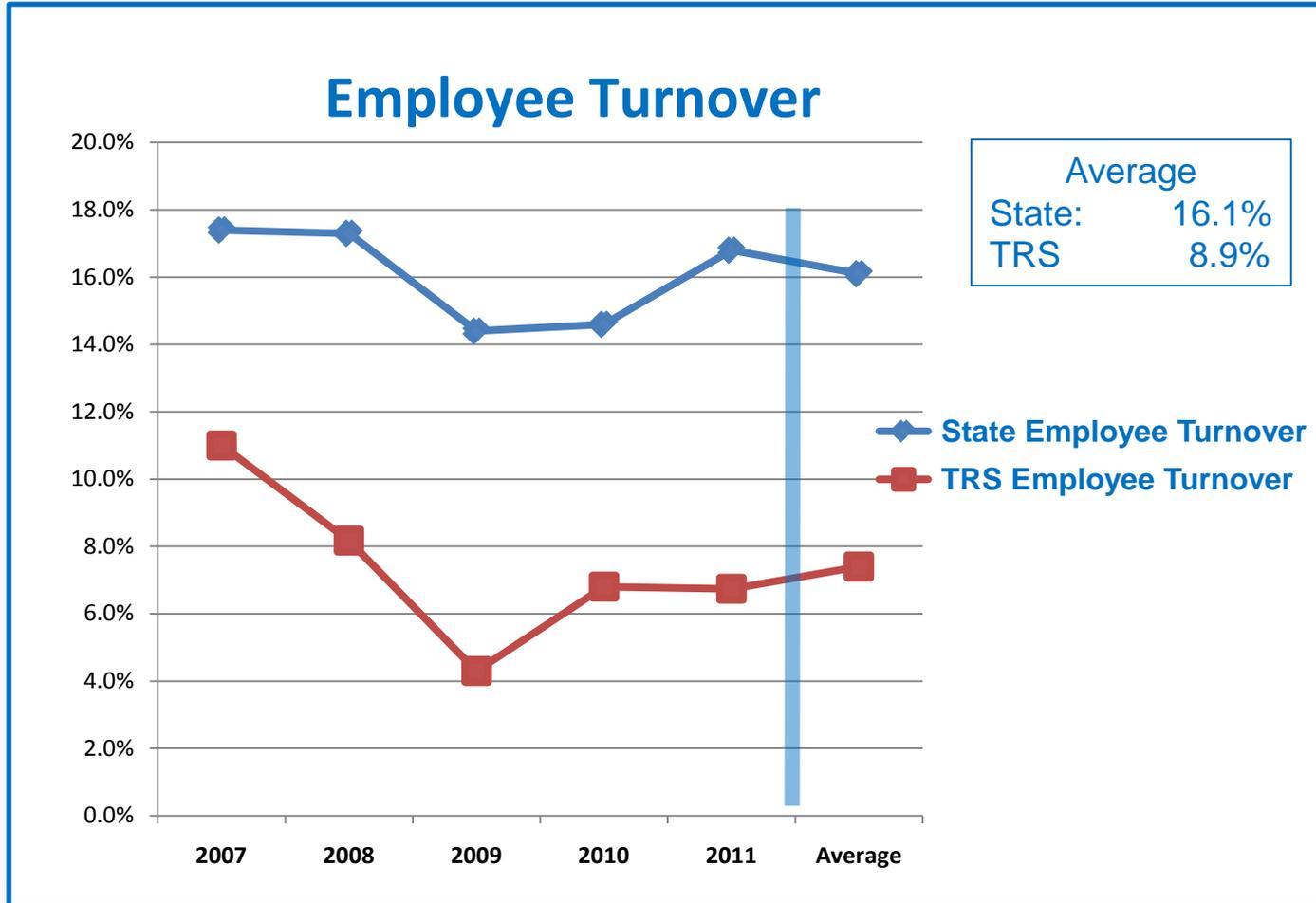
**Board of Trustees Meeting
February 17, 2012**

Workforce Profile

Average TRS FTEs

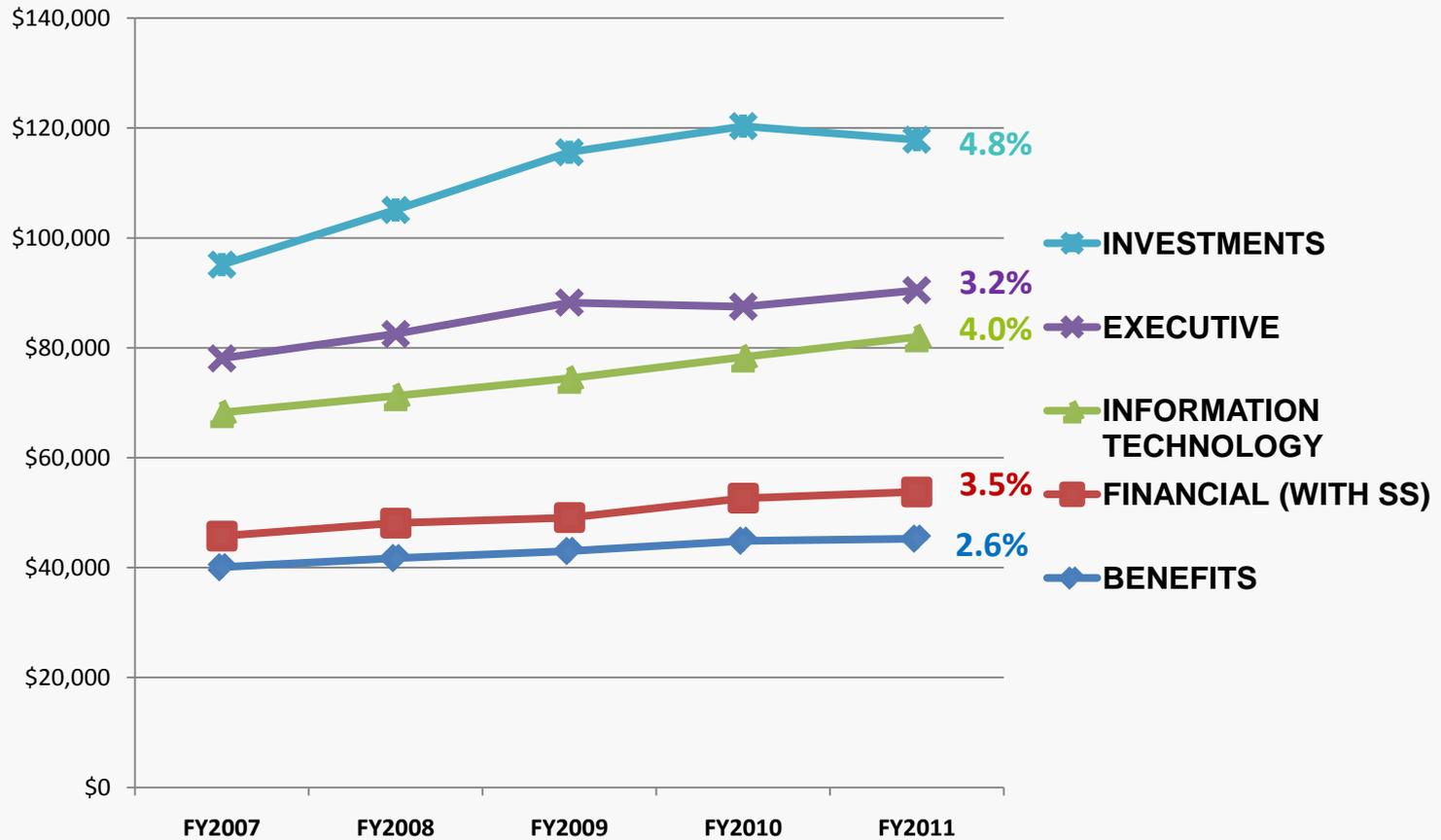


Workforce Profile



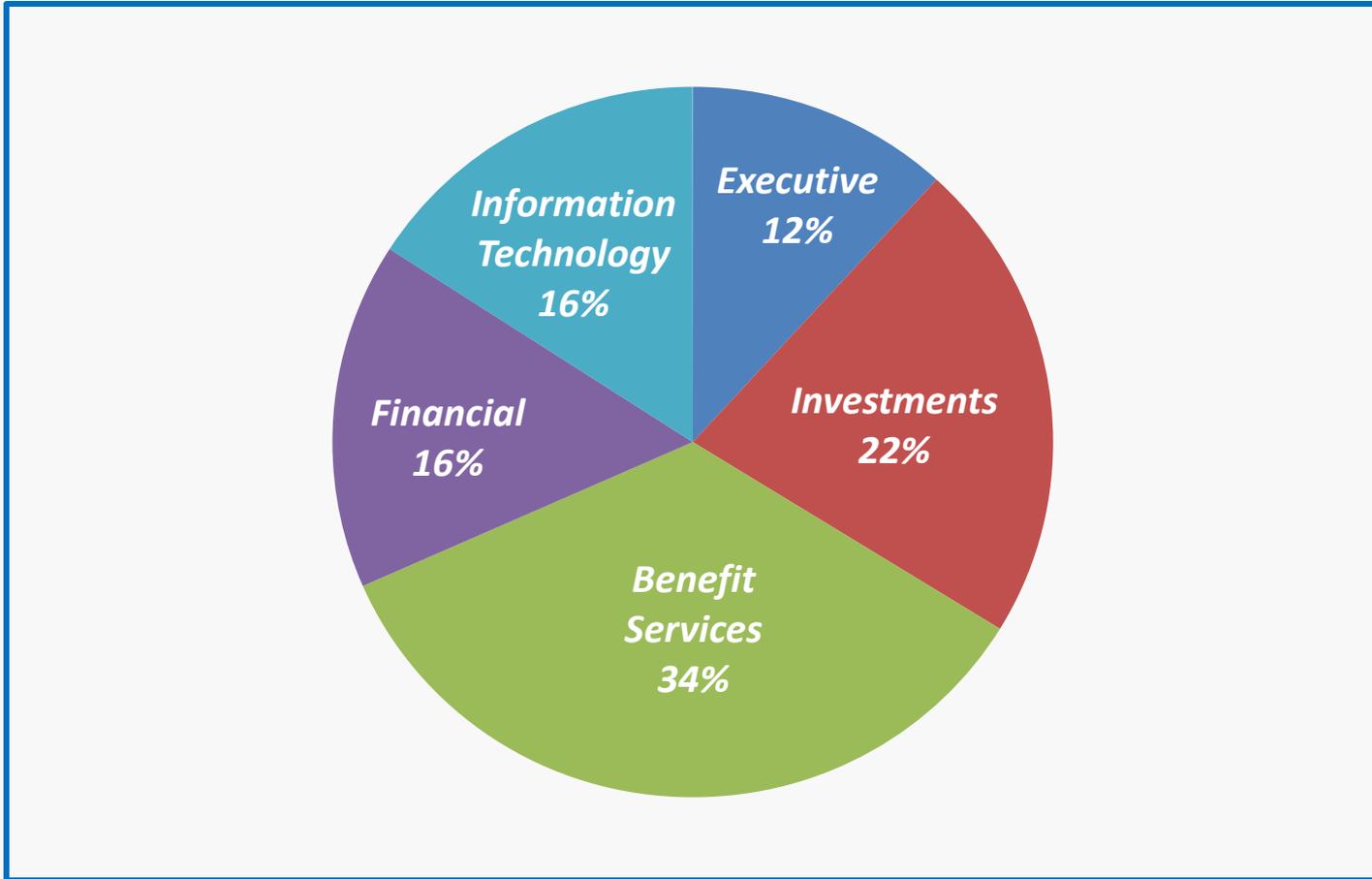
Workforce Profile

TRS Average Salary Five Year Trends (by Division) with Average Yearly Percentage Change



