



TRS Board of Trustees Meeting
September 1, 2017

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

AGENDA

September 1, 2017 – 9:00 a.m.

TRS East Building, 5th Floor, Boardroom

*All or part of the September 1, 2017 meeting of the TRS Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have the presiding officer and a quorum physically present at the following location, which will be open to the public during the open portions of the meeting: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5th Floor, Boardroom.***

NOTE: The Board may take up any item posted on the agenda during its meeting on Thursday, September 1, 2017, beginning at the time and place specified on this agenda.

The open portions of the September 1, 2017, Board meeting are being broadcast over the Internet. Access to the Internet broadcast of the Board meeting is provided at www.trs.texas.gov.

1. Call roll of Board members.
2. Consider the following administrative items – David Kelly:
 - A. Approval of the proposed July 13, 2017 Board meeting minutes.
 - B. Setting, rescheduling, or canceling future Board meetings.
3. Provide opportunity for public comment – David Kelly.
4. Recognize the service of Howard Goldman – Brian Guthrie.
5. Receive an update on the TEAM Program – Brian Guthrie and Chet Henry.
6. Discuss the Executive Director's report on the following – Brian Guthrie:
 - 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, strategic planning and legislative update.
 - B. Board operational matters, including a review of draft agendas for upcoming meetings.

- C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.
- 7. Consider certifying to the State Comptroller of Public Accounts the estimated amount of state contributions to be received by the retired school employees group health benefit fund for fiscal year 2018 – Don Green.
- 8. Receive a report on Historically Underutilized Businesses program (HUB) for fiscal year 2017 and consideration of related goals for fiscal year 2018 – Don Green.
- 9. Review and consider adoption of premiums and plan design for TRS-Care, the retiree health benefits program, including the standard plan, the fully insured Medicare Advantage Plans and the Medicare Part D Plans – Katrina Daniel; William Hickman and Amy Cohen, Gabriel, Roeder, Smith & Company.
- 10. Discuss and consider the selection of the Board Proxy Advisor including considering a finding that deliberating or conferring on the selection of the proxy advisor in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Sylvia Bell.

***NOTE:** The Board meeting likely will recess after the last item above to conduct committee meetings and resume upon adjournment of the committee meetings to take up the items listed below.*

- 11. Review the report of the Policy Committee on its September 1, 2017 meeting – Committee Chair.
- 12. Receive an update on the 403(b) proposed rulemaking – Rebecca Merrill.
- 13. Discuss and consider organizational structure including personnel matters, appointments, employment, evaluation, reassignment, duties, discipline, dismissal and other personnel matters involving compensation, of a public officer or employee, and succession planning for the Executive Council members – David Kelly.
- 14. 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

Minutes of the Board of Trustees

July 13, 2017

The Board of Trustees of the Teacher Retirement System of Texas met on July 13, 2017, in the boardroom located 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
Joe Colonna
David Corpus
John Elliot
Greg Gibson
Christopher Moss
Dolores Ramirez

Others present:

Brian Guthrie, TRS	Robert Dollard, BNY Mellon
Ken Welch, TRS	Joyce Dardonis, BNY Mellon
Don Green, TRS	Mike Bentrutt, Aetna
Carolina de Onís, TRS	Philip Mullins, TRTA
Jerry Albright, TRS	Sabina Rahman-Garcia, Humana
Amy Barrett, TRS	Ann Fickel, TCTA
Rebecca Merrill, TRS	Joni Lozano, CVSE
Howard Goldman, TRS	Gary Lane, State Street
Katherine Farrell, TRS	John Powell, State Street
Heather Traeger, TRS	Ted Melina Raab, Tx AFT
Steve Huff, Reinhart Boerner Van Deuren	Derly Rivera, Austin RTA

Mr. Kelly called the meeting to order at 8:10 a.m.

1. Call roll of Board members.

Ms. Farrell called the roll. A quorum was present. Ms. Charleston arrived shortly after the roll call.

2. Consider the following administrative items – David Kelly:

A. Approval of the proposed June 1-2, 2017 Board meeting minutes.

Mr. Brian Guthrie noted a correction was made regarding one of the Resolutions adopted by the Board during the June meeting. He reported the Resolution regarding Adjusting Plans Offered under TRS-Care and Approving Premium Rates and Benefit Plan Designs incorrectly listed the out-of-pocket maximum limit amounts for individuals and families. Mr. Guthrie said the correction was in the members favor and would reflect amounts required to qualify as an IRS Health Savings Account plan, an outcome which the Board intended. Mr. Guthrie asked that the correction be considered as part of the motion for adoption of the minutes.

On a motion by Ms. Ramirez, seconded by Mr. Corpus, the Board unanimously voted to approve correcting the errors and to approve the proposed minutes of the June 1-2, 2017 Board meeting, including the corrected text of the TRS-Care resolution as described by Mr. Guthrie.

B. Excusing Board member absences from the June 1-2, 2017 Board meeting.

On a motion by Dr. Gibson, seconded by Mr. Moss, the Board unanimously voted to excuse the absences of Dolores Ramirez from the June 1-2, 2017 Board meeting.

C. Setting, rescheduling, or canceling future Board meetings.

No changes to the future Board meetings schedule were addressed.

3. Provide opportunity for public comment – David Kelly.

No public comment was provided.

4. Recognize the service of Britt Harris – Brian Guthrie.

Mr. Britt Harris said it has been the honor of his life to serve TRS and its members, and thanked everybody for their support and friendship during his tenure at the agency. The Board offered words of appreciation for how Mr. Harris has been a great asset to the agency.

