



TRS Board of Trustees Meeting

June 16 - 17, 2016

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

AGENDA

June 16, 2016 – 9:00 a.m.

June 17, 2016 – 9:00 a.m.

TRS East Building, 5th Floor, Boardroom

*All or part of the June 16 and 17, 2016 meetings of the TRS Board of Trustees may be held by telephone conference call as authorized under Section 551.130 of the Texas Government Code. The Board intends to have a quorum physically present at the following location: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5th Floor, Boardroom.***

NOTE: The Board may consider any item posted on the agenda either during its meeting on Thursday, June 16, 2016 or the following day. The open portions of the June 16 and 17, 2016 Board meetings are being broadcast over the Internet. Access to the Internet broadcast of the Board meetings is provided at www.trs.texas.gov.

1. Call roll of Board members.
2. Consider the following administrative items – David Kelly: *[Estimated time 9:00 – 9:15]*
 - A. Approval of the proposed May 13, 2016 Board meeting minutes.
 - B. Excusing Board member absences from the May 13, 2016 Board meeting.
 - C. Election of the Board Vice-Chair.
 - D. Consenting to the Board Chair's appointment of committee members, and receiving the Board Chair's public announcement of committee chairs.
 - E. Setting, rescheduling, or canceling future Board meetings.
 - F. Recognizing the service of outgoing TRS trustee, Nanette Sissney.
3. Provide opportunity for public comment – David Kelly. *[Estimated time 9:15 – 9:30]*
4. Consider the following investment matters: *[Estimated time 9:30 – 11:00]*
 - A. Performance Review: First Quarter 2016 – Kristen Doyle and Mike McCormick, Aon Hewitt.
 - B. Consider the contracts with the following investment consultants: Aon Hewitt (Steve Voss); Albourne Partners Limited (Ta Lohachitku); Hamilton Lane Advisors LLC (Paul Yett); The Townsend Group (Rob Kochis) – Jerry Albright.

- C. Market Overview from Apollo – Leon Black.

The Board will likely recess after the last item above to take up committee meetings and resume Thursday afternoon to take up the items listed below.

- 5. Discuss the Executive Director's report on the following – Brian Guthrie: *[Estimated time 2:45 – 3:15]*
 - A. Administrative operational matters, including updates on the Executive Director's goals; financial, audit, legal, staff services, investment, board administration, special projects, long-term space planning, the use of emergency leave, and strategic planning.
 - B. Board operational matters, including a review of draft agendas for upcoming meetings.
 - C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.
- 6. Consider selecting a vendor as the fully insured TRS-Care Medicare Advantage Plan provider, including considering a finding that deliberating or conferring on the procurement in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Katrina Daniel. *[Estimated time 3:15 – 4:00]*
- 7. Receive the report of the Policy Committee on its June 16, 2016 meeting and consider amendments to the Code of Ethics for Contractors – Committee Chair. *[Estimated time 4:00 – 4:15]*
- 8. Receive the report of the Investment Management Committee on its June 16, 2016 meeting – Committee Chair. *[Estimated time 4:00 – 4:15]*
- 9. Receive the report of the Benefits Committee on its June 16, 2016 meeting and consider the following – Committee Chair: *[Estimated time 4:00 – 4:15]*
 - A. Premium and plan design for TRS-Care, the retiree health benefits program, including the three standard plans, the fully-insured Medicare Advantage Plans, and the Medicare Part D Plans.
 - B. Premium and plan design for TRS-ActiveCare, the active member health benefits program, including the preferred-provider organization (PPO) plan.
 - C. Premiums and plan design for the TRS-ActiveCare HMO plan.

10. Receive the report of the Risk Management Committee on its June 16, 2016 meeting – Committee Chair. *[Estimated time 4:00 – 4:15]*
11. Receive the report of the Budget Committee on its June 16, 2016 meeting – Committee Chair. *[Estimated time 4:00 – 4:15]*
12. Receive an overview of securities-class-action litigation and review the report of the General Counsel on other pending or contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, and open records – Carolina de Onís. *[Estimated time 4:15 – recess]*

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

13. Provide opportunity for public comment – David Kelly. *[Estimated time 9:00 – 9:15]*
14. Receive a presentation on the 2016 Member Satisfaction Report – Howard Goldman. *[Estimated time 9:15 – 9:30]*
15. Receive an overview of the executive evaluation process – Keith Robinson, Focus Consulting and Janet Bray. *[Estimated time 9:30 – 10:00]*
16. Consider amendments to the Executive Performance Incentive Pay Plan for the plan year beginning July 1, 2016, including adopting performance categories, category weights, performance goals, and key performance indicators – Keith Robinson, Focus Consulting and Janet Bray. *[Estimated time 10:00 – 10:30]*
17. Evaluate the performance of Gabriel, Roeder, Smith & Company as the provider of health benefits consulting and related services to TRS – Katrina Daniel. *[Estimated time 10:30 – 10:45]*
18. Evaluate the performance of Gabriel, Roeder, Smith & Company as the provider of Pension Trust Fund actuarial services and related services to TRS – Rebecca Merrill. *[Estimated time 10:45 – 11:00]*
19. Receive an update on the TEAM Program – David Cook, Adam Fambrough; Jay Masci, Provaliant. *[Estimated time 11:00 – 11:45]*
20. Receive a presentation from the TEAM Program Independent Program Assessment (IPA) Vendor – Michael Johnson, Bridgepoint Consulting. *[Estimated time 11:45 – 12:30]*
21. Receive the report of the Audit Committee on its June 17, 2016 meeting – Christopher Moss. *[Estimated time 12:30 – 12:45]*
22. Receive the report of the Chief Benefit Officer and consider the following – Barbie Pearson: *[Estimated time 12:45 – 1:00]*

- A. Approval of members qualified for retirement for March 2016 through May 2016.
 - B. Approval of the proposed minutes of the March 1, 2016 Medical Board meeting.
 - C. Appointment of Dr. Larry Wilson as a member and the chair of the Medical Board and engagement as a provider of Medical Board services.
- 23. Receive the Chief Financial Officer's report, including a cash flow report – Don Green.
[Estimated time 1:00 –1:15]
 - 24. Receive the Deputy Director's Report, including matters related to administrative, financial, and staff services operations – Ken Welch *[Estimated time 1:15 – adjourn]*
 - 25. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Investment Officer, or Chief Audit Executive – David Kelly.
 - 26. Consult with the Board's attorney(s) in Executive Session on any item listed above on this meeting agenda as authorized by Section 551.071 of the Texas Open Meetings Act (Chapter 551 of the Texas Government Code) – David Kelly.

Tab 2 A

Minutes of the Board of Trustees

May 13, 2016

The Board of Trustees of the Teacher Retirement System of Texas met on May 13, 2016 in the boardroom on the fifth floor of the TRS East Building offices at 1000 Red River Street, Austin, Texas. The following Board members were present:

David Kelly, Chair
Karen Charleston
David Corpus
John Elliott
Dr. Greg Gibson
Christopher Moss
Dolores Ramirez

Others present:

Brian Guthrie, TRS	Dan Herron, TRS
Ken Welch, TRS	Heather Traeger, TRS
Carolina de Onís, TRS	Yimei Zhao, TRS
Chris Cutler, TRS	Rebecca Smith, TRS
Katrina Daniel, TRS	Steve Huff, Reinhart Boerner Van Deuren
Don Green, TRS	Bill Hickman, Gabriel Roeder Smith and Company
Britt Harris, TRS	Amy Cohen, Gabriel Roeder Smith and Company
Jerry Albright, TRS	Eric St. Pierre, Gabriel Roeder Smith and Company
Howard Goldman, TRS	Philip Mullins, Texas Retired Teachers Association
Amy Barrett, TRS	Ted Melina Raab, Texas American Federation of Teachers
Jan Engler, TRS	Ann Fickel, Texas Classroom Teachers Association
Rebecca Merrill, TRS	Josh Sanderson, Association of Texas Professional Educators
Ray Spivey, TRS	Tim Lee, Texas Retired Teachers Association
Cassi Lamb, TRS	Tom Rogers, Austin Retired Teachers Association
Lynn Lau, TRS	John Grey, Texas State Teachers Association
Katy Hoffman, TRS	Mark Quinn, Aetna
Dan Junell, TRS	Richard Edwards, CVS Health
Clarke Howard, TRS	Cindy Walsh, Humana
Jamie Pierce, TRS	John Hryhorchuk, Office of the Governor
Jim Pinkard, TRS	Erin Hornaday, Senator Huffman's Office
Rhonda Price, TRS	Trevor Simmons, Legislative Budget Board

Mr. Kelly called the meeting to order at 9:15 a.m.

1. Call roll of Board members.

Ms. Lau called the roll. A quorum was present. Mr. Colonna and Ms. Palmer were absent.

2. Consider the following administrative matters – David Kelly:

A. Welcome new trustees, as applicable.

The board members welcomed new trustees, Mr. John Elliott and Dr. Greg Gibson. Mr. Elliott and Dr. Gibson gave a brief remark on their appointment to the board.

Mr. Kelly took up agenda item 3.

3. Provide an opportunity for public comment – David Kelly.

Mr. Tom Rogers of Austin Retired Teachers Association read his testimony in response to the comments by Dr. Josh McGee, the chair of the Texas Pension Review Board, concerning defined benefit plans. He commented on the benefits of defined benefit plans and the potential negative outcome of switching from a defined benefit plan to a defined contribution plan. He also highlighted the soundness and efficiency of the TRS fund.

Mr. Tim Lee of Texas Retired Teachers Association (TRTA) welcomed Mr. Elliott and Dr. Gibson. He profiled TRTA, including its membership and operation. He also highlighted the strengths of TRS and the important role and fiduciary duties of the board in making decisions and serving the members. He expressed his appreciation to the board for their work and stated that TRTA would continue partnering with TRS and help serve the members as much as they can.

2. Consider the following administrative matters – David Kelly:

C. Consider approval of the April 7, 2016 proposed meeting minutes.

On a motion by Mr. Moss, seconded by Ms. Charleston, the Board unanimously voted to approve the proposed minutes of the April 7, 2016 board meeting.

D. Consider the election of the Board Vice-Chair.

E. Consider consenting to the Board Chair's appointment of committee members, and receive the Board Chair's public announcement of committee chairs.

Mr. Kelly announced that the board would defer items D and E to the next Board meeting.

F. Consider setting, rescheduling, or canceling future Board meetings.

G. Recognize the service of outgoing trustees, as applicable.

The Board did not take up agenda items 2F and 2G.

B. Excuse Board member absences from the April 7, 2016 Board meeting.

On a motion by Ms. Ramirez, seconded by Mr. Corpus, the Board unanimously voted to excuse Mr. Colonna's absence from the April 7, 2016 Board meeting.

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

- A. Administrative operational matters, including updates on the Executive Director's goals, financial, audit, legal, staff services, investment matters, board administration, special projects, long-term space planning, strategic planning matters, the 2016 CEM Global Pension Administration Conference, and procurements associated with the Financial System Replacement Project.**
- B. The financial awareness video series, including viewing a video from the series.**
- C. Board operational matters, including a review of draft agendas for upcoming meetings.**
- D. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.**

Mr. Guthrie provided an update on performance goals for FY 2016. He highlighted communication and technology as two of the main challenges facing the system in light of the increasing demand and usage in both areas. He also highlighted the goal of improving the records management process, recruiting and retaining highly competent staff, improving work environment, and increasing national profile. Mr. Guthrie then introduced the financial awareness video series prepared for members. Mr. Guthrie stated that two out of fourteen videos in the series had been produced.

Whereupon the two videos were shown.

Mr. Guthrie then discussed the goal of finding solutions for the sustainability of the healthcare programs.

Mr. Guthrie next provided a general update on the CEM conference and NCTR trustee training program. He next informed the board that Ms. Lau had transferred to the Information Technology Division. He expressed his appreciation to Ms. Lau for serving as the assistant secretary to the board. He noted that Mr. Junell would continue to serve as the secretary to the Board. He stated that a more concrete plan for the board administration and operation would be presented to the board in the summer.

Mr. Guthrie provided an overview of the upcoming board meeting agendas.

Mr. Guthrie referred the board to the materials that include staff's findings on Leonard Green's use of a private plane, letters from the state leadership on zero-based budget planning and budget drivers, and an update on contracts authorized by the board. Responding to a question from Mr. Kelly, Mr. Guthrie stated that the board would discuss investment consulting contracts in June.

Mr. Kelly announced that the board would go into executive session on agenda item 4A and 8 under §§551.071 and 551.074 of the Government Code to consult with legal counsel and to discuss personnel matters, including the executive director's duties regarding the financial system replacement project. He asked all members of the public and staff not needed for the executive session to leave the meeting room and take their belongings with them.

Whereupon, the open session of the board meeting recessed at 10:13 a.m. to go into executive session.

The board meeting reconvened in open session at 11:10 a.m.

- 5. Discuss the TRS health benefits programs and receive an update on the following matters – Katrina Daniel and William Hickman and Amy Cohen, Gabriel, Roeder, Smith & Company:**
 - A. Premium and plan design alternatives for TRS-Care, the retiree health benefits program, including the three standard plans, the fully-insured Medicare Advantage Plans, and the Medicare Part D Plans.**
 - B. Premium and plan design alternatives for TRS-ActiveCare, the active member health benefits program, including the preferred-provider organization (PPO) plan options.**
- 6. Discuss and receive an update on the Joint Legislative Committee's proceedings on TRS Health Benefits Plans – Brian Guthrie and Katrina Daniel.**

Mr. Guthrie provided an update on the funding of TRS-Care. He stated that staff found that the TRS-Care fund may potentially have a negative balance before it returned to a positive balance by the end of fiscal year. Given the fact that there was no guarantee for additional supplemental funding from the legislature through an emergency appropriation, he said, staff would present options to the board to help mitigate or offset the potential negative balance. He confirmed for Mr. Kelly that the current data were projections and subject to change. He also confirmed that the health care programs had experienced negative balances for a period of time in the past.

Ms. Daniel discussed strategies for generating revenue and reducing cost for TRS-Care and TRS-ActiveCare. Mr. Kelly suggested that many different scenarios be incorporated into the study models. Further discussion followed regarding the strategies and options. Ms. Daniel stated that staff would give the same presentation at the Retiree Advisory Committee (RAC) for input and would report back to the board after the RAC meeting.

- 7. Discuss and receive a financial update on the following matters – Don Green:**
 - A. Receive an overview of proposed the administrative operations budget for fiscal year 2017.**
 - B. Discuss development of TRS' Legislative Appropriations Request (LAR) for the 2018-2019 biennium.**

Mr. Green provided a cash disbursement report for fiscal year 2016. He recapped the FY 2016 budget by fund, division, and expense.

Mr. Green recapped the FY 2016-2017 legislative appropriations request (LAR). He also highlighted the key points of the LAR for the 2018-2019 biennium.

Mr. Green provided an overview of the major cost drivers for administrative operations. He also highlighted the capital projects and budget. He concluded his presentation with the timeline for budget updates and appropriations requests in the summer.

9. Consult with the Board's attorney(s) in Executive Session on any item listed above on this meeting agenda as authorized by Section 551.071 of the Texas Open Meetings Act (Chapter 551 of the Texas Government Code) – David Kelly.

The Board took up no further business under agenda item 9.

The meeting was adjourned at 12:52 p.m.

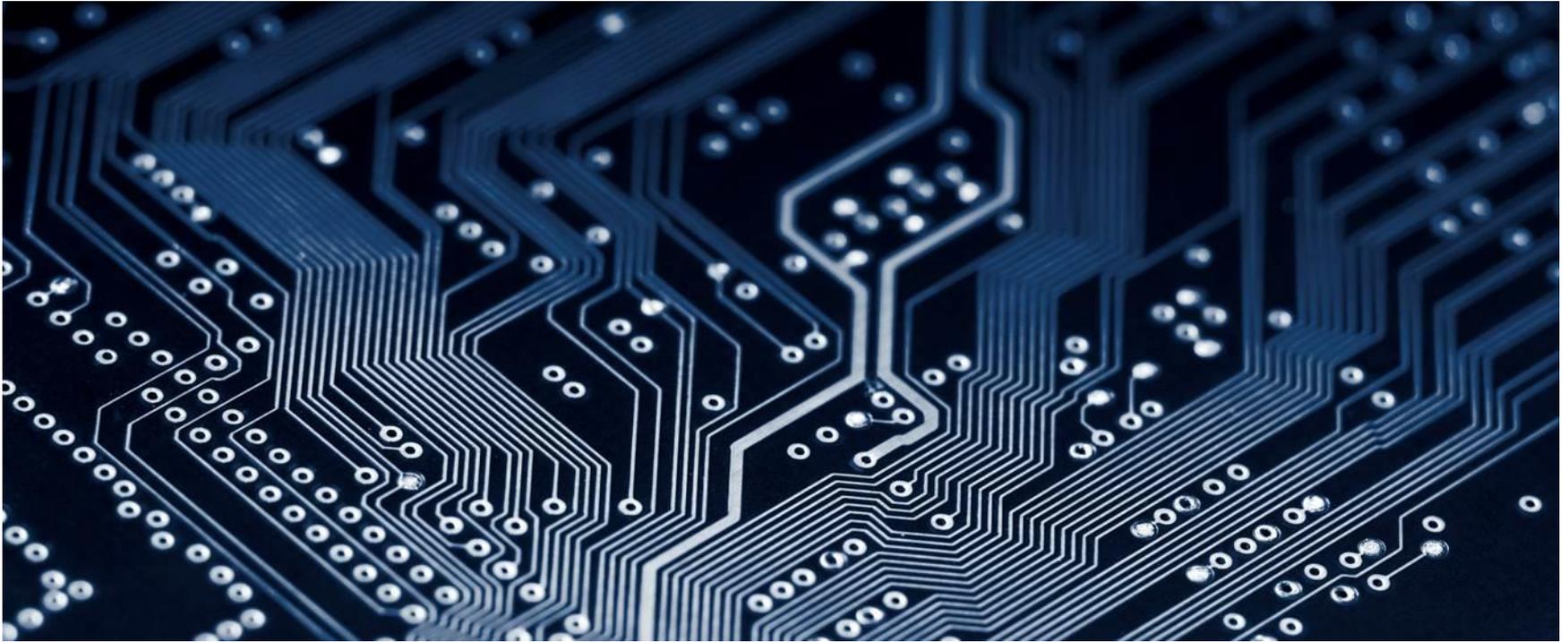
APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 13TH DAY OF MAY, 2016.

ATTESTED BY:

Dan Junell
Secretary to the TRS Board of Trustees

Date

Tab 4 A



Teacher Retirement System of Texas

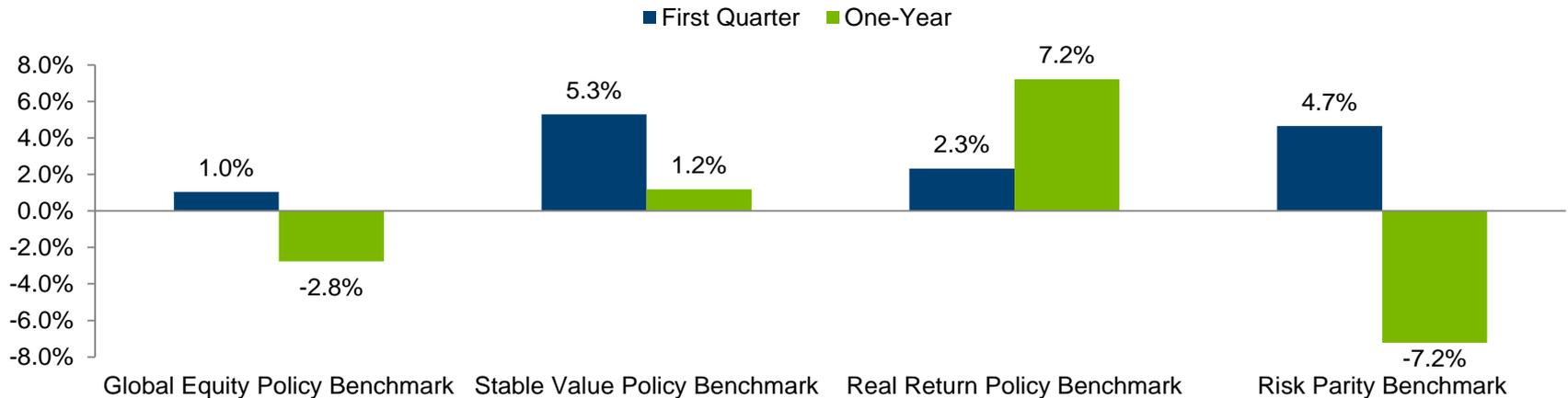
Performance Review: First Quarter 2016

Aon Hewitt
Retirement and Investment

Investment advice and consulting services provided by Aon Hewitt Investment Consulting, Inc., an Aon Company.



Summary

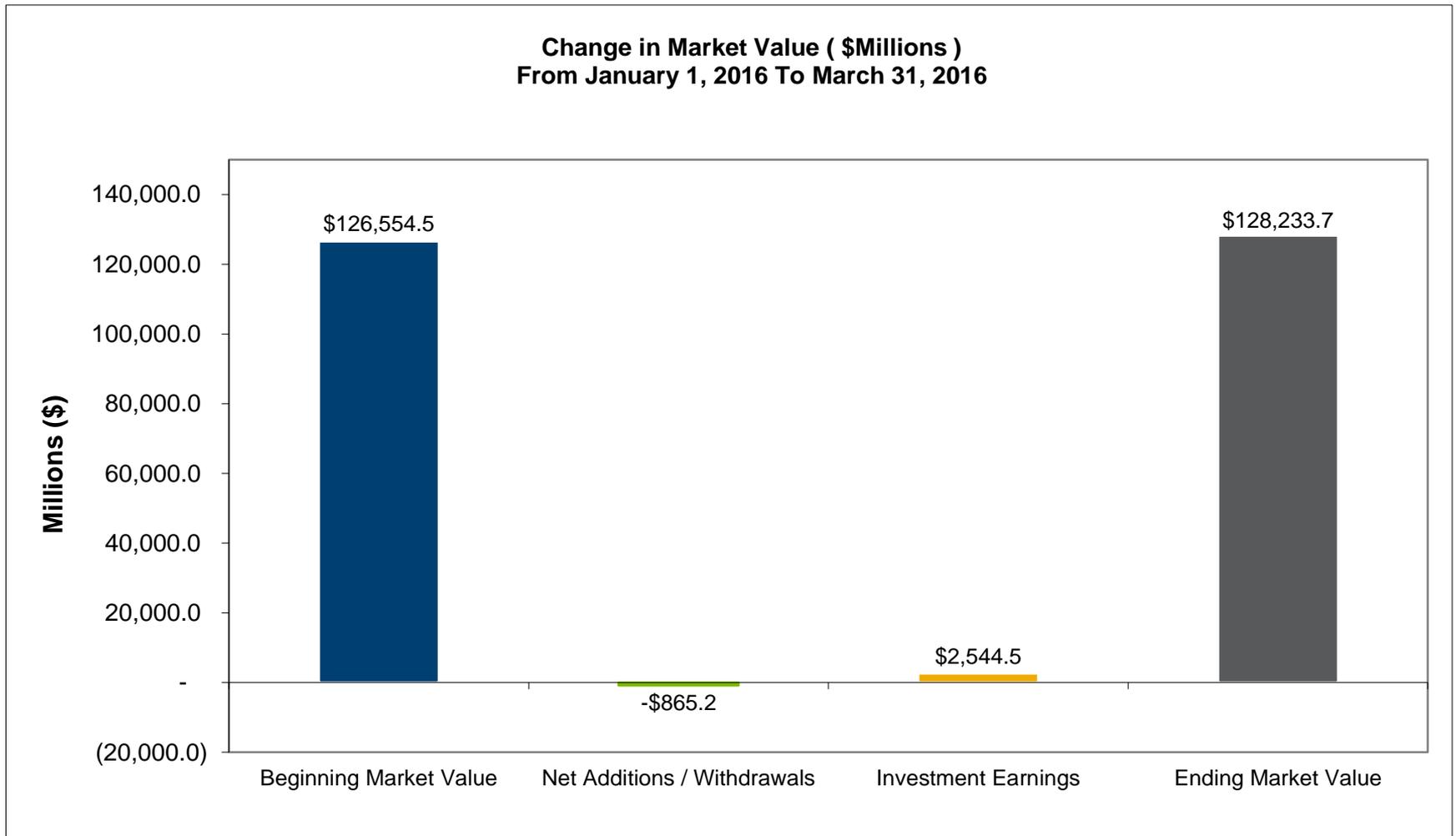


- Global asset markets were volatile during the first quarter.
- The TRS investment portfolio returned 2.0% for the quarter and underperformed its performance benchmark by 0.2%.
 - For the trailing twelve months, TRS returned -0.3%, underperforming its performance benchmark by 0.2%.
- The primary contributor to relative performance for the quarter included strong performance within the Real Assets and Long Treasuries components.
- Detractors from relative results included underperformance within U.S. Equity, Non-U.S. Equity, and Hedge Funds.