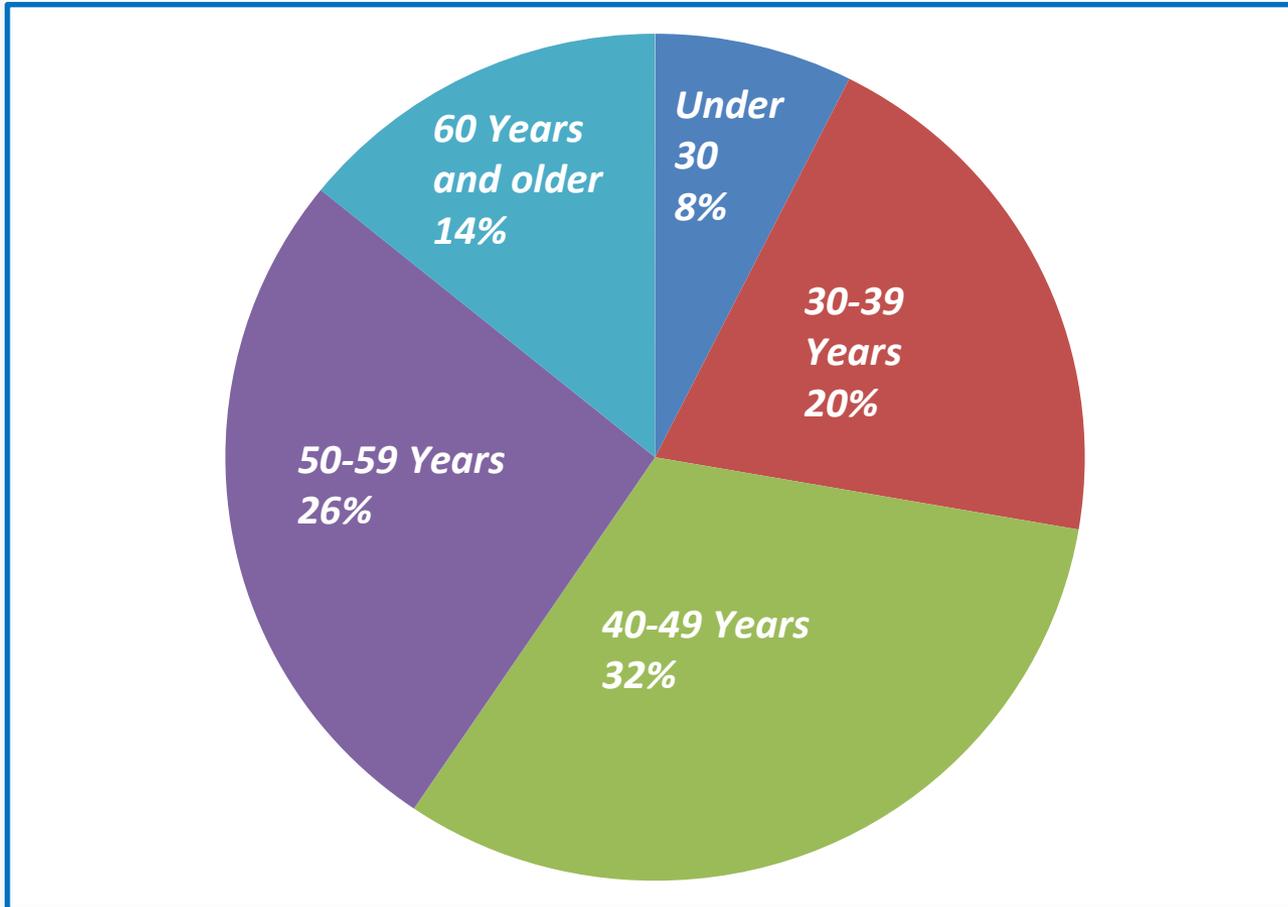
Workforce Profile

Percent of TRS Employees by Division



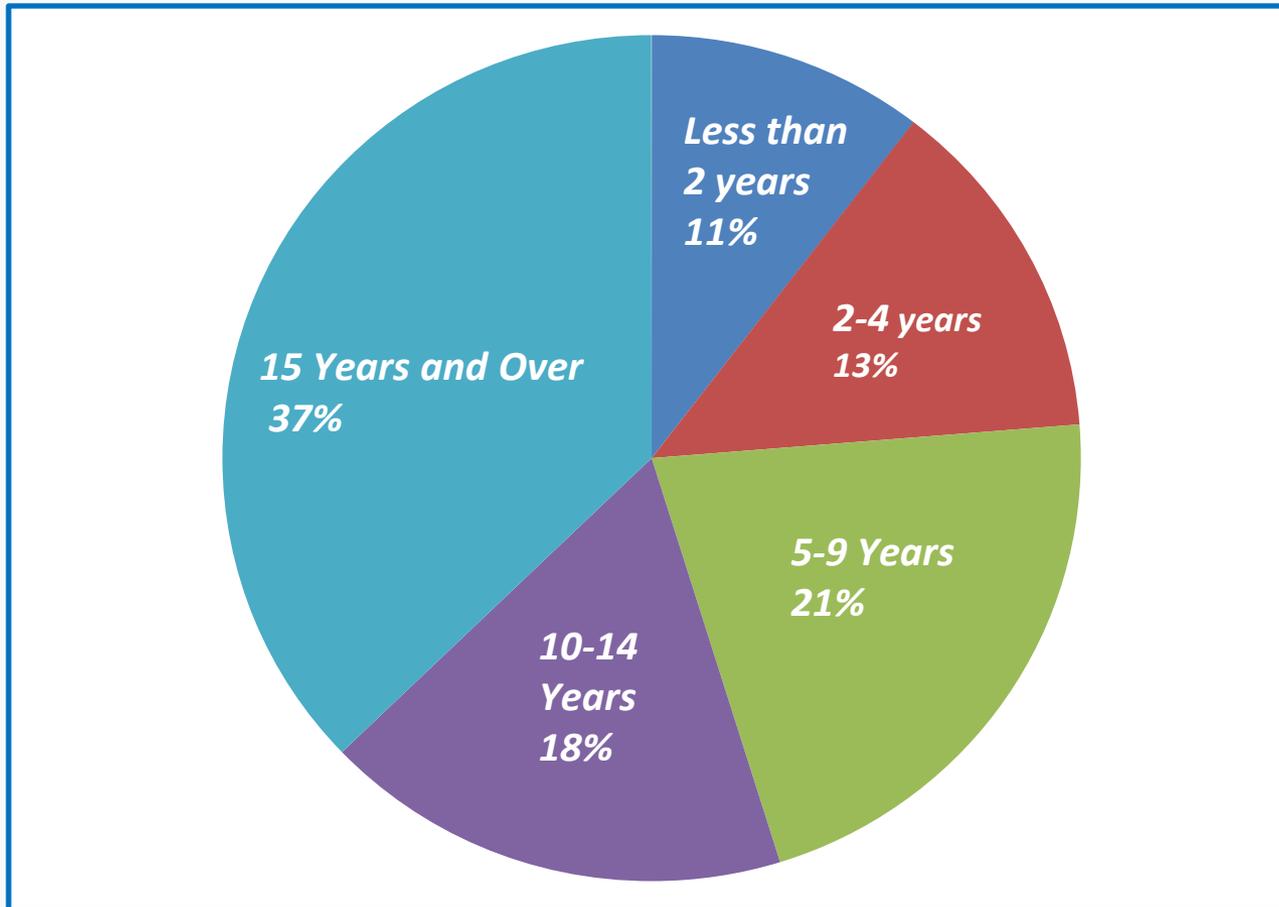
Workforce Profile

Age of TRS Workforce



Workforce Profile

Tenure of TRS Workforce



Retirement Eligibility Projection



Eligibility Estimates for TRS Staff

Eligible	Now As of 12/31/2011	In 1 year As of 12/31/2012	In 2 years As of 12/31/2013	In 3 years As of 12/31/2014	In 4 years As of 12/31/2015	In 5 years As of 12/31/2016	In 10 years As of 12/31/2021
Number of Employees	91	19	22	16	13	7	87
Percent of Workforce	17.27%	3.61%	4.17%	3.04%	3.42%	1.33%	16.51%
		110	132	148	166	173	260
Cumulative Percentage	17.27%	20.87%	25.05%	28.08%	31.50%	32.83%	49.34%

Note: These calculations are based on general estimates related to dates of service and age.

Areas of Vulnerability

Percent of Employees Eligible to Retire in 5 years

- Executive Team – 76.9%
- Legal Services – 55.6%
- Human Resources – 80%
- Technology Professionals – 39.7%
- Health Care – 41.7%

Addressing Vulnerabilities

PRIMARY STRATEGIES—



- **RECRUITMENT**
- **TALENT SUSTAINABILITY**

Workforce Planning



Workforce Continuity

Talent Pools—Sourcing & Retention

- **Selection**
- **Divisional Talent Pool Development**
- **Training & Development**
- **Compensation**

Internship Programs

Internship Program



Filling the Pool

CONTINUING STREAMS (INTERNAL & EXTERNAL) THAT FEED THE TRS TALENT POOL

Purposes of Program:

- Build future talent pools
- Develop leadership skills for intern mentors
- Create partnerships and networks with universities

Recruitment Strategies:

- All usual recruitment
- Additional outreach to HBCUs and MSIs
- Focus on schools with a relevant practicum

Leadership Development Program

Objective

Develop a pool of leadership candidates with:

- Cross divisional knowledge and experience
- Realistic problem solving experience
- A strategic view
- Collaboration and communication skills
- Skill in leading change

Leadership Development Program

Program Components

- Open Application Process
- Assessment of leadership competencies
- Individualized Development Plan
- Seminars/Training
- Coaching
- Action Learning Projects for TRS
- Presentation of Project Outcomes

Leadership Development Program

Program Benefits

- Thinking and acting systemically and strategically
- Build commitment and translate vision and strategy into effective action
- Develop teamwork and collaboration across the organization
- Manage complexity
- Professional relationships with a variety of staff members and functional areas

Timeline

January 2012

- ✓ Select Vendor for Assessment, Development Plans, & Coaching
- ✓ Leadership Team Briefing

February

- ✓ Announcement to Staff
- ✓ Board Briefing
- Applications from staff

March

- Select Participants
- Inaugural Orientation
- Assessment

April-November

- Seminars/Training
- Coaching
- Project Work

Nov/Dec

- Project Presentations

January 2013

- Graduation

Questions and Answers



TEAM Program

- **TEAM PROGRAM
UPDATE**

- Board of Trustees Meeting
- February 17, 2012

Agenda

- Introduction
- Organizational Structure
- Accomplishments to Date
- Timeline
- Data Management Project 101
- Communication Plan Update
- Financial/HR System Upgrade Update

Organizational Structure

Organizational Structure

presented by

Marianne Woods Wiley
Garry Sitz

Organizational Structure

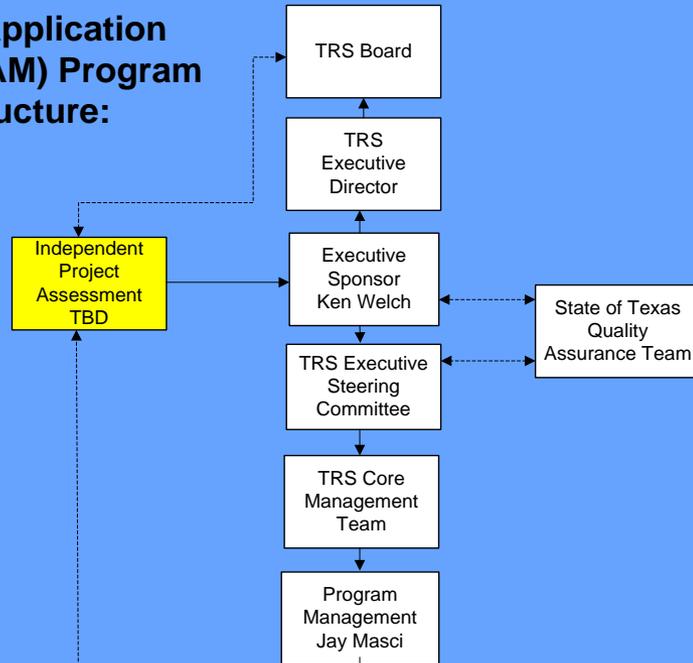
TEAM PROGRAM

Grown from a series of concepts through site visits, lessons learned and the Roadmap to a formal program structure for TEAM.

This structure effectively governs TEAM and is integrated into TRS operations.

Organizational Structure

TRS Enterprise Application Modernization (TEAM) Program Oversight Structure:



Executive Steering Committee

Ken Welch
 Marianne Woods Wiley
 Amy Morgan
 Betsey Jones
 Don Green
 Amy Barrett (non-voting)

Core Management Team

Liz Oliphint
 Barbie Pearson
 Amanda Gentry
 Jamie Michels
 Adam Fambrough
 T.A. Miller
 Garry Sitz

Jay Masci - Provaliant
 Bob Solheim – Provaliant
 David Cook – TRS
 Sue Richards – Provaliant
 Brenda Kalapach – TRS
 Lyle Boyea - TRS

LEGEND

———— denotes a direct report structure

- - - - - denotes an information source

 denotes that the scope of the Independent Project Assessment is limited to the Line of Business Solution.

Organizational Structure

Additional Oversight – Independent Project Assessment

- Independent Project Assessment for the Line of Business Project (LOB) (Pension Administration Application)
- Independent Project Assessment vendor monitors and validates the execution of project plans for the LOB
- Allows Executive Management the ability to monitor project progress and execution through the Independent Project Assessment vendor

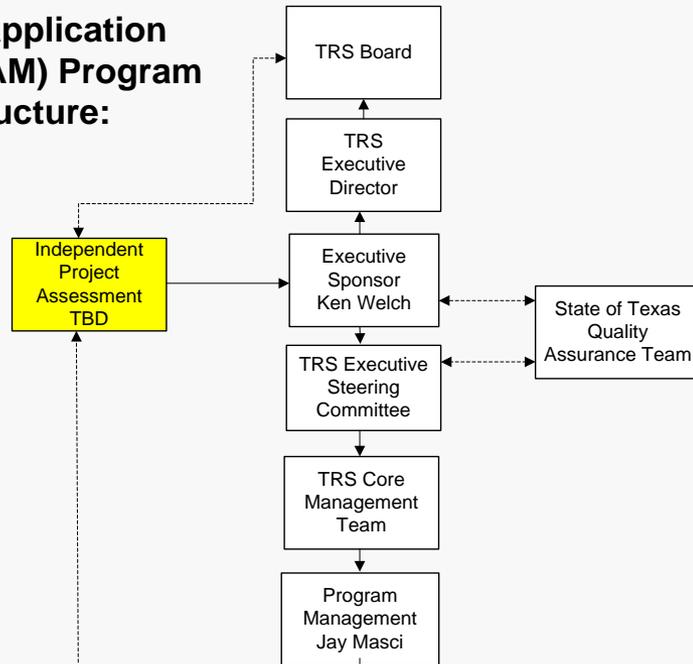
Organizational Structure

Additional Oversight - QAT

- State of Texas Quality Assurance Team (QAT)
 - Legislative Budget Board (LBB), Department of Information Resources (DIR) and State Auditor's Office (SAO)
- QAT monitors the progress of the program according to the State Project Delivery Framework

Organizational Structure

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Project Manager

Line of
 Business
 Solution

Data
 Assessment,
 Conditioning
 and Migration

Financial
 System
 Upgrade

Other projects
 Training,
 Infrastructure,
 ...

LEGEND

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Organizational Structure

- Program Management
 - Provaliant works with contractors and TRS staff to execute project plans
 - Core Management Team coordinates and facilitates all operational activities of the program
 - Deliverables are reviewed and approved via a defined process that includes multiple levels of management
 - Project managers are assigned as needed for new projects throughout the program lifecycle
 - Project management will transition from Provaliant to TRS in latter stages of the program
 - Program management by Provaliant remains constant throughout the entire program

Organizational Structure

- Project Management
 - TEAM has three major projects:
 - Line of Business (Pension Administration)
 - Financial System Upgrade
 - Data Management
 - Other projects may be created as needed (e.g. Training)
 - Project Management
 - Each project will have at least one project manager assigned
 - Line of Business and Data Management will have a Provaliant and a TRS project manager to facilitate communications and knowledge transfer
 - TRS Project Managers track Provaliant deliverables and act as conduit to other TRS staff and operations

Accomplishments to Date



ACCOMPLISHMENTS TO DATE

presented by

Amy Morgan

Accomplishments to Date



Driving Factors

- Brian Guthrie
 - The Next Generation Project

- David Kelly
 - Business Rules Convention

- Enterprise Risk Management Stoplight Report
 - Legacy Information Systems

Accomplishments to Date



Setting the Foundation

- Lessons Learned
 - Public Pension Fund Tour
 - Conference calls with public funds, private companies who administer benefits, consulting firms
- Vendor Presentations:
 - How to replace legacy systems
 - Data conditioning and migration
 - Financial Software Packages
 - Pension Line of Business Frameworks
 - Architectural Solutions
- Technical Research & Discovery

Accomplishments to Date



Setting the Foundation

- Established Information Technology governance processes
- Created a Roadmap as an initial guideline; developed into requirements for the TEAM Program
- Created internal management teams (ESC, CMT) to guide the direction of the program
- Developed the TEAM Program Communication Plan
- Implemented a repository for TEAM artifacts
- Received approval from the LBB for an increase in FTEs by 12 in FY2012 and 3 in FY2013
- Developed staffing plan for FY2012

Accomplishments to Date



Setting the Foundation

- Changed IT management structure to include a Deputy Information Officer
- Divided the largest IT department into 2 teams of developers
- Established Technical Architect and Business Analyst functions

Accomplishments to Date



Significant Activities Completed

- Hired Technical Architect and 2 Business Analysts
- Posted 5 of 12 technical positions; interviews have begun for 3 of the 5 postings
- Developed RFO for TEAM Program Management and selected vendor
- Documented existing application architecture and developed a future view
- Upgraded the TRS network for greater flexibility, capacity, and performance
- Modernized our automated telephone system

Accomplishments to Date



Significant Activities in Progress

- Business analyst are mapping current business processes
- Management committee is assessing and categorizing current service requests for IT resources; all projects will be prioritized after the assessment is complete
- Management is assessing and reprioritizing current workloads in IT to make staff available for TEAM
- TRS technical staff is engaged in a proof of concept of key technologies

Accomplishments to Date



Significant Activities in Progress

- The CMT with the Project Management vendor are developing a statement of work for the data assessment project
- A new network switch is being installed for high-speed, high availability network capacity

Timeline

TIMELINE

presented by

Jay Masci

Timeline

TEAM Milestones

2nd Qtr (Dec - Feb) FY2012

- Planning Documents Completed
- Financial/HR Package Demonstrations Begin

3rd Qtr (Mar - May) FY2012

- Information Technology Plan Completed
- Data Assessment RFO/SOW Development Completed
- Financial/HR Business Requirements Reviewed and Finalized

Timeline

4th Qtr (Jun - Aug) FY2012

- Data Assessment Vendor Selected
- Financial/HR Implementation Vendor SOW Development Completed

1st Qtr (Sep - Nov) FY2013

- Data Assessment Project Completed
- Financial/HR Package Selection Implementation Vendor Selected
- Data Conditioning and Migration RFO/SOW Development Completed
- Independent Project Assessment RFO Development Completed

Timeline

2nd Qtr (Dec - Feb) FY2013

- Data Conditioning and Migration Vendor Selected
- Independent Project Assessment Vendor Selected
- LOB RFO Development Completed

4th Qtr (Jun - Aug) FY2013

- LOB Implementation Vendor Selected

TBD

- Financial/HR Project Completed
- Data Conditioning and Migration Project Completed
- LOB Project Completed

Data Management Project 101



DATA MANAGEMENT PROJECT 101

presented by

Jay Masci

Data Management Project 101



What is a Data Management Project?