Mr. Kelly requested a resolution in recognition of Mr. Harris be formally entered into the record:

**RESOLUTION OF THE BOARD OF TRUSTEES REGARDING THE SERVICE OF
THOMAS BRITTON HARRIS IV**

Whereas, Thomas Britton Harris IV joined the Teacher Retirement System of Texas (TRS) in November 2006, as the retirement system’s Chief Investment Officer; and

Whereas, he served TRS in numerous ways, including as a member of the TRS Executive Council and Internal Investment Committee; and

Whereas, as a highly respected investment industry leader with more than 30 years of investment experience, he brought TRS international recognition as the sixth largest public fund in the United States and one of the 25 largest investment funds in the world; and

Whereas, he provided critical leadership during a time when the retirement system grew from approximately 1.2 million to more than 1.5 million members and annuitants; and

Whereas, as a testament to his talents and abilities, he demonstrated exemplary skills in providing the critical vision, leadership and strategic direction required to achieve success; and

Whereas, he demonstrated exemplary skills in successfully guiding the agency through prudent oversight of trust assets during challenging periods of extreme capital market volatility, including the Great Financial Crisis, during which he and the Investment Management Division (IMD) team

restored the fund's financial health from a low of \$67 billion to its \$140 billion value today – a much stronger financial position than when he joined the agency; and

Whereas, he restructured and expanded TRS' Investment Management Division, implemented leading-edge portfolio management strategies, guided development of a new asset allocation policy and entered into a series of innovative strategic partnerships; and

Whereas, with his guidance, the agency's world-class staff earned TRS a reputation as an investment industry leader with highly regarded performance, innovation and effective risk management; and

Whereas, to further support the "Preferred Destination" initiative, he and the IMD team opened TRICOT London, TRS' first international office in London in November 2015, making TRS the first US-based public pension plan to have an office there, continuing to build upon TRS' reputation as leading institutional investor and increasing access to more investment opportunities; and

Whereas, his accomplishments and admiration have earned him and the Investment Division numerous recognitions and awards during his time at TRS, including "Large Public Plan Manager of the Year" by *Institutional Investor* magazine, Private Equity ranked first by the American Investment Council, North American LP of the Year awards in Real Assets and Private Equity, and a Lifetime Achievement Award, for distinguished service to the financial industry, by *aiCIO* magazine; and

Whereas, being a teacher at heart, he mentored a new generation of investment professionals, instilling a strong culture of excellence and delivering a new level of sophistication to TRS' investment program as well as throughout the agency; and

Whereas, in recognition of his leadership and significant contributions, he will be remembered by TRS, its participants and staff for his invaluable expertise, integrity, commitment, exceptional performance, and dedication to public service, with Texas public education employees foremost on his mind; and

Now, therefore, be it resolved, that the Board of Trustees and staff of the Teacher Retirement System of Texas recognize the accomplishments and contributions of Thomas Britton Harris IV over the last decade of his extremely successful career with the retirement system and express appreciation on behalf of TRS members both present and future,

And be it further resolved, that a copy of this resolution be presented to Thomas Britton Harris IV and entered into the record of the board for July 13, 2017.

5. Discuss and consider personnel matters including the appointment, selection, compensation, and duties of the Chief Executive Officer in consultation with the Executive Director – Brian Guthrie.

At 8:42 a.m., Mr. Kelly announced without objection that the Board meeting would recess to go into executive session on agenda item 5 under Section 551.074 and 551.071 of the Government Code to discuss confidential personnel matters and to seek the advice of counsel as needed.

At 9:50 a.m., Mr. Kelly reconvened the Board meeting in open session. Mr. Kelly noted that in executive session the Board received a briefing on succession planning for individual positions in the Investment Management Division and discussed employment of a chief investment officer. Mr. Kelly asked for a motion for the installation of Jerry Albright as chief investment officer on a permanent basis.

On a motion by Mr. Colonna, seconded by Mr. Corpus, the Board unanimously approved the following resolution concerning the selection of a chief investment officer. Mr. Kelly requested that the following resolution be read into the record:

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

JULY 13, 2017

WHEREAS, a vacancy exists in the position of Chief Investment Officer (CIO) and section 1.7(v) provides that the Board of Trustees (Board) of the Teacher Retirement System of Texas (TRS) shall select the CIO, in consultation with the executive director;

WHEREAS, TRS Bylaws subsection 4.1.2(c)(2) provides that the Executive Director is authorized by the Board to set the salary of the CIO within approved ranges and applicable laws; now, therefore, be it

RESOLVED, that the Board hereby selects *Jerry Albright*, who currently serves as Interim CIO and formerly served as the Deputy Chief Investment Officer, to fill the position of CIO, and the Board authorizes the Executive Director to extend terms for the monthly salary, as the Executive Director deems reasonable and in the best interest of TRS.

6. Receive a presentation from Focus Consulting on the evaluation of the Chief Audit Executive, and Executive Director – Keith Robinson, Focus Consulting.

Mr. Keith Robinson provided an overview of the process that was used in evaluating the chief audit executive and the executive director.

Mr. Kelly announced without objection that the Board meeting would recess to allow the Audit Committee to meet and would reconvene after they met. Whereupon, at 10:05 a.m., the Board meeting recessed, to reconvene that same day, Thursday, July 13, 2017, following the conclusion of the Audit Committee meeting.

After the meeting of the Audit Committee, Mr. Kelly reconvened the Board meeting at 11:10 a.m.

8. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Audit Executive – David Kelly:

A. Discuss and consider the evaluation, compensation, and duties of the Executive Director.

- B. Discuss and consider the compensation and duties of the Chief Audit Executive.**
- C. Discuss and consider the salary limits for the Deputy Director Investment Officer and Investment Fund Directors listed in the schedule of exempt positions in the General Appropriations Acts for fiscal years 2017 and 2018.**

At 11:11 a.m., Mr. Kelly announced without objection that the Board meeting would recess to go into executive session under Sections 551.074 and 552,071 of the Government Code to discuss the personnel matters under agenda items 8A through C, and as needed to seek advice of legal counsel.

At 12:17 p.m., Mr. Kelly reconvened the Board meeting in open session.

On a motion by Dr. Gibson, seconded by Ms. Ramirez, the Board unanimously voted to table agenda items 8B and 8C.

7. Review the report of the Audit Committee on its July, 13, 2017 meeting, and consider adoption of the Evaluation of the Chief Audit Executive – Chris Moss.

Mr. Moss, Committee Chair, provided the following committee report:

The Audit Committee met on Thursday, July 13 in the 5th Floor Boardroom. The Audit Committee discussed and approved the recommendation to the Board of Trustees regarding the annual performance appraisal of the chief audit executive. The Audit committee deferred consideration of any salary increase to the Board of Trustees.

On a motion by Mr. Moss, the Board unanimously approved the annual performance appraisal of the chief audit executive for fiscal year 2017.