1. Market Summary – First Quarter 2016

	First Quarter	One Year	Three Years	Five Years	Ten Years
Global Equity:					
MSCI U.S.A. IMI Index	0.9%	-0.3%	11.2%	11.1%	7.1%
MSCI EAFE + Canada Index	-2.0	-8.4	1.7	1.6	1.8
MSCI Emerging Markets Index	5.7	-12.0	-4.5	-4.1	3.0
HFRI Fund of Funds Composite Index	-3.1	-5.7	1.8	1.3	1.5
State Street Private Equity Index (qtr lagged)	1.1	6.0	11.1	10.3	9.7
Global Equity Policy Benchmark	1.0	-2.8	5.7	5.2	--
Stable Value:					
Barclays Long Treasury Index	8.2%	2.8%	6.1%	9.7%	8.0%
HFRI Fund of Funds Conservative Index	-2.1	-3.5	2.0	1.7	1.4
3 Month LIBOR + 2%	0.7	2.4	2.3	2.3	3.5
90 Day U.S. Treasury Bill	0.1	0.1	0.1	0.1	1.2
Stable Value Policy Benchmark	5.3	1.2	5.0	7.9	--
Real Return:					
Barclays U.S. TIPS Index	4.5%	1.5%	-0.7%	3.0%	4.6%
NCREIF ODCE (qtr lagged)	3.1	14.0	12.8	12.6	--
Cambridge Nat. Resources (75) / CPI (qtr lagged) (25)	-9.0	-21.0	--	--	--
Goldman Sachs Commodities Index	-2.5	-28.7	-24.5	-17.4	-10.7
Real Return Policy Benchmark	2.3	7.4	7.6	8.5	--
Risk Parity:					
Risk Parity Benchmark	4.7	-7.2	1.1	--	--
TRS Policy Benchmark	2.2%	-0.1%	6.0%	6.7%	5.4%

2. Market Value Change



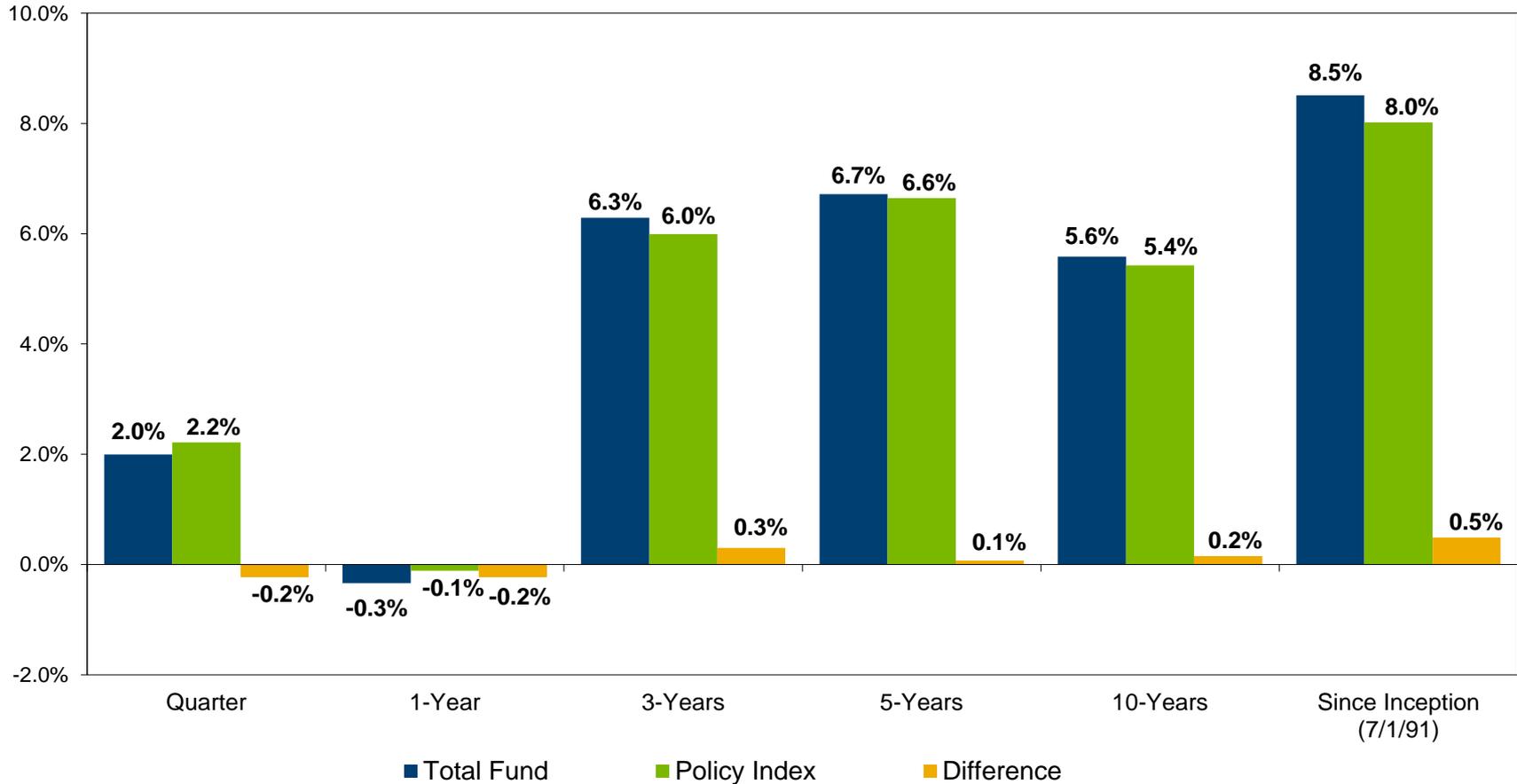
3. Asset Allocation Detail

	Market Value (\$ in millions) as of 3/31/2016		Interim Policy Target	Relative Allocation to Interim Policy Target	Long Term Policy Target	Long Term Policy Ranges
	(\$)	(%)				
Total Fund	\$128,234	100%		---	100%	--
Total U.S.A.	\$26,878	21.0%	19.3%	+1.6%	18%	13-23%
Non-U.S. Developed	\$18,255	14.2%	14.3%	-0.1%	13%	8-13%
Emerging Markets	\$12,759	9.9%	9.9%	+0.0%	9%	4-14%
Directional Hedge Funds	\$5,114	4.0%	4.4%	-0.4%	4%	0-10%
Private Equity	\$15,479	12.1%	12.0%	+0.1%	13%	8-18%
Global Equity	\$78,485	61.2%	60.0%	+1.2%	57%	50-64%
Long Treasuries	\$11,819	9.2%	12.3%	-3.1%	11%	0-20%
Stable Value Hedge Funds	\$5,349	4.2%	4.0%	+0.2%	4%	0-10%
Absolute Return (including OAR)	\$2,304	1.8%	0.0%	+1.8%	0%	0-20%
Cash	\$146	0.1%	1.0%	-0.9%	1%	0-5%
Stable Value	\$19,618	15.3%	17.3%	-2.0%	16%	11-21%
TIPS	\$4,866	3.8%	4.3%	-0.5%	3%	0-10%
Real Assets	\$18,042	14.1%	13.7%	+0.3%	16%	7-17%
Energy and Natural Resources	\$2,420	1.9%	1.8%	+0.1%	3%	0-7%
Commodities	\$195	0.2%	0.0%	+0.2%	0%	0-5%
Real Return	\$25,523	19.9%	19.8%	+0.1%	22%	17-27%
Risk Parity	\$4,608	3.6%	2.8%	+0.8%	5%	0-10%
Risk Parity	\$4,608	3.6%	2.8%	+0.8%	5%	0-5%

Note: Actual allocations above are based upon Account Level information

4. Total TRS Performance Ending 3/31/2016

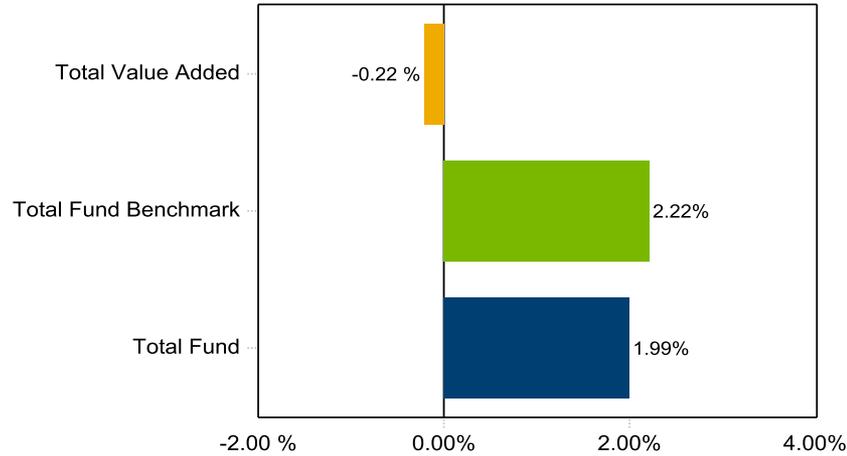
Investment Results As of 3/31/2016



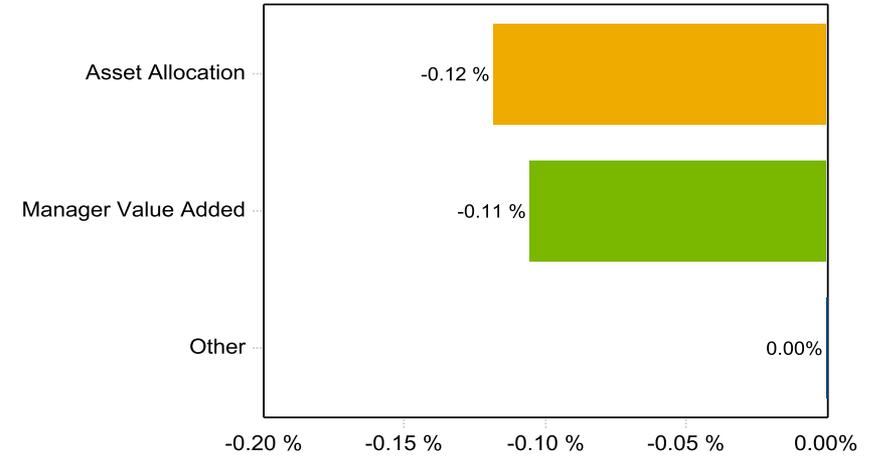
Note: The excess returns shown above may not be a perfect difference between the actual and benchmark returns due entirely to rounding.

5. Total Fund Attribution - Quarter Ending 3/31/2016

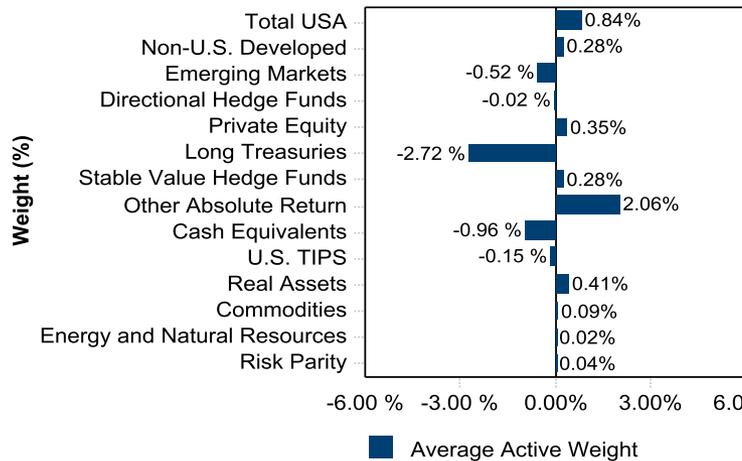
Total Fund Performance



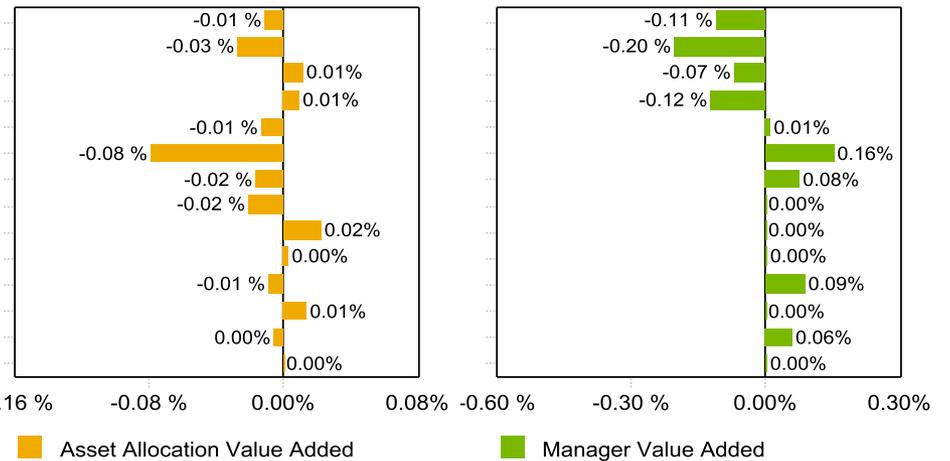
Total Value Added:-0.22 %



Total Asset Allocation:-0.12 %

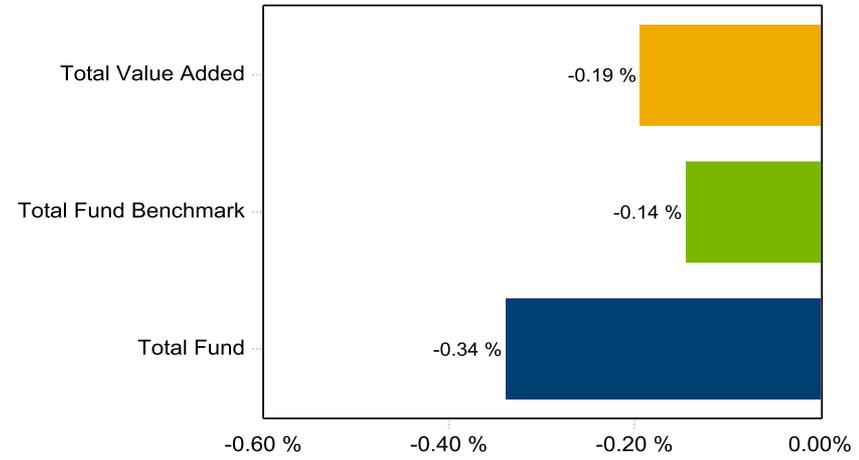


Total Manager Value Added:-0.11 %

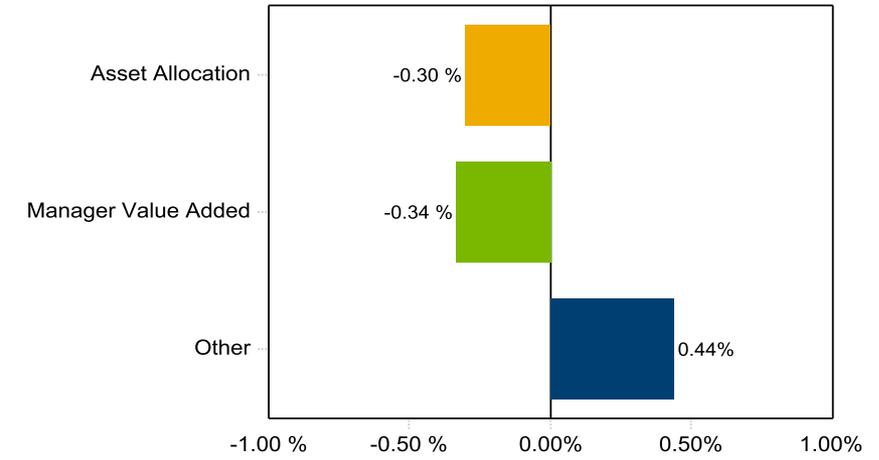


5. Total Fund Attribution – Trailing One Year Ending 3/31/2016

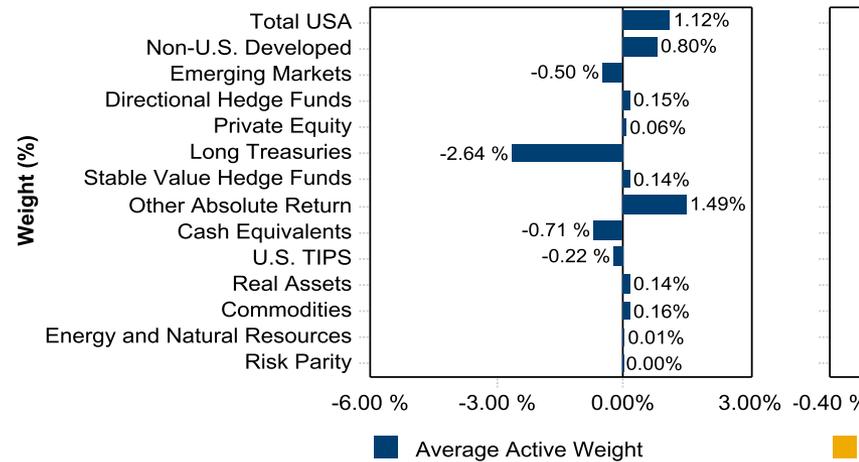
Total Fund Performance



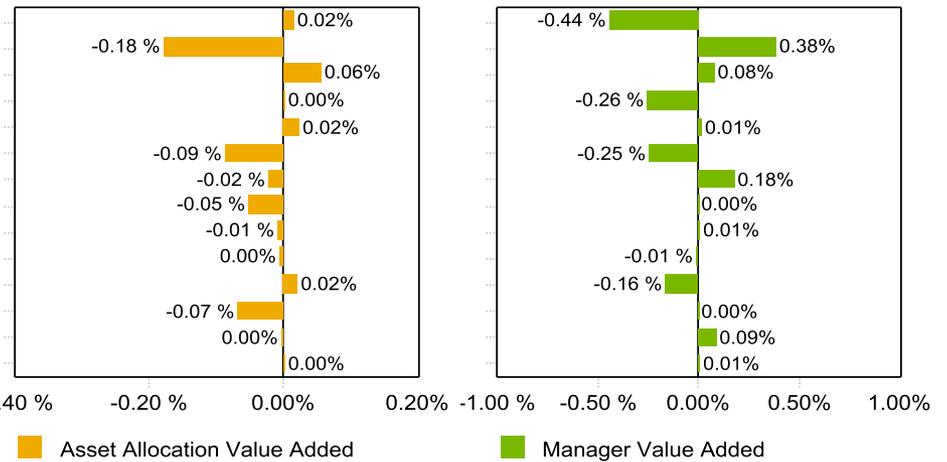
Total Value Added:-0.19 %



Total Asset Allocation:-0.30 %



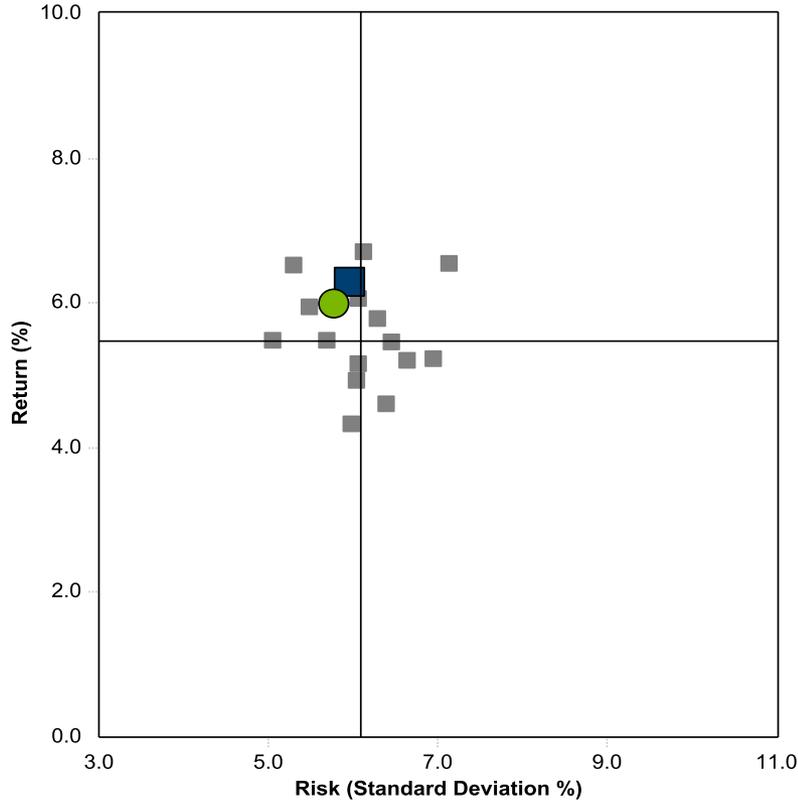
Total Manager Value Added:-0.34 %



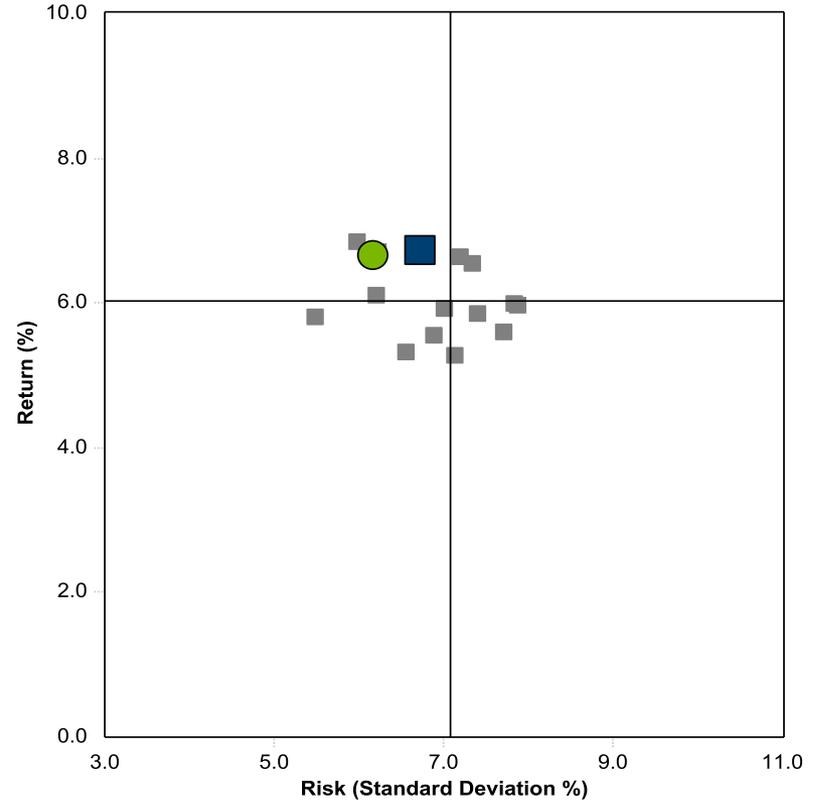
6. Risk Profile: Total Fund Risk-Return vs. Peers

All Public Plans > \$10B-Total Fund

Annualized Return vs. Annualized Standard Deviation
3 Years Ending March 31, 2016



Annualized Return vs. Annualized Standard Deviation
5 Years Ending March 31, 2016



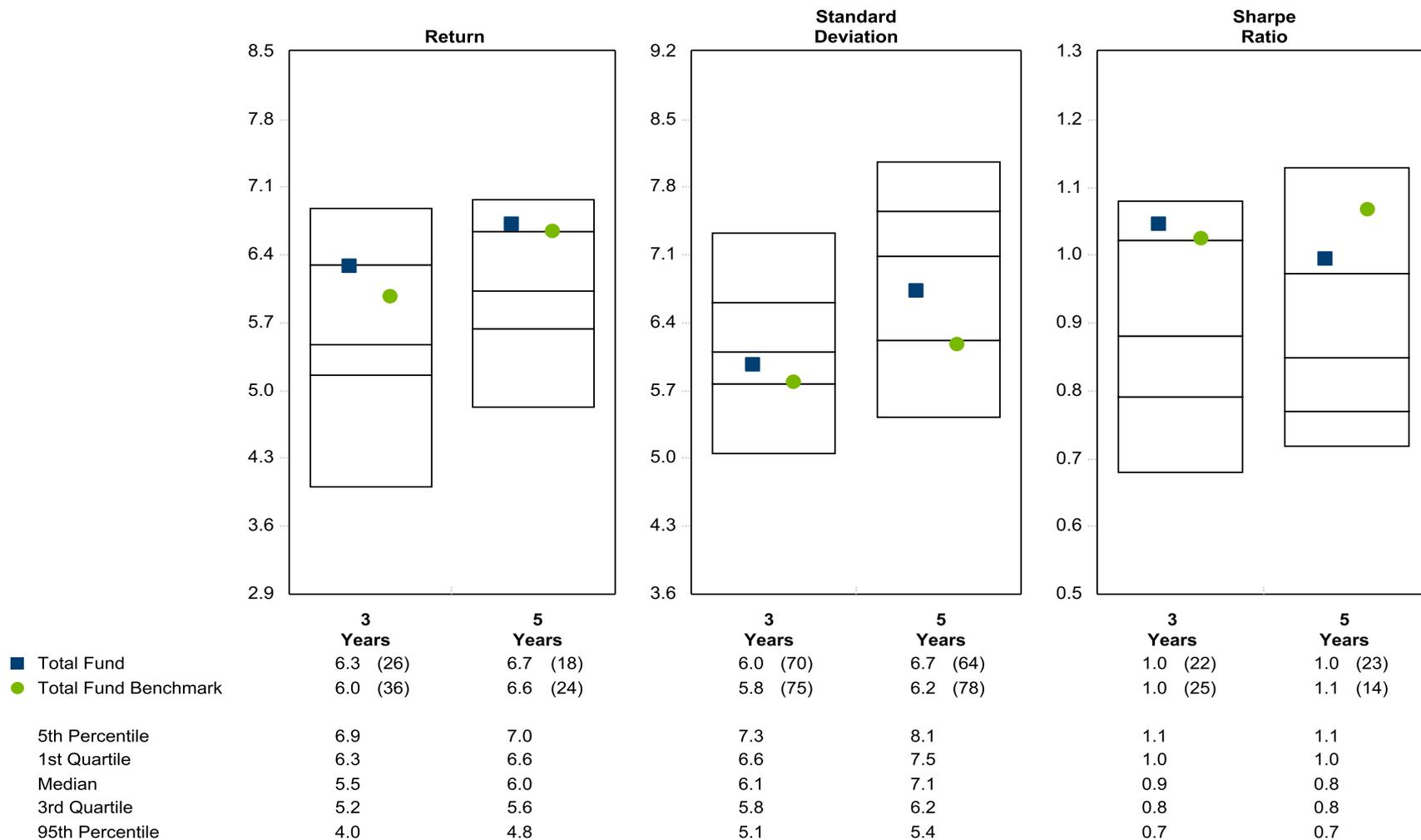
	Return	Standard Deviation
Total Fund	6.3	6.0
Total Fund Benchmark	6.0	5.8
Median	5.5	6.1

	Return	Standard Deviation
Total Fund	6.7	6.7
Total Fund Benchmark	6.6	6.2
Median	6.0	7.1

Plan Sponsor Peer Group composed of 22 public funds with total assets in excess of \$10B as of 3/31/2016.
An analytic outlining the asset allocation of the peer portfolios has been included in the appendix of this report.

6. Risk Profile: Trailing 3-Year and 5-Year Risk Metrics Peer Comparison

All Public Plans > \$10B – Total Fund



Plan Sponsor Peer Group composed of 22 public funds with total assets in excess of \$10B as of 3/31/2016.

An analytic outlining the asset allocation of the peer portfolios has been included in the appendix of this report.

Aon Hewitt | Retirement and Investment

Proprietary & Confidential

Investment advice and consulting services provided by Aon Hewitt Investment Consulting, Inc., an Aon Company.

7. Global Equity: Performance Summary Ending 3/31/2016

	First Quarter	One Year	Three Years	Five Years
Total Global Equity	0.3%	-3.1%	6.2%	5.6%
Global Equity Benchmark	1.0	-2.8	5.7	5.2
<i>Difference</i>	-0.7	-0.3	+0.5	+0.4
Total U.S. Equity	0.4	-2.3	9.5	9.6
Total U.S. Equity Benchmark	0.9	-0.3	11.3	10.9
<i>Difference</i>	-0.5	-2.0	-1.8	-1.3
Non-U.S. Equity	0.0	-8.1	0.8	0.4
Non-U.S. Benchmark	1.2	-9.8	-0.7	-0.6
<i>Difference</i>	-1.2	+1.7	+1.5	+1.0
Non-U.S. Developed	-3.3	-6.4	4.1	3.3
MSCI EAFE + Canada	-2.0	-8.4	1.7	1.6
<i>Difference</i>	-1.3	+2.0	+2.4	+1.7
Emerging Markets	5.1	-11.1	-3.6	-3.2
MSCI Emerging Markets	5.7	-12.0	-4.5	-4.1
<i>Difference</i>	-0.6	+0.9	+0.9	+0.9

Note: The excess returns shown in this presentation may differ from State Street statements due entirely to rounding. These differences are generally within a few basis points and are not material.

7. Global Equity: Performance Summary Ending 3/31/2016 (cont'd)

	First Quarter	One Year	Three Years	Five Years
Directional Hedge Funds	-5.6%	-10.8%	0.2%	--
HFRI Fund of Funds Composite Index	-3.1	-5.7	1.8	--
<i>Difference</i>	-2.5	-5.1	-1.6	--
Total Public Equity	-0.2	-5.9	4.4	4.0
Public Equity Benchmark	0.7	-5.5	4.3	4.0
<i>Difference</i>	-0.9	-0.4	+0.1	+0.0
Total Private Equity	2.2	9.6	14.8	13.3
Private Equity Benchmark	2.1	9.0	11.3	10.4
<i>Difference</i>	+0.1	+0.6	+3.5	+2.9

Note: The excess returns shown in this presentation may differ from State Street statements due entirely to rounding. These differences are generally within a few basis points and are not material.