The Data Management Project's objective is to:

“Analyze, prepare, and migrate TRS' legacy data to the new LOB system database(s) in accordance with associated governance policies.”

Data Management Project 101



What is a Data Management Project? cont'd

A Data Management project is composed of four elements:

1. Data Assessment
2. Data Conditioning
3. Data Migration
4. Data Governance

Data Management Project 101

Three Phases of Data Management

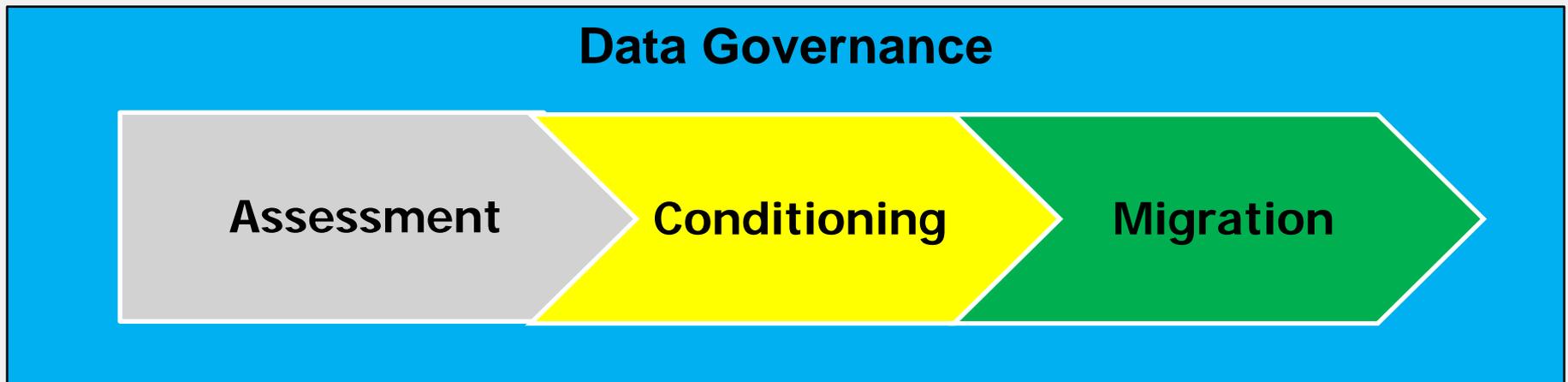
The first three elements outline the three phases of a Data Management project



Data Management Project 101

Data Governance

The fourth element, data governance, occurs throughout a Data Management project.



Data Management Project 101

Assessment Phase

Data management vendor will profile the agency's current data sources, identifying data issues.



Data Management Project 101



Assessment Phase cont'd

So what is a data issue?

Any data element that is:

- Formatted incorrectly
- Redundant
- Incomplete
- Invalid
- Does not comply with TRS business rules

Data Management Project 101



Assessment Phase cont'd

Some examples of data issues

- Formatting data issue
 - Date format needs to be mm/dd/yyyy
01/14/00
 - Country code needs to be England
Country Code: UK
Country Code: United Kingdom

Data Management Project 101



Assessment Phase cont'd

- Redundant data issue
 - There are 3 data sources for a person's birthdate as follows:
03/10/1945
10/03/1945
03/19/1945

Data Management Project 101



Assessment Phase cont'd

- Incomplete data issue
 - Employment position
 - Start Date: blank
 - End Date: 12/20/2011

Data Management Project 101



Assessment Phase cont'd

- Invalid data issue
 - Date field
41/04/2011
 - Number of days worked in a school year
392
 - Retiree birthdate
12/01/2011

Data Management Project 101



Assessment Phase cont'd

- Does not meet the business rule
 - Rule: Must have a date of birth and retirement date if receiving retirement benefits

Date of Birth: Blank

Retirement Date: 07/05/2010

Receiving Retirement Benefits: Yes

Data Management Project 101



Conditioning Phase

Data management vendor and TRS will perform data conditioning of items identified as a result of the data assessment phase.



Data Management Project 101



Conditioning Phase cont'd

Data conditioning may be accomplished using the following methods:

- Manually conditioning in the legacy system
- Changing the legacy application code
- Automatically conditioning via script(s)
- Manually conditioning in the new system

Data Management Project 101

Migration Phase

Data management vendor will load the conditioned data into the new system at which time a quality assurance/verification is performed that ensures that the migrated data is complete and meets requirements.



Data Management Project 101



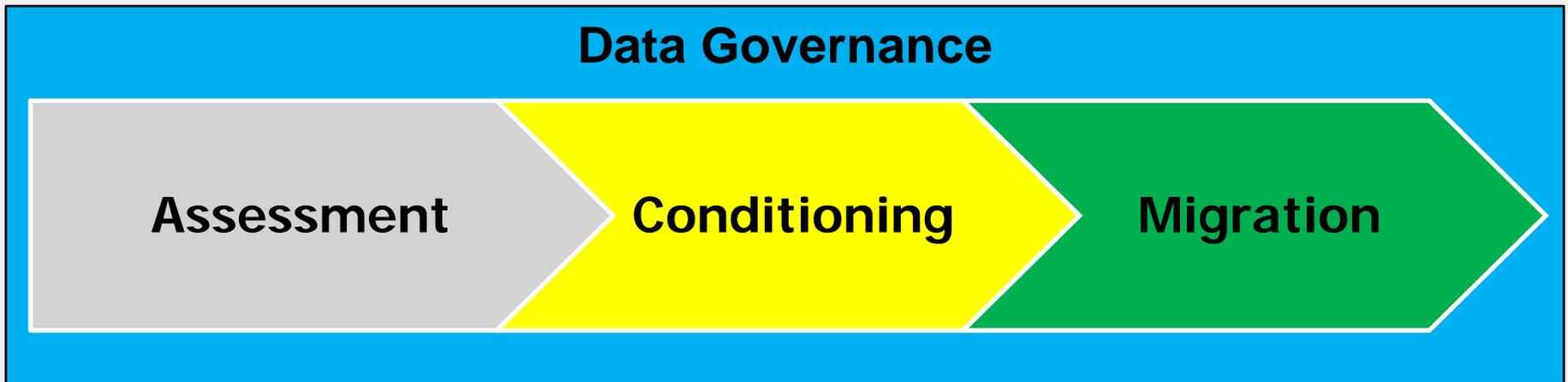
Data Governance

The fourth element, Data Governance, establishes:

- Standards
- Processes
- Decision making authority to maintain the quality of the TRS data through the project and into the future.

Data Management Project 101

Why a Data Management Project?



To enable all of the new functionality that will be put in place by the TEAM Program.

Data Management Project 101



Why a Data Management Project? cont'd

Not performing data management would be like...

Data Management Project 101

Why a Data Management Project? cont'd

...building a new high performance sports car, but filling it with “regular” gas. It will not perform at its best, if at all!



Communication Plan Update



COMMUNICATION PLAN UPDATE

presented by

Barbie Pearson

Communication Plan Update



2012 Communications Game Plan

- Revise 2011 communications plan—what’s worked; what new approaches are needed.
- Initiate communications with TRS members about the TEAM Program and what it means for them.
- Ensure all employees are continuously updated.
- Continue to monitor staff understanding through internal assessments and revise communications as needed.

Communication Plan Update



Stakeholders

- External
 - Members, Retirees and Beneficiaries
 - Employers
 - Associations
 - Elected Officials
 - General Public

- Internal
 - Individual TRS Employees
 - TRS Departments
 - Leadership Team
 - Executive Council
 - Board of Trustees

Communication Plan Update



Reinforce Key Messages

- The TEAM Program:
 - is a multi-year initiative to enhance business processes and technologies used by TRS to deliver benefits
 - is an effort to mitigate risk by replacing legacy systems with sustainable technology
 - will build on a foundation of excellent service for a growing membership in a cost-effective manner
 - has no underlying plan to eliminate positions; however, employees may have duties changed as the result of process improvements
 - requires stakeholders and employee input

Communication Plan Update



Sample Communication Channels

Internal

- Employee Kick-Off Event—*new for 2012*
- *Chalkboard*—3-4 editions per year
- Intranet—TEAM Program Repository
- Leadership Team/Departmental Meetings/Internal Committees

External

- *TRS News*—*new for 2012*
- TRS Website—*new for 2012*
- *MyTRS* e-mail messages—*new for 2012*
- Social Media—*new for 2012*

Financial/HR System Upgrade Update



FINANCIAL/HR SYSTEM UPGRADE UPDATE

presented by

Don Green

Financial/HR System Upgrade Update

Timeline for Fiscal Years 2012-2013

1st Qtr (Sep - Nov) FY2012

- Financial System Upgrade (FSU) Requirements Management Plan Developed
- Kick-Off Meeting for Department Team Leads
- Financial/HR Requirements Gathering Begins

2nd Qtr (Dec - Feb) FY2012

- Develop Staffing Plan for the Project Work
- Business Analysts Continue to Meet with Staff to Gather Business Requirements
- Begin Demonstrations on Financial/HR Packages

Financial/HR System Upgrade Update



Timeline for Fiscal Years 2012-2013 (cont'd)

3rd Qtr (Mar - May) FY2012

- Review and Finalize Business Requirements
- Formalize Evaluation Criteria and Selection Process for Financial/HR System to Achieve Best Value

4th Qtr (Jun – Aug) FY2012

- Discuss Results with Texas Comptroller of Public Accounts
- Select Financial/HR Package

1st Qtr (Sep – Nov) FY2013

- Begin Implementation of Financial/HR System

Financial/HR System Upgrade Update



Results of Project

Mainframe Financial Systems Replaced with Software Solution that:

- Eliminates and Reduces Manual Processes
- Minimizes or Eliminates Reconciliation of Data
- Provides Enhanced Query and Reporting Functionality
- Eases the Process of Making Modifications to the System

Questions and Answers



Enterprise Risk Management

ERM

Board of Trustees Meeting
February 17, 2012

Topics

- Overview of ERM
- ERM at TRS



TRS of Texas



- Trust fund value \$100+ billion
- Health Care
- 1.3 million members
- 300,000+ retirees/beneficiaries
- 9 member Board
- 525 employees



What is ERM?

Definition of Risk Management:

Coordinated activities to direct and control an organization with regard to risk.

Source: ISO 31000



ERM Principles

- Risk management is everyone's business
- Sound judgment ("risk-based" decisions)
- Risk management is a comprehensive and continuous process
- Emphasize integration into existing planning processes
- Utilize across all business units and functions



Benefits of ERM

- Quickly identifies emerging risks and problem areas before they escalate and cause serious harm
- Not as many surprises
- Makes risks and controls understandable
- Provides a simple, uniform methodology that is applicable in all environments



ERM – Changes Organizational Culture

- Ownership of risk and controls
- Question before acting
- Rapid response to changes/risk management



ERM Implementation Barriers

- Lack of:
 - senior management sponsorship
 - tangible benefits
 - capital to invest in risk management
 - skills/capability to implement
 - clear implementation plan

- Failure to communicate the business case



Roles & Responsibilities

- Each individual contributes, directly or indirectly, to the success of ERM
- The Executive Director and management team are responsible for establishing and maintaining the ERM framework
- Board of Trustees provide governance, guidance, and oversight



ERM at TRS



TRS ERM Timeline



2005 – 2006	At the direction of the CAE, TRS hired a consultant to plant the ERM seed and to perform limited assessments. The ERM initiative had begun.
April 2007	TRS dedicated one FTE to ERM implementation, continuing the ERM initiative.
August 2007	Facilitated risk assessments started at the individual work team level – the bottom-up approach.
August 2008	ERM program manager submitted a formal ERM program implementation/action plan to the Executive Director.
September 2008	Executive Director authorized the creation of a formal ERM program.
November 2008	ERM Charter was approved by the Risk Oversight Committee (ROC).
February 2009	The ROC began the identification and selection process of major risk categories.
May 2009	ROC finalized the major risk categories as represented on the first draft of the Stoplight Report.
August 2009	Executive Director presented the Stoplight Report to the Board of Trustees.
October 2009	ERM Policy was approved and issued.
March 2010	The integration of ERM and Strategic Planning began.
September 2010	Executive Director established the Office of Risk Management and Strategic Planning. Staff transferred out of Internal Audit and Staff Services.
September 2011	Bylaws of the Board of Trustees state that ERM reports risk and control activities to the Risk Management Committee of the Board.

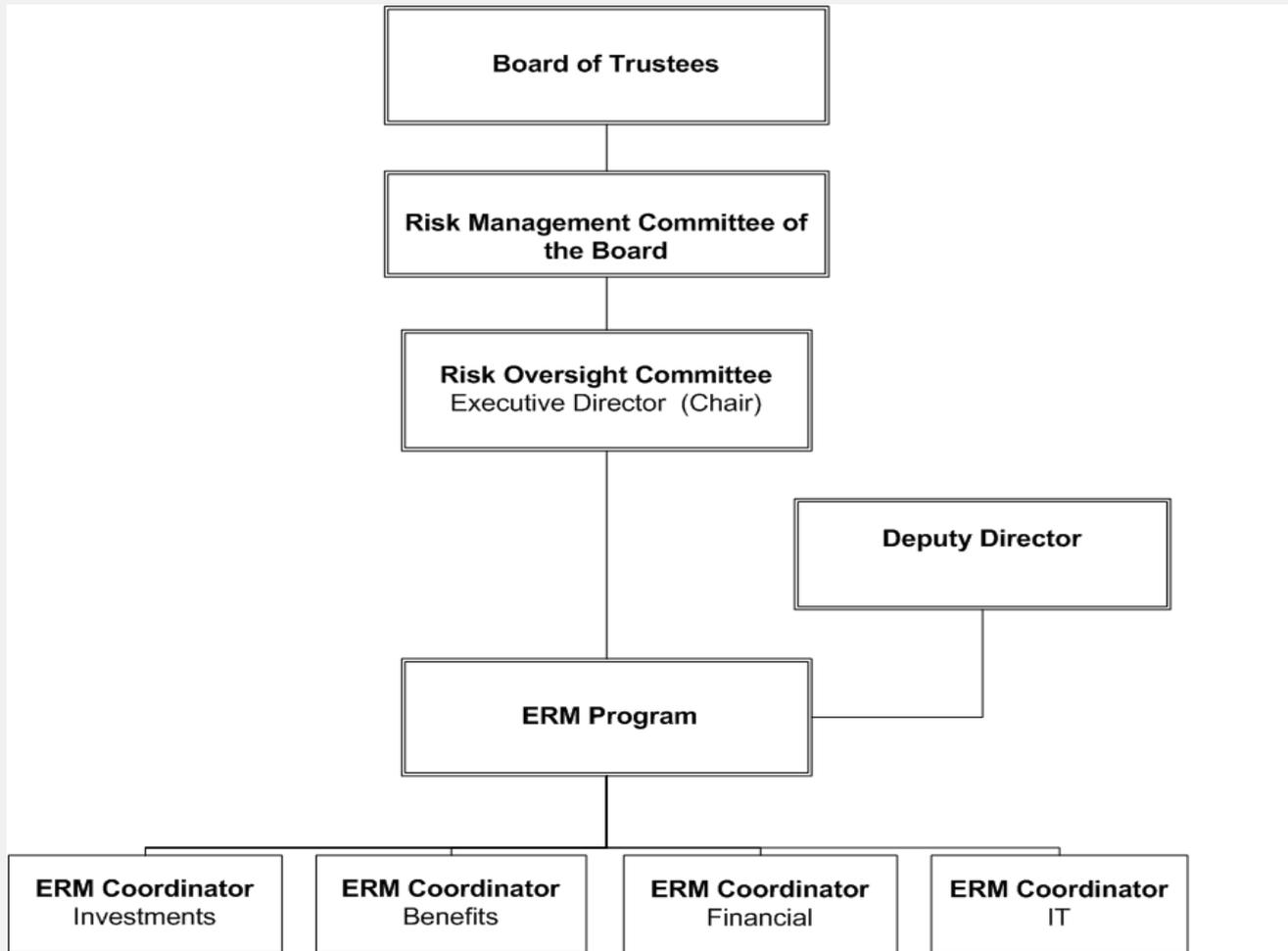
Risk Management & Strategic Planning Department