9. Discuss and consider adoption of fiscal year 2018 operating budgets, including – Don Green:

- A. Consider the adoption of the proposed fiscal year 2018 pension trust fund administrative operations budget, general provisions, and resolution authorizing transfer of pension trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2018 budget.**
- B. Consider the adoption of the proposed fiscal year 2018 administrative operations budgets and general provisions for the TRS health benefits funds (retired and active plans), including the optional long-term care insurance program.**
- C. Consider the adoption of the proposed fiscal year 2018 administrative operations budget and general provisions for the 403(b) company certification and investment product registration program.**

Mr. Don Green provided an overview of the budget. He noted that the total amount of increase from the pension trust fund compared to last fiscal year is 3.7%. He stated that the legislature approved funding for 21 FTEs. Mr. Green mentioned that there are three major initiatives funded out of the pension trust fund aside from TEAM: the eRecords Project, and the financial and HR systems that will be undertaken in the next biennium, starting in September. Mr. Green stated that TEAM expenditures were trending downward, and noted that some TEAM transition costs are anticipated in the future. Mr. Green briefly discussed capital projects, highlighting the Centralized Accounting and Personnel System and building renovations. Mr. Green stated that commission credits remain the same. He noted the call center contract to handle the potential increased call volume from members in response to the major changes in their health care plans. Mr. Green recognized his team for their role in putting together the budget. Mr. Green highlighted the general provisions, and noted suggested technical word changes within the general provisions.

On a motion by Mr. Moss, seconded by Ms. Charleston, the Board unanimously adopted the Fiscal Year 2018 administrative operations budget for the pension trust TRS health benefits funds, retired and active plans, including the long-term insurance program and the 403(b) certification program as presented by staff, and the general provisions as provided by staff.

On a motion by Mr. Moss, seconded by Dr. Gibson, the Board unanimously adopted the following resolution authorizing staff to transfer pension trust funds to the TRS expense account for pension administration operations expenses under the approved fiscal year 2018 budget.

**RESOLUTION AUTHORIZING EXPENDITURE AND TRANSFER OF TRUST FUNDS FOR PENSION
TRUST FUND ADMINISTRATIVE OPERATIONS**

JULY 13, 2017

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

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

Whereas, Rider 17, "Contingent Appropriation of Pension Trust Funds for GASB Statement Implementation," of the TRS bill pattern in the State General Appropriations Act, 85th Legislature provides that upon a finding of fact by the TRS board that additional resources are necessary to implement accounting guidelines related to Governmental Accounting Standards Board statements and pronouncements, the TRS is appropriated additional funds from the Pension Trust Fund (960) for fiscal year 2018; now, therefore be it;

Resolved, That the board finds the expenditure of pension trust funds for operating expenses in Fiscal Year 2018 is required to perform the fiduciary duties of the board in administering the retirement system in the amount of \$128,543,186, as approved today in the Fiscal Year 2018

Budget and General Provisions for the Pension Trust Fund Administrative Operations, plus such additional amounts as may be necessary for the following expenditures:

- To pay the actual amount of performance incentive compensation payable in Fiscal Year 2018, if any; and
- To pay expenses incurred for the TEAM Program in Fiscal Year 2018 with any unexpended TEAM Program capital budget funds reappropriated in accordance with Section 14.03(i) of Article IX of the General Appropriations Act for the 2018-2019; and
- To achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by such General Provisions adopted by the board; and to implement GASB statements; and

Resolved, That the staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the retirement system under the approved budget for Fiscal Year 2018, but not to exceed the amount of \$128,543,186 plus, any additional amounts necessary to pay performance incentive compensation payable in Fiscal Year 2018 and, as applicable, to achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by the General Provisions adopted by the board.

10. Consider the engagement of a provider of pension fund actuarial consulting and related services including considering a finding that deliberating or conferring on the selection of the actuarial consultant in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Rebecca Merrill.

Mr. Guthrie stated that TRS was going through the procurement process of awarding a new contractor for pension actuarial services or continuing with the existing provider. Ms. Rebecca Merrill stated that every four years state law requires that the Board rebid the contract for pension actuary. Ms. Merrill said TRS received two RFP responses. Ms. Merrill outlined the selection process staff used in making its recommendation for the pension actuary. Ms. Merrill stated that based on the selection process, staff recommended that the Board authorize the Executive Director to enter into negotiations with Gabriel, Roeder, Smith & Company (GRS).

Ms. Merrill answered several questions in response to the recommendation from the Board. In response to Dr. Gibson's question, Ms. Merrill noted that there are provisions within the proposed contract that specify how the pension actuary selected is to perform in their evaluation and pension consulting services.

On a motion by Ms. Charleston, seconded by Mr. Moss, the Board unanimously voted to adopt the following resolution selecting GRS as pension fund actuarial consultant and authorizing staff to negotiate and execute a contract with the same firm:

**TEACHER RETIRMENT SYSTEM OF TEXAS
BOARD RESOLUTION**

RESOLUTION REGARDING THE SELECTION AND PAYMENT OF PENSION ACTUARY

JULY 13, 2017

Whereas, Section 825.206(a) of the Government Code and TRS Bylaws subsection 1.7(o) provides that the Board of Trustees (Board) of the Teacher Retirement System of Texas (TRS) shall select, designate, and evaluate an actuary as its technical advisor;

Whereas, Section 825.206(c) of the Government Code provides that the Board shall redesignate its actuary every four years after advertising for and reviewing proposals from providers of actuarial services;

Whereas, Section 825.101 of the Texas Government Code states that the Board is responsible for the general administration and operation of the retirement system and its assets, and Section 825.103 of the Texas Government Code provides that the Board has exclusive authority over the purchase of goods and services when using trust funds, including the purchase of actuarial valuation and pension consulting services;

Whereas, TRS Bylaws subsections 5.6(b) and 5.6(e) delegate authority to the TRS executive director to contract for the purchase of services and the execution of vouchers for payments, in accordance with actions of the Board;

Whereas, TRS conducted a competitive procurement for actuarial valuation and pension consulting services;

Whereas, The Board wishes to authorize the executive director to enter into a contract for actuarial valuation and pension consulting services; now, therefore be it

Resolved, That the Board, pursuant to Section 825.206 of the Texas Government Code, hereby authorizes the executive director or the deputy director of TRS to negotiate, with the assistance and advice of legal counsel, a contract with Gabriel, Roeder, Smith & Company (GRS) to provide actuarial valuation and pension consulting services for the TRS pension fund; and

Resolved, That, if negotiations are deemed in his or her discretion to be successful, then the executive director or the deputy director is hereby authorized to execute a contract on such terms and conditions as such officer may deem, in his or her discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including all future extensions or amendments to the contract, that such officer may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to incur, approve and pay any budgeted expenses or costs reasonably necessary or advisable with respect to such contract or amendments.