8. Stable Value: Performance Summary Ending 3/31/2016

	First Quarter	One Year	Three Years	Five Years
Total Stable Value	6.2%	2.0%	6.6%	8.2%
Total Stable Value Benchmark	5.3	1.2	5.0	7.9
<i>Difference</i>	+0.9	+0.8	+1.6	+0.3
Long Treasuries	9.7	0.4	7.1	10.6
Treasury Benchmark	8.2	2.8	6.1	9.7
<i>Difference</i>	+1.5	-2.4	+1.0	+0.9
Stable Value Hedge Funds	-0.3	0.7	4.1	2.8
Hedge Funds Benchmark	-2.1	-3.5	2.0	2.9
<i>Difference</i>	+1.8	+4.2	+2.1	-0.1
Other Absolute Return	2.6	0.1	8.3	11.3
Other Absolute Return Benchmark	0.7	2.4	2.3	2.3
<i>Difference</i>	+1.9	-2.3	+6.0	+9.0
Cash Equivalents	0.0	1.9	3.0	2.1
Cash Benchmark	0.1	0.1	0.1	0.1
<i>Difference</i>	-0.1	+1.8	+2.9	+2.0

Note: Performance of Cash Equivalents is shown net of fees paid to TRS Strategic Partners

Note: The excess returns shown in this presentation may differ from State Street statements due entirely to rounding. These differences are generally within a few basis points and are not material.

9. Real Return: Performance Summary Ending 3/31/2016

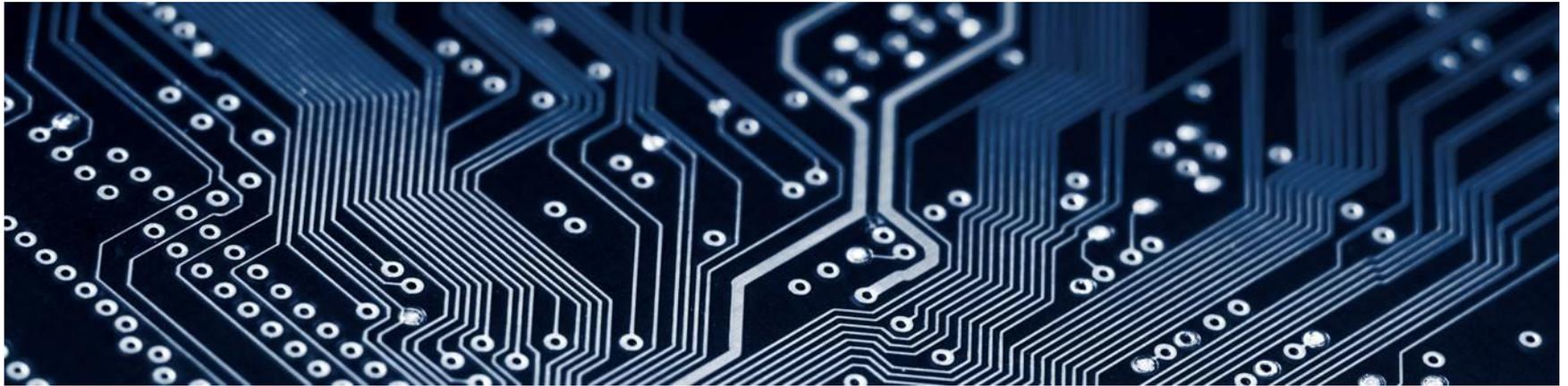
	First Quarter	One Year	Three Years	Five Years
Total Real Return	3.1%	6.7%	6.9%	7.9%
Real Return Benchmark	2.3	7.2	7.5	8.5
<i>Difference</i>	+0.8	-0.5	-0.6	-0.6
TIPS	4.5	1.4	-0.6	3.1
U.S. TIPS Benchmark	4.5	1.5	-0.7	3.0
<i>Difference</i>	+0.0	-0.1	+0.1	+0.1
Real Assets	3.7	12.9	12.9	12.6
Real Asset Benchmark	3.1	14.0	12.8	12.6
<i>Difference</i>	+0.6	-1.1	+0.1	+0.0
Energy and Natural Resources	-5.5	-16.2	--	--
Energy and Natural Resources Benchmark	-9.0	-21.0	--	--
<i>Difference</i>	+3.5	+4.8	--	--
Commodities	22.8	-19.3	-28.8	-23.1
Commodities Benchmark	-2.5	-28.7	-24.5	-17.4
<i>Difference</i>	+25.3	+9.4	-4.3	-5.7

Note: The excess returns shown in this presentation may differ from State Street statements due entirely to rounding. These differences are generally within a few basis points and are not material.

10. Risk Parity: Performance Summary Ending 3/31/2016

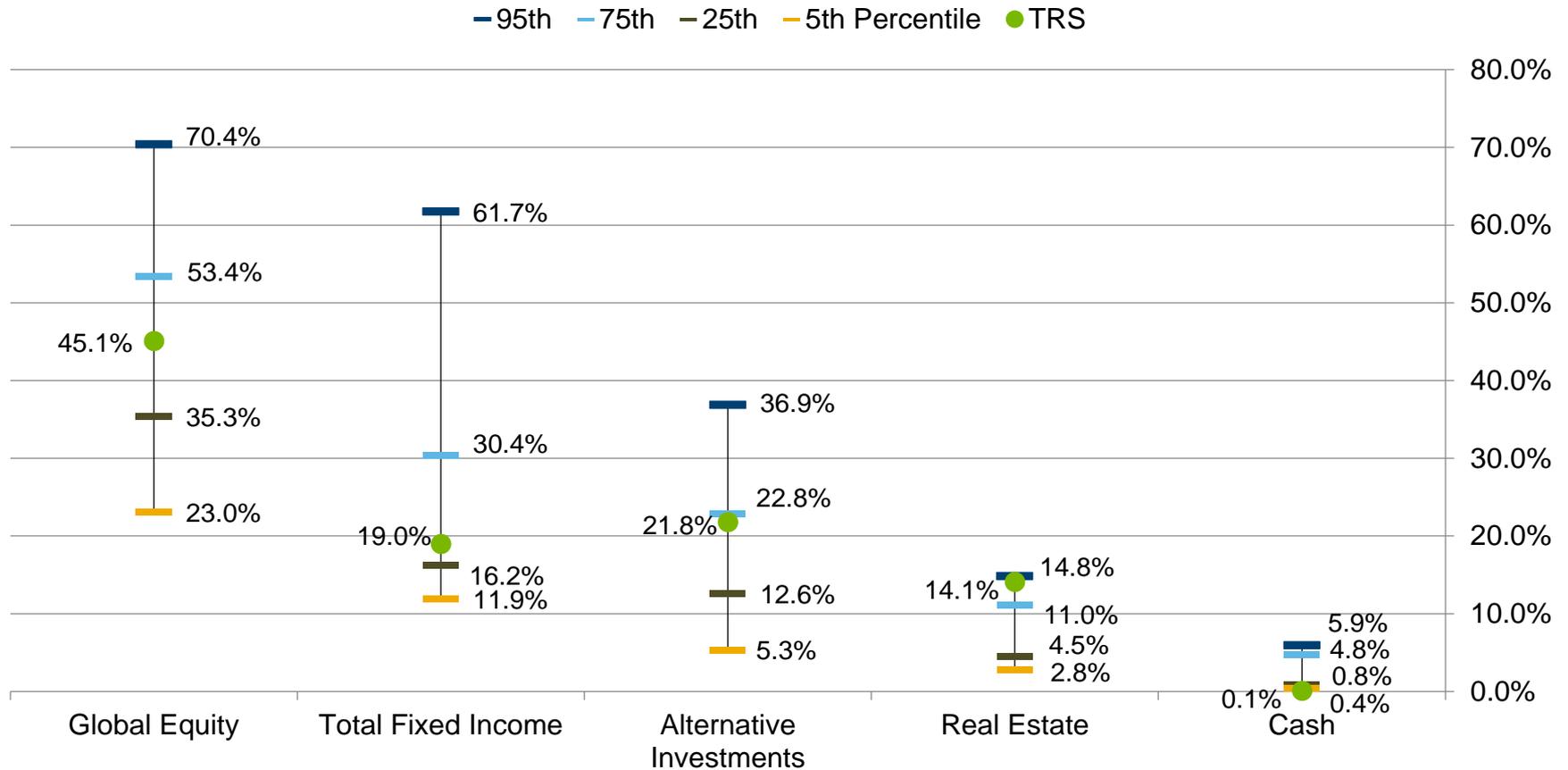
	First Quarter	One Year	Three Years	Five Years
<u>Total Risk Parity</u>	4.8%	-6.9%	0.1%	--
Risk Parity Benchmark	4.7	-7.2	1.1	--
<i>Difference</i>	+0.1	+0.3	-1.0	--

Note: The excess returns shown in this presentation may differ from State Street statements due entirely to rounding. These differences are generally within a few basis points and are not material.



Appendix – Supplemental Reporting

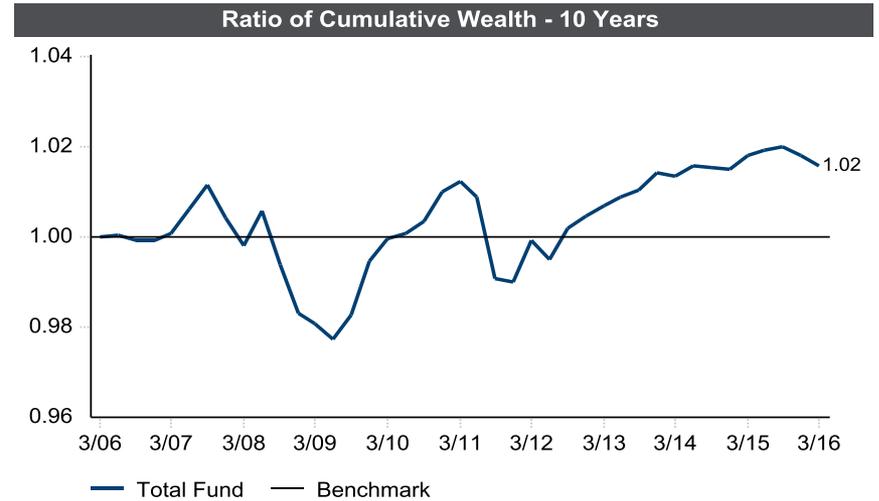
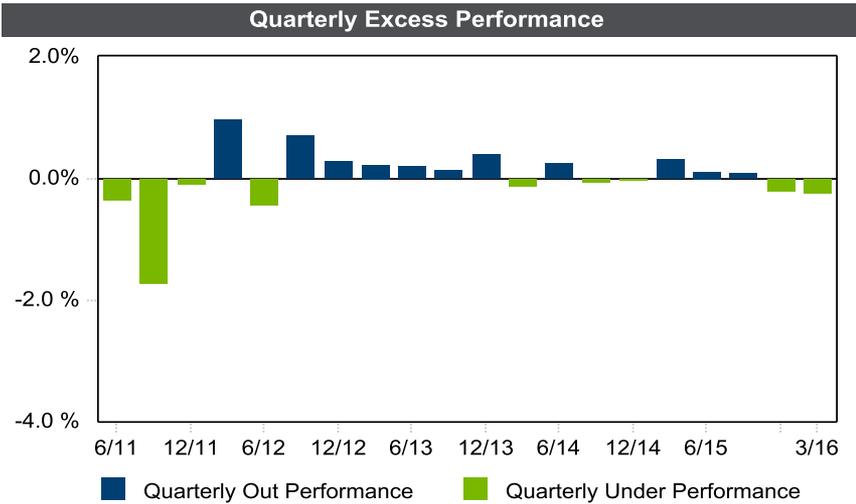
TRS Commitment Levels vs. Peers (>\$10 Billion)



- The chart above depicts the asset allocation of peer public funds with assets greater than \$10 billion.
 - The ends of each line represent the 95th and 5th percentile of exposures, the middle light blue and grey lines represent the 25th and 75th percentile of exposures, and the green dot represents TRS exposure.

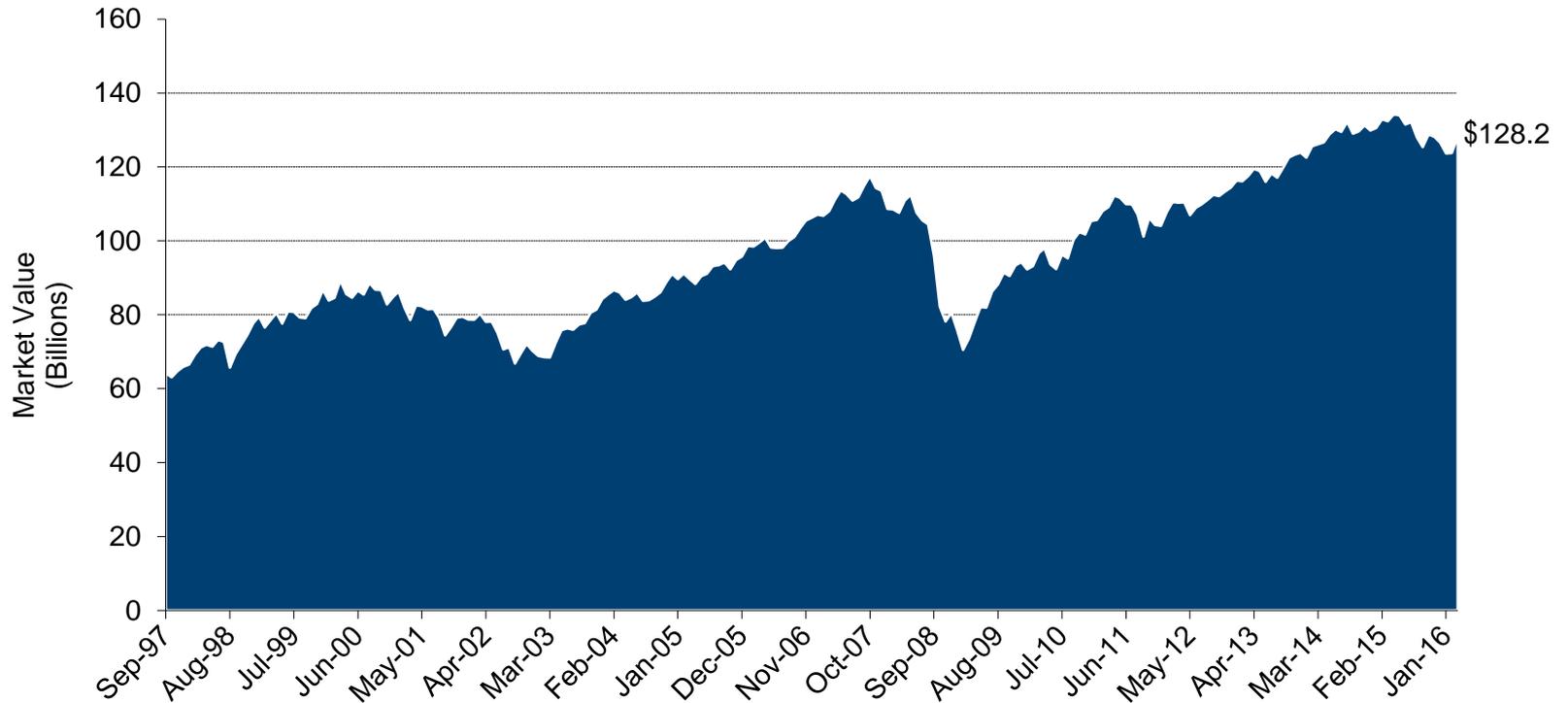
Historical Excess Performance Ending 3/31/2016

Quarterly and Cumulative Excess Performance Total Fund vs. Total Fund Benchmark



TRS Asset Growth

Total Fund Historical Growth (September 1997 - March 2016)



External Manager Program: Public Equity Performance as of 3/31/2016

	Allocation (\$ in billions)	First Quarter	One Year	Three Years
EP Total Global Equity	\$30.6	-0.2%	-6.5%	3.3%
EP Global Equity Benchmark	--	0.9	-5.6	3.7
<i>Difference</i>	--	-1.1	-0.9	-0.4
EP U.S.A.	\$6.2	1.9	-3.7	8.5
EP U.S.A. Benchmark	--	0.9	-0.3	11.2
<i>Difference</i>	--	+1.0	-3.4	-2.7
EP Non-U.S. Developed	\$5.3	-3.2	-2.6	4.9
MSCI EAFE + Canada Index	--	-2.0	-8.4	1.7
<i>Difference</i>	--	-1.2	+5.8	+3.2
EP Emerging Markets	\$7.9	5.0	-10.8	-4.3
MSCI Emerging Markets Index	--	5.7	-12.0	-4.5
<i>Difference</i>	--	-0.7	+1.2	+0.2
EP World Equity	\$6.0	-1.5	-4.7	5.5
EP World Equity Benchmark	--	0.3	-4.0	5.7
<i>Difference</i>	--	-1.8	-0.7	-0.2
EP Directional Hedge Funds	\$5.1	-5.6	-10.8	0.5
HFRI Fund of Funds Composite Index	--	-3.1	-5.7	1.8
<i>Difference</i>	--	-2.5	-5.1	-1.3

Note: The excess returns shown in this presentation may differ from State Street statements due entirely to rounding. These differences are generally within a few basis points and are not material.

External Manager Program: Stable Value/Total Program Performance as of 3/31/2016

	Allocation (\$ in billions)	First Quarter	One Year	Three Years
EP Total Stable Value	\$5.5	-0.2%	0.9%	4.8%
EP Stable Value Benchmark	--	-2.0	-3.4	2.0
<i>Difference</i>	--	+1.8	+4.3	+2.8
EP Stable Value Hedge Funds	\$5.3	-0.3	0.7	4.1
EP Stable Value Hedge Funds Benchmark	--	-2.1	-3.5	2.0
<i>Difference</i>	--	+1.8	+4.2	+2.1
EP Absolute Return	\$0.2	3.6	6.6	20.9
EP Absolute Return Benchmark	--	0.7	2.4	2.3
<i>Difference</i>	--	+2.9	+4.2	+18.6
Total External Public Program	\$36.1	-0.2	-5.5	3.5
EP External Public Benchmark	--	0.4	-5.4	3.5
<i>Difference</i>	--	-0.6	-0.1	+0.0

Note: The excess returns shown in this presentation may differ from State Street statements due entirely to rounding. These differences are generally within a few basis points and are not material.

Public Strategic Partnership Program (SPN): Performance Summary as of 3/31/2016

	Allocation (\$ in billions)	First Quarter	One Year	Three Years
Public Strategic Partnership	\$6.4	2.3%	-4.3%	5.0%
Public SPN Benchmark	--	3.0	-2.4	4.6
<i>Difference</i>	--	-0.7	-1.9	+0.4
Blackrock	\$1.6	2.5%	-2.6%	6.3%
J.P. Morgan	\$1.7	2.1%	-3.7%	5.5%
Neuberger Berman	\$1.6	2.1%	-5.4%	3.4%
Morgan Stanley	\$1.6	2.5%	-5.6%	5.0%

- The Public SPNs in aggregate underperformed the benchmark during the first quarter while outperforming during the trailing three-year period
 - Three of the managers, BlackRock, J.P. Morgan, and Morgan Stanley have 3-year returns above that of the benchmark while Neuberger Berman trails the benchmark.

Note: The excess returns shown in this presentation may differ from State Street statements due entirely to rounding. These differences are generally within a few basis points and are not material.

Benchmarks

- Total Fund Performance Benchmark – 19.3% MSCI U.S.A. IMI, 9.9% MSCI Emerging Markets, 14.3% MSCI EAFE plus Canada, 4.4% HFRI FoF Composite Index, 11.9% State Street Private Equity (1 qtr lagged), 12.3% BC Long Term Treasury, 4.0% HFRI FoF Conservative Index, 1.0% Citigroup 3 Mo T-Bill, 4.3% BC U.S. TIPS, 13.7% NCREIF ODCE (1 qtr lagged), 1.8% Energy and Natural Resources Benchmark, and 2.8% Risk Parity Benchmark.
- Global Equity Benchmark– 23.9% MSCI EAFE plus Canada, 32.2% MSCI U.S.A. IMI, 16.5% MSCI Emerging markets index, 7.4% HFRI FoF Composite Index, and 19.9% State Street Private Equity (1 qtr lagged)
 - U.S. Equity Benchmark - MSCI U.S.A. IMI Index
 - Emerging Markets Equity Benchmark – MSCI Emerging Markets
 - Non-US Developed Equity Benchmark– MSCI EAFE plus Canada
 - Directional Hedge Funds – HFRI Fund of Funds (FoF) Composite Index
 - Private Equity Benchmark - State Street Private Equity (1 qtr lagged)

Note: Returns and market values (based on account level) reported are provided by State Street. Net additions/withdrawals are reported on a gross (adjusted for expenses) total fund level as provided by State Street. All rates of return for time periods greater than one year are annualized. The excess returns shown in this presentation may differ from State Street statements due entirely to rounding. These differences are generally within a few basis points and are not material.

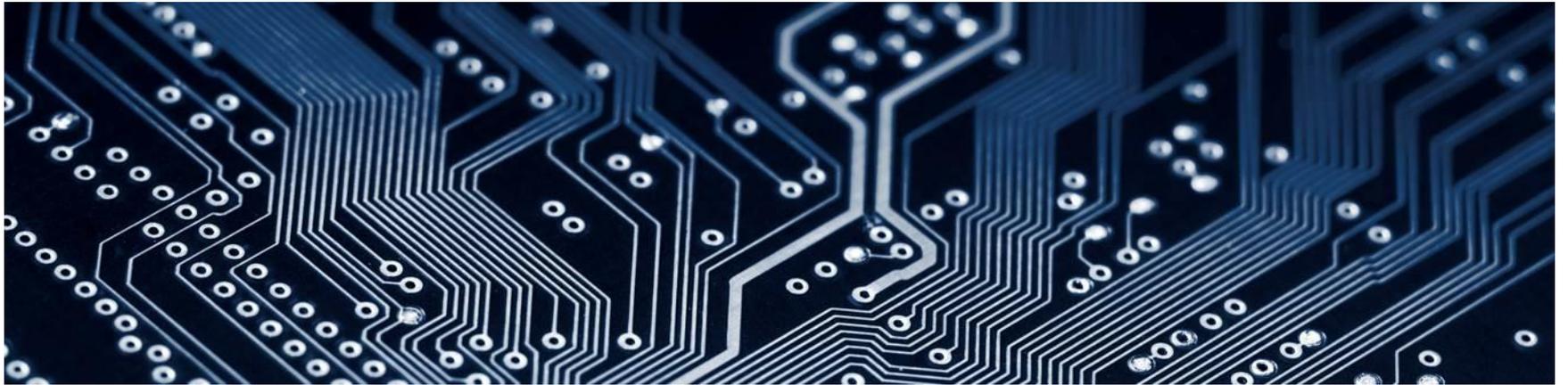
Benchmarks (cont'd)

- Stable Value Benchmark – 23.1% HFRI FoF Conservative Index, 71.2% Barclays Long Term Treasury, and 5.8% Citigroup 3 mo T-Bill.
 - US Treasuries Benchmark – Barclays Long Term Treasury
 - Stable Value Hedge Funds – HFRI Fund of Funds (FoF) Conservative Index
 - Other Absolute Return Benchmark - 3 Mo LIBOR + 2%
 - Cash Benchmark - Citigroup 3 Mo T-Bill
- Real Return Benchmark – 21.9% Barclays U.S. TIPS, 69.2% NCREIF ODCE, and 8.9% Energy & Natural Resources Benchmark
 - US TIPS Benchmark – Barclays U.S. TIPS Index
 - Real Assets Benchmark – NCREIF ODCE (1qtr lagged)
 - Energy and Natural Resources – 75% Cambridge Associates Natural Resources (reweighted) / 25% quarterly Seasonally-Adjusted Consumer Price Index (1qtr lagged)
 - Commodities Benchmark – Goldman Sachs Commodity Index

Note: Returns and market values (based on account level) reported are provided by State Street. Net additions/withdrawals are reported on a gross (adjusted for expenses) total fund level as provided by State Street. All rates of return for time periods greater than one year are annualized. The excess returns shown in this presentation may differ from State Street statements due entirely to rounding. These differences are generally within a few basis points and are not material.

Description of Performance Attribution

- A measure of the source of the deviation of a fund's performance from that of its policy benchmark. Each bar on the attribution graph represents the contribution made by the asset class to the total difference in performance. A positive value for a component indicates a positive contribution to the aggregate relative performance. A negative value indicates a detrimental impact. The magnitude of each component's contribution is a function of (1) the performance of the component relative to its benchmark, and (2) the weight (beginning of period) of the component in the aggregate.
- The individual Asset Class effect, also called Selection Effect, is calculated as
$$\text{Actual Weight of Asset Class} \times (\text{Actual Asset Class Return} - \text{Asset Class Benchmark Return})$$
- The bar labeled Allocation Effect illustrates the effect that a Total Fund's asset allocation has on its relative performance. Allocation Effect calculation = $(\text{Asset Class Benchmark Return} - \text{Total Benchmark Return}) \times (\text{Actual Weight of Asset Class} - \text{Target Policy Weight of Asset Class})$.
- The bar labeled Other is a combination of Cash Flow Effect and Benchmark Effect:
 - Cash Flow Effect describes the impact of asset movements on the Total Fund results. Cash Flow Effect calculation = $(\text{Total Fund Actual Return} - \text{Total Fund Policy Return}) - \text{Current Selection Effect} - \text{Current Allocation Effect}$
 - Benchmark Effect results from the weighted average return of the asset classes' benchmarks being different from the Total Funds' policy benchmark return. Benchmark Effect calculation = $\text{Total Fund Policy Return} - (\text{Asset Class Benchmark Return} \times \text{Target Policy Weight of Asset Class})$
- Cumulative Effect
Cumulative Effect calculation = $\text{Current Effect } t \times (1 + \text{Cumulative Total Fund Actual Return } t-1) + \text{Cumulative Effect } t-1 \times (1 + \text{Total Fund Benchmark Return } t)$



Disclaimers and Notes

Disclaimers and Notes

As of March 31, 2016

Disclaimers:

- Please review this report and notify Aon Hewitt Investment Consulting (AHIC) with any issues or questions you may have with respect to investment performance or any other matter set forth herein.
- The client portfolio data presented in this report have been obtained from the custodian. AHIC has compared this information to the investment managers' reported returns and believes the information to be accurate. AHIC has not conducted additional audits and cannot warrant its accuracy or completeness.
- The mutual fund information found in this report is provided by Lipper Inc. and AHIC cannot warrant its accuracy or timeliness.
- Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

Notes:

- The rates of return contained in this report are shown on an after-fees (**or before-fees**) basis unless otherwise noted. They are geometric and time weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum up to 100.0%. Additionally, individual fund totals in dollar terms may not sum up to the plan totals.