- Enterprise Risk Management
- Health & Safety
- Insurance
- Business Continuity
- Strategic Planning



TRS ERM Structure



Risk Oversight Committee Members

- Executive Director (Chair)
- Deputy Director
- Chief Investment Officer
- Chief Financial Officer
- Chief Benefit Officer
- Director of Health Care Policy
- Chief Information Officer
- Chief Audit Executive (Ex Officio)



ERM Approaches

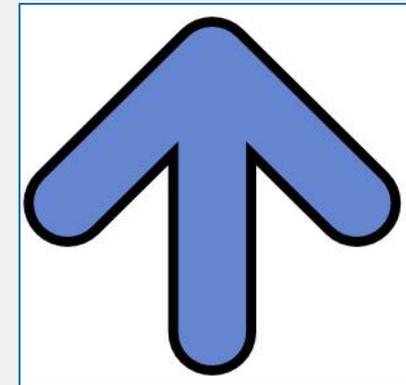
**Bottom-Up
&
Top-Down**



Bottom-Up Approach

Facilitated session with individual business units

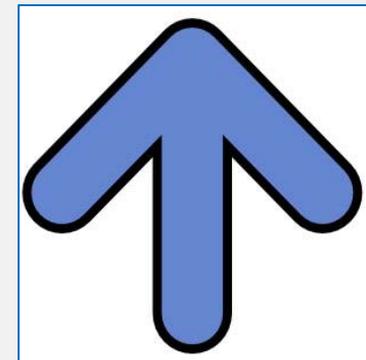
- Started with objectives or activities
- Identified risks
- Listed key mitigations
- Assessed the impact and likelihood



Bottom-Up Approach

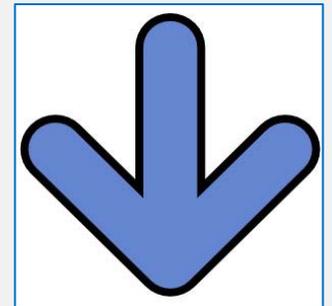
Post Facilitated Session Information Obtained

- Risk Description
- Risk Owner
- Mitigations (description, key control, control owner, effectiveness, appropriateness)
- Risk Response
- Action Items
- Monitoring Items
- Reporting Process



Top-Down Approach

- Surveyed Executive Management on their top ten entity risks
- Received approximately 50 risks ideas
- Consolidated and combined common risks
- Categorized risks
- Identified the Global Owner
- Identified key risk drivers and mitigations
- Reported information to Risk Oversight Committee (ROC)
- At the direction of the ROC, ERM team follows up



TRS “Stoplight Report”



Teacher Retirement System of Texas Enterprise Risk Assessment as of 03/08/2010			
Strategic	Operational	Reporting	Compliance
<p>Pension Funding Ronnie Jung</p> <p>Maintain an actuarially sound pension plan.</p> <p>Absent sound funding the plan would not have enough assets over the long term to pay promised benefits</p>	<p>Investment Risk Management Britt Harris</p> <p>To maintain portfolio risk in line with investment policy by actively managing market, foreign exchange, credit, liquidity, operations, settlement and legal risk.</p> <p>With an ineffective investment risk management function, we would not be able to accurately measure and understand the amount of risk which may lead to inappropriate action.</p>	<p>External Relations and Communications Howard Goldman</p> <p>Maintain effective communication and positive relations with members, retirees, employers, TRS employees, the news media, and the public.</p> <p>Poor communications could lead to confusion among members, annuitants, employers and/or the general public. Such confusion could then result in increased calls to TRS, poor or inappropriate member/annuitant decisions relating to their TRS benefits, incorrect information spread to third parties and call/written communications to elected officials.</p>	<p>Fraud Prevention and Detection Ken Welch</p> <p>Protect TRS assets from loss due to fraud.</p> <p>The failure to prevent or detect a major fraud could result in the loss of assets, loss of credibility, adverse publicity, and increased scrutiny and oversight.</p>
<p>Retiree Health Care Funding Betsy Jones</p> <p>Facilitate long term soundness of TRS Care in order to pay retiree health care costs.</p> <p>Inadequate funding would affect our ability to pay long term commitments.</p>	<p>Business Continuity Brian Guthrie</p> <p>To recover and continue operations after a disaster.</p> <p>Inability to serve our members and carry out our statutory required function</p>	<p>Governmental/Association Relations Ray Spivey</p> <p>Maintain effective communications and positive relations with the Legislature, associations, and other public parties.</p> <p>Poor communications could lead to adverse relations, unfavorable legislation, and restricted funding.</p>	<p>Procurement and Contract Management Ken Welch</p> <p>Maintain effective contract management systems.</p> <p>Inappropriate procurement practices could result in purchases of sub-standard products, unfavorable pricing or contract terms, and violation of laws resulting in loss of credibility, and increased scrutiny and oversight. Ineffective contract monitoring creates the risk that contractors will not carry out their services in accordance with the agreement.</p>
<p>Active Health Care Funding Betsy Jones</p> <p>Facilitate soundness of the TRS Active Care program in order to pay commitments.</p> <p>Inadequate funding would cause TRS to set higher premiums in the future for prior costs.</p>	<p>Information Security Amy Morgan</p> <p>Maintain data integrity, availability, and protection.</p> <p>Inappropriate (accidental or intentional) exposure or modification of critical information maintained by TRS.</p>	<p>General Accounting and Reporting Ken Welch</p> <p>Maintain the integrity, accuracy, and completeness of financial information and the timeliness of reporting.</p> <p>Materially inaccurate financial information and reports would result in investment, benefit, and operational decisions by the Board and Legislature being made based on flawed data. An adverse or qualified audit opinion could result in the loss of credibility, adverse publicity, and increased scrutiny and oversight.</p>	<p>Records Management Marianne Woods-Wiley</p> <p>Preserve TRS records through adherence to applicable laws and rules, and by applying TRS records management policies.</p> <p>An ineffective records management program could result in the loss or accidental release of records, loss of credibility, result in delays in accessing records, and increase scrutiny and oversight.</p>
<p>Governance Ronnie Jung</p> <p>Maintain an atmosphere/culture that upholds ethical behavior and values and contributes to an environment that promotes transparency and accountability in support of TRS' mission.</p> <p>Inappropriate agency governance and an unethical environment could lead to an inadequate control environment which creates other risks.</p>	<p>Benefit Administration Marianne Woods-Wiley</p> <p>Accurate delivery of benefits to TRS members, retirees and beneficiaries. This includes systems monitoring and controls (including system edit/checks) related to accurate calculations and benefit payments to others.</p> <p>Failure to effectively deliver benefits could lead to inaccurate information and/or inaccurate benefit payments, dissatisfied members, retirees or beneficiaries, loss of credibility, adverse public perception, and increased scrutiny and oversight.</p>	<p>Investment Reporting Britt Harris</p> <p>Maintain the integrity of investment information - reporting and disclosure, accuracy, completeness and valuation. Additionally, develop and disseminate customized investment reporting for both management and governance to enhance making better strategic and tactical investment decisions.</p> <p>Investment reports would contain material inaccuracies.</p>	<p>Confidential Information & Open Records Connl Brennan</p> <p>Protect all confidential information and ensure compliance with open records laws.</p> <p>An ineffective function/process could result in a violation of state and/or federal laws and sanctions against TRS and possibly individual employees.</p>
<p>Tax Qualification Status Connl Brennan</p> <p>Adherence to current laws and rules to maintain tax qualification status.</p> <p>A loss in the tax qualification status would have tax consequences to members.</p>	<p>Legacy Information Systems Amy Morgan</p> <p>Provide information systems to meet TRS' long term business and customer service needs.</p> <p>Inability to provide adequate and consistent information in a timely fashion via the preferred delivery mechanism.</p>	<p>Employer Reporting Ken Welch</p> <p>Accurately capture and utilize employer reported data to project and calculate future benefits of TRS members.</p> <p>Incorrect reporting could lead to calculated benefits being inaccurate.</p>	
<p>Budget Brian Guthrie</p> <p>To ensure that TRS has the appropriate budget to provide and sustain the resources necessary to successfully carry out TRS mission, goals and objectives in service of our members.</p> <p>Lack of a sufficient operating budget could jeopardize our ability to effectively serve our members.</p>	<p>Workforce Continuity Annette Dominguez</p> <p>Ensure preservation of valued institutional knowledge and make certain that a skilled, capable, and motivated workforce is maintained to meet TRS' mission-critical functions.</p> <p>Lack of effective knowledge management, talent management, and turnover transition management could lead to loss of institutional knowledge, which could negatively impact the delivery of member services and pension fund management.</p>		
	<p>Customer Service Marianne Woods-Wiley</p> <p>Deliver superior service to membership and internal/external customers.</p> <p>Inadequate customer service could result in dissatisfied members or customers and could lead to increased scrutiny and oversight.</p>		

3/16/2010 9:00

Teacher Retirement System
Risk Assessment Coding

	LOW
	Regular Monitoring
	GUARDED
	Regular Monitoring + Action Items
	CAUTION
	Increased Monitoring + Action Items
	ELEVATED
	Increased Management Involvement
	SEVERE
	Significant On-going Management Involvement

What's Next?

The TRS Spotlight



TRS Risk Inventory



Teacher Retirement System of Texas Enterprise Risk Inventory - 2012					
Enterprise		Operations		Finance	Investments
Pension Funding	Communications & External Relations	Pension Benefit Administration		General Accounting & Reporting	Investment Operations
Maintain an actuarially sound pension plan.	Maintain effective communication and positive relations with members, retirees, employers, TRS employees, news media, and the public.	Accurate delivery of benefits to TRS members, retirees and beneficiaries. This includes systems monitoring and controls (including system edits/checks) related to accurate calculations and benefit payments to others.		Maintain the integrity, accuracy, and completeness of financial information and the timeliness of reporting.	Maintain accurate transaction settlement and position management processes.
Absent sound funding for the plan could lead to insufficient assets to pay for long-term benefits and financial obligations.	Poor communication could lead to confusion resulting in increased calls to TRS, poor or inappropriate decision-making regarding TRS benefits, and incorrect information provided to external parties.	Failure to effectively deliver benefits could lead to inaccurate information and/or inaccurate benefits/payments, dissatisfied members, retirees, or beneficiaries, loss of credibility, adverse public perception, and increased scrutiny and oversight.		Materially inaccurate financial information and reports would result in board and Legislature decisions being made on flawed data and adverse or qualified audit opinions.	Inaccurate understanding of investment positions could result in loss and inappropriate investment actions.
Retiree Health Care	Governmental/Association Relations	Health Care Administration		Budget	Investment Reporting
Facilitate long term soundness of TRS-Care in order to pay retiree health care costs.	Maintain effective communications and positive relations with the Legislature, associations, and other public parties.	Administer a retiree and active member health care program that is responsive to and valued by enrollees.		Ensure TRS has appropriate budget to provide and sustain resources necessary to successfully carry out TRS mission, goal, and objectives to serve our members.	Maintain the integrity of investment information - reporting and disclosure, accuracy, completeness and valuation. Additionally, develop and disseminate customized investment reporting for both management and governance to enhance making better strategic and tactical investment decisions.
Inadequate funding would affect solvency of the program over the next biennium, requiring significant premium increases or benefit reductions.	Poor communications could lead to adverse relations, unfavorable legislation, and restricted funding.	Inadequate administration of the health care programs could possibly affect the health of those who depend on the delivery of the TRS health care services.		Lack of a sufficient operating budget could jeopardize our ability to effectively serve our members.	Investment reports would contain material inaccuracies.
Workforce Continuity	TEAM	403(b)		Employer Reporting	Market
Preserve valued institutional knowledge, and ensure a skilled, capable, and motivated workforce is maintained to meet TRS' functions.	Implement cost effective, efficient, and sustainable processes and systems that enable TRS to serve its members, employers, and annuitants.	Set fee caps for 403(b) products offered to school district employees. Maintain list of both qualified companies and products which meet requirements of law and TRS rule.		Accurately capture and utilize employer reported data to project and calculate future benefits of TRS members.	Maintain market risk exposures consistent with investment objectives.
Lack of effective knowledge management, talent management, and turnover transition management could lead to loss of institutional knowledge, which could negatively impact the delivery of member services and pension fund management.	Reliance on aging systems will impede administration and processing of pension benefits and meeting the growing demands of TRS members.	Information regarding company and product qualification is self-reported.		Incorrect reporting could lead to calculated benefits being inaccurate.	Too little or too much exposure to market risk could each lead to undesirable investment outcomes.
Governance	Legacy Information Systems	Customer Service		Procurement & Contract Management	Credit
Maintain an organizational structure and culture that upholds ethical behavior and values that contribute and promote transparency and accountability.	Provide information systems to meet TRS' long term business and customer service needs.	Deliver superior service to membership and internal/external customers.		Maintain effective contract management systems.	Maintain effective management of counterparty and securities lending risks.
Inappropriate agency governance and an unethical structure and culture could lead to inadequate controls which create other risks.	Inability to provide adequate and consistent information in a timely fashion via the preferred delivery mechanism.	Inadequate customer service could result in dissatisfied members or customers and could lead to increased scrutiny and oversight.		Inappropriate procurement practices could result in purchases of sub-standard products, unfavorable pricing or contract terms, and violation of laws. Ineffective contract monitoring could result in contractors not fulfilling their contractual obligations.	Unmanaged counterparty and securities lending exposures could result in losses to the investment portfolio.
Business Continuity	Information Security	Tax Qualification Status			Liquidity/Leverage
Recover and resume operations in the event of a business interruption.	Maintain integrity, availability, and protection of electronic data.	Adherence to current laws and rules to maintain tax qualification status.			Maintain levels of liquidity appropriate for the support of fund disbursements, anticipated investment funding needs and trust level leverage.
Members do not receive statutorily required services.	Inappropriate (accidental or intentional) exposure or modification of critical information maintained by TRS.	Losing the tax qualification status would have tax consequences for our members.			Inadequate liquidity could lead to cash shortfalls.
Fraud Prevention & Detection	Confidential Information				
Protect TRS from fraudulent practices.	Protect confidential information and ensure compliance with applicable laws and rules.				
Fraudulent activities could result in loss of assets and credibility, adverse publicity, and increased scrutiny and oversight.	Unauthorized or unintentional release of confidential information could result in state and/or federal law violations and sanctions against TRS or its employees.				
Records Management					
Preserve TRS records through adherence to applicable laws and rules, and by applying TRS records management policies.					
An ineffective records management program could result in the loss or accidental release of records, loss of credibility, result in delays in accessing records, and increased scrutiny and oversight.					