11. Consider the engagement of a provider of fiduciary counsel and related services including a finding that deliberating or conferring on the selection of the fiduciary counsel in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Carolina de Onís.

Mr. Guthrie stated that every four years TRS goes through the procurement process of selecting fiduciary counsel. Ms. de Onís stated that there were five responses to the Request for Qualifications (RFQ) for fiduciary counsel, and three of the five were asked to present at the Board meeting.

The Board heard presentations from Jackson Walker, Reinhart Boerner Van Deuren s.c., and Squire Patton Boggs regarding the selection of fiduciary counsel and related services.

On a motion by Ms. Ramirez, seconded by Mr. Elliott, the Board unanimously found that deliberating or conferring in an open meeting about the selection of fiduciary counsel would have a detrimental effect on TRS's position in negotiation with a third person.

At 1:33 p.m., Mr. Kelly announced without objection that the Board meeting would go into executive session under Section 825.115(e) of the Government Code to discuss agenda item 11.

At 2:18 p.m., Mr. Kelly reconvened the Board in open session.

On a motion by Mr. Moss, seconded by Mr. Corpus, the Board unanimously voted to adopt the following resolution selecting Reinhart Boerner Van Dueren s.c. as fiduciary counsel and authorizing staff to negotiate and execute a contract with the same firm.

**TEACHER RETIRMENT SYSTEM OF TEXAS
BOARD RESOLUTION**

RESOLUTION REGARDING THE SELECTION AND PAYMENT OF FIDUCIARY COUNSEL

JULY 13, 2017

Resolved, That the Board of Trustees (the "board") of the Teacher Retirement System of Texas ("TRS") hereby selects the law firm of Reinhart Boerner Van Deuren s.c. to serve as fiduciary counsel; and

Resolved, That the board authorizes the Executive Director or a designee to negotiate an outside counsel contract with fiduciary counsel for a term of two fiscal years commencing on September 1, 2017, having determined that the firm provides the best overall value to TRS for the required services, and to obtain approval from the Office of the Attorney General ("OAG") for the engagement of such outside counsel; and, if negotiations are deemed by the Executive Director in his discretion to be successful, then the Executive Director is hereby authorized to execute such contract, including future amendments, with fiduciary counsel on such terms and conditions as the Executive Director may deem in his discretion to be in the best interest of TRS, and further 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, or his designee, to be reasonably necessary or advisable with respect to such contract; and

Resolved, That the board authorizes the Executive Director or a designee, prior to August 31, 2019, to seek the necessary approval from the OAG to engage fiduciary counsel under a new contract for the FY2020-FY2021 biennium without issuing another Request for Qualifications for services to be performed between now and August 31, 2021 if the board determines that another two-year contract with the fiduciary counsel engaged under this Resolution will continue to provide the best overall value for TRS.

12. Receive an update on the TEAM Program – Brian Guthrie and Chet Henry.

Mr. Guthrie provided an update regarding the progress of the TEAM program. He walked through the timeline stating TRS is 81 days from the October 2 “Go Live” date for Phase One. He said the program was making good progress. Mr. Guthrie thanked everyone working on the program for their hard work. Mr. Guthrie reviewed the transparency report. He stated that Phase One is tracking as hoped. Mr. Guthrie said that although Phase Two is in the development phase, the primary priority is Phase One. Mr. Ken Welch highlighted the feedback loop embedded within the training process.

Mr. Guthrie reviewed some of issues and risks. He noted that the level of defects is below the target point. Mr. Guthrie stated that the primary focus was on getting Severity 1 and Severity 2 defects down to zero by the User Acceptance Testing exit. He said that Severity 3 and Severity 4 defects will be addressed, most likely after the “Go Live” date because those defects would not hamper the ability to do business like Severity 1 and Severity 2 defects could. Mr. Guthrie stated that they continue to work closely with DXC to ensure that TEAM is completed according to schedule.

Mr. Guthrie stated that there is a certification process for reporting entities that would help ensure that they would be able to communicate with TRS using the new system. He noted that only about seven reporting entities were uncertified out of 1,316 total reporting entities.

13. Discuss the Executive Director’s report on the following – Brian Guthrie:

- 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, 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.**

Mr. Guthrie provided general updates about the agency. He noted a few upcoming conferences and meetings. Mr. Guthrie provided a brief overview of the Executive Council retreat, stating it was a productive meeting.

Mr. Guthrie highlighted a few recent agencywide events. Mr. Guthrie noted that he and Ms. Katrina Daniel were invited to the Texas Retired Teachers Association (TRTA) headquarters to do a Facebook Live event with Mr. Tim Lee regarding changes made to TRS-Care. The issues discussed during this event were in response to Mr. Lee's testimony to the Board in June. Mr. Guthrie discussed the All Hands meetings. Mr. Guthrie noted that the meetings were held to provide an opportunity for the TRS employees to get to know him better, as well as to inform staff about updates in legislation, TEAM, and other initiatives. Mr. Guthrie stated that as a follow up to the All Hands meetings, he and Mr. Welch are having one-on-one meetings with different groups in the agency in order to facilitate an exchange of ideas. Mr. Guthrie provided a brief legislative update about the upcoming special session. He noted items on the Governor's special-session call list that were relevant to TRS.

Mr. Guthrie outlined a few goals that he would be presenting to the Board in September. The goals relate to sustaining a financially sound pension system, improving benefit delivery, successfully implementing health care changes and effectively communicating those changes, and aligning people, processes and technology to achieve TRS' overall mission.

Mr. Guthrie reviewed upcoming agenda items for the August and September meetings.

14. 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.

This agenda item was not taken up.

At 3:08 p.m., on a motion by Ms. Ramirez, seconded by Mr. Colonna, the Board unanimously voted to adjourn.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM
ON THE 25TH DAY OF AUGUST, 2017.