Tab 4 B



TRS Investment Division Consultants

Jerry Albright

Deputy Chief Investment Officer

June 2016

Agenda

- I. Overview
- II. Process
- III. TRS Consultants
- IV. Recommendation

Overview

- We currently employ four consultants:
 1. Aon Hewitt (Board Consultant previously known as Hewitt EnnisKnupp)
 2. Albourne Partners Limited (Hedge Funds)
 3. Hamilton Lane Advisors LLC (Private Equities)
 4. The Townsend Group (Real Assets)
- Each consultant assists the IMD in managing the investment portfolio, evaluating risk and assessing new investment opportunities
- Each consultant contract expires August 31, 2016 and includes a two-year renewal option

Process

- The IMD surveyed each of the Investment Management Committee members to assist in evaluating the performance of each consultant
- IMD Management Committee members rated consultants on the following services provided:
 - Fiduciary Advisor including advisor's working familiarity with legal and fiduciary standards, industry trends, market conditions, assistance with investment policy, written recommendations, attendance at IIC meetings, miscellaneous
 - Portfolio Administration and Reporting including delivery of reports, research, and recommendations by applicable deadlines.
 - Investment Monitoring and Administration including monitoring and evaluating each investment in the portfolio and providing quarterly summaries
- All four consultants were found to be operating effectively and have developed a thorough understanding of the IMD's risk management and investment process

Primary Role

- Board Consultant

Secondary Role

- Supports Premier List selection and evaluation (Public)
- Ad hoc support for Private Markets

TRS Relationship

- Since 2002

Assets Under Advisement

- \$1.809 trillion

Industry Position

- Ranked #1 in the United States with assets under advisement in Pensions & Investments 2015 Plan Sponsor

Other Key Clients

- Colorado Public Employees Retirement
- State Board of Administration of Florida
- Employee's Retirement System of Texas
- South Carolina Retirement System

Fees

- Current \$900,000
- Proposed: \$900,000

IMD Assessment:
Operating Effectively



IMD Recommendation:
Extend Contract

Primary Role

- Hedge Fund Consultant

Secondary Role

- Consultant coverage for alternative Long Oriented portfolios
- Supports Premier List selection and evaluation

TRS Relationship

- Since 2005

Assets Under Advisement

- \$400 billion in Alternative Assets

Industry Position

- Largest consultant in the hedge fund industry

Other Key Clients

- The Missouri Education Pension Trust
- Utah Retirement Systems
- Regents of the University of California
- University of Texas Investment Management Company (UTIMCO)
- Wellcome Trust

Fees

- Current: \$400,000
- Proposed: \$400,000

IMD Assessment:
Operating Effectively



IMD Recommendation:
Extend Contract

Primary Role

- ❑ Provide consultation and advice to TRS relating to global private equity including private energy and natural resource investments

TRS Relationship

- ❑ Since 2005

Assets Under Advisement/Management

- ❑ \$253 billion; \$38 billion in discretionary

Industry Position

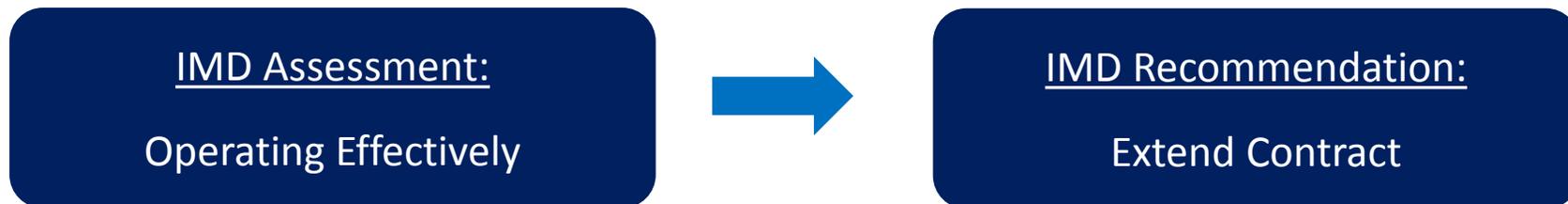
- ❑ With \$38 billion of AUM, plus an additional \$215 billion in advisory assets, Hamilton Lane is one of the largest allocators of private equity capital in the world

Other Key Clients

- ❑ Massachusetts Pension Reserves Investment Management Board (Mass PRIM)
- ❑ State of Washington Investment Board
- ❑ State Board of Administration of Florida

Fees

- ❑ Current \$1,400,000
- ❑ Proposed: \$1,400,000



Primary Role

- ❑ Provide consultation and advice to TRS relating to global real assets including real estate, infrastructure and natural resource investments

TRS Relationship

- ❑ Since 2005

Assets Under Advisement/Management

- ❑ \$184 billion; \$14 billion in discretionary

Industry Position

- ❑ With \$14 billion of AUM, plus an additional \$170 billion in advisory assets, Townsend is one of the largest allocators of real estate equity capital in the world

Other Key Clients

- ❑ California State Teachers' Retirement System (CalSTRS)
- ❑ New York Common Retirement Fund
- ❑ Sovereign Wealth Fund (Korea)

Fees

- ❑ Current \$ 600,000
- ❑ Proposed: \$ 600,000

IMD Assessment:
Operating Effectively



IMD Recommendation:
Extend Contract

Recommendation for Consultants

After review and survey of the IMD's senior management, the IMD recommends extending the contracts for an additional two years for the following consultants:

1. Aon Hewitt
2. Albourne Partners Limited
3. Hamilton Lane
4. The Townsend Group

Tab 5

Teacher Retirement System of Texas



Executive Director's Report

Brian Guthrie
June 16-17, 2016





- General Updates.
- Goals.
- Trending Issues.
- Upcoming agendas.



General Updates



General Updates

- Upcoming deadlines:
 - Strategic Plan due end of June.
 - Adopt the budget in July.
 - Submit Legislative Appropriations Request in late July/ early August.

- Governor Abbott's directive on Emergency Leave.

- National Council on Teacher Retirement (NCTR) Executive Director Workshop – June 8-10 ~ Columbus, OH.

- Public / Private Joint Strategic Partnership Summit – August 3 ~ NYC.

- National Association of State Retirement Administrators Annual Conference (NASRA) – August 5-9 ~ Coeur D'Alene, ID.



Goals



Goals

2015-2016 Performance Year Goals

2015-2016 Executive
Performance Incentive
Plan (EPIP) Goals
(Quantitative)

Executive Director Goals

Performance Category	Strategic Plan	Executive Director Goal	Key Performance Indicator
Operational Excellence	G2.O1: Implement modern pension and benefit information systems that allow TRS staff to serve our members and deliver accurate benefits effectively and timely by August 2018.	Continue to improve benefit delivery.	Deploy the Line of Business for TEAM Phase 1A.
			Work with reporting entities and state-wide stakeholders on TEAM Phase 1B implementation.
			Validate commitments and define high-level requirements and use cases for TEAM Phase 2.
			Continue quarterly executive review sessions with TRS Executive Steering Committee team to review project status, address issues and concerns in quickly.
	G2.O2: Continuously improve quality of work and customer service levels for our participants.	Implement records management improvement	Progress through the fiscal year 2017 identified steps of the records management.
	G2.O3.S1: Provide (TRS) mission-centric and broader communication to stakeholders.	Maintain and increase the TRS national profile.	Serve on NCTR and NASRA Executive Committees.
	G5.01: Promote purchasing practices that foster meaningful and substantive inclusion of historically underutilized businesses.	Develop and implement a plan for increasing the use of HUBs through purchasing contracts and subcontracts.	Follow CPA guidelines on soliciting HUBs.
			Solicit HUBs from existing statewide contracts when possible.
Conduct annual HUB forum.			
Implement revised contracting guidelines through updated procedures.			



Executive Director Goals

Performance Category	Strategic Plan	Executive Director Goal	Key Performance Indicator
TRS Leadership	G4.O2: Develop an effective recruitment/retention strategy and a competitive total rewards package.	Continue to develop effective recruitment/retention strategy.	Continue to execute the workforce plan.
			Review and adjust as necessary the agency wide schedule for performance evaluations or 360 assessments.
			Continue to be an employer of choice.
			Take the next step in talent management and develop bench strength for all key positions as part of a long-term succession plan.
	G4. O1: Develop and maintain a desirable work environment.	Promote a strong workplace culture. Provide a physical work environment that enhances productivity.	Improve my mentorship and coaching skills and work with Executive Council members to create their own individual development plans.
			Research and identify a unique Executive Council team building opportunity and reexamine with Executive Council its reporting lines and structure.
			Identify additional opportunities to increase visibility and interact with all TRS staff such as more “huddles”, “all hands on deck” meetings, or participation in departmental team building.
			Update the strategic plan and continue to track accomplishments and integrate resource and strategic planning.
Continue to update TRS facilities as needed to ensure effective space utilization.			



Executive Director Goals

Performance Category	Strategic Plan	Executive Director Goal
TRS Leadership	G4. O1: Develop and maintain a desirable work environment.	Research and identify a unique Executive Council team building opportunity and reexamine with Executive Council its reporting lines and structure.
		Identify additional opportunities to increase visibility and interact with all TRS staff such as more “huddles”, “all hands on deck” meetings, or participation in departmental team building.
		Update the strategic plan and continue to track accomplishments and integrate resource and strategic planning.
		Continue to update TRS facilities as needed to ensure effective space utilization.

Executive Director Goals

Performance Category	Strategic Plan	Executive Director Goal	Key Performance Indicator
Investment Management	G.1.O1: To manage to an actuarially sound retirement system that maintains an amortization period of less than 31 years.	Continue trust fund earnings growth.	Outperform TRS benchmarks net of fees.
			Maintain the trust asset allocation in accordance with investment policy.
			Continue work toward becoming the preferred destination for large and attractive long-term investments.
			Continue to build out compliance activities.
		Maintain an effective working relationship with legislative stakeholders on trust issues.	Engage legislature on issues such as investment authority, actuarial valuation and plan design.
			Throughout the state budget process emphasize the importance of maintaining new state and member contribution rates and appropriate funding levels.
			Position the agency for the sunset review process taking place in the 2018-2019 review cycle (86 th Legislature).
			Review best industry practices relating to pension funding goals, long-term sustainability, and measuring financial health.



Executive Director Goals

Performance Category	Strategic Plan	Executive Director Goal	Key Performance Indicator
Benefit Services	G2.O2: Continuously improve quality of work and customer service levels for our participants.	Improve web site accessibility.	Complete the redesign of the TRS web site using mobile-friendly responsive design.
		Provide (TRS) mission-centric and broader communication to stakeholders.	Update the agency wide communications plan. Complete the financial awareness video series. Develop health care informational videos supporting increased health care literacy and consumer awareness.
	G2.O3.S2: Continue to improve inquiry responsiveness to help participants make better financial, retirement and healthcare decisions.	Build and maintain strong, customer-focused relationships.	Expand training and quality assurance programs.
	Health Care	G3: Facilitate access to competitive, reliable health care benefits.	Manage the expenses and revenues of TRS-Care and TRS-ActiveCare.
Monitor TRS-ActiveCare enrollment.			
Monitor implementation of the Affordable Care Act.			
Research and communicate the merits of long-term sustainability solutions for TRS-Care and affordability for TRS-ActiveCare			Serve as a resource for the Joint Select Legislative Committee in crating options to address health care challenges.

Executive Director Goals

Leadership Effectiveness Goals and Measures

Leadership Effectiveness Goals (Category Weight: 25%)						
	3.00	3.50	3.75	4.00	4.50	4.75+
360 Leadership Score Improvement (Baseline – 3 year average 360 score)	Achieve peer group average (currently 4.04)	4.10	4.25	4.5	4.75	5.00
Expected earned value versus actual earned value	10% below expected	8% below expected	6% below expected	4% below expected	2% below expected	On Target
Legislative Goals						
Serve as a trusted resource	<ul style="list-style-type: none"> • Provide policy and fiscal impacts on proposed legislative measures • Establish positive contact with elected officials and respond to inquiries on TRS laws, rules, and operations 					
Engage directly with policy makers	<ul style="list-style-type: none"> • Personally brief elected officials on funding priorities, policy considerations and other matters 					
Offer expertise in public policy development	<ul style="list-style-type: none"> • Consistently invited to testify at legislative committees on TRS-related issues 					

Executive Director Goals

Operational Effectiveness Goals and Measures

Operational Effectiveness Goals (Category Weight: 25%)						
	3.00	3.50	3.75	4.00	4.50	4.75+
Cost per member v. CEM benchmark (four-year average)	At level	-1.0%	-2.0%	-3.0%	-4.0%	-5.0%
Productivity v. CEM benchmark	130%	135%	140%	145%	150%	155%

Executive Director Goals

Member Satisfaction Goals and Measures

Member Satisfaction Goals (Category Weight: 25%)						
	3.00	3.50	3.75	4.00	4.50	4.75+
CEM service levels v. peers	At Median	Median +2	Median +3	Median +4	Median +5	Median +6
Satisfaction with TRS member services (hurdle score of 95)	Hurdle +1	Hurdle +1.5	Hurdle +2	Hurdle +2.5	Hurdle +3	Hurdle +3.5
Satisfaction with TRS – Care and Active Care services (hurdle score of 90)	Hurdle	Hurdle +1	Hurdle +2	Hurdle +3	Hurdle +4	Hurdle +5

Executive Director Goals

Employee Engagement Goals and Measures

Employee Engagement Goals (Category Weight: 25%)						
	3.00	3.50	3.75	4.00	4.50	4.75+
Austin Top Workplace*	3.83 (Public Sector)	4.00	4.36 (Austin Top 15)	4.50	4.75	5.00
UT Survey of Employee Engagement	350	375	400	425	450	475
Voluntary turnover compared to the state	12%	10%	8%	6%	4%	Below 4%

***Note: Data for Austin Top Workplace will not be included in the initial pilot program because updated data will not be available until the first full performance cycle (July 2016 to June 2017).**



Trending Issues



Trending Issues

- Puerto Rico Aid Package Passed House Without PEPTA Provisions.
 - Public Employee Pension Transparency Act (PEPTA) requires plan sponsors to report liabilities to the Secretary of the Treasury to retain federal tax-free exempt bond status.
 - Includes submission of a supplementary report using a “risk-free” return rate.
 - The House of Representatives passed a Puerto Rico assistance bill that appoints an advisory panel to negotiate with Puerto Rico’s creditors. No direct financial assistance.
- Orrin Hatch proposes to eliminate double taxation of corporate income via the Corporate Integration Plan.
 - Proposal allows corporations to deduct dividends paid from taxable income, adds 35% withholding tax to dividends.
 - This could reduce the amount of dividends paid to investors, including institutional investors.



Upcoming Agendas



Upcoming Agendas

July 29, 2016 Major Items Include (1 Day Off Quarter):

- Evaluate Executive Director and Chief Audit Executive.
- Provide input on evaluation of Chief Investment Officer.
- Adopt FY 2017 Budget.
- Review final 2018-2019 LAR.
- Conduct statutorily required certifications (pension fund, health care, and ORP).

Committees

Audit Committee Meeting

- Evaluate the Chief Audit Executive.

Budget Committee Meeting

- Recommend adoption of FY 2017 Budget.



Upcoming Agendas

September 22-23, 2016 Major items include (2 Day Quarterly Meeting):

- Board Meeting Dates for CY 2017.

Committees

- **Audit Committee Meeting**
 - Adopt the Annual Audit Plan.
- **Investment Management Committee Meeting**
 - External Public Markets Portfolio.
 - Public SPN Update.
- **Risk Management Committee Meeting**
 - Bi-Annual Risk Report.
- **Policy Committee Meeting**
 - Recommend adoption of any amendments to Investment Policy Statement.
 - Update the Policy Review Schedule.
- **Compensation Committee Meeting**
 - Recommend annual adoption of the Performance Incentive Pay Plan, including any necessary amendments.

Tab 6

Memorandum

Date: June 1, 2016

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

From: Katrina Daniel, Chief Health Care Officer

Re: Selection of an Insurance Carrier for the Fully-Insured Medicare Advantage Plans in TRS-Care

Introduction

Chapter 1575, Texas Insurance Code, establishes the TRS-Care program, the statewide health benefits program for retired Texas public school employees and their eligible dependents.

As trustee of TRS-Care, the Teacher Retirement System of Texas (TRS) published a Request for Proposals (RFP) on February 9, 2016, seeking the engagement of a carrier for fully insured Medicare Advantage (MA) plans to be offered in association with TRS-Care, beginning on January 1, 2017. Working closely with the pharmacy benefits manager, the selected carrier will provide medical benefits to TRS-Care MA plan participants on a fully insured basis. The major services to be provided by the selected carrier include network and medical management, claims adjudication, communications, customer services, and reporting.

With the assistance of its consultant, Gabriel Roeder Smith & Company (GRS), TRS has evaluated the proposals submitted by interested carriers.

Eligibility for Consideration

The selected carrier must demonstrate conclusively its capability to fully insure plans as large and complex as the MA plans currently being offered in association with TRS-Care. Rules adopted by the Board of Trustees and recommendations from GRS establish the minimum requirements for interested carriers. Such carriers must:

- have at least one employer group with 75,000 plan participants or claims administrative services.
- have at least one billion dollars (\$1,000,000,000) in annual medical benefit payments.
- be approved by the Centers for Medicare and Medicaid Services (CMS) to offer MA plans in the State of Texas and all states where TRS has retirees.
- be licensed to do business in the State of Texas and comply with all applicable state and federal laws and the rules of TRS.
- be willing to provide claims level data to TRS or designated parties on a monthly basis, including 12 months of run-out after the contract has been terminated.

Responses

The following carriers responded by the March 30, 2016 deadline:

- Aetna Life Insurance Company
- Blue Cross and Blue Shield of Texas
- Humana
- United Healthcare Commercial Group

The four carriers were identified as finalists and invited to finalist meetings conducted on May 11 - 12, 2016. Each carrier was asked additional questions during their respective finalist meeting and requested to provide additional clarifying information and data for consideration by TRS. The finalists were invited to submit, by May 19, 2016, a final clarification response regarding their respective offer.

Evaluation Methodology

The evaluation team, consisting of TRS senior staff members and personnel from the Legal Services, Internal Audit, and Purchasing and Contracts Departments, along with GRS, reviewed the finalists' proposals, responses during the finalist meetings, and subsequent information provided to TRS by the finalists. In its review, among other factors, the evaluation team considered the following:

- Ability to service the entire contract
- Account management services
- Claims processing capability
- Clinical and cost management programs
- Cost
- Financial ability and financial strength
- Flexibility to modify services and networks as may be required by TRS or by Texas law
- Qualifications (proven experience for similar populations)
- Other specialized services described in the RFP

The three voting members from TRS independently scored the proposals.

Recommendation to the TRS Board of Trustees

The final recommendation of the evaluation team will be presented to the Board of Trustees during its June 16 - 17, 2016 meeting.



Teacher Retirement System of Texas

RESOLUTION SELECTING THE MEDICARE ADVANTAGE CARRIER FOR THE TRS-CARE PROGRAM

June 16 – 17, 2016

WHEREAS, Chapter 1575, Texas Insurance Code, governs the Texas Public School Retired Employees Group Insurance Program (the “TRS-Care program”) and authorizes the Teacher Retirement System of Texas (“TRS”), as trustee, to implement the group coverage program described in the statute;

WHEREAS, TRS issued a Request for Proposals (“RFP”) concerning services as the carrier of Medicare Advantage plans to be offered in association with the TRS-Care program;

WHEREAS, TRS received responsive proposals from a number of interested entities to provide services as the carrier of Medicare Advantage plans to be offered in association with the TRS-Care program;

WHEREAS, TRS staff and the TRS health benefits consultant, Gabriel, Roeder, Smith & Company (“GRS”), have evaluated these proposals, have provided relevant information and presented an evaluation to the TRS Board of Trustees (the “Board”) concerning the selection of a carrier of Medicare Advantage plans to be offered in association with the TRS-Care program, and have discussed this selection with the Board;

WHEREAS, The Board has considered the information and evaluation provided by TRS staff and GRS; now therefore, be it

RESOLVED, That the Board hereby selects (Entity A) _____ to be the Medicare Advantage carrier to provide, implement, and administer coverage in qualified, fully insured Medicare Advantage plans in association with the TRS-Care program, subject to the successful negotiation and execution of a final agreement for a two-year term to commence on January 1, 2017, with four optional one-year renewals.

FURTHER RESOLVED, That the Board authorizes the Executive Director to expend funds and to take all actions deemed by him to be necessary or advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize an acceptable contract with (Entity A) _____ on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of the TRS-Care

program, and from time to time to amend or modify the contract as deemed by the Executive Director to be in the best interest of the TRS-Care program, it being understood that the Board's selection of (Entity A) _____ pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until a full and final written contract is successfully negotiated and executed by both parties.

FURTHER RESOLVED, That if for any reason, the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract with (Entity A) _____, then the Board hereby selects (Entity B) _____ to be the Medicare Advantage carrier to provide, implement, and administer coverage in qualified, fully insured Medicare Advantage plans in association with the TRS-Care program, subject to the successful negotiation and execution of a final agreement for a two-year term to commence on January 1, 2017, with four optional one-year renewals.

FURTHER RESOLVED, That once the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract with (Entity A) _____, then the Board authorizes the Executive Director to expend funds and to take all actions deemed by him to be necessary or advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize an acceptable contract with (Entity B) _____ on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of the TRS-Care program, and from time to time to amend or modify the contract as deemed by the Executive Director to be in the best interest of the TRS-Care program, it being understood that the Board's selection of (Entity B) _____ pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until a full and final written contract is successfully negotiated and executed by both parties.

Tab 9 A



Teacher Retirement System of Texas

RESOLUTION APPROVING PREMIUM RATES AND BENEFIT PLAN DESIGNS FOR THE TRS-CARE STANDARD PLANS, THE TRS-CARE MEDICARE ADVANTAGE PLANS, AND THE TRS-CARE MEDICARE PRESCRIPTION PLANS

June 16 - 17, 2016

Whereas, Chapter 1575, Insurance Code, authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the uniform group health benefits program ("TRS-Care") under the Texas Public School Retired Employees Group Benefits Act, as described in the statute;

Whereas, TRS-Care offers coverage in three standard plans ("TRS-Care Standard plans"), historically known as TRS-Care 1, TRS-Care 2, and TRS-Care 3; offers coverage in two qualified fully-insured Medicare Advantage plans ("TRS-Care Medicare Advantage plans"), available to eligible TRS-Care 2 and TRS-Care 3 participants who have Medicare Parts A and B; and offers coverage in two Medicare Prescription plans ("TRS-Care Medicare Prescription plans"), available to eligible TRS-Care 2 and TRS-Care 3 participants who have either Medicare Part A or Medicare Part B or both;

Whereas, due to the funding available to TRS-Care, TRS staff and the TRS health benefits consultant, Gabriel, Roeder, Smith & Company ("GRS") have recommended that for the Fiscal Year 2017 plan year, beginning September 1, 2016, premium rates in the TRS-Care Standard plans remain unchanged from the current premium rates for these plans for the Fiscal Year 2016 plan year;

Whereas, due to the funding available to TRS-Care, TRS staff and GRS have further recommended that for the plan year commencing on January 1, 2017, premium rates in the TRS-Care Medicare Advantage plans remain unchanged from the current premium rates for these plans for the plan year that commenced on January 1, 2016;

Whereas, TRS staff and GRS have further recommended that for the Fiscal Year 2017 plan year, beginning September 1, 2016, benefit plan designs for the TRS-Care 1, TRS-Care 2, and TRS-Care 3 Standard plans remain unchanged from the current benefit plan designs for these plans, save and except with regard to the

benefit plan design changes set out in Exhibit A, attached to this resolution and incorporated herein by reference;

Whereas, TRS staff and GRS have further recommended that for the plan year commencing on January 1, 2017, benefit plan designs for the TRS-Care Medicare Advantage Plans and the TRS-Care Medicare Prescription plans remain unchanged from the current benefit plan designs for these plans;

Whereas, TRS staff and GRS have further recommended that, beginning January 1, 2017, and thereafter until further action by the Board, participants who are enrolled in Medicare benefits under Part A or Part B and who are enrolled in either the TRS-Care 2 or TRS-Care 3 level of coverage, will not be eligible to remain enrolled in or eligible to enroll in either the standard prescription drug plan offered under the TRS-Care 2 level of coverage or the standard prescription drug plan offered under the TRS-Care 3 level of coverage; and

Whereas, the TRS Board of Trustees ("Board") desires to adopt the recommendations of TRS staff and GRS; now, therefore, be it

Resolved, That for the TRS-Care Standard plans, for the Fiscal Year 2017 plan year beginning September 1, 2016, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current premium rates for these plans in place for the Fiscal Year 2016 plan year;

Resolved, That for the TRS-Care Medicare Advantage plans, for the plan year commencing on January 1, 2017, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current premium rates for these plans in place for the plan year that commenced on January 1, 2016;

Resolved, That for the TRS-Care 1, TRS-Care 2, and TRS-Care 3 Standard plans, for the Fiscal Year 2017 plan year beginning September 1, 2016, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current benefit plan designs for these plans in place for the Fiscal Year 2016 plan year, save and except with regard to the benefit plan design changes set out in Exhibit A;

Resolved, That for the TRS-Care Medicare Advantage plans and the TRS-Care Medicare Prescription plans, for the plan year commencing on January 1, 2017, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current benefit plan designs for these plans in place for the plan year that commenced on January 1, 2016;

Resolved, That beginning January 1, 2017, and thereafter until further action by the Board, participants who are enrolled in Medicare benefits under Part A or Part B and who are enrolled in either the TRS-Care 2 or TRS-Care 3 level of coverage, will not be eligible to remain enrolled in or eligible to enroll in either the standard prescription drug plan offered under the TRS-Care 2 level of coverage or the standard prescription drug plan offered under the TRS-Care 3 level of coverage;

Resolved, That the Board finds that, considering the actions taken in the resolutions above, TRS-Care is projected to remain financially solvent during the currently funded biennium; and

Resolved, That for the Fiscal Year 2017 plan year commencing on September 1, 2016 for the TRS-Care Standard plans, and for the plan year commencing on January 1, 2017 for the TRS-Care Medicare Advantage plans and the TRS-Care Medicare Prescription plans, and for all plan years thereafter, until further action by the Board, the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution, and to otherwise implement and continue the TRS-Care Standard plans, the TRS-Care Medicare Advantage plans, and the TRS-Care Medicare Prescription plans until further action by the Board.