Spotlight Report

Teacher Retirement System of Texas 2012 Spotlight Report				
Risk Category	Goal	Risk	Global Owner	Commentary
1 Pension Funding	Maintain an actuarially sound pension plan.	Absent sound funding for the plan could lead to insufficient assets to pay for long-term benefits and financial obligations.	Executive Director	TRS is conducting a legislatively mandated study on the actuarial and fiscal impacts from potential changes to the pension plan in the areas of retirement eligibility, final average salary, benefit multiplier, and the creation of a hybrid plan that includes defined benefit and defined contribution. The report will be submitted to the Legislative Budget Board and the Governor no later than September 1, 2012.
2 Retiree Health Care	Facilitate long term soundness of TRS-Care in order to pay retiree health care costs.	Inadequate funding would affect solvency of the program over the next biennium, requiring significant premium increases or benefit reductions.	Health Care Policy & Administration Director	TRS is conducting a legislatively mandated study to review options that would improve the long-term sustainability of the program. In addition, an RFP for a PBM has been issued to determine if more favorable pricing is available in the market. Also RFPs have been issued to explore MA and EGWP options.
3 TEAM	Implement cost effective, efficient, and sustainable processes and systems that enable TRS to serve its members, employers, and annuitants.	Reliance on aging systems will impede administration and processing of pension benefits and meeting the growing demands of TRS members.	Executive Steering Committee	<ul style="list-style-type: none"> The TEAM CMT is beginning the process to organize cross-departmental resource teams that will be responsible for documenting business rules and requirements for the line of business project. A staff member has been selected who will oversee and coordinate activities of the resource teams. TEAM CMT is also in the process of discussing the procurement for the Assessment element of the Data Management Project. TRS awarded Provaliant the TEAM Program Management Services in November 2011 and they are actively engaged in daily program/project management activities. As part of the TEAM Program Management Services, TRS is requesting the development of an RFO for a data management vendor to perform an assessment, conditioning, and migration of TRS data prior to starting the Line of Business system replacement project.
4 Workforce Continuity	Preserve valued institutional knowledge, and ensure a skilled, capable, and motivated workforce is maintained to meet TRS' functions.	Lack of effective knowledge management, talent management, and turnover transition management could lead to loss of institutional knowledge, which could negatively impact the delivery of member services and pension fund management.	Human Resources Director	HR has initiated a process for departments to assess workforce continuity issues and design customized plans. Workforce planning initiatives are underway throughout the organization; as of the end of FY 2011, four divisions have finalized their formal plans. The responses include cross-training and staff development as well as reorganizations. A leadership development program has been initiated that is designed to develop competitive talent pools for future vacancies to mitigate loss of institutional knowledge and fill talent management gaps.
5 Confidential Information	Protect confidential information and ensure compliance with applicable laws and rules.	Unauthorized or unintentional release of confidential information could result in state and/or federal law violations and sanctions against TRS or its employees.	Deputy Director	Information Classification Policy drafted and Confidentiality Policy revised. Procedures for confidential information are being drafted, and annual refresher training for current employees is being explored.
6 Procurement & Contract Management	Maintain effective contract management systems.	Inappropriate procurement practices could result in purchases of sub-standard products, unfavorable pricing or contract terms, and violation of laws. Ineffective contract monitoring could result in contractors not fulfilling their contractual obligations.	Chief Financial Officer	We recently experienced two vacancies and are in the process of becoming fully staffed. Hired a new team member and are in the process of hiring a new team leader. In preparation for a new financial system upgrade, we are evaluating and documenting current processes.

Assessment

Information Captured

- Risks
- Global Owner
- Mitigations
- Risk Response
- Action Items
- Monitoring Items
- Reporting

Example Reporting - TEAM



TEAM RISK REPORT

SPOTLIGHT CATEGORY	GLOBAL OWNER	UPDATED	REPORTING DATE
TEAM	Executive Steering Committee (Brian Guthrie)	January 24, 2012	February 17, 2012

PRIMARY GOAL: Implement cost effective, efficient, and sustainable processes and systems that enable TRS to serve its members, employers, and annuitants.

PRIMARY RISK: Reliance on aging systems will impede administration and processing of pension benefits and meeting the growing demands of TRS members.

Objective	Accomplishments/Progress Made
Implement modern pension and benefit information systems that allow TRS staff to serve our members and deliver accurate benefits effectively and timely by August 2016.	<ul style="list-style-type: none"> • TRS awarded Provaliant the TEAM Program Management Services in November 2011 and they are actively engaged in daily program/project management activities. • As part of the TEAM Program Management Services, TRS is requesting the development of an RFO for a data management vendor to perform an assessment, conditioning, and migration of TRS data prior to starting the Line of Business system replacement project. • Management is assessing current service requests for IT resources. Requests will be identified as follows: service request should be completed; service request is identified as part of TEAM and becomes a business requirement; service request should be included in the TRS portfolio of other (non-TEAM) projects; or service request should be cancelled. All projects will be prioritized after the assessment is complete. • Five of 12 technical positions to support TEAM have been posted. Interviews for three of the five have been scheduled.

Risks	Risk Response	Mitigations	Impact	Likelihood
1. Data cannot be migrated	reduce	Budget for and hire a data management vendor to perform an assessment, conditioning, and migration of TRS' data.	Major (4)	Moderate (3)
2. Incorrect system replacement and business assumptions might be made.	reduce	The Program Management vendor brings system replacement expertise in both its staff and its Total Project Management (TPM) methodology that has been used and refined at several public pension systems. TPM utilizes 'best practices,' industry knowledge, and lessons learned so assumptions are minimized or removed altogether.	Major (4)	Low (2)

Impact – Insignificant (1), Minor (2), Moderate (3), Major (4), Catastrophic (5) **Likelihood** – Very Low (1), Low (2), Moderate (3), High (4), Very High (5)

TRS Spotlight Category – TEAM Risk Report

1

Example Reporting - TEAM



TEAM RISK REPORT

Action Items	Target Dates
1. Complete procurement activities for a data management vendor.	4th Qtr (Jun - Aug) 2012

Monitoring Plan		
Key Controls	Monitored By	Monitoring Process
Project Management	Program/Project Manager	Minimum weekly program/project meeting to review all risk and mitigation plan updates with the Program/Project sponsor.

Fraud Risk Assessment		Potential for Fraud: Yes
Fraud Risks	Mitigations	
1. Data manipulation during the conditioning (cleansing) of the current legacy system data.	<ul style="list-style-type: none"> - Only certain individuals will be performing the conditioning of data that could affect benefit amounts. - Segregation of duties where one individual conditions and one approves any data that affects benefits. - Control total reports will be produced identifying previous data totals (amounts) and the new data totals. - Quality control audits on a sampling of the conditioned data that affects benefit amounts. 	
2. Data manipulation during the migration of the legacy system data into the new system.	<ul style="list-style-type: none"> - The ability to run the migration scripts will be limited to a few specific individuals. - Control total reports will be produced identifying previous data totals (amounts) and the new data totals. - Validation and approval by appropriate staff of any discrepancy in totals above a TRS defined threshold. 	

Questions?

Jay LeBlanc

Risk Management & Strategic Planning

jay.leblanc@trs.state.tx.us

512-542-6705



MEMORANDUM

TO: TRS Board of Trustees
Brian Guthrie, Executive Director
Ken Welch, Deputy Director

FROM: Howard Goldman, Director of Communications

DATE: February 17, 2012

SUBJECT: Communications Update

The TRS Communications Department is responsible for a variety of external and internal communications activities, including print publications, media relations, member/community outreach, market research, graphic design, photography, videography, website graphic design and content management, and coordination of board elections. Past year accomplishments are listed below:

FY 2011 Accomplishments

- Worked with cross-departmental teams to improve current publications (EAR brochure, *TRS Benefits Handbook*, etc.)
- Publicized 2011 legislative changes to members through newsletters, the TRS website, at meetings and other means.
- Managed the 2011 board election process.
- Worked with TEAM to develop a TEAM Communications Plan.
- Developed policies and guidelines for a social media presence for TRS.
- Launched Facebook, LinkedIn, YouTube and Twitter pages for TRS.
- Produced *TRS Today* issue-oriented videos on five topics of interest to members.
- Produced a video version of the value brochure.
- Began online surveys through the TRS website including ones on general website issues and *MyTRS*.
- Sent a *MyTRS* promotional e-mail message to all reporting entities asking that the message be forwarded to their employees.
- Planned and coordinated three Report Card Tour meetings in November.
- Served as TRS' liaison to the news media and responded to media inquiries throughout the year.
- Began preparations for TRS' 75th Anniversary and established an internal committee to spearhead this effort.
- Improved TRS website accessibility and readability.
- Worked with other departments and interdepartmental teams to provide graphics and public information support.

This morning, we would like to provide you with an update on three current initiatives -- our social media program, efforts to expand awareness and registrations for *MyTRS*, and plans for TRS' 75th Anniversary Celebration.

Social Media Program

- Best practices were identified from state agency and pension fund social media policies.
- Policy and guidelines developed over nine months by a cross-departmental Social Media Advisory Committee.
- TRS' social media policy and guidelines introduced to the agency in October.
- The policy is a "living document." Due to the evolving nature of social media, we plan to review the policy and update it as needed.
- Both the public and TRS employees are allowed to comment on our Facebook page, but with restrictions.
- In early November, we had our internal "soft launch" of Facebook, YouTube and LinkedIn.
- In early December, we officially launched all three sites (outside promotion via TRS website, e-mail messages to associations, *TRS-Connect* messages, *TRS News*, etc.)
- In January, we had our internal "soft launch" of Twitter.
- In early February, we had our external launch of Twitter.
- Experience to date:
 - Facebook -- very positive response more than 700 "likes" to date.
 - LinkedIn -- also positive response with more than 450 followers.
 - YouTube – Four videos added with more than 400 views, planning more videos
 - Twitter -- very new, just beginning to attract followers.

MyTRS Promotion

In Progress

1. Promoting *MyTRS* through *TRS News* issues.
2. Featuring *MyTRS* promotional recordings for 1-800# callers who are placed on hold.
3. Distributing *MyTRS* promotional material at benefit presentations/conventions.
4. Creating *MyTRS* posters for the building lobby, cafeteria, etc.
5. Placing general information on the TRS website, including FAQs.
6. *MyTRS* promotional e-mail message sent to all TRS-covered employers in mid-November. Employers were asked to send the message to approximately 847,000 active members.
7. As of Jan. 23rd, 537 entities had sent the message to 396,555 employees, resulting in about 40,000 new *MyTRS* registrations. We now have approximately 213,000 total registrations. Follow-up efforts are under way with remaining employers.

Proposed Projects

1. Develop a *MyTRS* brochure.
2. Develop a *MyTRS* instructional video.
3. Develop promotional material for employers to use with new employee orientations, place in their newsletters, and post on their websites, etc.
4. Provide higher visibility for e-mail subscription information on the TRS website's home page.

5. Produce table tents to promote *MyTRS* for members attending counseling visits.
6. Add a consistent reference to *MyTRS* in all TRS printed materials (brochures, envelopes, etc.)
7. Add *MyTRS* information to TRS Social Media sites.
8. Bring a laptop to conventions, presentations, and field office visits to allow members to register while they are at the meetings. (Benefit presentations may be difficult due to the large number of people attending and only one staff member presenting. Internet capabilities may also be an issue in some locations.)
9. Place a TV in the lobby to play the *MyTRS* video at various times throughout the day.
10. Add computers in member-waiting areas at TRS with instructions on how to sign up for *MyTRS*.
11. Consider adding employee e-mail addresses when employers enroll new members (TEAM).

75th Anniversary Celebration

- TRTA Executive Director Tim Lee, of TRTA, has agreed to lead an effort to work with other associations and interested parties in developing an independent “Friends of TRS Committee” to organize anniversary activities that require fundraising.
- Staff has provided Tim with information in our files from a similar committee formed for our 50th anniversary, including the committee’s articles of incorporation, composition, contribution categories and amounts, letterhead, etc.
- Work has begun on developing a scope of work for producing a 75th anniversary video.
- Work has begun on developing a graphics style guide to produce updated and consistent TRS communication materials as well as commemorative publications, special anniversary graphics, etc.
- An internal committee has been formed to plan the celebration, slated for Sept. 2012. Activities under consideration may include displays to highlight what was happening in Texas/U.S. 75 years ago, recognition of our oldest retirees, a time capsule ceremony, special recognition of school districts and higher education institutions, a photography display of the Umlauf statue while under construction, and a commemorative plaque.

As progress continues on each of these initiatives, we will provide you with updates at future board meetings.

Trustee Education

Board of Trustees Training

**Teacher Retirement System
of Texas**

February 17, 2012

Reinhart Boerner Van Deuren s.c.

Overview

- This training session will address:
 - Requirements and guidance under the new Trustee Ethics Policy
 - Conflicts of Interest
 - Employment of Relatives
 - Trustee Qualifications
 - Dual Office Holding
 - Hot Topics in Public Pensions

Ethics Policy Topics

- Ethics topics that will be covered include:
 - Gifts, including:
 - Food and Meals
 - Lodging and Entertainment
 - Transportation
 - Personal Investments, Disclosures, and Personal Financial Statements
 - Conflicts of Interest

Ethics Policy - General

- Effective December 8, 2011, the Board adopted a new Ethics Policy.
- The Ethics Policy is based on the standards applicable to Trustees under the Texas State Constitution, Texas statutes, and federal law as well as high ethical principles.

Ethics Policy - Gifts

- The Ethics Policy, as well as Texas law, limits gifts that Trustees may accept.

Ethics Policy - Gifts

- Under the Ethics Policy:
"[a] Trustee shall not solicit or accept any gifts (e.g., objects, services, favors, entertainment, preferential treatment, vacations, or property) from any donor. Such gifts cannot be accepted by Trustees for themselves or for their families or business partners."
Ethics Policy section 2.
- Even if gifts are allowed under the Ethics Policy, the Policy notes that, in order to avoid the appearance of impropriety, Trustees should consider whether the circumstances associated with an expense payment or a courtesy by another would draw unfavorable public criticism.
- Also, even if a gift is within the Ethics Policy guidelines discussed next, the gift is not acceptable if it could be considered bribery of the Trustee or create the appearance of impropriety (for example, by being given too frequently).

Gifts – Food and Meals

- Food and Meals. Following are rules applicable to food and meals for Trustees to follow in general.
- Food included in the conference or seminar fee paid by Trustee or TRS is acceptable and is not a gift.

Gifts – Food and Meals

- Food and Meals (cont.).
 - Trustees may accept modest food items and other perishable items given on holidays or other infrequent occasions if valued at less than \$50.
 - Meals valued at less than \$50 may always be accepted. The donor need not be present. Trustees may also accept meals valued at \$50 or more if provided by a TRS vendor in good standing and who is present for the meal.

Gifts – Food and Meals

- Food and Meals (cont.).
 - *Example 1: A well-known authority on a subject of interest to the Trustee and of importance to the Trustee as a TRS fiduciary is speaking on a topic at a dinner. The speaker's employer is a TRS vendor and is the sponsor of the dinner. The sponsor is unable to estimate the value of the dinner for the Trustee in advance and is unable to bill the Trustee for the meal. Vendor representatives are present at the dinner meeting.*
 - *May the Trustee attend the dinner? Yes, the Trustee may attend because the TRS vendor was in good standing and present at the dinner. The Trustee's attendance is acceptable whether or not the cost of the meal is deemed to exceed \$50.*

Gifts – Food and Meals

- Food and Meals (cont.)
 - *Example 2: Assume the example above except that the speaker is the general partner of a fund in which TRS invests.*
 - *May the Trustee attend the dinner? Yes, but only if valued at less than \$50 because the general partner of a fund in which TRS is invested is not a TRS vendor.*

Gifts – Lodging and Entertainment



- Lodging and Entertainment.
 - Trustees may accept entertainment included in a conference or seminar fee paid by Trustee or TRS.
 - Trustees may accept lodging or entertainment valued at less than \$50 regardless of whether the donor is present.

Gifts – Lodging and Entertainment



- Lodging and Entertainment (cont.).
 - *Example 1: As before, a Trustee attends a dinner relevant to TRS responsibilities to hear a speaker employed by a TRS vendor. Live music is played before the dinner begins.*
 - *Has the Trustee violated the ethics policy by being present for the music? No, the Trustee may accept this entertainment presuming the value of the entertainment as applied to the individual falls within the \$50 limit.*

Gifts – Travel and Conferences



- Lodging and Entertainment (cont.).
 - *Example 2: As before, a Trustee attends a dinner relevant to TRS responsibilities hear a speaker who is the general partner of a fund in which TRS invests. Music is played before dinner.*
 - *Has the Trustee violated the ethics policy by being present for the music? No, but only so long as the value of the entertainment for the individual as well as the value of the dinner together fall within the \$50 limit.*

Gifts – Transportation

- Transportation. Following are rules applicable to transportation for Trustees.
 - Trustees may accept transportation valued at less than \$50 regardless of whether the donor is present.
 - Ground transportation valued at \$50 or more is acceptable in certain circumstances. The transportation must be provided by a TRS vendor in good standing or by an existing general partner or representative of a private investment fund in which TRS has an existing investment. The vendor, general partner, or representative must be present. Presence at the destination is sufficient.