ATTESTED BY:

Katherine H. Farrell
Secretary of the TRS Board of Trustees

Date

TAB 5



TEAM PROGRAM UPDATE



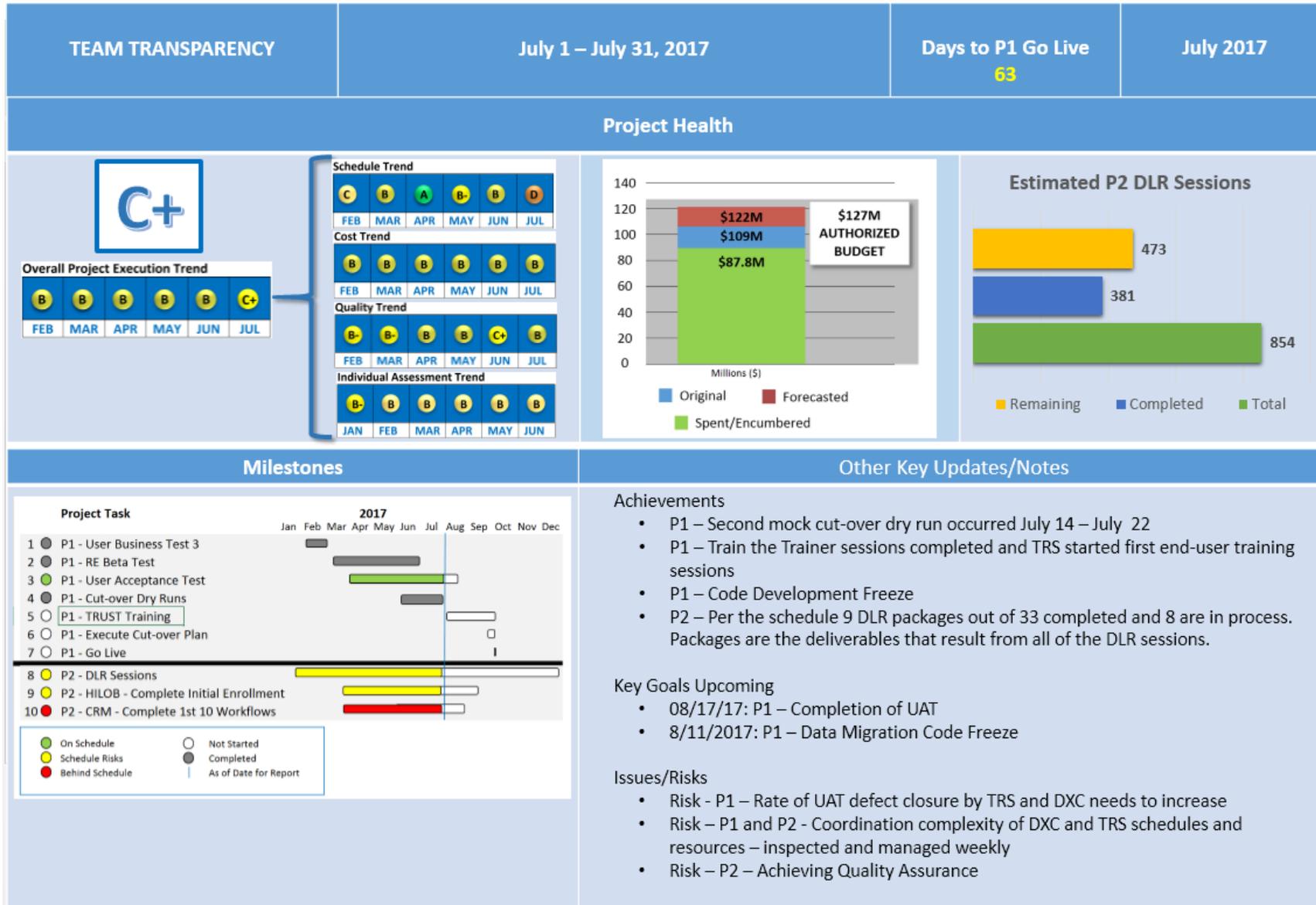
TEAM TIMELINE – KEY MILESTONES PHASE 1



As of 8/25
39 Days

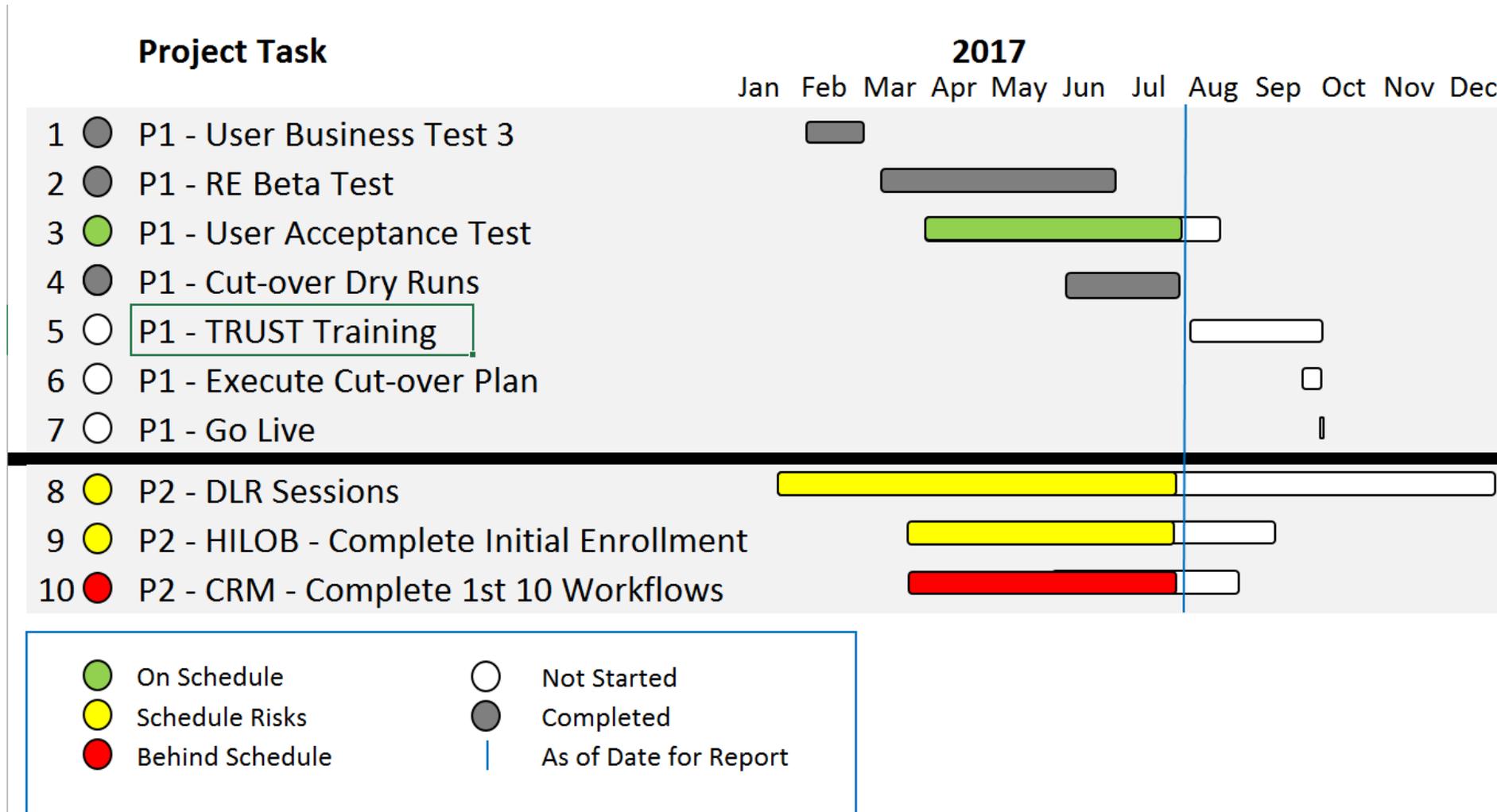


TEAM PROGRAM - Summary



TEAM PROGRAM – Near Term Goals

Near Term Goals and Progress



Issues/Risks

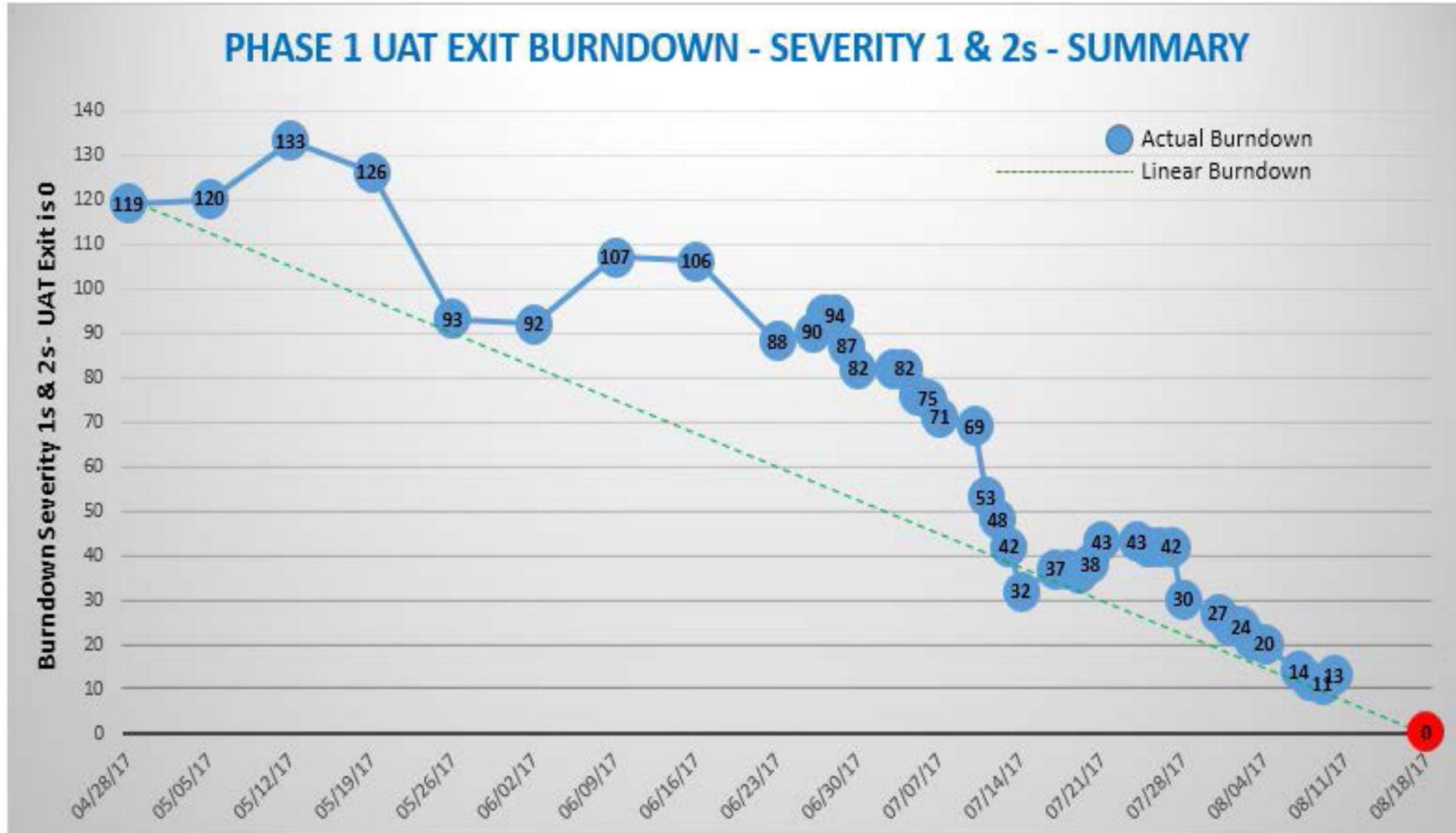
- P1 – Rate of UAT defect closure by both TRS and DXC needs to increase

Improvements

- Burn-down charts monitored daily
- Combined staff focusing on defect closure

TEAM PROGRAM – Issues/Risks

Example UAT Defect Closure Burn-down Chart



TEAM PROGRAM – Issues/Risks

Issues/Risks

- P1/P2 - Coordinating DXC and TRS schedules and resources is critical for TEAM program success.