Exhibit A

TO THE RESOLUTION APPROVING PREMIUM RATES AND BENEFIT PLAN
DESIGNS FOR THE TRS-CARE STANDARD PLANS, THE TRS-CARE MEDICARE
ADVANTAGE PLANS, AND THE TRS-CARE MEDICARE PRESCRIPTION PLANS

Benefit Plan Design Changes

TRS-Care 1 Standard Plan

The Board hereby approves and adopts the following benefit plan design changes for the TRS-Care 1 Standard plan, subject to all other plan requirements and restrictions, beginning in the Fiscal Year 2017 plan year commencing on September 1, 2016 and for all plan years thereafter, until further action by the Board:

Medicare Status	From FY2016	To FY2017
Individual/Family Deductibles		
Medicare Part A & B	\$1,800/\$3,600	\$2,350/\$4,700
Medicare Part B Only	\$3,000/\$6,000	\$3,900/\$7,800
Non-Medicare	\$4,000/\$8,000	\$5,250/\$10,500
Maximum Out-of-Pocket Limits		
Medicare Part A & B	\$4,800/\$9,600	\$6,250/\$12,500
Medicare Part B Only	\$6,000/\$12,000	\$7,800/\$15,600
Non-Medicare	\$6,350/\$12,700	\$8,250/\$16,500

TRS-Care 2 Standard Plan

The Board hereby approves and adopts the following benefit plan design changes for the TRS-Care 2 Standard plan, subject to all other plan requirements and restrictions, beginning in the Fiscal Year 2017 plan year commencing on September 1, 2016 and for all plan years thereafter, until further action by the Board:

Benefit	From FY2016	To FY2017
Medical		
Individual/Family Deductible	\$1,000/\$2,000	\$1,300/\$2,600
Maximum Out-of-Pocket Limit	\$4,400/\$8,800	\$5,800/\$11,600

Benefit	From FY2016	To FY2017
Prescription Drug – Standard Plan		
Retail Pharmacy		
Generic	\$10 copay	\$13 copay
Preferred Brand	\$30 copay	\$40 copay
Non-Preferred Brand	\$50 copay	\$65 copay
Maintenance Drugs at a Retail Pharmacy		
Generic	N/A	\$23 copay
Preferred Brand		\$50 copay
Non-Preferred Brand		\$75 copay
Mail Order Pharmacy		
Generic	\$20 copay	\$25 copay
Preferred Brand	\$75 copay	\$100 copay
Non-Preferred Brand	\$125 copay	\$165 copay

TRS-Care 3 Standard Plan

The Board hereby approves and adopts the following benefit plan design changes for the TRS-Care 3 Standard plan, subject to all other plan requirements and restrictions, beginning in the Fiscal Year 2017 plan year commencing on September 1, 2016 and for all plan years thereafter, until further action by the Board:

Benefit	From FY2016	To FY2017
Medical		
Individual/Family Deductible	\$300/\$600	\$400/\$800
Maximum Out-of-Pocket Limit	\$3,700/\$7,400	\$4,900/\$9,800
Prescription Drug – Standard Plan		
Retail Pharmacy		
Generic	\$10 copay	\$13 copay
Preferred Brand	\$25 copay	\$30 copay
Non-Preferred Brand	\$40 copay	\$50 copay
Maintenance Drugs at a Retail Pharmacy		
Generic	N/A	\$23 copay
Preferred Brand		\$40 copay
Non-Preferred Brand		\$60 copay
Mail Order Pharmacy		
Generic	\$20 copay	\$25 copay
Preferred Brand	\$50 copay	\$65 copay
Non-Preferred Brand	\$80 copay	\$105 copay

Exhibit A

TO THE RESOLUTION APPROVING PREMIUM RATES AND BENEFIT PLAN DESIGNS FOR THE TRS-CARE STANDARD PLANS, THE TRS-CARE MEDICARE ADVANTAGE PLANS, AND THE TRS-CARE MEDICARE PRESCRIPTION PLANS

Benefit Plan Design Changes

TRS-Care 1 Standard Plan

The Board hereby approves and adopts the following benefit plan design changes for the TRS-Care 1 Standard plan, subject to all other plan requirements and restrictions, beginning in the Fiscal Year 2017 plan year commencing on September 1, 2016 and for all plan years thereafter, until further action by the Board:

Medicare Status	From FY2016	To FY2017
Individual/Family Deductibles		
Medicare Part A & B	\$1,800/\$3,600	\$2,000/\$4,000
Medicare Part B Only	\$3,000/\$6,000	\$3,350/\$6,700
Non-Medicare	\$4,000/\$8,000	\$4,450/\$8,900
Maximum Out-of-Pocket Limits		
Medicare Part A & B	\$4,800/\$9,600	\$5,300/\$10,600
Medicare Part B Only	\$6,000/\$12,000	\$6,700/\$13,400
Non-Medicare	\$6,350/\$12,700	\$7,050/\$14,100

TRS-Care 2 Standard Plan

The Board hereby approves and adopts the following benefit plan design changes for the TRS-Care 2 Standard plan, subject to all other plan requirements and restrictions, beginning in the Fiscal Year 2017 plan year commencing on September 1, 2016 and for all plan years thereafter, until further action by the Board:

Benefit	From FY2016	To FY2017
Medical		
Individual/Family Deductible	\$1,000/\$2,000	\$1,100/\$2,200
Maximum Out-of-Pocket Limit	\$4,400/\$8,800	\$4,900/\$9,800

Benefit	From FY2016	To FY2017
Prescription Drug – Standard Plan		
Retail Pharmacy		
Generic	\$10 copay	\$13 copay
Preferred Brand	\$30 copay	\$40 copay
Non-Preferred Brand	\$50 copay	\$65 copay
Maintenance Drugs at a Retail Pharmacy		
Generic	N/A	\$23 copay
Preferred Brand		\$50 copay
Non-Preferred Brand		\$75 copay
Mail Order Pharmacy		
Generic	\$20 copay	\$25 copay
Preferred Brand	\$75 copay	\$100 copay
Non-Preferred Brand	\$125 copay	\$165 copay

TRS-Care 3 Standard Plan

The Board hereby approves and adopts the following benefit plan design changes for the TRS-Care 3 Standard plan, subject to all other plan requirements and restrictions, beginning in the Fiscal Year 2017 plan year commencing on September 1, 2016 and for all plan years thereafter, until further action by the Board:

Benefit	From FY2016	To FY2017
Medical		
Individual/Family Deductible	\$300/\$600	\$350/\$700
Maximum Out-of-Pocket Limit	\$3,700/\$7,400	\$4,500/\$9,000
Prescription Drug – Standard Plan		
Retail Pharmacy		
Generic	\$10 copay	\$13 copay
Preferred Brand	\$25 copay	\$30 copay
Non-Preferred Brand	\$40 copay	\$50 copay
Maintenance Drugs at a Retail Pharmacy		
Generic	N/A	\$23 copay
Preferred Brand		\$40 copay
Non-Preferred Brand		\$60 copay
Mail Order Pharmacy		
Generic	\$20 copay	\$25 copay
Preferred Brand	\$50 copay	\$65 copay
Non-Preferred Brand	\$80 copay	\$105 copay

Tab 9 B



Teacher Retirement System of Texas

RESOLUTION APPROVING BENEFITS AND PREMIUM RATES FOR TRS-ACTIVECARE 1-HD, TRS-ACTIVECARE SELECT, AND TRS-ACTIVECARE 2

June 16 - 17, 2016

Whereas, Chapter 1579, Insurance Code, authorizes the Teacher Retirement System of Texas (TRS), as trustee, to implement and administer the uniform group health benefits program (TRS-ActiveCare) under the Texas School Employees Uniform Group Health Coverage Act, as described in the statute;

Whereas, TRS staff and the TRS health benefits consultant, Gabriel, Roeder, Smith & Company (“GRS”), have recommended that benefit changes, as indicated below, be made to TRS-ActiveCare 1-HD, TRS-ActiveCare Select, and TRS-ActiveCare 2 for the Fiscal Year 2017 plan year commencing on September 1, 2016;

Whereas, TRS staff and GRS have recommended that for the Fiscal Year 2017 plan year commencing on September 1, 2016, rates at all levels of coverage in TRS-ActiveCare 1-HD, TRS-ActiveCare Select, and TRS-ActiveCare 2 be set at the gross premium amounts set out in Exhibit A, attached to this resolution and incorporated herein by reference; and

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

Resolved, That the Board hereby adopts and authorizes the following benefit changes, subject to all other plan requirements and restrictions, for TRS-ActiveCare 1-HD, beginning in the Fiscal Year 2017 plan year commencing on September 1, 2016 and thereafter, until further action by the Board:

Plan Feature	From 2015-2016 Plan Year	To 2016-2017 Plan Year
Individual Out-of-pocket maximum	\$6,450	\$6,550
Family Out-of-pocket maximum	\$12,900	\$13,100

Resolved, That the Board hereby adopts and authorizes the following benefit changes, subject to all other plan requirements and restrictions, for TRS-ActiveCare Select, beginning in the Fiscal Year 2017 plan year commencing on September 1, 2016 and thereafter, until further action by the Board:

Plan Feature	From 2015-2016 Plan Year	To 2016-2017 Plan Year
Individual Out-of-pocket maximum	\$6,600	\$6,850
Family Out-of-pocket maximum	\$13,200	\$13,700
Retail Maintenance (after 1st fill; up to 31 day supply)		
Generic	\$25 copay	\$35 copay
Preferred Brand	\$50 copay	\$60 copay
Non-Preferred Brand	50% coinsurance	50% coinsurance

Resolved, That the Board hereby adopts and authorizes the following benefit changes, subject to all other plan requirements and restrictions, for TRS-ActiveCare 2, beginning in the Fiscal Year 2017 plan year commencing on September 1, 2016 and thereafter, until further action by the Board:

Plan Feature	From 2015-2016 Plan Year	To 2016-2017 Plan Year
Individual Out-of-pocket maximum	\$6,600	\$6,850
Family Out-of-pocket maximum	\$13,200	\$13,700
Retail Maintenance (after 1 st fill; up to 31 day supply)		
Generic	\$25 copay	\$35 copay
Preferred Brand	\$50 copay	\$60 copay
Non-Preferred Brand	\$80 copay	\$90 copay

Resolved, That the Board hereby adopts and authorizes the gross premium rates for TRS-ActiveCare 1-HD, TRS-ActiveCare Select, and TRS-ActiveCare 2 contained in Exhibit A, for the Fiscal Year 2017 plan year commencing on September 1, 2016 and thereafter, until further action by the Board; and

Resolved, That the Board authorizes the Executive Director or his designees to take any actions that are necessary or advisable to implement the benefit structure and premium rates, as adopted or authorized herein, and to otherwise continue the existing approved plans of coverage for TRS-ActiveCare 1-HD, TRS-ActiveCare Select, and TRS-ActiveCare 2, until further action by the Board.

Exhibit A

TO THE RESOLUTION APPROVING BENEFITS AND
PREMIUM RATES FOR TRS-ACTIVECARE 1-HD,
TRS-ACTIVECARE SELECT, AND TRS-ACTIVECARE 2

Summary of Proposed FY 2017 Monthly Premium Rates

	Current FY 2016 Rate	Proposed FY 2017 Rate	Percent Change
TRS-ActiveCare 1-HD			
Employee Only	\$341.00	\$341.00	0.0%
Employee and Spouse	\$914.00	\$914.00	0.0%
Employee and Child(ren)	\$615.00	\$615.00	0.0%
Employee and Family	\$1,231.00	\$1,231.00	0.0%
TRS-ActiveCare Select			
Employee Only	\$473.00	\$484.00	2.3%
Employee and Spouse	\$1,122.00	\$1,147.00	2.2%
Employee and Child(ren)	\$762.00	\$779.00	2.2%
Employee and Family	\$1,331.00	\$1,361.00	2.3%
TRS-ActiveCare 2			
Employee Only	\$614.00	\$645.00	5.0%
Employee and Spouse	\$1,478.00	\$1,552.00	5.0%
Employee and Child(ren)	\$992.00	\$1,042.00	5.0%
Employee and Family	\$1,521.00	\$1,597.00	5.0%

Tab 9 C



Teacher Retirement System of Texas

RESOLUTION APPROVING BENEFITS, PREMIUM RATES AND SERVICE AREAS FOR HMOs ASSOCIATED WITH THE TRS-ACTIVECARE PROGRAM

June 16 - 17, 2016

Whereas, Chapter 1579, Insurance Code, establishes the Texas School Employees Uniform Group Health Coverage Program (TRS-ActiveCare), a uniform group health benefits program;

Whereas, under Chapter 1579, Insurance Code, the Teacher Retirement System of Texas (TRS), as trustee, is authorized to implement and administer TRS-ActiveCare;

Whereas, TRS currently has contracts with three health maintenance organizations, SHA, L.L.C. d/b/a FirstCare Health Plans, Scott & White Health Plan, and Allegian Insurance Company d/b/a Allegian Health Plans, to offer benefits to participants in TRS-ActiveCare who reside or work in the respective service areas of each health maintenance organization ("HMO");

Whereas, TRS Staff and TRS health benefits consultant, Gabriel, Roeder, Smith & Company ("GRS") have recommended that during Fiscal Year 2017, SHA, L.L.C. d/b/a FirstCare Health Plans, Scott & White Health Plan, and Allegian Insurance Company d/b/a Allegian Health Plans be allowed to provide health care services to TRS-ActiveCare participants in their respective service areas under the same respective plan design that each HMO offered in Fiscal Year 2016, with only those changes in benefits noted hereafter, along with other minor benefit changes that may be reflected in the TRS-ActiveCare Enrollment Guide and the Evidence of Coverage issued by each respective HMO;

Whereas, Staff and GRS have recommended that for Fiscal Year 2017, the Board approve the premium rates noted herein, to be paid by TRS-ActiveCare participants enrolled in an HMO, which premium rates include a monthly administration fee of \$10.00 per employee enrolled in an HMO, to cover fees and other administrative expenses incurred by the TRS-ActiveCare program; and

Whereas, The Board desires to approve the recommendations, including the respective plan design offered in Fiscal Year 2017 by each of the three HMOs, with the respective

changes in benefits (including changes as noted hereafter) proposed by SHA, L.L.C. d/b/a FirstCare Health Plans, Scott & White Health Plan, and Allegian Insurance Company d/b/a Allegian Health Plans, and to approve the premium rates offered for Fiscal Year 2017 by each of the three HMOs as recommended by Staff and GRS; now, therefore, be it

Resolved, that the Board hereby approves the proposal for SHA, L.L.C. d/b/a FirstCare Health Plans to offer to TRS-ActiveCare participants during Fiscal Year 2017 the same plan design it offered in Fiscal Year 2016, with the following proposed major benefit changes, and approves and adopts the following monthly premium rates to be charged to TRS-ActiveCare participants enrolled in this HMO during Fiscal Year 2017 according to coverage tier:

SHA, L.L.C. d/b/a FirstCare Health Plan Major Benefit Change Highlights

Benefit	FY 2016 Plan Year	FY 2017 Plan Year
Deductible	Individual -- \$ 450.00	Individual -- \$ 500.00
	Family -- \$ 1,125.00	Family -- \$ 1,500.00
Out-of-Pocket Maximum	Individual -- \$ 5,000.00	Individual -- \$ 6,000.00
	Family -- \$10,000.00	Family -- \$12,000.00
Emergency Room Copay	25% after deductible	\$500 copay after deductible
Advanced Imaging Copay (MRI, CT Scan, PET Scan)	25% after deductible	\$250 copay after deductible

SHA, L.L.C. d/b/a FirstCare Health Plans Premium Changes

Coverage Tier	FY 2016 Premiums	FY 2017 Premiums	Percent Change
Employee Only	\$ 418.80	\$ 472.50	+12.82%
Employee & Spouse	\$ 1,050.44	\$ 1,180.50	+12.38%
Employee & Child(ren)	\$ 664.74	\$ 748.50	+12.60%
Employee & Family	\$ 1,060.84	\$ 1,190.50	+12.22%

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Resolved, that the Board hereby approves the proposal for Scott & White Health Plan to offer to TRS-ActiveCare participants during Fiscal Year 2017 the same plan design it offered in Fiscal Year 2016, with the following proposed major benefit changes, and approves and adopts the following monthly premium rates to be charged to TRS-ActiveCare participants enrolled in this HMO during Fiscal Year 2017, according to coverage tier:

Scott & White Health Plan Major Benefit Change Highlights

Benefit	FY 2016 Plan Year	FY 2017 Plan Year
Deductible	Individual -- \$ 800.00 Family -- \$ 2,400.00	Individual -- \$ 1,000.00 Family -- \$ 3,000.00
Out-of-Pocket Maximum	Individual -- \$ 5,000.00 Family -- \$10,000.00	No change
Primary Care Office Visit Copay	\$20	\$20; first visit copay for illness waived, does not apply to visits for wellness or preventive care
Durable Medical Equipment Coinsurance	50% after deductible	20% after deductible
Manipulative Therapy	N/A	New benefit; 20% without office visit, \$40 plus 20% with office visit (Maximums: 5 visits per month, 35 per year)
Prescription Drugs -- Specialty Medications	Four tiers - 10%, 20%, 30% and 50% after deductible	20% after deductible

Scott & White Health Plan Premium Changes

Coverage Tier	FY 2016 Premiums	FY 2017 Premiums	Percent Change
Employee Only	\$ 503.60	\$ 530.16	+5.27%
Employee & Spouse	\$ 1,135.62	\$ 1,192.82	+5.04%
Employee & Child(ren)	\$ 798.30	\$ 839.16	+5.12%
Employee & Family	\$ 1,259.76	\$ 1,322.98	+5.02%

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Resolved, that the Board hereby approves the proposal for Allegian Insurance Company d/b/a Allegian Health Plans to offer to TRS-ActiveCare participants during Fiscal Year 2017 the same plan design it offered in Fiscal Year 2016, with no major benefit changes, and approves and adopts the following monthly premium rates to be charged to TRS-ActiveCare participants enrolled in this HMO during Fiscal Year 2017, according to coverage tier:

Allegian Insurance Company d/b/a Allegian Health Plans Premium Changes

Coverage Tier	FY 2016 Premiums	FY 2017 Plan Year	Percent Change
Employee Only	\$ 413.38	\$ 449.08	+8.64%
Employee & Spouse	\$ 1,001.88	\$ 1,085.74	+8.37%
Employee & Child(ren)	\$ 647.94	\$ 702.84	+8.47%
Employee & Family	\$ 1,022.16	\$ 1,151.60	+12.66%

Resolved, that the approved plans of coverage offered by each HMO to participants in TRS-ActiveCare who reside or work in the respective service areas of each HMO, each of which commences on September 1, 2016, shall remain unchanged until further action by the Board.

Resolved, that with prior written approval from the Executive Director or his designee, each HMO may offer to participants in TRS-ActiveCare who reside or work in the respective service areas of each HMO, lower premiums than those herein approved, each of which commences on September 1, 2016.

Resolved, that the Board authorizes the Executive Director or his designees to take any actions, including the expenditure of funds and the execution of all documents, deemed by him or such designee to be necessary or advisable to implement this resolution and to administer the TRS-ActiveCare contracts with the HMOs in the best interests of the TRS-ActiveCare program.

Tab 14

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

FROM: Howard Goldman, Director of Communications

DATE: June 17, 2016

SUBJECT: 2016 TRS Member Satisfaction Survey

In 2016, TRS worked with Texas A&M's Public Policy Research Institute (PPRI) to plan and conduct this year's TRS Member Satisfaction Survey. This year's survey was administered by telephone and email. TRS conducts the survey every other year and reports findings to the Governor's Office and Legislative Budget Board. It is only one of several satisfaction surveys administered by TRS, including those surveys we conduct monthly.

To maximize survey response, data were collected via an online web-based survey and through telephone interviews. All potential respondents with an email address in our sample records received an invitation to participate in the survey and at least three additional email contacts. Respondents with email addresses who did not respond via email were added to the telephone sample, and additional contact efforts were made to obtain completed interviews by phone.

At the end of May, PPRI provided TRS with its preliminary 2016 survey report. Results were positive and showed very favorable ratings among TRS members and retirees. Overall, 96.5 percent of retirees (compared with 97.9 percent in 2014), and 88.8 percent of active members (compared to 97.3 percent in 2014) reported being satisfied or very satisfied with TRS member services. The variance in retiree approval ratings from 2014 to 2016 is within the margin of error, reflecting essentially the same level of satisfaction present two years ago. Active members' ratings were also positive, but slightly less favorable than two years ago.

Satisfaction ratings for benefit counselors, the TRS Telephone Counseling Center and the agency's website were all positive, with a large majority of respondents stating they were satisfied. Courtesy ratings for representatives of TRS were also strongly positive.

Regarding health care issues, 92.8 percent of retirees and 78.6 percent of active members were very satisfied or satisfied with the TRS-Care and TRS-ActiveCare services, respectively. However, for those participating in TRS-ActiveCare, only 50.5 percent were very satisfied or satisfied with the services provided by Aetna when they called customer service.

Of the members who use the prescription home delivery service, 65.7 percent of retirees and 50.3 percent of active members were very satisfied or satisfied with the service. Staff is now analyzing these and other results more closely to develop a plan to increase satisfaction levels.

Respondents were generally satisfied with TRS publications. However, awareness of the *TRS Benefits Handbook* dropped among retirees from 76.8 percent in 2014 to 64.8 percent in 2016. Active member awareness also dropped from 57.9 percent in 2014 to 49.8 percent in 2016. This may partially due to the fact that handbooks are made available online and only mailed upon request. When asked what format they prefer to receive TRS information, retirees opted for printed materials, and active members preferred the Internet and email to obtain TRS updates.

A record number of retirees (nearly 69 percent) of retirees and active members (nearly 43 percent) report awareness of *MyTRS* email subscriptions, which enable members and retirees to receive email notification of TRS publications and announcements. This is significantly more than two years ago. The survey also reported that 44 percent of retirees and 36.5 percent of active members had signed up for *MyTRS* email subscriptions. When respondents who were unaware of *MyTRS* email subscriptions were asked if they would consider receiving TRS information by email, 56.1 percent of retirees and 79.3 percent of active members said they would do so. The most common reason for both groups in choosing not to register for *MyTRS* email was their preference for hard copy material when available.

Social media offers new opportunities to engage with members and retirees; however, most prefer to receive TRS information through other means. The survey found a limited awareness of TRS' existing social media channels. Members were most aware of Facebook -- 28 percent of retirees and 11 percent of active members. Active members were more willing to use social media to obtain TRS-related information than retirees. However, a larger percentage of retirees than active members reported being aware of TRS' presence on all social media outlets. Retirees would be more likely to refer to the *TRS Benefits Handbook* for general TRS information, while a large majority of active members would prefer to go to the TRS website. Both retirees and active members indicated they would likely correspond by email with a TRS counselor if they wished to discuss account-specific benefits.

Members and retirees were asked about parking at and ease of access to TRS. However, the number of people responding to these questions was small and statistically insignificant. Nearly 46 percent of active member respondents rated TRS parking as poor. While retirees rated access to TRS facilities positively, 38 percent of active members rated access poorly. Factors related to ease of access include but are not limited to congestion, time of day, number of parking spaces, and distance traveled to reach TRS. Local traffic congestion has significantly increased over the last two years.

Staff is now reviewing the full report in detail. Survey highlights and the entire survey report will be provided under separate cover and presented at the June board meeting.

Member Satisfaction Survey

Prepared for the Teacher Retirement System of Texas



Overview

- *TRS Member Satisfaction Survey was designed to gauge active and retired member satisfaction with:*
 - *Services*
 - *Communications*
 - *Interactions with staff and contractors*



Methodology

- Data collected via an online web-based survey and telephone interviews from March 14 to April 27, 2016.

	Telephone	Online
Retired	224	255
Active	190	638

- Sample stratified to assure adequate representation by gender, age, member type (retired v. active), and institutional type (public schools v. higher education).
- Final results are weighted to reflect overall population.

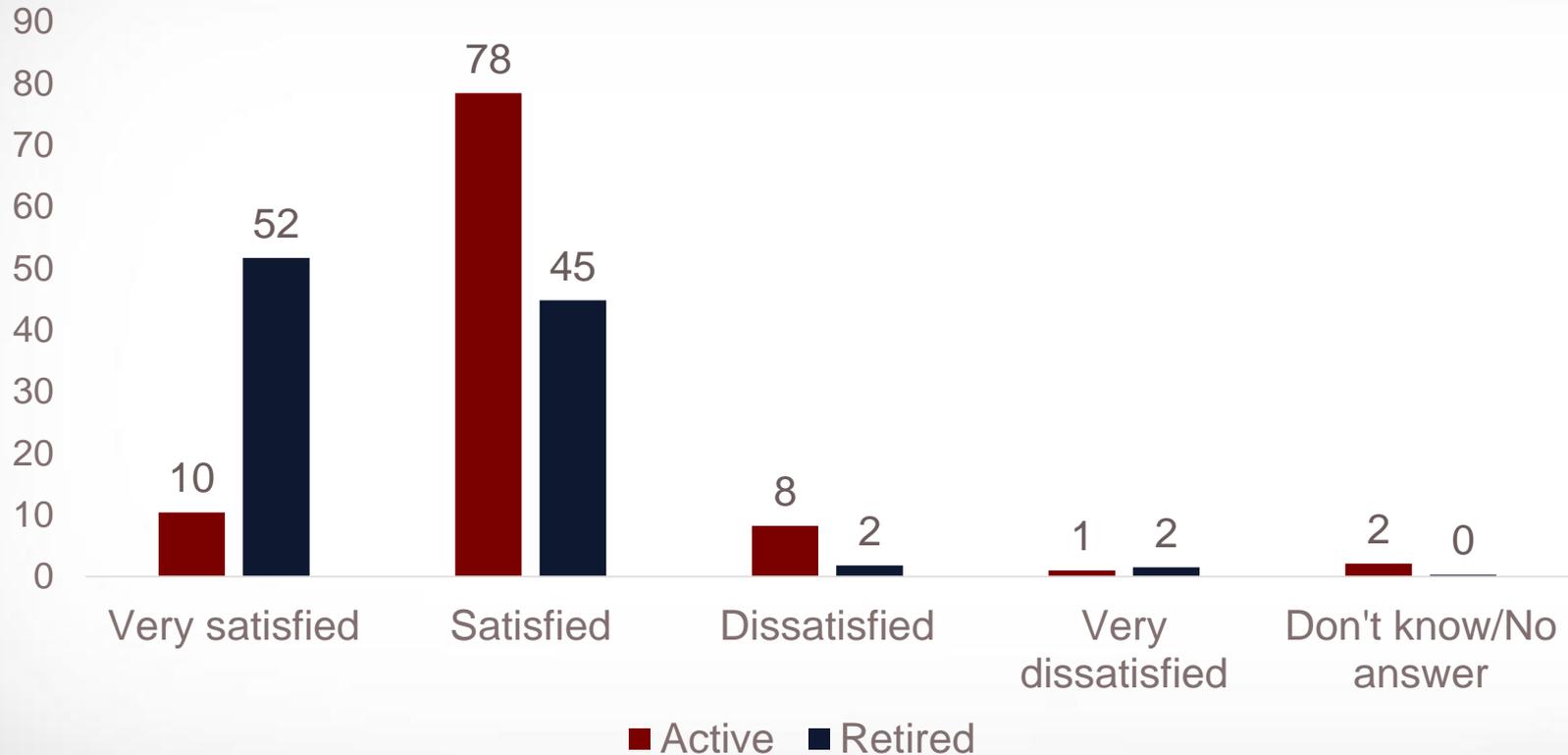


Topics Surveyed

Office visits with benefit counselors	TRS print publications
Toll-free telephone number and automatic telephone system	Annual statements
Responses to written requests	TRS-Care and TRS-Active Care
Benefit processing	Long-Term Care program
Website	TRS office attributes and accessibility
Email communications	Alternative methods of obtaining TRS information
Social media	Information in accessible formats