Gifts – Transportation

- Transportation (cont.).
 - *Example 1: The vendor in example 1 above goes to the Trustee's hotel to pick him or her up for the dinner and speech described.*
 - *May the Trustee accept the transportation? Yes, the Trustee may accept the transportation.*

Gifts – Transportation

- Transportation (cont.).
- *Example 2: The general partner of the fund in example 2 above goes to Trustee's hotel to pick him or her up for the dinner and speech described.*
- *May the Trustee accept the transportation? Yes, the Trustee may accept the transportation presuming the value of the dinner is less than \$50 so that the Trustee may attend the dinner as previously discussed.*

Gifts – Transportation

- Transportation (cont.)
 - *Example 3: A Trustee takes the opportunity while out of his or her city on other business to visit the offices of a vendor in that city and learn more about a TRS service provider. The service provider arranges a taxi to bring the Trustee to the place of business and pays the taxi fare when the Trustee arrives.*
 - *May the service provider provide the fare payment? Yes, the Trustee may accept the taxi fare payment.*

Gifts – Transportation

- Transportation (cont.).
- Travel expenses paid for by another governmental entity or a non-profit organization related to the public retirement industry are permitted, provided there are no prohibitive circumstances as determined after consultation with TRS General Counsel.

Gifts –Conference Tokens



- Other. Often at conferences, meetings and receptions, tokens of nominal value are distributed to all attendees. Trustees may accept such tokens.
- These tokens should still be under the \$50 limit.

Gifts – Conference Tokens



- Other (cont.)
 - *Example: A Trustee is given a packet of meeting materials at the conference. Later, the Trustee discovers an umbrella imprinted with a service provider's name was included with the materials.*
 - *The Trustee need not ship the umbrella back to the sponsor because the umbrella would be considered of nominal value, and trustees may accept such tokens as part of the conference.*

Gifts – Other

- The following gifts are also allowed under the Ethics Policy.
 - Gifts conferred on account of kinship or a personal, professional, or business relationship independent of the official status of the Trustee.
 - *Example: A gift from a colleague or client of a Trustee's personal business that is unrelated to the Trustee's status as a Trustee is acceptable.*

Gifts – Other

- Gifts of less than \$50 value (but in no event cash, negotiable instruments, or cash equivalents such as gift cards), such as the meals and transportation previously covered in reference to conferences.

Gifts – Other

- Special occasion gifts between Trustees or between Trustees and TRS employees.
 - *Example 1: A Trustee could accept a gift given by another Trustee or TRS employee commemorating his or her anniversary of service on the Board.*
 - *Example 2: A Trustee could give a gift to a TRS employee commemorating his or her retirement from TRS because the Ethics Policy specifies that gifts between Trustees and TRS employees for special occasions are acceptable.*

Hot Topics – The Dodd-Frank Act

- The Dodd-Frank Act directs the SEC to issue regulations that will require institutional investors to file public reports of their proxy votes on executive compensation practices at portfolio companies (say-on-pay advisory proxy votes).
- The SEC is expected to issue the regulations later this year.

Hot Topics – The Dodd-Frank Act



- This may result in greater scrutiny of proxy votes.
- As always, the Board should continue to consider whether it is comfortable that proxies on executive compensation are being voted in the best interests of TRS beneficiaries.

Personal Investments, Disclosures, and Personal Financial Statements



- The Ethics Policy affects Trustees' personal investments and also has disclosure requirements for Trustees.

Personal Investments – Private Funds



- “Trustees, their spouses, and dependents shall not make personal investments ("co-invest"), directly or indirectly, in private investment funds in which TRS has invested." Ethics Policy section 4.
- TRS will inform Trustees of the private investment funds that TRS is considering.

Personal Investments – Private Funds



- If a Trustee becomes aware aware that TRS is considering an investment in a private investment fund in which the Trustee, or the Trustee's spouse or dependent already has invested, the Trustee should notify the ED.
- If a Trustee becomes aware of a co-investment that already exists, the Trustee should notify the ED and the date of his or her purchase.

Personal Investments – Investments in Contractors



- Section 4 of the Ethics Policy provides that Trustees, their spouses, and dependents may not hold direct ownership interests (e.g., stock or partnership interests) in entities that contract with TRS.
- This standard is derived from the common law conflict of interest doctrine which is a more comprehensive prohibition and is described in more detail starting on slide 38.
- TRS will furnish to the Trustees a list of its contractors from time to time.

Personal Investments – Public Securities



- Trustees should not use their personal knowledge of upcoming TRS investments, trading activity or material developments regarding TRS investments, about which the general public is not aware, for the financial gain of themselves or their family, business associates, or friends.
- Generally, Trustees are not prohibited from otherwise investing in the same public investments in which TRS is invested.

Disclosures

- Trustees file an annual personal financial statement (“PFS”) with the Texas Ethics Commission. They must also provide a copy of the PFS to the ED.
- Trustees must also disclose to the ED legal proceedings a Trustee is involved with that affects or could impact the Trustee’s ability to serve on the Board.

Disclosures

- Matters relating to co-fiduciary responsibility.
 - If a Trustee is aware of illegal activity, a breach of fiduciary duty by another Trustee or by someone else serving as a fiduciary of TRS, or a violation of the Ethics Policy, the Trustee must report the activity to the Executive Director and the Chair of the Ethics Committee of the Board.

Conflicts of Interest

- Requirements and restrictions on conflicts of interest are governed by both the Ethics Policy and the common law conflict of interest doctrine.

Conflicts of Interest – Ethics Policy



- Ethics Policy.
 - The Ethics Policy aids Trustees in identifying conflicts of interest, avoiding them, disclosing them properly and managing them if they cannot be avoided.
 - A "conflict of interest" occurs where a Trustee has, or reasonably could be perceived to have, an incentive to decide a matter or provide a recommendation for a reason that would be inconsistent with acting solely in the interests of TRS, or that would provide a financial benefit to the Trustee. Ethics Policy pg. 1.

Conflicts of Interest – Ethics Policy



- Ethics Policy (cont.).
- A conflict also includes a personal or business relationship or interest that could reasonably be expected to diminish the Trustee's independence of judgment in the performance of the Trustee's responsibilities to TRS. Ethics Policy pg. 1.

Conflicts of Interest – Ethics Policy



- Ethics Policy (cont.)
 - Conflicts can arise in relation to a Trustee, a Trustee's spouse, or a Trustee's dependents.
 - Determination of whether a conflict actually exists is highly factual. Trustees who encounter situations that potentially present a conflict should consult the ED.

Conflicts of Interest – Common Law

- Common Law Conflict of Interest Doctrine.
 - The common law conflict of interest provides that a contract with a governing body is void if a public officer has a direct or indirect personal pecuniary interest in the contract.
 - The fact that the public officer exercised no influence and acted with sincere purpose does not keep the contract from violating the doctrine.

Conflicts of Interest – Common Law



- Common Law Conflict of Interest Doctrine (cont.).
 - Texas Attorney General opinions state that an ownership interest is a personal pecuniary interest. It appears that an ownership interest includes ownership of securities. The doctrine also extends to parents, affiliates and subsidiaries of the entity in question.
 - If a Trustee experiences a common law conflict of interest due to a pecuniary interest, the Trustee must sell the pecuniary interest or otherwise dispose of the interest in question. Otherwise, future TRS contracts with the entity are void, and TRS may not otherwise amend, renew or extend a contract that existed prior to the Trustee's interest unless the Trustee sells.

Conflicts of Interest - Examples



- A Trustee's spouse could become employed by an employer who provides services to TRS. This situation poses a potential conflict of interest under both the Ethics Policy and the common law conflict of interest doctrine because the Trustee could indirectly receive benefits through the spouse's employment at the employer. A Trustee should preemptively check the TRS vendor list to determine whether the employer is a TRS vendor.

Conflicts of Interest - Examples



- TRS is considering investing in a private equity investment. As previously discussed, co-investment in a TRS private equity investment of which the Trustee has been notified is impermissible.
- Investment in a common public security does not create a conflict of interest unless it is a public security issued by an entity contracting with TRS. Such investment would create a common law conflict of interest under the Texas Attorney General opinions.

Conflicts of Interest - Examples



- TRS is considering trading through a new broker. A Trustee has made an investment in the common stock of that broker. It is a violation of the common law conflict of interest rules for TRS to trade through that broker. To avoid the conflict, the Trustee must sell his or her stock in the broker.

Conflicts of Interest - Examples



- TRS adopts a rule or policy that favors a Trustee's business interests. Even if the adoption of the rule or policy is in the best interests of TRS outside of the Trustee's business interests, the situation could create an appearance of impropriety and result in allegations that the Trustee unduly influenced the Board for future personal gain.
- In that case, the Trustee may want to recuse him- or her-self from any decisions related to adoption of the rule or policy or future decisions related to the decision, stating that he or she does not feel a conflict of interest exists but recuses to avoid any appearance of impropriety.

Conflicts of Interest - Examples



- The benefit appeal of a Trustee's relative is to be heard by the TRS Board. Others could allege that the Trustee would not be impartial in his or her discussion and decision related to the benefit appeal. The Trustee could recuse him- or herself from the discussion of and voting on this benefit appeal to avoid a potential conflict of interest or allegations of impropriety.

Conflicts of Interest - Process



Conflict of Interest Process.

- Disclosure. Trustees who encounter potential conflicts of interest should disclose it to the ED. The ED, in consultation with legal counsel, will then aid the Trustee in determining whether an actual conflict of interest exists and whether further disclosure or action by the Trustee is required.
- Conflicts and Cure. If it is determined that a potential conflict would qualify as a conflict, then the Trustee should attempt to avoid the situation so an actual conflict of interest does not exist. If the conflict cannot be avoided, a Trustee should attempt to cure the conflict (i.e. alter the situation so the conflict does not exist).

Conflicts of Interest - Process



- Recusal.
 - If a conflict cannot be cured, a Trustee must disclose the conflict at an open meeting and recuse him- or her-self from discussing or voting on the matter.
 - In practice, Trustees may recuse themselves in situations where a conflict of interest does not exist to avoid the appearance of impropriety.

Conflicts of Interest - Process



- Recusal (cont.)
 - However, recusal might be required but is not a cure for violations of Texas conflicts of interest law that result from:
 - a gift
 - employment or compensation
 - a personal investment that might reasonably be expected to affect the Trustee's independence of judgment in the performance of his or her TRS duties
 - a Trustee's acceptance of employment that a Trustee might reasonably expect would require or induce the Trustee to disclose TRS' confidential information.

Conflicts of Interest - Process



- Recusal (cont.)
 - For example, a Trustee could not recuse him- or her-self in an effort to cure a conflict of interest related created by the acceptance of a bribe.

Employment of Relatives



- Nepotism prohibitions are stated in Texas Government Code chapter 573.
- TRS may not employ a person who is a relative of a Trustee. This does not prevent the continued employment of a person who has already been working for TRS for thirty consecutive days prior to the date of a related Trustee's appointment.

Employment of Relatives



- The definition of who constitutes a “relative” is technical. If a Trustee is aware that TRS is considering hiring a relative of the Trustee, the Trustee should talk to the Executive Director.

Hot Topics – Voluntary Stewardship Codes

- Outside of the US, voluntary stewardship codes for institutional investors have become popular after the economic crisis.
- These codes generally require that pension funds and other institutional investors take into consideration the impact that their policies and practices have on corporate behaviors and sustainability of returns over the long term.

Hot Topics – Voluntary Stewardship Codes

- By focusing attention on long-term and systemic risk effects of investment practices, they can be part of an attempt to help fiduciaries implement the duty of impartiality.
- It may benefit the Board to be aware of this emerging trend.

Trustee Qualifications



- Role of Trustees. A Trustee is a fiduciary and must serve the mission of TRS. Every Trustee is subject to various qualification, eligibility and standard of conduct requirements.

Constitutional Requirements



- The Texas State Constitution and statutes impose requirements on Trustees.
 - A Trustee must take the prescribed constitutional oath
 - The Senate must confirm certain Trustees by a vote of two-thirds of the Senate present
 - A Trustee must reside within Texas

Prohibitions on Eligibility

An individual is not eligible to be a Trustee if:

- The individual or his or her spouse is employed by or participates in management of a business entity or other organization receiving funds from TRS (unless on behalf of TRS).
- This raises the issue whether an individual is eligible if, for example, he or she is employed by the parent corporation of a subsidiary with which TRS contracts.

Prohibitions on Eligibility



- The individual or his or her spouse owns or controls, directly or indirectly, more than a 10% interest in an entity or organization receiving funds from TRS.
- The individual or his or her spouse is a paid officer, employee or consultant of a Texas trade association in the field of investment or insurance as defined by Texas Government Code section 825.0032.

Prohibitions on Eligibility

- The Trustee is a person who is required to register as a lobbyist because of activities for compensation related to the Board's operations.
- The memo on the qualifications and standards of conduct includes a comprehensive description of all prohibitions on eligibility.

Removal of a Trustee

- Grounds for removal exist if a Trustee:
 - Does not satisfy the qualification requirements at the time he or she takes office.
 - *Example: if a Trustee who was appointed by the governor was a TRS beneficiary at the time he or she took office*
 - Does not maintain the qualifications during his or her term of office.

Removal of a Trustee

- Violates a prohibition on eligibility.
 - *Example: if a Trustee or spouse is employed by a brokerage firm that receives funds from TRS as a TRS vendor.*

Removal of a Trustee

- Cannot discharge his or her duties for a substantial part of his or her term due to illness or disability.
- Is absent from more than 1/2 of the regularly scheduled meetings in a calendar year without an excuse approved by the majority vote of the Board.

Dual Office Holding

- On occasion, a Trustee may be asked to serve in another public office at the same time as his or her service on the Board.
- The concept of dual office holding allows for such dual roles in some instances, and it involves two distinct aspects: Texas constitutional prohibitions and the common law doctrine of incompatibility.

Dual Office Holding

- Texas Constitutional Requirements.
- Article XVI, 40.
 - “No person shall hold or exercise at the same time, more than one civil office of emolument”
 - Under statutory requirements, a nonelective state officer may not accept an offer to serve in another nonelective office unless the officer obtains from the governing body a finding that the officer has satisfied Article XVI, 40.
 - Section 574.001 of the Texas Government Code

Dual Office Holding

- Texas Constitutional Requirements (cont.).
- Article XVI, 40.
 - Thus, a Trustee being asked to serve in another nonelective office cannot serve unless and until TRS provides to the Trustee a finding that Article XVI, 40 of the Texas Constitution is satisfied.
 - Service as a Trustee is most likely not an office of emolument at this time.

Dual Office Holding

- Texas Constitutional Requirements (cont.).
- Article XVI, 12. Based on Article XVI 12, a Trustee may not simultaneously hold an “office or trust” under the U.S. government or foreign government.

Dual Office Holding

- The common law doctrine of incompatibility.
 - This doctrine prohibits a person from holding two positions where one position might impose its policies on the other or subject it to control in some other way.
 - The common law doctrine of incompatibility is independent of the Constitutional doctrine discussed above.

Dual Office Holding

- The common law doctrine of incompatibility (cont.).
- Distinction from Conflict of Interest.
Incompatibility is distinct from a “conflict of interest” because incompatibility occurs when there are two inconsistent public duties, rather than a private interest creating a conflict of interest.

Dual Office Holding

- The common law doctrine of incompatibility (cont.)
 - Conflicting Loyalties. There are three aspects of common law incompatibility:
 - Self-appointment
 - Self-employment
 - Conflicting loyalties
 - Trustees are most likely to confront the conflicting loyalties aspect.