Improvements

- Joint meetings
- Increased resource management

Issues/Risks

- P2 – Achieving Quality Assurance

Improvements

- Early user test case development
- Better coordination of test case development between TRS and DXC

TEAM PROGRAM – Issues/Risks

QUESTIONS?

TAB 6



Executive Director's Report, Brian Guthrie

August 25, 2017



- General Updates.
- Special Session.
- Upcoming Board Agendas.

General Updates

Past Conferences and Meetings:

- July 19th: Public / Private SPN; New York, NY.
- July 23-26th: NCTR 17th Annual Trustee Workshop; Boston, MA.
- August 5-9th: NASRA Annual Conference; Baltimore, MD.

Upcoming Conferences and Meetings:

- September 11-13th: ERM Forum; Austin, TX
- October 7-11th: NCTR Annual Convention; Tuscon, AZ
- November 29-30th: TRS SPN Summit; Austin, TX

Proposed CY 2018 Meeting Dates:

- **February 14-16, 2018**
- **April 19-20, 2018**
- **June 14-15, 2018**
- **July 27, 2018**
- **September 20-21, 2018**
- **October 19, 2018**
- **December 13-14, 2018**

Special Session

85th-1 Special Session

- A total of 560 bills and joint resolutions were filed in both the House and Senate during the 85th-1st called Special Legislative Session. Of those, 12 passed both chambers and were sent to the Governor.
- HB 21 relating to the public school finance system and HB 30 relating to supplemental appropriations to TEA both included an appropriation of \$212 million to provide relief to every participant in TRS-Care.
- The bills provided that TRS use the supplemental funding to decrease premiums, deductibles, and reduce costs for an enrolled adult child with a mental disability or a physical incapacity for the 2018 and 2019 plan years. TRS must determine the most efficient allocation to achieve the maximum benefit for participants in TRS-Care.

85th-1 Special Session – Plan Design Changes

Non-Medicare Retirees

Reduce deductible:

Legislative intent is to reduce the health care deductible in the 2018-2019 plan years for non-Medicare retirees.

Non-Medicare Retiree/Family Deductibles

From \$3,000/\$6,000 to **\$1,500/\$3,000**

Reduce maximum out-of-pocket:

Legislative intent is to reduce the maximum out-of-pocket for non-Medicare retirees in the 2018-2019 plan years.

Non-Medicare Retiree/Family Maximum Out-of-Pocket

From \$6,650/\$13,300 to **\$5,650/\$11,300**

85th-1 Special Session – Plan Design Changes

Medicare Retirees

Reduce premiums:

Legislative intent is to reduce premiums by **\$11** for all Medicare retirees in the 2018-2019 plan years.

Medicare Retirees

Medicare Retiree from \$146 to **\$135**

Medicare Retiree & Spouse from \$590 to **\$529***

Medicare Retiree & Child(ren) from \$504 to **\$468***

Medicare Retiree & Family from \$1,106 to **\$1,020***

**Reductions are cumulative*

85th-1 Special Session – Plan Design Changes

Dependents of Non-Medicare and Medicare retirees

Reduce premiums for retirees with adult disabled children: TRS-Care has approximately 570 adult incapacitated children of TRS retirees. Legislative intent is to reduce the premiums by **\$200** per month in the 2018-2019 plan years.

Retirees with adult disabled children

Non-Medicare Retiree & Child(ren) from \$433 to **\$208***

Non-Medicare Retiree & Family from \$1,074 to **\$799***

Medicare Retiree & Child(ren) from \$504 to **\$268***

Medicare Retiree & Family from \$1,106 to **\$820***

Reduce premiums for covered children: Legislative intent is to reduce premiums by **\$25** for all children covered in both plans in the 2018-2019 plan years.

Non-Medicare Retiree & Child(ren) from \$433 to **\$408**

Non-Medicare Retiree & Family from \$1,074 to **\$999***

Medicare Retiree & Child(ren) from \$504 to **\$468***

Medicare Retiree & Family from \$1,106 to **\$1,020***

Reduce premiums for Spouses: Legislative intent is to reduce premiums by **\$50** for spouses in both plans in the 2018-2019 plan years.