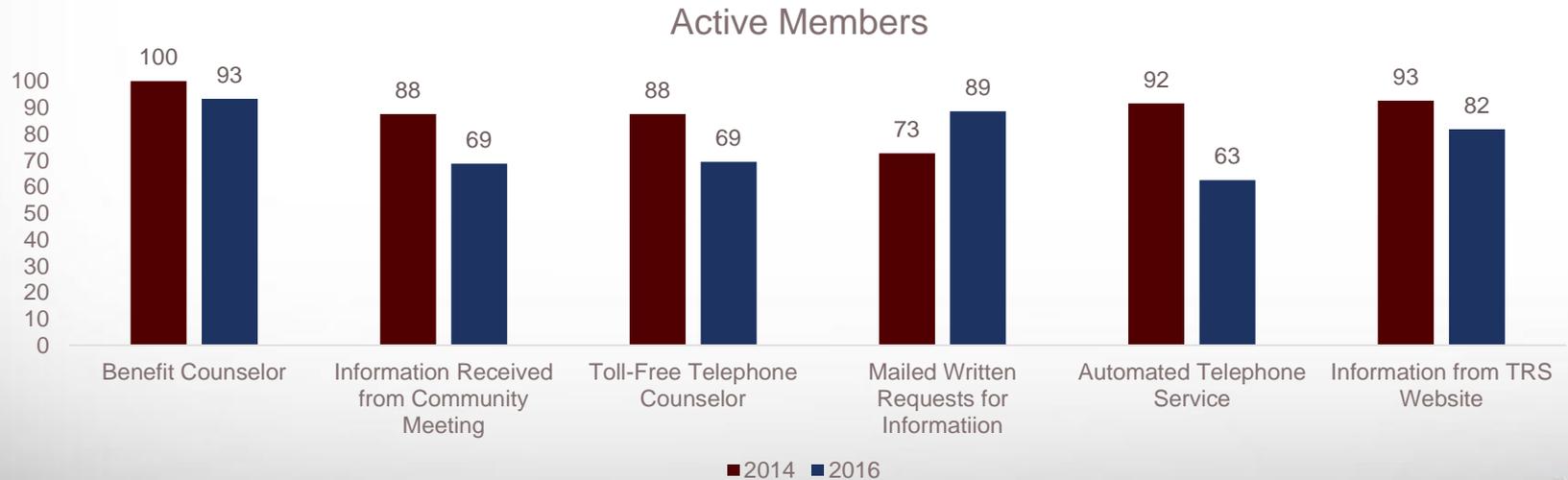
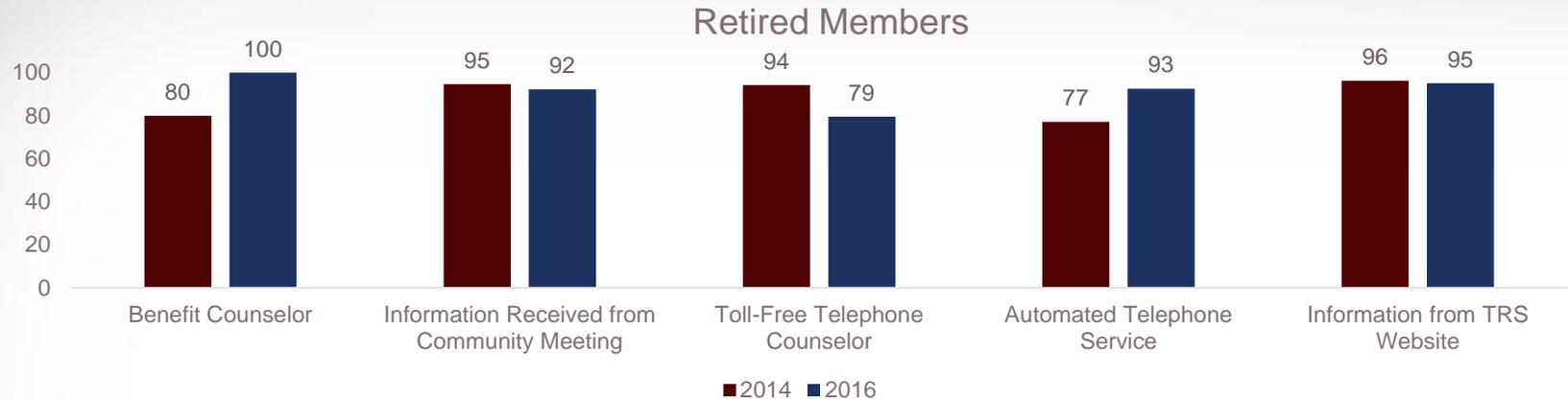
Overall Satisfaction



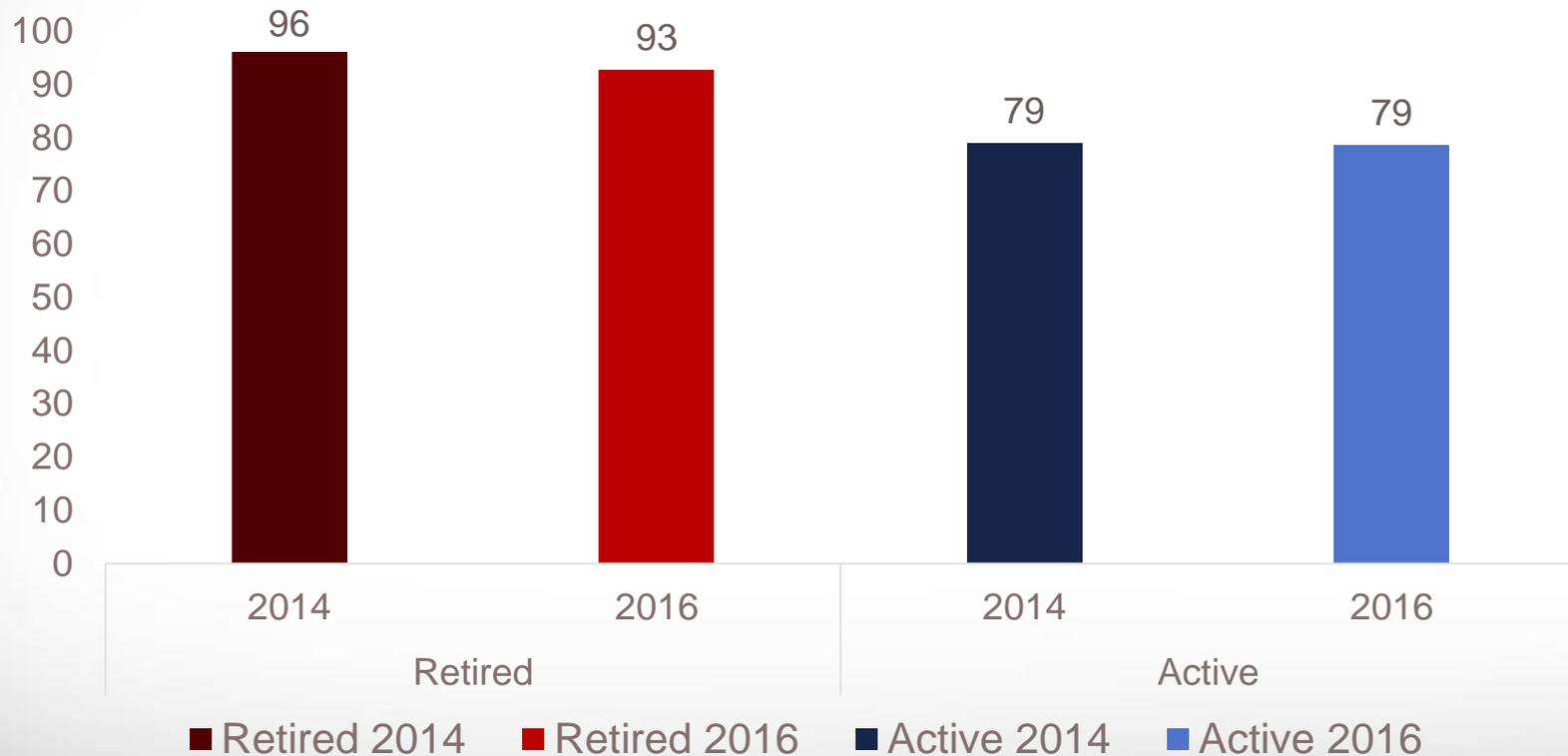
97 percent of retired and 88 percent of active members report being satisfied or very satisfied with TRS services.



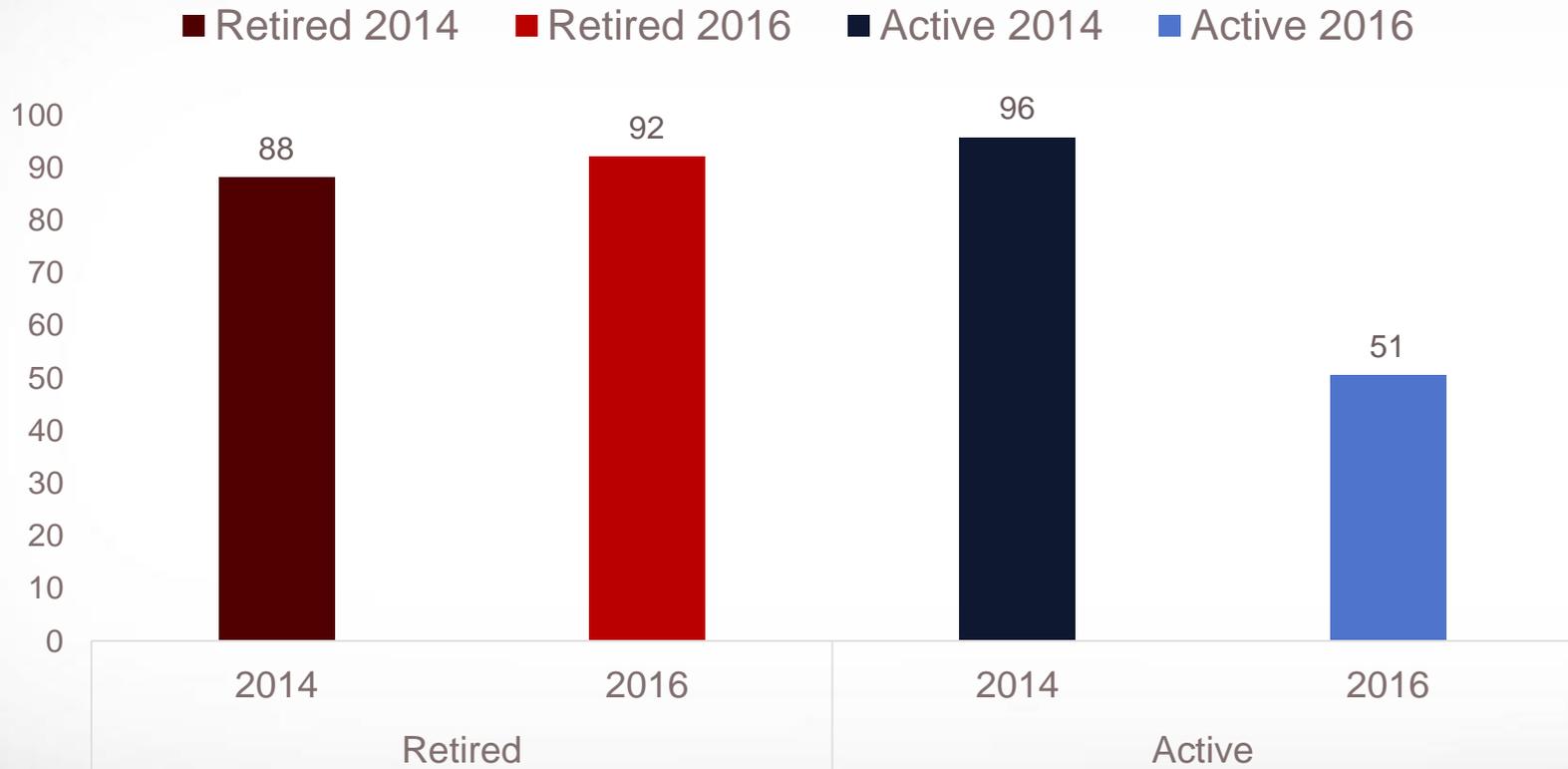
Satisfaction With Various TRS Services



Overall Satisfaction with TRS-Care and TRS-Active Care



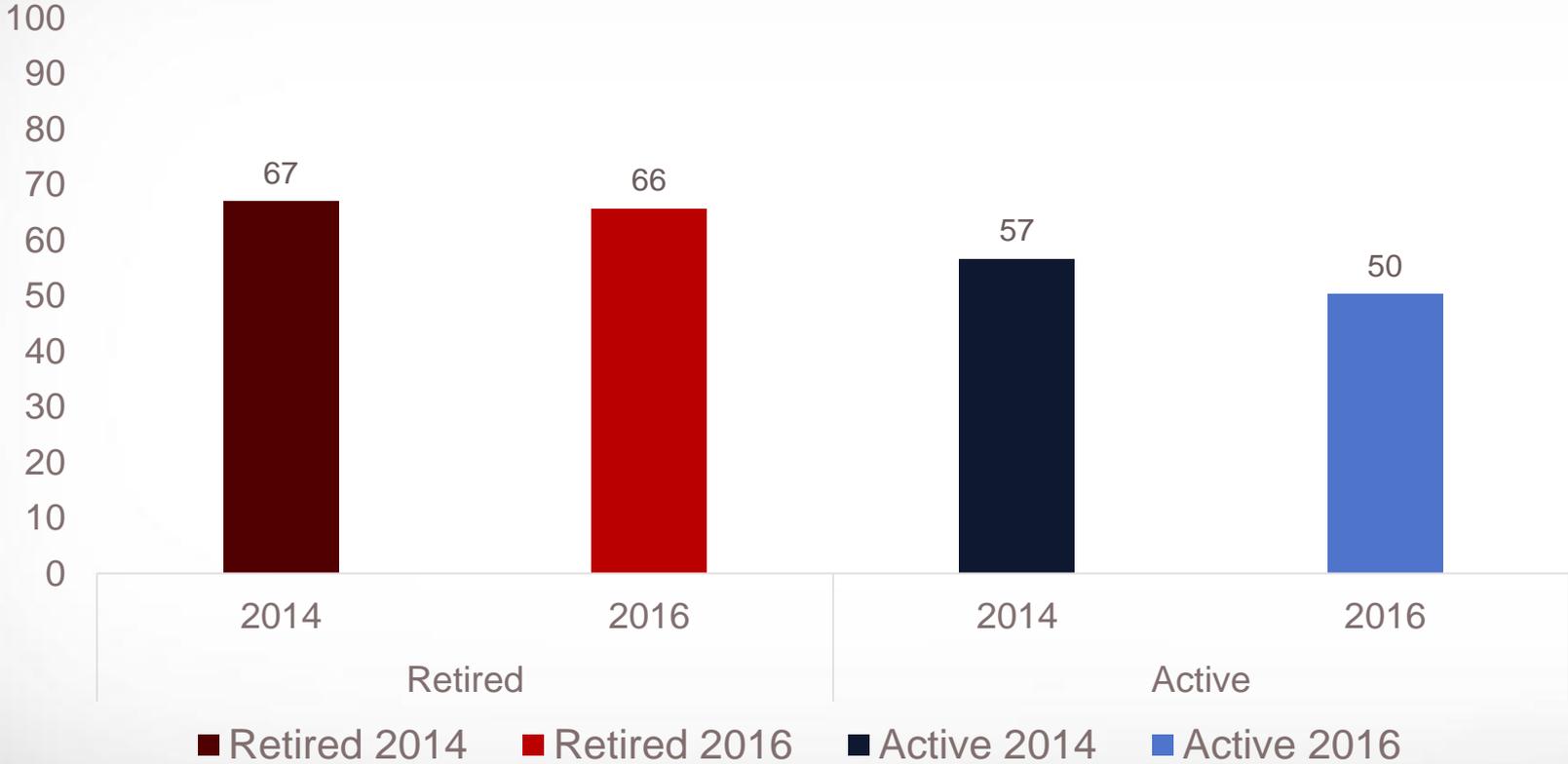
Satisfaction Calling Aetna Claim Office



Fewer active members reported calling claims office and they reported being less satisfied compared to 2014.



Home Delivery Prescription Service

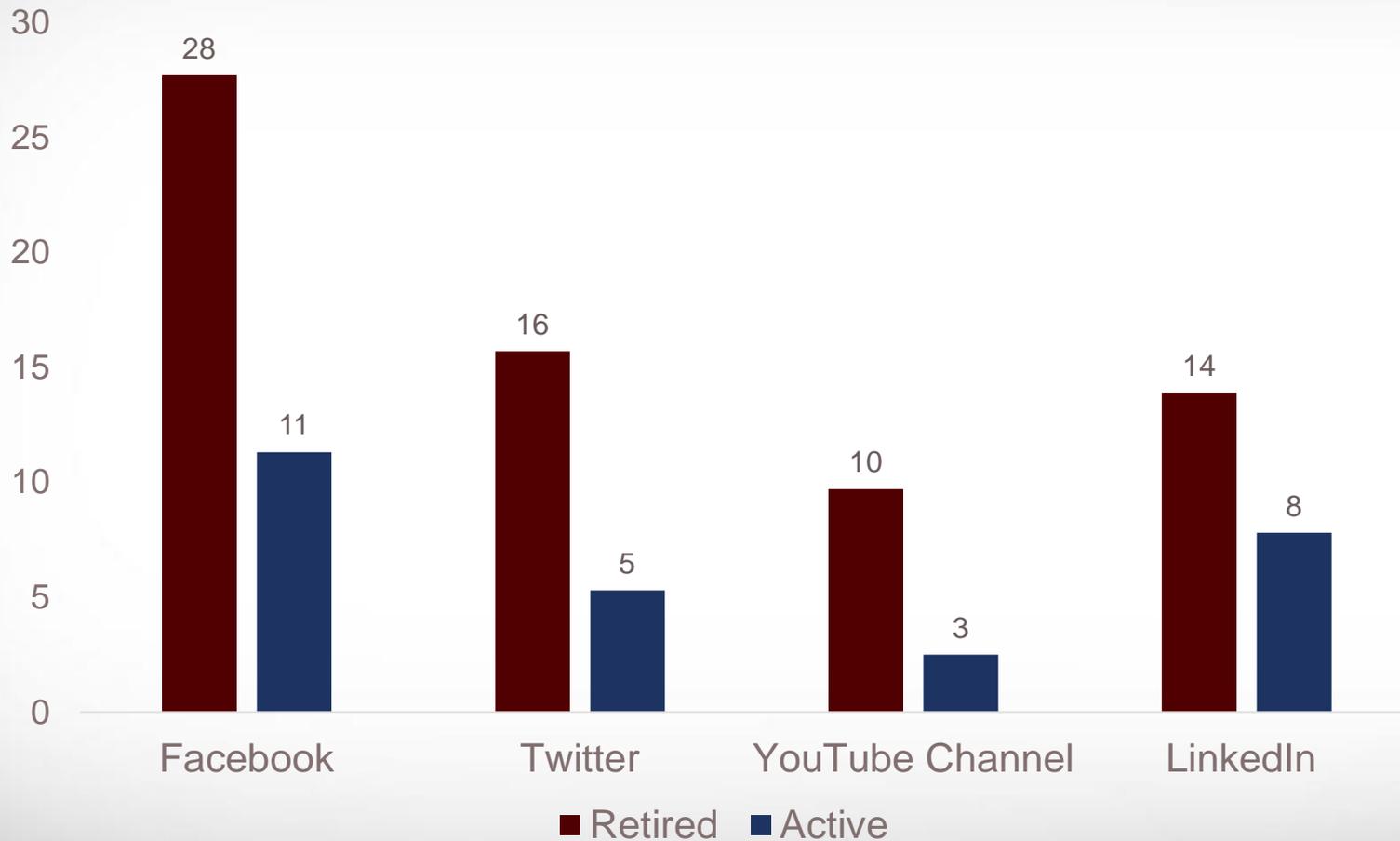


Notable Changes from 2014

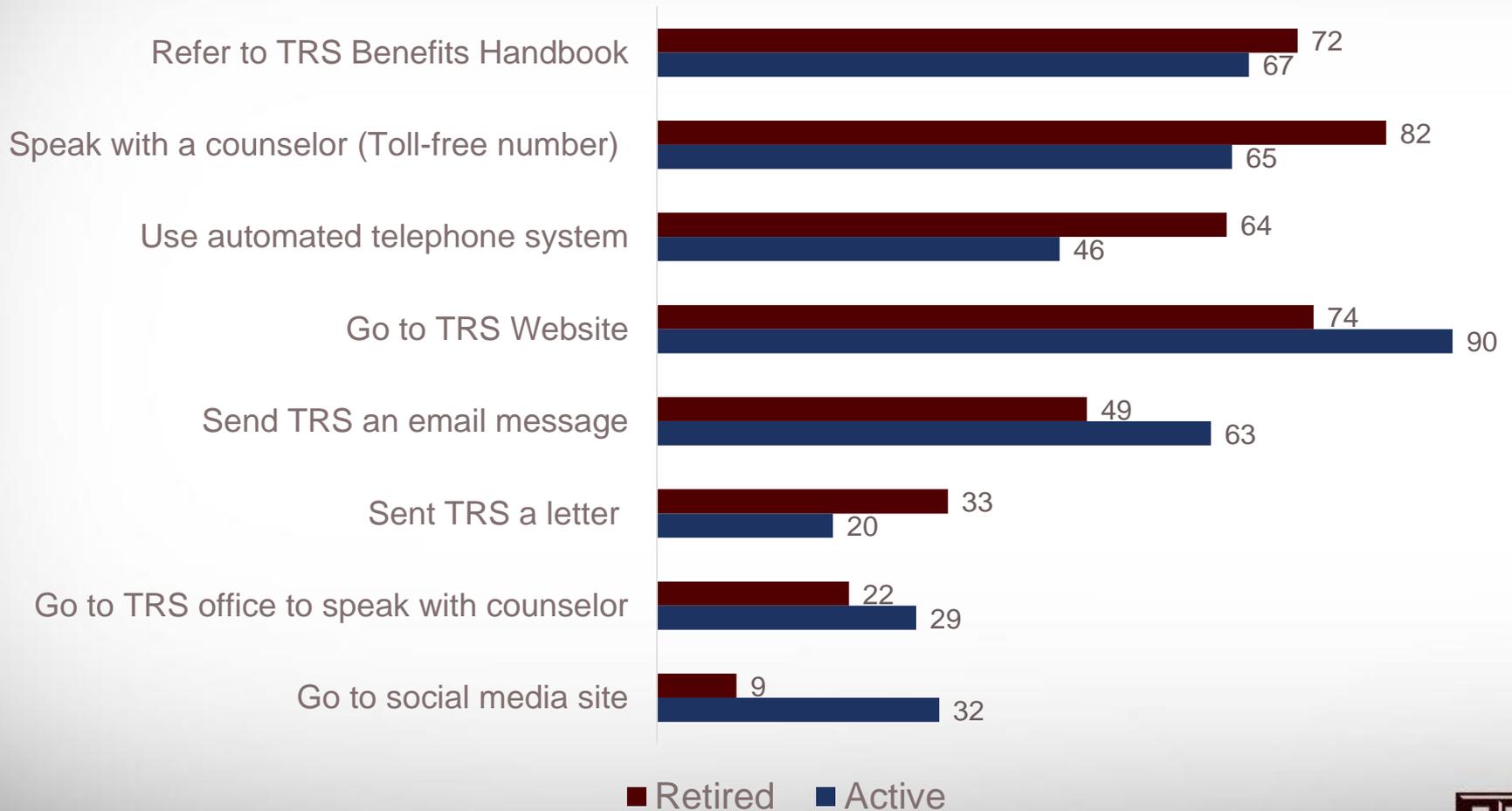
	Active		Retired	
	2014	2016	2014	2016
Awareness of <i>TRS Benefits Handbook</i>	57.9	49.8	76.8	64.8
Awareness of <i>MyTRS</i> Email Subscriptions	25.0	42.5	46.8	68.8
Signed Up for <i>MyTRS</i> Email Subscriptions	46.9	44.1	28.9	36.5



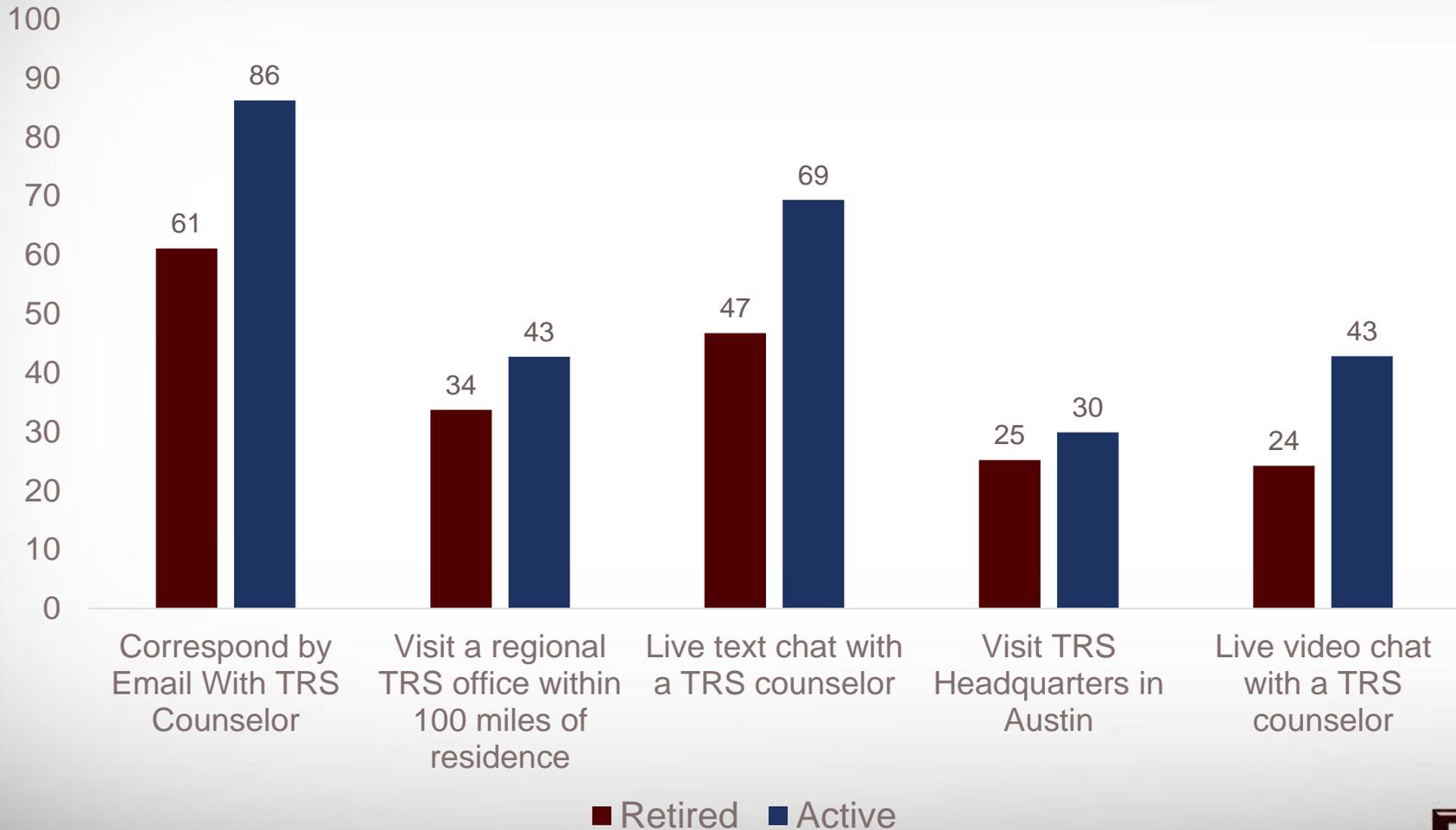
Awareness of TRS Social Media



Methods for Obtaining Information from TRS



Alternative Methods for Obtaining Information from TRS



Questions?