Dual Office Holding

- The common law doctrine of incompatibility (cont.).
- Factors necessary in determining whether a conflicting loyalties issue exists are:
 - Public Office. Are both positions at issue public “offices“?
 - Potential Conflict. If so, does it create the potential for conflict and incompatibility?
 - There must be an inherent conflict represented in the two offices
 - The law must make one office subordinate to and accountable to another.

Dual Office Holding

- The common law doctrine of incompatibility (cont.)
 - Similarly, “conflicting loyalties” may also arise whenever a person serves in two offices, one of which has authority to impose its will on the other in any matter whatsoever.
 - *Example: If two governmental bodies are authorized to contract with each other, one person may not serve as a member of both.*

Dual Office Holding

- The common law doctrine of incompatibility (cont.).
 - Trustees who desire to hold more than one public position should contact the TRS General Counsel or their own attorneys.
 - If a Trustee serves in a dual role which runs afoul of either the constitutional or common law requirements, the Trustee is deemed to automatically resign from the first office. In this instance, the TRS Trustee would not hold over until his or her successor qualifies.

Corporate Governance Risk Indicators

- Institutional Shareholder Services ("ISS") has issued a new Governance Risk Indicator measurement tool for investors to take a snapshot view of the extent to which their portfolio holdings are exposed to corporate governance risks.
- While only a guide, it is a third-party tool for evaluating corporate governance practices risk factors.

Corporate Governance Risk Indicators

- Investment losses associated with governance risks gained increased attention from company failures during the financial crisis.
- The Board could evaluate whether the Risk Committee or Internal Investment Committee has appropriate tools or other mechanisms in place for identifying exposure to corporate governance risks.

Memorandum

To: The Executive Council
TRS Purchasing and Contract Administration

From: Brian K. Guthrie

Copies: The Board of Trustees
Steve Huff, Fiduciary Counsel

Re: Procedures for Notifying the Board of Blackout Periods Required by the TRS
Trustee Ethics Policy

Date: February 3, 2012

In December 2011, the Board of Trustees adopted a new Trustee Ethics Policy (“Policy”) that includes blackout periods, in limited instances, on Trustee communications with persons or entities pursuing TRS business or investments. The blackout requirement only applies to decisions that the Board itself makes. The Board has delegated to staff the authority to make many decisions; however, the Board has retained authority or is required to make certain business and investment decisions, including the following:

- Choice of TRS’ custodian [Bylaw 1.8(p)];
- Choice of TRS’ investment consultants [Bylaw 1.8(q)];
- Choice of TRS’ fiduciary counsel [Bylaw 1.8(r)];
- Designation of actuary as technical adviser [Bylaw 1.8(o)];
- Medical Board members [Bylaw 1.8(s)];
- Choice of TRS’ healthcare services providers;
- Investment decisions for certain investments outside the authority delegated to staff; and
- Choice of litigation counsel in some instances.

As required by the Policy, the Executive Director has developed the following notification procedures:

Blackout Notices in Solicitation Processes

When a solicitation document (*e.g.*, RFP, RFQ, RFI or similar document) for Board decision is publicly posted, TRS Purchasing and Contract Administration shall notify the Executive Director and his Special Advisor to the Executive Director (together, the “ED”). The ED shall then inform the Board of the blackout by email. When a blackout ends following final Board action and contract execution, the ED will inform the Board at that time that the blackout has ended. If a blackout terminates for another reason, the ED shall notify the Board by email.

If at the time solicitation documents are posted, Purchasing and Contract Administration is uncertain whether the Board or staff will award the contract, Purchasing and Contract Administration will notify the ED who will decide whether to notify the Board of a blackout.

Blackout Notices in Other Processes

When the Board makes an initial business or investment decision that is not subject to a solicitation process, the chief officer of the division presenting the decision to the Board shall notify the ED immediately prior to the initiation of due diligence if it is known to be a Board decision, or as soon as practicable once it is determined that the Board will make the decision. The ED shall then notify the Board of the blackout by email. When the blackout ends following final Board action and contract execution, the ED will notify the Board at that time that the blackout has ended. If the blackout terminates for another reason, the ED shall notify the Board by email.

The blackout-notice procedures will be handled pursuant to the following guidelines in every situation involving an amendment or an extension of a contract or an investment. If the Board authorized staff to exercise discretion with regard to amendments or options pertaining to a particular contract, or otherwise delegated its investment discretion to staff regarding a particular investment, then staff will proceed as authorized and the blackout period does not apply. Otherwise, if the Board made the initial decision regarding the contract or investment, it should be assumed that the Board will make the decision regarding an amendment or extension. As applicable, the responsible chief officer should notify the ED (1) at the earlier of 90 days prior to the expiration of the term, if an extension is contemplated, or immediately prior to the initiation of due diligence or, (2) where an amendment is contemplated, at the earlier of receipt of notice or contact from the interested party that an amendment will be requested or staff's determination to initiate contact with the interested party regarding a staff proposal. Upon receiving notice, the ED will notify the board of the blackout by email and, as outlined in the preceding paragraph, will notify the Board when the blackout has ended.

Non-Email Notification

Any Board member who prefers a non-email form of notification may direct the ED to provide the notices described above in the preferred form.

Trustee Education

Immunities, Liability Insurance, and State Indemnification

**Board of Trustees Meeting
February 2012**

Immunities

State Sovereign Immunity

- **Sovereign immunity is the common-law doctrine that a governmental body cannot be sued without consent.**
- **Sovereign immunity applies to bar a suit unless immunity has been expressly waived by statute or legislative consent, or has been abrogated by federal law.**
- **TRS has sovereign immunity.**
- **Sovereign immunity is jurisdictional; when immunity applies, the court lacks power to entertain the suit, and dismissal is required.**
- **A suit against a state official in her official capacity is a suit against the state, and immunity may therefore bar such a suit.**
- **Sovereign immunity applies only to suits for damages, not suits against officials for injunctive relief or a writ of mandamus to compel the state official's (or a governing board's) performance of a ministerial act.**

Immunities

Statutory Exceptions to Sovereign Immunity

- **The Tort Claims Act waives sovereign immunity for negligence causing physical injury or property damage.**
- **A judgment or settlement under the Act by the agency bars a suit against the employee whose conduct led to the claim.**
- **Immunity is not waived for contract claims (Tex. Gov't Code ch. 2260 provides a contract dispute resolution process for contracts for goods or services).**
- **Sovereign immunity may be waived by statute for a particular governmental body, program or activity (e.g., Tex. Commission on Human Rights Act).**
- **TRS's immunity has not been waived or abrogated by state or federal statute except as provided in the Tort Claims Act or state or federal civil rights and similar laws.**

Immunities

Federal Exceptions to Sovereign Immunity

- **Congress has abrogated state sovereign immunity from certain suits by employees and employment applicants for certain statutory violations (e.g., Fed. Civil Rights Act of 1964; 42 U.S.C. 1983 (civil rights); Family Medical Leave Act; retaliation) (but not age or ADA disability employment discrimination).**
- **State officials and employees might be subject to suits and personal liability for federal constitutional and state and federal statutory law violations unless they can establish federal “absolute” or “qualified” immunity.**

Immunities

Officials' Federal Immunities

- **Federal absolute immunity protects official acts in official capacity (e.g., acts required of a judge or state officer).**
- **Federal qualified immunity applies when officials did not have notice that their conduct was a violation of rights (i.e., could not have known that the action violated constitutional or statutory civil rights under existing case law) and acted in good faith.**

Immunities

State Official Immunity – Exceptions

- **Ministerial acts are not protected; suit for mandamus or injunction can be brought to enforce non-discretionary duties.**
- **Not all discretionary acts of state officials are governmental, e.g., no official immunity for medical malpractice (such as negligent treatment decisions) or procuring a personal benefit.**

Immunities

Government Code Section 825.520 – Exculpation from Liability

- **The trustees, executive director, and employees of the retirement system are not liable for any action taken or omission made or suffered by them in good faith in the performance of any duty in connection with any program or system administered by the the retirement system.**
- **Query whether “good faith” in the statute is the same as “good faith” for official immunity: i.e., that the official must have reasonably believed her actions were justified in light of available information and established law.**

Liability Insurance



Who is covered?

- **Trustees**
- **Plan trusts**
- **Employees**
- **Spouses, estates, heirs and beneficiaries of insured individuals**

Liability Insurance

What is covered?

- **Covers “Loss” from “Claims” arising from actual or alleged “Wrongful Acts.”**
- **Includes duty to defend, meaning insurer has duty to defend any Claim against an Insured alleging a Wrongful Act.**

Liability Insurance



Claims. Generally includes:

- **Written demand for monetary, non-monetary or injunctive relief.**
- **Criminal proceeding, or civil or arbitration proceeding for monetary, non-monetary, or injunctive relief.**
- **A civil, criminal, administrative, or regulatory investigation under a subpoena, notice or order from an investigating authority identifying a natural person Insured against whom an above proceeding may be commenced.**

Liability Insurance



What is excluded?

Examples include:

- **Deliberately criminal or fraudulent acts, knowing or willful violations of statutes, and receipt of illegal profits or advantages, if established through adjudication.**
- **ERISA violations.**
- **Insured vs. Insured (e.g., TRS vs. trustee or employee).**
- **Civil or criminal fines imposed by law and taxes.**
- **Bodily injury, sickness, disease, death.**

Liability Insurance

Loss:

- **Generally includes damages, judgments, pre- or post-judgment interest, settlements, Costs, Charges and Expenses and any Excess Benefits penalty assessed in the amount of 10% by the IRS.**
- **Generally does not include (i) taxes, fines or penalties imposed by law (except Excess Benefits penalties); (ii) punitive damages unless insurable under state law; (iii) amounts for which the Insured is not financially liable or obligated; (iv) cost of remedial or non-monetary relief and (vi) accessibility accommodation costs.**

Liability Insurance



Wrongful Act. Generally includes:

- **Any actual or alleged error, omission, misleading statement, neglect, breach of duty, or the obligations or duties imposed on fiduciaries of a Plan by applicable law;**
- **Any other matter claimed solely because of services as a fiduciary of a Plan, including Health Insurance Portability and Accountability Act of 1996;**
- **Any actual or alleged act, error or omission in Plan Administration, including HIPAA.**

Liability Insurance



Coverage Limits

- **\$25 million aggregate for all Loss annual limit for Insured Persons not indemnified by TRS.**
- **\$10 million sublimit for Employment Practices Liability (e.g., discrimination, harassment, retaliation).**
- **TRS retention of \$500,000 each Claim.**

Liability Insurance

Employment Practices Wrongful Acts include any actual or alleged:

- Wrongful discharge or termination (either actual or constructive) of employment;
- Harassment, employment-related discrimination and retaliation;
- Abusive or hostile work environment;
- Employment-related misrepresentations, libel, slander, humiliation, defamation or invasion of privacy;
- Breach of actual or implied employment contract;
- Wrongful deprivation of career opportunity, wrongful refusal to employ or promote, wrongful demotion;
- Wrongful discipline; employment-related infliction of emotional distress, mental anguish, or humiliation; negligent evaluation;
- Employment-related defamation, libel, slander, disparagement, false imprisonment, misrepresentation, malicious prosecution, or invasion of privacy, or negative or defamatory statements in connection with employment reference.

State Indemnification

(Ch. 104, Tex. Civ. Prac. & Rem. Code)

When incurred in the course and scope of a person's office or employment, the state indemnifies current and former employees and board members (& their estates) against actual damages, court costs, and attorney's fees adjudged for:

- Damages arising out of a cause of action for negligence causing personal injury, death or property damage; OR
- Damages arising out of deprivation of a right, privilege or immunity; OR
- AG or his designee finds indemnification is in state's best interest.

Up to \$100K/person, \$300K per occurrence; \$10K property damage.

For purposes of the limits, a claim arises out of a single occurrence if it is based on a common nucleus of operative facts, regardless of the number of claimants or number of separate acts or omissions.

State Indemnification

Exceptions to state indemnification:

- Indemnification is not available if the claims are covered by insurance above a deductible amount.
- State indemnification is NOT available for
- (1) Conduct constituting gross negligence or a willful or wrongful act; OR
- (2) Acts the court or jury finds were taken in bad faith, with reckless indifference, or with conscious disregard.
- The attorney general defends a person covered by chapter 104 if the claim is within chapter 104.
- The AG may compromise or settle the portion of a suit that may result in state liability under chapter 104.
- Defense by the AG and state indemnification require prompt notice and service on the AG of any claim that might subject the state to liability under the Tort Claims Act or chapter 104.

State Indemnification

Criminal cases: The state indemnifies for reasonable attorney's fees up to \$10,000 incurred to defend if

- **AG determines that indemnification would be available in a civil action; and**
- **The person is found not guilty, or case is dismissed without a guilty or “no-contest” plea; and**
- **AG determines the prosecution lacked probable cause or charging documents were void.**

State Indemnification

Appropriations under Chapter 109, Civ. Prac. & Remedies Code:

- **Chapter 109, Civ. Prac. & Rem. Code, governs claims for indemnification of an employee, board member, or other officer under Chapter 104.**
- **An appropriation under Ch. 109 must be made from otherwise non-appropriated amounts in a special fund or account to the extent available. If not available, funds may be appropriated from the general revenue fund.**
- **A state agency may pay a claim subject to Ch. 109 only from money appropriated to the agency in the General Appropriations Act.**

State Indemnification

General Appropriations Act, Art. IX, Sec. 6.03, Limits on Expenditures:

- **(a) An agency may not incur an obligation in excess of the amounts appropriated to it for the respective objects or purposes named.**
- **(d) If section 6.03 is violated, the State Auditor shall certify the violation and the amount of over-obligation to the Comptroller, and the Comptroller shall deduct the amount from the salary due the responsible disbursing or requisitioning officer or employee and apply to the payment of the obligation.**

State Indemnification

General Appropriations Act, Art. IX, Sec. 16.02, Judgments and Settlements:

The funds appropriated by the Act, including appropriations made in Article X of the Act, may not be expended for payment of a judgment or settlement prosecuted by or defended by the Attorney General and obtained against the State or a state agency, except:

- **pursuant to this section; or**
- **where it is specifically provided in an item of appropriation that the funds thereby appropriated or expenditures therein authorized may be used for the payment of such judgments or settlements.**

State Indemnification

General Appropriations Act, Art. IX, Sec. 16.02, Judgments and Settlements:

State agencies appropriated funds by this Act may expend funds appropriated elsewhere in this Act for the purposes of paying settlements and judgments against the state under specific statutory authority.

Payments made pursuant to this subsection are subject to the following processes and limitations:

- such funds are to be paid out by the Comptroller on vouchers drawn by the agency settling the lawsuit or paying the judgment, subject to the approval of the Governor and of the Attorney General according to Subsection (d);
- for purposes of this subsection, "judgment" means a judgment order rendered in a federal court or a court in this state for which an appeal or rehearing, or application therefore, is not pending and for which the time limitations for appeal or rehearing have expired;

State Indemnification

General Appropriations Act, Art. IX, Sec. 16.02, Judgments and Settlements:

- the payment of a settlement or judgment may not exceed \$250,000;
- the payment of the settlement or judgment would not cause the total amount of payments made by the payer agency for that fiscal year to exceed 10 percent of the total amount of funds available for expenditure by that agency for that fiscal year; and
- the payment of a settlement or judgment may be made only with a complete release from any and all related claims and causes against the State, and in the case of a judgment, the payment may be made only in full satisfaction of that judgment.