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Tab 15

Teacher Retirement System of Texas



Executive Assessment Overview

Executive Director Variable Incentive Plan Overview

Keith Robinson, Focus Consulting Group

Board of Trustees Meeting

June 2016





Agenda

■ **Objective**

- Provide an update and overview to the TRS Board of Directors regarding the Executive Assessment Process and Executive Director Incentive Plan Pilot

■ **Executive Assessment Plan**

- Process Timeline
- Key Elements
- Sample Output

■ **Executive Director Incentive Plan Pilot**

- Plan Philosophy
- Incentive Process
- Incentive Opportunity
- Executive Director Goals and Measures



Leadership Assessment

- **Process was initiated with TRS in 2013**

- **Participants in 2016:**
 - Brian Guthrie – Executive Director
 - Britt Harris – Chief Investment Officer
 - Amy Barrett – Chief Audit Officer

- **Key Outcomes:**
 - Increased specificity on leadership strengths/gaps
 - Clearer assessment of performance
 - Executive coaching for development



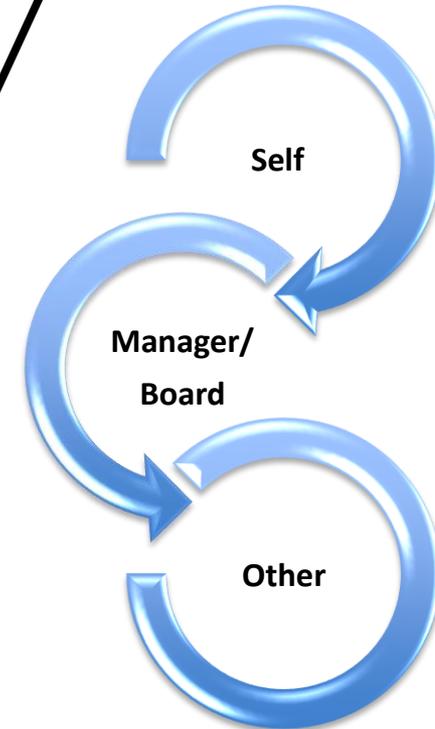
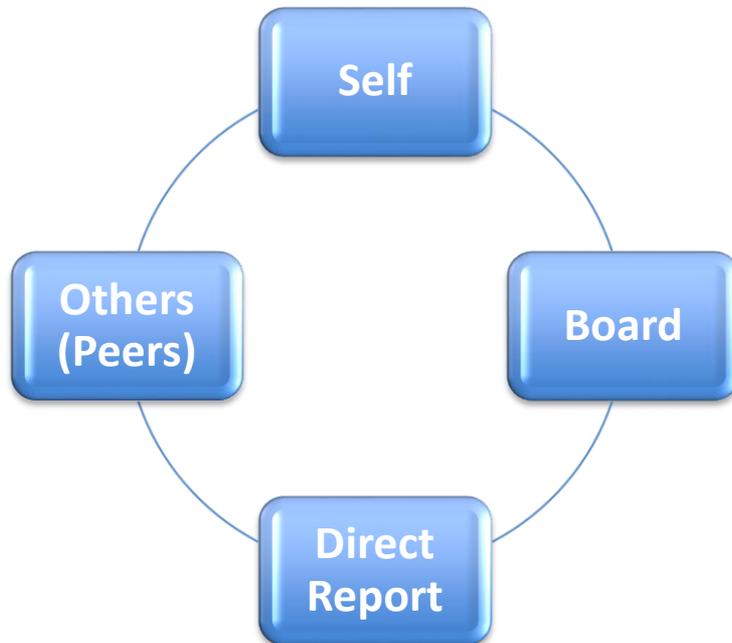
Steps and Timeline





Key Inputs

Competency Online 360 Degree Assessment



Contribution Interview and Manager based



Rating Scale

Scale	Competency <i>“Candidate demonstrates this behavior...”</i>	Contribution <i>“On this goal candidate...”</i>
5	To a very great extent	Far exceeded expectations
4	To a great extent	Exceeded expectations
3	To some extent	Met expectations
2	To a little extent	Partially met expectations
1	Not at all	Did not meet expectations



Sample Contribution Data

(not real Executive Director Data)

Contribution Goal – Executive Director	Score
<p>Leadership Effectiveness</p> <ol style="list-style-type: none">1. Year over year 360 leadership score improvement.2. Serve as a trusted resource to the legislature:<ol style="list-style-type: none">a) Provide policy and fiscal impacts on proposed legislative measuresb) Establish positive contact with elected officials and respond to inquiries on TRS laws, rules, and operations3. Engage directly with Policymakers4. Offer expertise in public policy development	<p>Board: 4.38</p> <p>Self: 4.50</p>



Leadership Competencies

Leads the Agency

Broader agency wide impact

1. Client Focus
2. Servant Leadership
3. Builds Agency Talent
4. Strategic Thinking
5. Effective Decision Making
6. Drives Agency Vision

Leads the Team

Tactical team management

1. Develops Others
2. Effective Collaboration
3. Conflict Resolution
4. Provides Direction
5. Priority Setting

Leads the Self

Personal effectiveness

1. Ethical and Value Centered Leadership
2. Integrity and Trust
3. Learning Agility
4. Listens Actively
5. Self Awareness

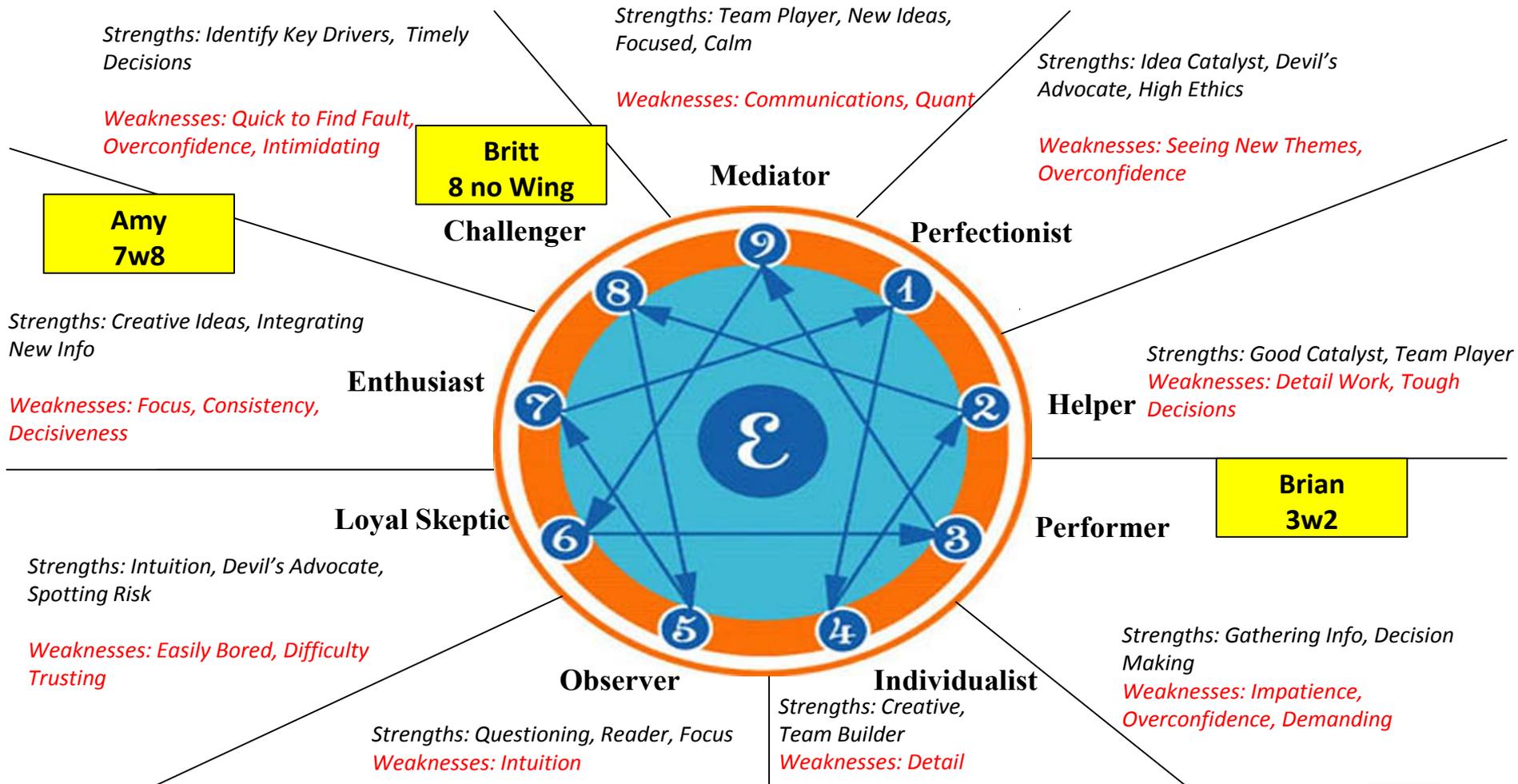


Sample Output Data

(sample only, not real executive data)

Name	Competency			Contribution
Brian Guthrie	Leads Self	Leads Team	Leads Agency	Performance Goals
Overall Avg	4.08	4.18	4.08	4.08
CEO/ED Peer comparison (N=11)	3.82	3.50	3.50	n/a
Self Evaluation	4.12	4.60	4.30	3.83
Board Evaluation	4.20	4.30	4.23	4.08
Direct Reports Evaluation	4.08	3.92	3.97	n/a
Other Evaluation	3.90	3.90	3.80	n/a

Leadership Personality Data





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Tab 16

Teacher Retirement System of Texas



Executive Director Variable Incentive Plan Overview

Keith Robinson, Focus Consulting Group

Board of Trustees Meeting
June 2016





Incentive Plan Philosophy

- ❖ Designed to reward the Executive Director for TRS performance beyond agency benchmarks for:
 - ❖ Leadership Effectiveness
 - ❖ Operational Effectiveness
 - ❖ Member Satisfaction
 - ❖ Employee Engagement
- ❖ Plan is quantitatively based and relies on third-party performance data
- ❖ Maximum award opportunity of 25%
- ❖ Any incentive earned is paid out over a two-year period (50% each year)
- ❖ First year pro-rated program runs December 1, 2015 to June 30, 2016; full plan year begins July 1, 2016



Incentive Plan Process

- ❖ Board approves weights and measures prior to start of plan year
 - ❖ Weights may change based on TRS Board's decision to emphasize different areas of performance each year
 - ❖ Baseline weight for the following examples is set at 25% each
- ❖ Performance data is collected and compiled
 - ❖ Each metric within the measure is calculated
 - ❖ Each performance category receives an average score which is used to determine bonus potential
 - ❖ Data is compiled by Human Resources and verified by Internal Audit
- ❖ Overall scores determine incentive payment



Incentive Plan Opportunity

Incentive Award Opportunity	
Overall Performance Score	% of Base Salary Awarded
Below 3.00	0%
3.00	0%
3.50	5%
3.75	10%
4.00	15%
4.50	20%
4.75 and above	25%

Meets Standards →

Exceeds Standards →

Far Exceeds Standards →



Executive Director Goals

Leadership Effectiveness Goals and Measures

Leadership Effectiveness Goals (Category Weight: 25%)						
	3.00	3.50	3.75	4.00	4.50	4.75+
360 Leadership Score Improvement (Baseline – 3 year average 360 score)	Achieve peer group average (currently 4.04)	4.10	4.25	4.5	4.75	5.00
Expected earned value versus actual earned value	10% below expected	8% below expected	6% below expected	4% below expected	2% below expected	On Target
Legislative Goals						
Serve as a trusted resource	<ul style="list-style-type: none"> • Provide policy and fiscal impacts on proposed legislative measures • Establish positive contact with elected officials and respond to inquiries on TRS laws, rules, and operations 					
Engage directly with policy makers	<ul style="list-style-type: none"> • Personally brief elected officials on funding priorities, policy considerations and other matters 					
Offer expertise in public policy development	<ul style="list-style-type: none"> • Consistently invited to testify at legislative committees on TRS-related issues 					

Executive Director Goals

Operational Effectiveness Goals and Measures

Operational Effectiveness Goals (Category Weight: 25%)						
	3.00	3.50	3.75	4.00	4.50	4.75+
Cost per member v. CEM benchmark (four-year average)	At level	-1.0%	-2.0%	-3.0%	-4.0%	-5.0%
Productivity v. CEM benchmark	130%	135%	140%	145%	150%	155%

Executive Director Goals

Member Satisfaction Goals and Measures

Member Satisfaction Goals (Category Weight: 25%)						
	3.00	3.50	3.75	4.00	4.50	4.75+
CEM service levels v. peers	At Median	Median +2	Median +3	Median +4	Median +5	Median +6
Satisfaction with TRS member services (hurdle score of 95)	Hurdle +1	Hurdle +1.5	Hurdle +2	Hurdle +2.5	Hurdle +3	Hurdle +3.5
Satisfaction with TRS – Care and Active Care services (hurdle score of 90)	Hurdle	Hurdle +1	Hurdle +2	Hurdle +3	Hurdle +4	Hurdle +5

Executive Director Goals

Employee Engagement Goals and Measures

Employee Engagement Goals (Category Weight: 25%)						
	3.00	3.50	3.75	4.00	4.50	4.75+
Austin Top Workplace*	3.83 (Public Sector)	4.00	4.36 (Austin Top 15)	4.50	4.75	5.00
UT Survey of Employee Engagement	350	375	400	425	450	475
Voluntary turnover compared to the state	12%	10%	8%	6%	4%	Below 4%

***Note: Data for Austin Top Workplace will not be included in the initial pilot program because updated data will not be available until the first full performance cycle (July 2016 to June 2017).**



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Teacher Retirement System of Texas



Executive Director Variable Incentive Plan Updates

Janet Bray, Chief Human Resource Officer

Board of Trustees Meeting
June 2016



2016-2017 Plan

- **Recommended changes to current plan:**
 - Remove references to initial 7 month program
 - Update document to reflect July 1, 2016 to June 30, 2017 plan period



Teacher Retirement System of Texas

Executive Performance Incentive Pay Plan

Effective ~~December 1, 2015~~ July 1, 2016

I. Plan Objectives

To remain competitive in its efforts to attract and retain high caliber executives, TRS strives to offer a competitive compensation package. This includes a competitive base salary and an opportunity to earn additional rewards through an Executive Performance Incentive Pay Plan (the “Plan”). The Plan is designed to reward select executive management for performance and is intended to:

- Focus on key objectives tied to the overall success of TRS
- Align incentive potential to the achievement of TRS’s mission, goals and objectives
- Tie rewards to measurable success in high impact performance areas
- Create a quantifiable structure to calculate executive rewards
- Ensure TRS can attract, motivate and retain top-performing executives

II. Plan Authority and Responsibility

A. Plan Administration

The Plan is established by the Board of Trustees (the “Board”) and subject to the Board’s discretion. TRS’s Chief Human Resources Officer, with direction from the Board, is responsible for administering the Plan, and the General Counsel is responsible for plan interpretation. The Board is responsible for adopting performance categories, category weights, performance goals and key performance indicators prior to the start of each performance period, which begins on July 1 each year and ends the following June 30 (“Performance Period”). ~~For the initial 2015-2016 Performance Period, the category weights, and performance goals will be adopted in November 2015, the Performance Period will begin on December 1, 2015 and end on June 30, 2016.~~

B. Plan Modification, Suspension and Termination

The Board shall have the right in its sole discretion to modify the Plan or any portion thereof at any time or to suspend or terminate the Plan entirely or any portion thereof at any time. For avoidance of doubt, no modification, amendment, suspension or reinstatement of the Plan may be given retroactive effect in the administration of the Plan except as required to comply with applicable law, including federal tax laws and regulations.

C. Record Keeping and Reporting

All employee performance, salary and incentive pay records for the Plan shall be maintained by TRS’s Chief Human Resources Officer.

D. Compliance with State and Federal Law

If the Board, General Counsel or a court with appropriate jurisdiction determines that any provision of the Plan violates applicable state or federal law, that provision shall not be given effect. The remaining provisions of the Plan shall remain in full force and effect to the maximum extent possible, and any amendments or modifications that are necessary to give effect to the remaining provisions will be deemed to have been made to allow proper administration of the Plan.

III. At-Will Employment

Nothing in the adoption of the Plan or the awarding of performance incentive pay alters the at-will nature of TRS employment, creates a contract between TRS and any TRS employee, confers on any TRS employee the right to continued employment with TRS or affects in any way the right of TRS to terminate the employment of employees at any time.

IV. Incentive Pay Plan

A. Eligibility

- (a) The Board shall select the individual positions that will participate in the Plan (“Participant”). The Board retains the right to add individual positions to or remove individual positions from the Plan at any time. The Executive Director is a Participant.
- (b) A Participant who terminates employment with TRS ceases to be a Participant of the Plan on the date of termination. The date of termination is the Participant’s last worked day and does not include any leave the Participant was allowed to use to extend his or her employment for payroll purposes.
- (c) A Participant who begins employment in an eligible position after the beginning of a Performance Period may receive a prorated incentive payment based on the number of months worked during the Performance Period. Notwithstanding the foregoing, a Participant must work at least three (3) months of the Performance Period in order to be eligible for a prorated share of the incentive payment.

B. Performance Period Cycle

The annual Performance Period cycle for the Plan includes the following activities (see Table A for details on effective dates):

- (a) Prior to the start of a Performance Period, the Board reviews and adopts performance categories, category weights, and performance goals used for the performance calculator.
- (b) The adopted performance categories, category weights, and performance goals are included as Appendix A to the Plan document and are updated annually.
- ~~(c) For the initial 2015-2016 Performance Period, the Board will consider adopting category weights, performance goals and key performance indicators on November 19, 2015, and those the Board adopts will become effective December 1, 2015.~~
- ~~(d)~~(c) At the end of the Performance Period, annual performance data is collected using a third party to maintain independence and impartiality. This data includes:

- On-line anonymous surveys from members of the Executive Council
- Opinions of annual performance from each individual Board member and/or the Executive Director
- Member satisfaction scores related to TRS member services, TRS-Care and TRS-Active Care
- CEM service levels, cost per member and productivity benchmarks
- Earned value calculations for TEAM
- Employee engagement scores
- Turnover rates
- Scores for both instruments are calculated using a 5-point scale where:
 - 1 = Did not meet performance goals (“goals”) and key performance indicators

- 2 = Partially met goals and key performance indicators
- 3 = Met goals and key performance indicators
- 4 = Exceeded goals and key performance indicators
- 5 = Far exceeded goals and key performance indicators

- (d) Human Resources gathers the performance data and calculates an overall score using the scorecard approved at the beginning of the Performance Period along with the corresponding incentive award amount.
- (e) Human Resources shall then provide the performance data, overall score, and corresponding incentive award amount to Internal Audit for validation of the calculation.
- (f) The Chief Human Resources Officer shall present the calculated overall score and corresponding incentive award amount to the Board as part of the evaluation process at the Board’s first regular meeting after the end of the Performance Period or as soon as practical thereafter. At that meeting, Internal Audit will also present to the Board its validation of the calculation to conclude the evaluation process.

Table A: Period Cycle					
Performance Period	Performance Categories, Category Weights, Performance Goals and Key Performance Indicators Adopted by the Board*	Performance Period Start Date	Performance Period Close Date	Evaluation Conducted*	Payment Date
2015-2016**	November 19, 2015	December 1, 2015	June 30, 2016	July 2016	October 1, 2016
2016-2017	June 2016	July 1, 2016	June 30, 2017	July 2017	October 1, 2017
2017-2018	June 2017	July 1, 2017	June 30, 2018	July 2018	October 1, 2018
*Dates to be determined based on scheduled board meetings					
**2015-2016 Performance Period prorated to reflect a seven-month period					

C. Performance Categories and Goals

- (a) All incentive compensation awards (“Incentive Awards”) shall be based on the performance categories specified in this Plan, as amended from time to time, and their pre-determined weights and performance goals specified in Appendix A, as adopted annually.
- (b) All Incentive Awards shall be related to and be based on prospective performance only and not past performance.
- (c) Prior to the start of each Performance Period, the Board reviews and adopts the performance categories, category weights, and performance goals as provided in the updated Appendix A.
- (d) Performance goals for the Executive Director shall fall under one of four main performance categories:
 - o Member Satisfaction
 - o Leadership Effectiveness
 - o Operational Effectiveness
 - o Employee Engagement
- (e) Performance categories, category weights, and performance goals for any other Participant who may be added to the Plan by the Board, other than the Chief Audit Executive, shall be

determined by the Executive Director in consultation with the Board pursuant to TRS Board Bylaw Subsection 4.1.2(c).

- (f) Performance categories, category weights, and performance goals for the Chief Audit Executive, if he or she is added to the Plan by the Board, shall be determined by the Board in consultation with the Audit Committee and the Executive Director pursuant to TRS Board Bylaw Subsections 1.7(u) and 3.1.1(d).
- (g) At the end of the Performance Period, performance data is collected by Human Resources and an overall score is calculated using the scorecard approved at the beginning of the Performance Period (see Table B as an example).

Table B: Performance Calculation Example		
Performance Category	Category Weight	Weighted Score
TRS Leadership	25%	3.25
Operational Effectiveness	25%	4.25
Member Satisfaction	25%	4.13
Employee Satisfaction	25%	3.75
Overall Weighted Incentive Score		3.84 (score defaults to 3.75 – Table C)

- (h) The overall weighted incentive score is mapped to a table identifying incentive award opportunities (“Incentive Award Opportunity”), beginning at 5% and increasing up to 35% of base salary. Nothing is awarded for scores that fall below a 3.5 (meeting goals and key performance indicators) standard of performance (see Table C).

Table C: Incentive Award Opportunity	
Overall Performance Score	% of Base Salary Awarded
Below 3.00	0%
3.00	0%
3.50	5%
3.75	10%
4.00	15%
4.50	20%
4.75 and above	25%

~~(i) Any Incentive Awards earned for the 2015-2016 Performance Period will be prorated to reflect a seven-month time period (December 1, 2015 to June 30, 2016).~~

D. Payment of Incentive Awards to Participants

- (a) Except as otherwise provided in this Plan, a Participant must be employed in an eligible position on September 1 following the end of a Performance Period to earn and receive payment under the Plan of the first 50% of the potential award for such Performance Period, and a Participant must be employed in an eligible position on September 1 following the first anniversary of the end of a Performance Period to earn and receive payment under the Plan of the second 50% of the potential award for such Performance Period.
- (b) Payments for Incentive Awards are split into two payments:

- The first payment, consisting of 50% of the Incentive Award, will generally be processed with September payroll for payment on or about October 1 of the calendar year in which the Performance Period ends.
 - The second payment for the remaining 50% of the Incentive Award, will generally be processed with September payroll on or about October 1 of the calendar year following the end of the previous Performance Period.
- (c) If a Participant ceases to be employed before the end of a Performance Period due to termination of employment with TRS for any reason other than retirement, an Incentive Award for that Performance Period will not be earned. Potential awards from earlier Performance Periods that have not yet become earned will not become earned.
- (d) If a Participant ceases to be employed before the end of a Performance Period due to retirement, the Board may, in its sole discretion, approve a prorated Incentive Award for the Performance Period in which such retirement occurs; provided, however, that if a Participant retires within the first three months of a Performance Period (July, August, or September), the Participant will not be eligible for a prorated Incentive Award for that Performance Period.
- (e) If a Participant ceases to be employed after the end of a Performance Period but before September 1 following the end of such Performance Period due to retirement, with approval of the Board, the Participant shall be entitled to payment hereunder for such Performance Period to the same extent as if he or she had not retired.
- (f) If a Participant retires, any prorated Incentive Award for the Performance Period in which the Participant retires and all required Incentive Award payments for earlier Performance Periods shall be made as follows, based on the Participant's retirement date:
- If the Participant retires between October 1 and December 31 during a Performance Period, all required payments shall be made not later than 2½ months after the end of the calendar year in which the Participant retires.
 - If the Participant retires between January 1 and September 30 during a Performance Period, all required payments shall be made on October 1 of the calendar year of retirement or as soon as administratively practicable thereafter, but not later than December 31 of such calendar year; and
- (g) To establish an employee's eligibility for payment of awards for Preceding Performance Periods as of the effective date of retirement, a Participant who wishes to retire must (1) notify the Board of the Participant's intent to retire on a specified proposed retirement date at least forty-five (45) days before such date; (2) obtain written approval of the Board to retire as of the proposed retirement date; (3) be eligible for payment of Incentive Awards for the two most recent Performance Periods; (4) establish eligibility, apply for and submit the required documentation for retirement benefits under the TRS pension plan, or the Employees Retirement System of Texas (ERS) pension plan if the Participant transfers his/her TRS service to ERS; and (5) retire as of the proposed effective retirement date.

V. Other Plan Provisions

A. Non-assignment and Non-transferability of Incentive Awards

Incentive Awards under the Plan are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, garnishment, attachment or levy of any kind.

B. Plan Does Not Create a Property Interest, Trust or Entitlement

- (a) Neither the establishment of the Plan or the calculation of the Incentive Awards shall be deemed to create a property interest, trust or entitlement. The Plan is an unfunded, unsecured liability of TRS to make payments in accordance with the provisions of the Plan. Any amounts budgeted by TRS for Incentive Awards earned under the Plan are TRS assets, and no Participant, employee, or third party shall have any property, security, or other interest in any assets of TRS by reason of the Plan.
- (b) Nothing in the Plan shall be deemed to create or confer any right, interest or title to any specific property of TRS to any Participant or to any personal representative or beneficiary of a Participant.

C. Tax Withholding and Other Deductions

All payments under the Plan shall be subject to any deductions (1) for income tax withholding required by federal, state or local law at the time of payment and (2) for any and all amounts owed by the Participant to TRS at the time of payment. TRS is not obligated to advise a Participant before withholding of the existence of any tax or other amounts described in the preceding sentence.

D. Payments Not Eligible as Compensation for TRS Pension Plan Purposes

Any Incentive Award payments made pursuant to the Plan are not eligible compensation for TRS pension plan purposes.

E. Compliance with TRS Policies and Procedures

Participants in the Plan are responsible for complying with all TRS policies, including without limitation the Investment Policy Statement; Ethics Policy; and the Fraud, Waste and Abuse Policy. Violations of the Ethics Policy; Fraud, Waste and Abuse Policy; or other TRS policy by a Participant, as determined by the Board, can result in forfeiture of all Incentive Awards for the Performance Period in which the violation(s) occurred. Additionally, during the investigation of possible violations of law or policy, the Board may suspend earning and payment of Incentive Awards until the conclusion of the investigation. If the Board determines that no violation has occurred, the suspended Incentive Award shall be paid to the Participant within 30 days after such determination (or such later date on which the Incentive Award would have been payable absent the suspension), provided that the Participant has been continuously employed by TRS in an eligible position through such payment date.

**Appendix A: Approved Performance Categories, Category Weights and
Performance Goals for 2015-2016 Performance Period
Effective December 1, 2015 to June 30, 2016**

Member Satisfaction Goals (Category Weight: 25%)						
	3.00	3.50	3.75	4.00	4.50	4.75+
CEM service levels v. peers	At Median	Median +2	Median +3	Median +4	Median +5	Median +6
Satisfaction with TRS member services (hurdle score of 95)	Hurdle +1	Hurdle +1.5	Hurdle +2	Hurdle +2.5	Hurdle +3	Hurdle +3.5
Satisfaction with TRS – Care and Active Care services (hurdle score of 90)	Hurdle	Hurdle +1	Hurdle +2	Hurdle +3	Hurdle +4	Hurdle +5
Leadership Effectiveness Goals (Category Weight: 25%)						
	3.00	3.50	3.75	4.00	4.50	4.75+
360 Leadership Score Improvement (Baseline – 3 year average 360 score)	Achieve peer group average (currently 4.04)	4.10	4.25	4.5	4.75	5.00
Expected earned value versus actual earned value	10% below expected	8% below expected	6% below expected	4% below expected	2% below expected	On Target
Legislative Goals						
Serve as a trusted resource	<ul style="list-style-type: none"> Provide policy and fiscal impacts on proposed legislative measures Establish positive contact with elected officials and respond to inquiries on TRS laws, rules, and operations 					
Engage directly with policy makers	<ul style="list-style-type: none"> Personally brief elected officials on funding priorities, policy considerations and other matters 					
Offer expertise in public policy development	<ul style="list-style-type: none"> Consistently invited to testify at legislative committees on TRS-related issues 					
Operational Effectiveness Goals (Category Weight: 25%)						
	3.00	3.50	3.75	4.00	4.50	4.75+
Cost per member v. CEM benchmark (four-year average)	At level	-1.0%	-2.0%	-3.0%	-4.0%	-5.0%
Productivity v. CEM benchmark	130%	135%	140%	145%	150%	155%
Employee Engagement Goals (Category Weight: 25%)						
	3.00	3.50	3.75	4.00	4.50	4.75+
Austin Top Workplace*	3.83 (Public Sector)	4.00	4.36 (Austin Top 15)	4.50	4.75	5.00
UT Survey of Employee Engagement	350	375	400	425	450	475
Voluntary turnover compared to the state	12%	10%	8%	6%	4%	Below 4%

~~*Note: Data for Austin Top Workplace will not be included in the initial pilot program because updated data will not be available until the first full performance cycle (July 2016 to June 2017).~~

**TEACHER RETIREMENT SYSTEM OF TEXAS
BOARD RESOLUTION**

June 17, 2016

**RESOLUTION READOPTING EXECUTIVE PERFORMANCE INCENTIVE PAY
PLAN**

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

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

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

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

- Focuses on key objectives tied to the overall success of TRS;
- Aligns incentive potential to the achievement of TRS' mission, goals and objectives;
- Ties rewards to measurable success in high impact performance areas;
- Creates a quantifiable structure to calculate executive rewards; and
- Ensures TRS can attract, motivate and retain top-performing executives; and

Whereas, The Plan was adopted for an initial seven-month period ending on June 30, 2016, and the Board desires to continue the Plan and readopt performance categories, category weights, performance goals, and key performance indicators for the Plan year beginning July 1, 2016; now, therefore be it

Resolved, That effective June 17, 2016, the Board hereby readopts the Executive Performance Incentive Pay Plan, as presented by Staff, including the performance categories, category weights, performance goals, and key performance indicators;

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

Tab 17

MEMORANDUM

Date: May 31, 2016

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

From: Katrina Daniel, Chief Health Care Officer

Subject: Evaluation of Health Care Consultant, Gabriel, Roeder, Smith & Company for the period June 2015 through May 2016

Summary of Work Performed

During the above noted period, Gabriel, Roeder, Smith & Company (GRS) provided TRS with health care consulting services, actuarial analytic services, and data analytic services, while supporting TRS staff in a timely manner with contract procurements.

- Major Services Provided for Both TRS-Care and TRS-ActiveCare
 - analyses to support legislative information requests regarding plan funding and benefit options
 - on-going fund and cash balance projections
 - recommendations for rates and benefits for FY 2017
 - support with contract renewal analysis
 - participation in quarterly and year-end plan performance reviews with vendors
 - presentations at TRS Board of Trustees meetings
 - claim data warehouse maintenance

- Major Services Provided for TRS-Care
 - support with the service procurements of the Health Plan Administrator for the Standard Plans and the carrier for the fully-insured Medicare Advantage Plans
 - actuarial attestation for the Medicare Part D Retiree Drug Subsidy program
 - Other Post-Employment Benefits actuarial valuation

- Major Services Provided for TRS-ActiveCare
 - validation of claim target guarantee and Accountable Care Organization performance
 - evaluation of Health Maintenance Organization (HMO) rates for FY 2017

Assessment of Performance

Overall, GRS's experience in the health care industry, its familiarity with other governmental health plans, and its in-depth knowledge of the TRS health benefit programs are invaluable to TRS. Its independent assessment of vendor data supported key benefit decisions by TRS staff and the Board of Trustees.

Feedback from TRS staff interfacing with GRS was positive. GRS exhibited flexibility and always responded quickly to requests for information. GRS staff readily made themselves available for conference calls and meetings on short notice, and the quality of information provided was exceptional. Specifically, to satisfy the information requests from the Interim Committee and to support executive leadership in appearances before the Interim Committee, GRS staff made several trips to Austin. These hearings often required GRS to develop data and analyses in a very short period of time and GRS consistently exhibited a willingness to do what ever it takes to get a job done. Examples include modifications to options contained in the TRS-Care Sustainability and TRS-ActiveCare Affordability Study and updates to TRS-Care incurred and cash-basis projection models.

As TRS interacts with other governmental health plans and stakeholders throughout the country, we recognize that the services provided by GRS to TRS are equal to and most often superior to services provided by the consultants to other health plans.

In summary, GRS's performance overall is outstanding and exceeds expectations. TRS staff appreciates the professional services provided by the GRS team and its commitment to meeting the needs of TRS.

Tab 18

MEMORANDUM

To: TRS Board of Trustees

From: Rebecca Merrill, Director of Strategic Initiatives

Date: June 8, 2016

Subject: Evaluation of Gabriel, Roeder, Smith & Company Pension Fund Actuarial Services for the period May 2015 through May 2016

Summary of Work Performed

During this period, Gabriel, Roeder, Smith & Company (GRS) provided continued professional advice and technical support for Pension related matters to TRS staff in a timely manner. Services performed included the following:

- Finalized the pension fund experience study, including recommending changes to mortality, inflationary, and payroll growth assumptions.
- Prepared the annual valuation;
- Presented results of valuation and the experience study to the Board and Legislative staff, associations and interested parties;
- Presented on funding policy design at the Board's February educational meeting in Richardson;
- Prepared information for GASB/CAFR reporting, including allocation schedules necessary for GASB 68; and
- Assisted with preparation of survey information regarding pension fund assumptions and methodology.

Assessment of Performance

The working relationship between GRS and TRS is productive. Over the past year, GRS has been generally responsive and provided a high quality product. Workflow issues at GRS delayed by several weeks TRS receiving the GASB 68 allocation schedules. When TRS raised concern over the delay, GRS was responsive. They provided the schedules quickly thereafter and adjusted staff working the TRS GASB allocation going forward. GRS has readily made themselves available for conference calls and meetings on short notice. Their experience in the industry and their in-depth knowledge of TRS programs has also proved be valuable to understanding and assessing the actuarial impacts of pension fund changes. Finally, GRS is skilled in presenting and is able to make difficult actuarial concepts easier to understand.

The current GRS contract expires September 2017. Pursuant to statute, TRS will be issuing an Request For Proposals (RFP) for pension fund actuarial and consulting services in early 2017.

Tab 19

Teacher Retirement System of Texas



TEAM Program Management Update

David Cook, Adam Fambrough, Jay Masci (Provaliant)

June 17, 2016



TEAM Program

Agenda

- Overview of the TEAM Program
- Key Milestones
- Current Progress
- Future Trends



TEAM Program

TEAM PROGRAM

Pension Line of Business (LOB) Replacement

Supporting Projects

Data Management
Business Rules
Reporting Entity Outreach
Org. Change Management

Decommissioning Legacy Systems
Business Procedures and Training
Maintenance & Enhancement
Website Redesign



TEAM Program

Key LOB milestones (in May 2015)

Milestone	Baseline Date
Phase 1 Development Complete	3/10/2016
Phase 1 Business Function Testing Complete	5/12/2016
User Acceptance Testing Start	5/13/2016
User Acceptance Testing Complete	7/18/2016
Deployment	7/25/2016*



TEAM Program

Key LOB milestones (in May 2015)

Milestone	Baseline Date
Phase 1 Development Complete	3/10/2016
Phase 1 Business Function Testing Complete	5/12/2016
User Acceptance Testing Start	5/13/2016
User Acceptance Testing Complete	7/18/2016
Deployment	9/30/2016

Requirements Update Log (RULs) Items

- When a requirements document needs to be updated because a requirement was missed, misinterpreted or incorrectly specified
- Some are easy changes and don't have a schedule impact
 - Over 500 of these changes have been done without cost or schedule impact
- Some are harder changes and may have a cost or schedule impact
 - Phase 1A examples

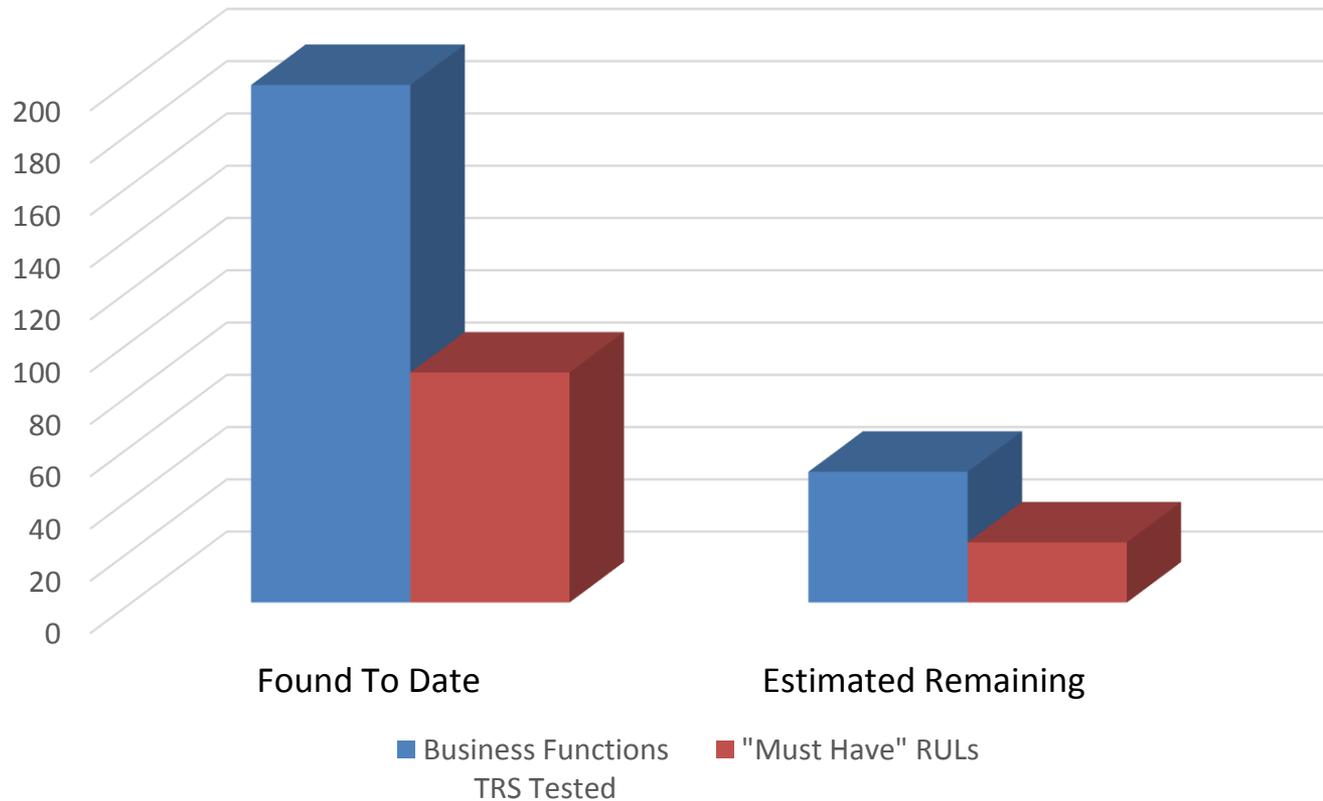
What We Discovered

- 88 new “must have” RUL items were discovered in the past 3 months that required over 4000 hours of additional work by HP and TRS
- TRS still has approximately 30% of the Phase 1 artifacts that we have not yet seen; likely there are more requirements updates that will be uncovered as we test them



TEAM Program

“Must Have” RULs



Testing

- Taking longer than estimated
- Retesting required because of changes
- Still seeing a higher defect rate than we would expect
- Schedule did not include sufficient time for TRS to perform business function testing

Reporting Entity Training and Certification

- Number of Reporting Entities trained
- Number of Reporting Entities certified
- Number of Reporting Entities who have submitted a file



TEAM Program

Key Milestones Today

Milestone	Baseline Finish Date	June 2016 Finish Date
Phase 1 Development Complete	3/10/2016	5/13/2016
Phase 1 Business Function Testing Complete	5/12/2016	7/14/2016
User Acceptance Testing Start	5/13/2016	7/15/2016
User Acceptance Testing Complete	7/18/2016	9/16/2016
Deployment	7/25/2016	9/30/2016



TEAM Program

TEAM Progress as of March 22, 2016





TEAM Program

TEAM Progress as of June 6, 2016





TEAM Program

Pension Line of Business (LOB) Status Trend

01/2015 03/2015 05/2015 09/2015 11/2015 02/2016 03/2016 06/2016



= Future trend see the severity level (status*) increasing

* status is based on risks AND issues

Current Go-Live

- Scheduled for Late September 2016
- Based on the trends we are seeing with the project, management's confidence level is low that we will be able to meet this date

Contingency Planning

- Rapidly developing alternative go-live schedule
- Fully engaging Executive Steering Committee and Core Management Team in development of Plan B
- Exploring various go-live options with a focus on February/March 2017
- February through April represents an optimal time for implementation based on Reporting Entity feedback
- TEAM Update at July 2016 Board meeting

TEAM Program



Tab 20



TEAM Program
Independent Program Assessment
Board Presentation

June 2016



Objectives

Independent Program Assessment (IPA)

Provide independent reporting and oversight to the TRS Board and Executive Director, or designee, regarding critical risks related to the TRS Enterprise Application Modernization (TEAM) Program to enable informed decision making

Critical Risks Focus:

- Failure to meet TEAM program objectives
- Lack of user acceptance
- Program substantially delayed
- Program substantially over budget

TEAM LOB Summary Milestones Schedule Variance

LOB Phase 1 - Summary Milestones	June 2015 Revised Baseline Finish	May 2016 Current Plan Finish	Variance (Weeks)
MS Phase 1A User Acceptance Testing	1/19/16	3/8/16	7
MS Phase 1A – GO LIVE (RE Cert.)	2/1/16	3/14/16	6
MS Phase1B – Design Build & Functional Testing	6/6/16	7/12/16	5
MS Phase 1B – User Acceptance Testing	7/25/16	9/16/16	8
MS Phase 1B – GO LIVE (Membership)	9/19/16	9/23/16	At Risk

Key Delay Risk Components

- Failure to meet interim milestones
- Code delivered with larger than expected functionality gaps and defects
- High volume of changes related to requirement updates
- Significant level of effort remaining to adequately complete various testing activities
- Schedule is highly compressed from impact of all the above

IPA Overall Scorecard

TEAM Program Governance	Current Score
1. Project /Program Management	4
2. Risk & Issues Management	2
3. Program Communication & Organizational Change Management	1
4. Scope Management	3
5. Milestone Deliverable Approval and Quality Management	3
TEAM LOB Key Upcoming Milestones	
6. Detail Requirements/Functional Design (Phase2)	4
7. Design Build Functional Test	4
8. Interfaces & Integration Testing	4
9. Data Conversion and Data Migration	3
10. End User Training	2
11. Security & Controls Testing	3
12. Performance Testing	3
13. User Acceptance Testing	4
14. Cutover	2
15. Post Implementation Support	2

Legend

- 1= LOW
- 2= GUARDED
- 3= CAUTION
- 4= ELEVATED
- 5= SEVERE

N/A= Project not started, rating is not applicable at this time



IPA Budget Status

IPA Financial summary status through April 30, 2016

Total hours incurred	4,726
Total calculated cost incurred	\$830,330
Total billings for deliverables	\$775,000
Variance	\$55,330

Tab 22 A

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TEACHER RETIREMENT SYSTEM OF TEXAS
BOARD REPORT
SUMMARY OF DISBURSEMENTS

PAGE 1

	March 1,2016 through May 31,2016		
	NUMBER OF PAYMENTS	GROSS PAYMENT TOTAL	AVERAGE PAYMENT
Service Retirees	2,225	3,802,346.66	1,708.91
Disability Retirees	171	194,923.06	1,139.90
Survivor Benefits	361	90,850.00	251.66
Survivor Benefit Lump Sum Payment	3,280	19,488,194.37	5,941.52
Life Annuity as Death Settlement	61	97,399.81	1,596.71
60 Monthly Payments as Death Settlement	51	64,247.56	1,259.75
Refund of Deposit as Death Settlement	155	3,271,889.15	21,108.96
Twice Annual Salary as Death Settlement	306	12,309,226.57	40,226.23
Lump Sum DROP Member Payment	2	367,961.36	183,980.68
5 Annual DROP Member Payments			
10 Annual DROP Member Payments			
60 Monthly DROP Member Payments			
120 Monthly DROP Member Payments			
DROP Payments to Beneficiary of Active Member			
12 Month Partial Lump Sum Option Payment	156	4,347,473.28	27,868.41
24 Month Partial Lump Sum Option Payment	85	4,665,415.80	54,887.24
36 Month Partial Lump Sum Option Payment	184	13,482,252.12	73,273.10
Totals:	7,037	62,182,179.74	8,836.46

SUMMARY OF DISBURSEMENTS
Glossary

The Summary of Disbursements on the preceding page provides data related to annuitants added to the payroll during the quarter. Specifically, for each category listed, the data includes: (1) the number of new payment inceptions, (2) the gross total of all new payments, and (3) the average of all payments. The categories are defined as follows:

Service Retirees: Members who have met the eligibility requirements and applied for a monthly service retirement annuity.

Disability Retirees: Members who have met the eligibility requirements, applied and been approved for a monthly disability retirement annuity.

Survivor Benefits: Monthly survivor benefits paid to eligible beneficiaries of deceased active members and retirees.

Survivor Benefit Lump Sum Payment: Single lump-sum survivor benefit, or reduced lump-sum in conjunction with monthly survivor benefit, paid to eligible beneficiaries of deceased active members and retirees.

Life Annuity as Death Settlement: Actuarially reduced monthly life annuity payment to eligible beneficiary of deceased active member. (One of several options which may be payable upon the death of an active member.)

60 Monthly Payments as Death Settlement: Monthly standard annuity payment, for a period of 60 months, to eligible beneficiary of deceased active member.

Refund of Deposit as Death Settlement: Payment of accumulated contributions and interest to beneficiary of deceased active member.

Twice Annual Salary as Death Settlement: Lump-sum payment equal to twice the member's annual salary rate, not to exceed \$80,000, paid to beneficiary of deceased active member.

Lump Sum DROP Member Payment: One-time, lump-sum distribution, at retirement, of member's DROP account balance. (One of several DROP distribution options that may be elected by a retiree.)

5 Annual DROP Member Payments: Initial or subsequent annual DROP payment under this DROP distribution election.

10 Annual DROP Member Payments: Initial or subsequent annual DROP payment under this DROP distribution election.

60 Monthly DROP Member Payments: Initial or subsequent monthly DROP payment under this DROP distribution election.

120 Monthly DROP Member Payments: Initial or subsequent monthly DROP payment under this DROP distribution election.

DROP Payments to Beneficiary of Active Member: Lump-sum distribution of DROP account balance to beneficiary of deceased active member who participated in DROP prior to death.

12 Month Partial Lump Sum Option Payment: Lump-sum payment to retiree who elected a partial lump-sum option (PLSO) distribution equal to 12 months of standard annuity.

24 Month Partial Lump Sum Option Payment: Lump-sum payment to retiree who elected a partial lump-sum option (PLSO) distribution equal to 24 months of standard annuity.

36 Month Partial Lump Sum Option Payment: Lump-sum payment to retiree who elected a partial lump-sum option (PLSO) distribution equal to 36 months of standard annuity.

Tab 22 B

**TEACHER RETIREMENT SYSTEM OF TEXAS
MEDICAL BOARD MEETING
OPEN SESSION AGENDA
MARCH 1, 2016**

The Medical Board of the Teacher Retirement System of Texas met at 12:00 p.m. Tuesday, March 1, 2016 in the TRS offices.

The following members were present:

Dr. Alice Cox, Fredericksburg
Dr. James Allen Reinartz, Austin
Dr. Larry Wilson, Austin

Others present:

Ms. Frances Torres, Assistant Director of Benefit Services, TRS
Ms. Kirsten Morgan, Legal Services, TRS
Mr. Brian Zunker, Assistant Manager, Benefit Processing, TRS
Ms. Denise Hope, Benefit Consultant, Benefit Processing, TRS

Dr. Wilson called the meeting to order at 12:21 p.m.

1. REVIEW OF MINUTES FROM THE JANUARY 12, 2016 MEETING.

The minutes of the January 12, 2016 meeting were reviewed and approved.

2. CONSIDERATION OF FILES OF TRS MEMBERS WHO ARE CURRENTLY APPLYING FOR DISABILITY RETIREMENT AND THE FILES OF DISABILITY RETIREES WHO ARE DUE A RE-EXAMINATION REPORT.

Dr. Wilson announced that the Medical Board would enter into Executive Session, as provided by section 551.078 of the Texas Government Code, to deliberate medical information of individual members and retirees.

The Board entered into closed session at 12:25 p.m.
The meeting was re-opened at 12:52 p.m.

3. REVIEW OF DISABILITY STATISTICS.

**PG. 2 TRS Medical Board Minutes
March 1, 2016**

4. DISCUSSION OF ITEMS TO BE PLACED ON FUTURE AGENDAS.

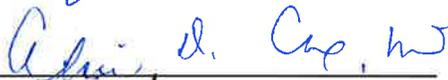
No new items were proposed for the March meeting.

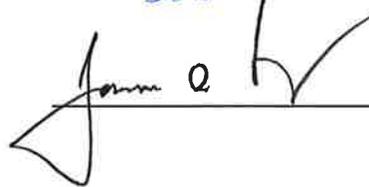
5. DISCUSSION OF THE DATE OF NEXT BOARD MEETING.

The next Medical Board meeting was scheduled for May 10, 2016.
The meeting was adjourned at 1:01 p.m.

**Dr. Larry Wilson, Chairman
TRS Medical Board**







Attest:



Denise Hope

Tab 22 C

MEMORANDUM

DATE: June 16, 2016

TO: TRS Board of Trustees
Brian Guthrie
Ken Welch

FROM: Barbie Pearson

SUBJECT: Consider Reappointment of Larry Wilson, M.D. to the TRS Medical Board

Government Code Section 825.204 states that the Board of Trustees shall appoint a Medical Board composed of three physicians. The TRS Medical Board is comprised of three licensed physicians and is charged with determining whether TRS members who apply for disability retirement benefits meet the statutory requirements to receive such benefits. Specifically, members of the TRS Medical Board must determine whether a member is mentally or physically disabled from the further performance of duty and whether the disability is probably permanent. The term of one of the current three members of the Medical Board will expire August 31, 2016.

Medical Board members must be physicians licensed to practice medicine in the State of Texas and be of good standing in the medical profession. The position requires review of TRS member applications for disability retirement and supportive documentation provided by the member and the member's physician(s). The majority of TRS disability retirements are related to neurological, metabolic, neoplastic, psychological, cardiovascular, degenerative joint diseases, or related to back problems. Medical Board members must be experienced in these areas, and in rendering decisions concerning disability. Approximately one thousand disability applications are filed each year. The TRS Medical Board meets at noon once every other month to discuss matters related to disability retirement. Members are typically appointed to the three-member board for a six-year term and are currently paid \$36,630 per year for services performed under contract.

Due to the very specific TRS disability retirement statutory requirements and experience requirements, staff recommends that the Board of Trustees reappoint Larry Wilson, M.D. to the TRS Medical Board effective September 1, 2016 for a three-year term that ends on August 31, 2019. Staff also recommends that Dr. Wilson be reappointed to serve as the Chair of the Medical Board.

Dr. Wilson received his M.D. degree from the University of Oklahoma College of Medicine in 1985 and completed his Family Practice training at Texas Tech University Health Sciences Center in Amarillo, Texas in 1988. Dr. Wilson has practiced medicine in the Austin/Round Rock area since 1990 and has practiced occupational medicine since 1995. He is currently practicing at the Cedar Park Regional Occupational Medicine Clinic. He has performed in an exemplary manner as the current chair of the TRS Medical Board and has demonstrated that his schedule allows him to devote adequate time to the disability process and be readily available to TRS staff. He works very well with TRS staff and other members of the Medical Board. Accordingly, TRS staff has determined that reappointing and contracting with Dr. Wilson to perform services as a member of the Medical Board would provide the best overall value for TRS.

If the Board concurs with this recommendation, the attached resolution is proposed for consideration.

RESOLUTION
To Reappoint Member and Chair of Medical Board

Board of Trustees of the Teacher Retirement System of Texas

June 16-17, 2016

Whereas, Texas Government Code section 825.204 requires the Board of Trustees of the Teacher Retirement System of Texas to appoint a Medical Board composed of three physicians, who perform services under contracts with TRS, and the term of one of the current three members and Chair of the Medical Board, Larry Wilson, M.D., will expire August 31, 2016;

Whereas, TRS staff has recommended that the Board of Trustees reappoint Dr. Wilson as a member to the TRS Medical Board effective September 1, 2016 for a three-year term that ends on August 31, 2019 and reappoint him Chair of the Medical Board;

Whereas, The TRS staff and Board of Trustees have determined that reappointing and contracting with Dr. Wilson to perform services as a member of the Medical Board would provide the best overall value for TRS; now therefore, be it

Resolved, That the Board of Trustees reappoints Larry Wilson, M.D., to the TRS Medical Board for a three-year term beginning on September 1, 2016 and expiring on August 31, 2019;

Resolved, That the Board of Trustees reappoints Dr. Wilson as Chair of the TRS Medical Board and to serve as presiding officer at the pleasure of the Board of Trustees; and

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

Tab 23

Teacher Retirement System of Texas



Cash Disbursements May 2016

Don Green, Chief Administrative Officer/Chief Financial Officer

Board of Trustees Meeting
June 2016





Pension Trust Fund Cash Disbursements

	FY 2015	FY 2016	Variance
September	\$8,329,726	\$8,735,650	\$405,924
October	8,291,727	7,623,816	(\$667,911)
November	5,966,718	8,005,979	\$2,039,262
December	9,042,869	6,801,315	(\$2,241,554)
January	13,819,515	16,545,179	\$2,725,664
February	8,004,871	9,779,078	\$1,774,207
March	7,004,924	9,574,510	\$2,569,585
April	6,971,933	8,176,373	\$1,204,440
May	7,337,151	6,350,361	(\$986,790)
Total	\$74,769,434	\$81,592,262	\$6,822,828