State Indemnification

General Appropriations Act, Art. IX, Sec. 16.02, Judgments and Settlements:

- **A state agency shall report a claim for property damage to the Attorney General not later than the second working day after the date the agency receives the claim.**
- **A state agency shall prepare a voucher for payment of a claim not later than the 10th working day after the date an agreement to settle the claim has been reached.**
- **Payment of all judgments and settlements prosecuted by or defended by the Attorney General is subject to approval of the Attorney General as to form, content, and amount, and certification by the Attorney General that payment of the judgment or settlement is a legally enforceable obligation of the State. This subsection applies equally to funds appropriated for expenditure through the state treasury, as well as funds appropriated for expenditure from funds held in local banks.**

Trustee Education

Texas Open Government

Board of Trustees Meeting
February 17, 2012

Objectives

- Address the intent or policy behind the:
 - Open Meetings Act (Gov't Code Ch. 551) (OMA)
 - Public Information Act (Gov't Code Ch. 552) (PIA)
- Review some key requirements of the OMA & PIA
- Discuss some applications of the OMA & PIA

OMA Basics

- Board & committee meetings are subject to the OMA.
- The board and its committees must conduct TRS business in the open.
 - All votes, decisions or final actions must be done in the open.
 - Executive sessions must be expressly authorized by law and follow OMA procedures.
- Authority to act on behalf of TRS is not given to any individual board member; rather, it is granted to the board acting as a whole.

Board Acts as a Whole

- The board exercises its authority
 - As trustee of all plan assets
 - In being responsible for the general administration and operation of TRS
 - In adopting rules for the administration of TRS and the transaction of the business of the board

Gov't Code 825.101-.103 and TRS Bylaw 1.1

- The board, including a board committee, may exercise its authority only at a meeting of a quorum of its members acting as a whole.
 - A quorum of the board is a majority of its members, or 5 trustees.
 - A quorum of a 5-member board committee is 3 trustees.

Gov't Code 311.013, 551.001, 825.001; TRS Bylaw 2.4, 2.6.1, 3.1, 3.6; TRS Trustee Position Description

What Is a “Meeting”?

- Definition of a “Meeting”
 - A deliberation between a quorum, or between a quorum and another person, during which public business or public policy over which the board has supervision or control is discussed or considered or during which the board takes formal action

Gov't Code 551.001(4)(A)

What Is a “Meeting”?

- Definition of a “Deliberation”
 - A verbal exchange during a meeting between a quorum, or between a quorum and another person, concerning an issue within the jurisdiction of the board or any public business

Gov't Code 551.001(2)

What Is a “Meeting”?

- *Another* definition of a “meeting”
 - A gathering of a board quorum conducted by the board or for which the board is responsible
 - Called by the board
 - At which the board
 - ❑ Receives information from
 - ❑ Gives information to
 - ❑ Asks questions of or takes questions from another person
 - About the board’s public business
- Gov't Code 551.001(4)(B)

“Meeting” Basics

- A “meeting” as a “**deliberation**”
 - A quorum either
 - ❑ Discusses TRS business with itself or another person **or**
 - ❑ Takes formal action

- A “meeting” as a “**gathering**”
 - A quorum gathers
 - The board called and is conducting or is responsible for the meeting
 - A trustee or another person discusses TRS business

“Gathering” Exceptions

- A “gathering” of a quorum is not a “meeting” if
 - The quorum gathers at a
 - ❑ Social function
 - ❑ Convention or workshop
 - ❑ Ceremonial event
 - ❑ Press conference
 - No formal action is taken
 - Any discussion of TRS business is incidental to the event
- Attendance of a quorum at a public hearing of a legislative committee is also not a “meeting.”

Notice of Meeting Required

- Public notice must be posted a full 7 days before the meeting and must include the:
 - Date
 - Hour
 - Place
 - Each subject to be discussed or considered

Open Sessions

- A posted meeting may not be convened unless a quorum of the board or committee (the “board”) is present in the meeting room.

Govt' Code 551.002(2), (4); *Cox Enters., Inc. v. Bd. of Trs.*, 706 S.W.2d 956, 959 (Tex. 1986)

- Requirement to first convene in open session applies even if the board plans to go into an executive session immediately after convening.

Govt' Code 551.101; *Cox Enters., Inc.* 706 S.W.2d at 959

When May the Board Meet in Executive Session?

- The board may meet in executive session only when expressly authorized to do so by
 - The OMA (551.071 — 551.088)
 - A statute outside the OMA, e.g., Gov't Code 825.3011 (TRS board authorized to meet in executive session for certain consultations concerning investments)
- The authority to meet in executive session may not be implied from a statute.

Executive Session: Attorney Consultation



- The board may meet in executive session with its attorney only if:
 - It seeks legal advice concerning pending or contemplated litigation or settlement offers **or**
 - The matter is one in which the duty of the board's attorney under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with the OMA

Gov't Code 551.071

Executive Session: Personnel Matters



- The board may discuss personnel matters in executive session only if:
 - It concerns
 - ❑ the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee **or**
 - ❑ a complaint or charge against an officer or employee **and**
 - The officer or employee who is the subject of the discussion does not want it done in public

Gov't Code 551.074

Executive Session: Certain Investment Matters



- The board may go into executive session on private investment matters only if the sole purpose of the conference is to:
 - Receive information from or question TRS employees, consultants, or legal counsel or representatives of the private investment entity about:
 - ❑ An investment in a private investment fund **or**
 - ❑ The purchase, holding, or disposal of a restricted security (generally, a security that is privately placed and is not publicly offered)

Gov't Code 825.3011

Executive Session Procedures

- Required Procedures
 - Notice
 - Quorum
 - Convene in open meeting
 - Announce closed meeting
 - Identify authorizing OMA section or other statute
 - Keep a certified agenda or tape recording

OMA Recap

- Notice
- Open Meetings
 - Unless excepted by law
- “Meeting”
 - “Deliberation” / “verbal exchange” **or**
 - “Gathering”
- Quorum

Quorums Beyond Space & Time



- A "verbal exchange" is not limited to spoken words exchanged in person.

Gov't Code 551.001(4); Tex. Att'y Gen. Op. Nos. GA-0896 (2011), JC-0307 (2000)

- "Members of a governmental body need not be in each other's physical presence to constitute a quorum."

Willmann v. City of San Antonio, 123 S.W.3d 469, 478 (Tex. App.—San Antonio 2003, pet. denied),
Esperanza Peace & Justice Ctr. v. City of San Antonio, 316 F. Supp. 2d 433, 474 (W.D. Tex. 2001);
Tex. Att'y Gen. Op. Nos. GA-0896 (2011), GA-0326 (2005), JC-0307 (2000), DM-95 (1992)

- E.g., a "meeting" may be held by telephone or video, subject to the requirements of the authorizing OMA section.

Gov't Code 551.125, -.127, -.130

Quorums Beyond Space & Time



- A quorum — by not being physically present in one place at one time when it “deliberates” — does not necessarily avoid the OMA’s requirements for holding a “meeting.”

Hitt v. Mabry, 687 S.W.2d 791, 796 (Tex.App.San Antonio 1985, no writ); *Asgeirsson v. Abbott*, 773 F. Supp. 2d 684, 706 (W.D. Tex. 2011), *Esperanza Peace & Justice Ctr. v. City of San Antonio*, 316 F. Supp. 2d 433, 473 (W.D. Tex. 2001); Tex. Att’y Gen. Op. Nos. GA-0896 (2011), GA-0326 (2005), LO-95-055 (1995), DM-95 (1992)

- Examples:
 - A letter circulated among members of a city council and signed by a quorum of the members
 - Private, informal telephone polls or conferences ultimately involving a quorum of school board members
 - A city council member individually telephoning a quorum of the council members to express his views about public business
 - Serial meetings constituting a “walking quorum”

The Walking Quorum

- A “walking quorum” has been defined as:
 - “serial meetings of less than a quorum”
Willmann v. City of San Antonio, 123 S.W.3d 469, 478 (Tex. App.--San Antonio 2003, pet. denied)
 - “an overlapping series of meetings or telephone conferences [when] a quorum of members was not in the same room at the same time”
Esperanza Peace & Justice Ctr. v. City of San Antonio, 316 F. Supp. 2d 433, 474 (W.D. Tex. 2001)
 - “members of a governmental body...gather[ed] in numbers that do not physically constitute a quorum at any one time but who, through successive gatherings, secretly discuss a public matter with a quorum of that body”
Asgeirsson v. Abbott, 773 F. Supp. 2d 684, 706 (W.D. Tex. 2011) (citing Tex. Att’y Gen. Op. GA-0326 (2005))

Electronic Communications



- “Electronic communications could, depending on the facts of a particular case, constitute a deliberation and a meeting for purposes of the [OMA].”

Tex. Att’y Gen. Op. No. GA-0896 (2011)

- E-mail exchanges about public business among a quorum of a governmental body may violate the OMA.

Tex. Att’y Gen. Op. Nos. GA-0896 (2011); *Asgeirsson v. Abbott*, 773 F. Supp. 2d 684 (W.D. Tex. 2011)

- A quorum that discusses public business on the Facebook wall or using the Twitter account of the governmental body could thereby hold a “meeting” subject to the OMA.

SENATE COMMITTEE ON STATE AFFAIRS, INTERIM REPORT TO THE 82D LEGISLATURE (Dec. 2010)

- *To avoid inadvertently creating a quorum and thereby holding a “meeting” through TRS’ social media tools, individual trustees should not post comments on TRS’ social media, like Facebook and Twitter.*

Conspiracy to Circumvent

- Conspiracy to circumvent the OMA
 - A member or group of members of a governmental body commits an offense if the member or group of members knowingly conspires to circumvent this chapter by meeting in numbers less than a quorum for the purpose of secret deliberations in violation of this chapter.

Gov't Code 551.143 (misdemeanor offense)

Unauthorized Closed Meeting



- Participating in an unauthorized closed meeting
 - A member of a governmental body commits an offense if the member knowingly calls, aids or participates in a closed meeting that is not permitted by the OMA.

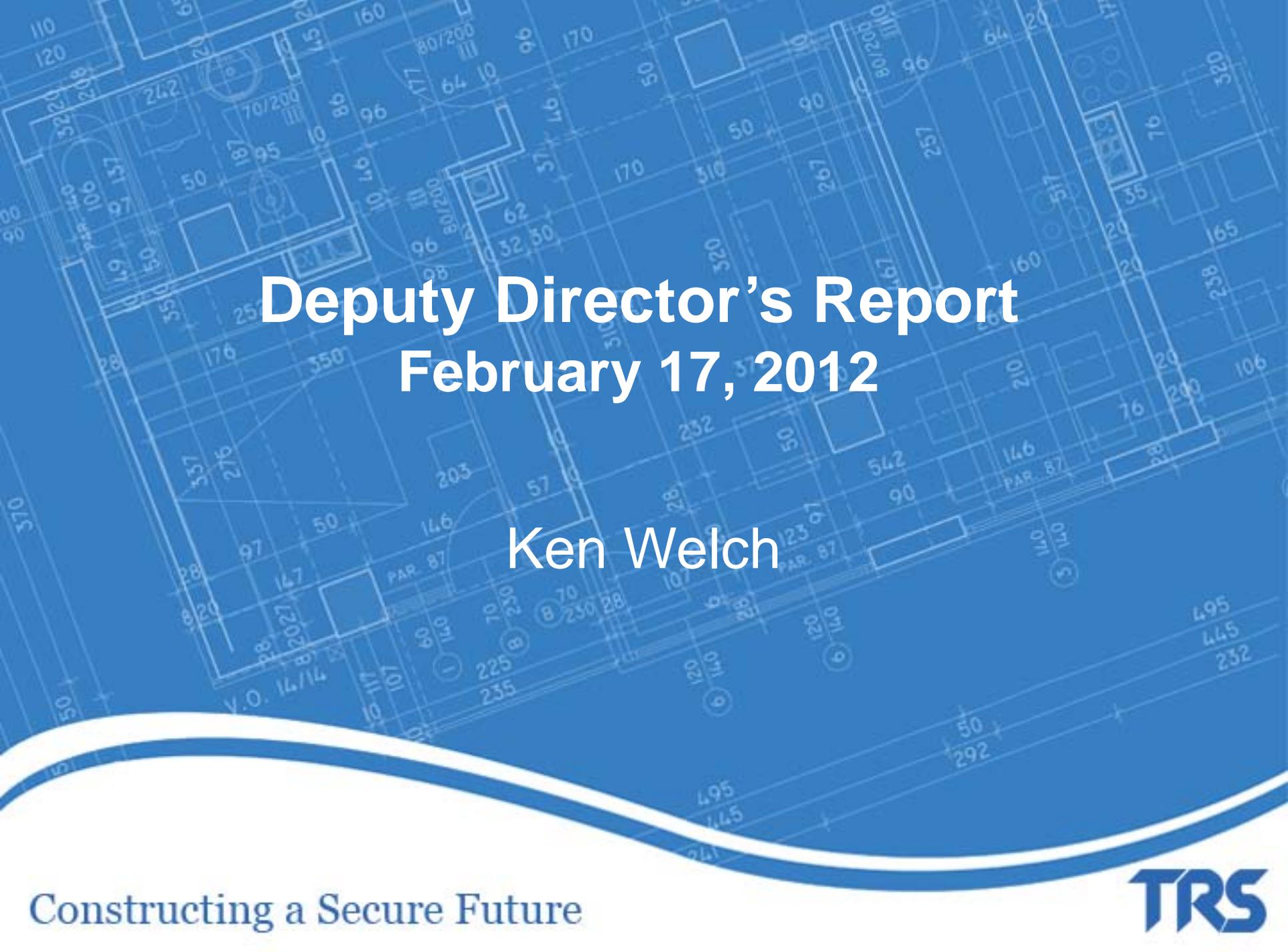
Gov't Code 551.144 (misdemeanor offense)

Public Information Act

- Policy; Construction
 - Keep the people informed about their government
 - Attorney General to construe the PIA in favor of open government

Public Information Act

- Information that is subject to the PIA may be in any form and is subject to disclosure unless the law provides that it may or must be withheld:
 - E-mail
 - Electronic versions of documents (Word, Excel, PDF)
 - Audio or video recordings, including voice mail
 - Computer data
 - Paper (notes, memos, letters, documents)
- Some requested information is confidential or may be withheld at TRS' discretion, but the law must expressly provide for non-disclosure.



Deputy Director's Report February 17, 2012

Ken Welch

Criminal Background Checks



- During the 82nd legislative session SB1667 was passed authorizing TRS to conduct criminal history record information checks (FBI).
- The Criminal Background Check policy went into effect 2/1/12.
- Email notification to all employees went out 1/31/31.
- The policy applies to current employees, applicants for employment, consultants, contract employees, independent contractors, interns, volunteers, contractor and subcontractors.
- Criminal history record information checks will be conducted on final applicants for positions prior to an offer of employment be made.

Criminal Background Checks (Cont'd)



- Criminal history record information checks will be conducted on current employees hired since 1/1/11. Affected employees will be provided 30 days advance notice prior to check being conducted.
- There will be a self-reporting requirement for employees to report any incidents occurring on or after 2/1/12.
- All current employees and new hires will sign a PER10, Notice of Criminal Offense Self-Reporting Requirement form.

TRS Power Outage 1/28-1/29 Timeline



Saturday, 1/28 at 11:30 pm

- City of Austin power outage occurred
- Six IT personnel arrived on-site to assess the situation after receiving a call from TRS security personnel

Sunday, 1/29 at 2:30am

- Four IT personnel sent home to await restoration of power
- Two IT staff stayed on-site to prepare for the restoration process

Sunday, 1/29 at 8:30am

- Power restored by the City of Austin
- Twenty-one additional IT staff arrived on-site to begin power up, hardware repair and software verification procedures

Sunday, 1/29 at 6:00pm

- All systems available

Total staff costs: \$6,540 (IT = \$6,150; staff services - \$390)

Silver Lining

- IT staff participated in an unscheduled disaster that directly impacted our hardware infrastructure. Our past disaster recovery exercises only focused on software and databases, so this was a learning experience with positive results.
- Another opportunity for a “team-building” exercise for IT staff.
- Timing – if this had happened at any time other than Saturday night, the results would have been much worse.

Lesson Learned

With a backup generator in place, the extent of the recovery would not have been as great.