Non-Medicare Retiree & Spouse from \$739 to **\$689**

Non-Medicare Retiree & Family from \$1,074 to **\$999***

Medicare Retiree & Spouse from \$590 to **\$529***

Medicare Retiree & Family from \$1,106 to **\$1,020***

**Reductions are cumulative*



85th-1 Special Session- Premiums

Current Premiums	85R Legislature Illustrative Retiree Premiums		85-1 Legislature Illustrative Premiums	
Prior to January 1, 2018	Calendar Year 2018	Calendar Year 2019	Calendar Year 2018	Calendar Year 2019
<p><u>Non-Medicare Retirees</u> Retiree Only = \$0 - \$310 Retiree & Spouse = \$30 - \$665 Retiree & Child(ren) = \$28 - 392 Retiree & Family = \$58 - \$747</p> <p><u>Medicare B Only Retirees</u> Retiree Only = \$0 - \$245 Retiree & Spouse = \$25 - \$600 Retiree & Child(ren) = \$34 - \$327 Retiree & Family = \$59 - \$682</p> <p><u>Medicare A&B Retirees</u> Retiree Only = \$0 - \$110 Retiree & Spouse = \$20 - \$465 Retiree & Child(ren) = \$41 - \$192 Retiree & Family = \$61 - \$547</p>	<p><u>Non-Medicare Retirees</u> Retiree Only = \$200 Retiree & Spouse = \$739 Retiree & Child(ren) = \$433 Retiree & Family = \$1,074</p> <p><u>Medicare Retirees</u> Retiree Only = \$146 Retiree & Spouse = \$590 Retiree & Child(ren) = \$504 Retiree & Family = \$1,106</p> <p><u>Current Disability Retirees not eligible for Medicare</u> Retiree Only = \$0 Retiree & Spouse = \$539 Retiree & Child(ren) = \$233 Retiree & Family = \$874</p>	<p><u>Non-Medicare Retirees</u> Retiree Only = \$250 Retiree & Spouse = \$789 Retiree & Child(ren) = \$483 Retiree & Family = \$1,124</p> <p><u>Medicare Retirees</u> Retiree Only = \$146 Retiree & Spouse = \$590 Retiree & Child(ren) = \$504 Retiree & Family = \$1,106</p> <p><u>Current Disability Retirees not eligible for Medicare</u> Retiree Only = \$0 Retiree & Spouse = \$539 Retiree & Child(ren) = \$233 Retiree & Family = \$874</p>	<p><u>Non-Medicare Retirees</u> Retiree Only = \$200 Retiree & Spouse = \$689 Retiree & Child(ren) = \$408 Retiree & Family = \$999</p> <p><u>Medicare Retirees</u> Retiree Only = \$135 Retiree & Spouse = \$529 Retiree & Child(ren) = \$468 Retiree & Family = \$1,020</p> <p><u>Current Disability Retirees not eligible for Medicare</u> Retiree Only = \$0 Retiree & Spouse = \$489 Retiree & Child(ren) = \$208 Retiree & Family = \$799</p> <p><u>Retirees with adult disabled children</u> Non-Medicare Retiree & Child(ren) = \$208 Non-Medicare Retiree & Family = \$799 Medicare Retiree & Child(ren) = \$268 Retiree & Family = \$820</p>	<p><u>Non-Medicare Retirees</u> Retiree Only = \$250 Retiree & Spouse = \$739 Retiree & Child(ren) = \$458 Retiree & Family = \$1,049</p> <p><u>Medicare Retirees</u> Retiree Only = \$135 Retiree & Spouse = \$529 Retiree & Child(ren) = \$468 Retiree & Family = \$1,020</p> <p><u>Current Disability Retirees not eligible for Medicare</u> Retiree Only = \$0 Retiree & Spouse = \$489 Retiree & Child(ren) = \$208 Retiree & Family = \$799</p> <p><u>Retirees with adult disabled children</u> Non-Medicare Retiree & Child(ren) = \$258 Retiree & Family = \$849 Medicare Retiree & Child(ren) = \$268 Retiree & Family = \$820</p>

85th-1 Special Session- Medical Plan Design

	TRS-Care 1	TRS-Care 2	TRS-Care 3	Medicare Advantage for TRS-Care 2	Medicare Advantage for TRS-Care 3	85R-Legislature Standard Plan	85R-Legislature Medicare Advantage Plan	85-1 Legislature Proposed Standard Plan	85-1 Legislature Proposed Medicare Advantage Plan- <u>NO CHANGES</u>
Eligibility	All retirees			Retirees with both Medicare Part A & B		Non-Medicare Retirees (under age 65)	All Medicare Retirees (age 65 and older)	Non-Medicare Retirees (under age 65)	All Medicare Retirees (age 65 and older)
Deductible In-Network	\$2,350 Parts A&B \$3,900 Part B Only \$5,250 Non-Medicare	\$1,300	\$400	\$500	\$150	\$3,000 individual \$6,000 family	\$500	\$1,500 individual \$3,000 family	\$500
Maximum Out-of-Pocket In-Network	\$6,250 Parts A&B \$7,800 Part B Only \$8,250 Non-Medicare	\$5,800	\$4,900	\$3,500	\$3,150	\$6,650 individual \$13,300 family	\$3,500	\$5,650 individual \$11,300 family	\$3,500
Coinsurance	80%/20% (after deductible is met) Preventative services such routine physical exam, cancer screenings, flu shot covered at 100%	80%/20% (after deductible is met)	80%/20% (after deductible is met)	95%/5%	95%/5%	80%/20% (after deductible is met) Preventative services such routine physical exam, cancer screenings, flu shot covered at 100% \$40 Teladoc consultation: Board-certified doctors diagnose, treat and write prescriptions via phone or video, available 24/7	95%/5%	80%/20% (after deductible is met) Preventative services such routine physical exam, cancer screenings, flu shot covered at 100% \$40 Teladoc consultation: Board-certified doctors diagnose, treat and write prescriptions via phone or video, available 24/7	95%/5%
Inpatient Hospital Facility				\$500 copay per stay	\$250 copay per stay		\$500 copay per stay		
Outpatient Hospital Facility				\$250 copay	\$75 copay		\$250 copay		
Emergency Room				\$65 copay	\$50 copay		\$65 copay		
Urgent Care				\$35 copay	\$35 copay		\$35 copay		
Office Visits				Non-Medicare: \$35 copay Medicare: 80%/20% (after Medicare payment)	Non-Medicare: \$25 copay Medicare: 80%/20% (after Medicare payment)		\$5 Primary Care Physician \$10 Specialist		\$5 Primary Care Physician \$10 Specialist



Upcoming Agendas

Upcoming Board Agendas

September 21-22, 2017

Major Items Include:

Report on Q2 Earnings.

Set CY 2018 Board Meeting Dates.

Performance Incentive Pay Plan for Investments.

Adopt proposed rules for Chpts 23, 25, 31, 41 and 43

Review ED Goals and Objectives for FY18.

Committees:

Audit Committee.

Investment Management Committee.

Risk Management Committee.

Policy Committee.

Upcoming Board Agendas

October 27, 2017

Major Items Include:

TEAM update.

Adopt proposed amendments to 403(b) Rules.

Evaluate Performance of Bridgepoint as TEAM Program IPA Vendor.

Update on Records Management Project.

TAB 7

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

FROM: Don Green, Chief Financial Officer

DATE: August 25, 2017

SUBJECT: Annual Certification for Retiree Health Benefits Plan (TRS-Care)

The attached certification is required under Section 1575.209 of the Insurance Code. This annual certification provides that before August 31 of each year, the Board must certify to the Comptroller of Public Accounts the estimated amount of state contributions due the Texas Public School Retired Employees Group Insurance Program for the upcoming fiscal year under the appropriations authorized by law.

The certification amount totals \$795,729,797 which includes \$401,129,797 to meet the state contribution rate, \$182,600,000 in supplemental funding passed during the regular session and \$212,000,000 passed during the first called session in HB 21. The state contribution rate has increased from 1.0% to 1.25% due to the passage of HB 3976 relating to changes for TRS-Care.

STATE OF TEXAS

§

COUNTY OF TRAVIS

§
§

At its meeting on August 25, 2017, the Board of Trustees of the Teacher Retirement System, on a motion by _____, seconded by _____, voted to certify \$795,729,797 as the estimated amount of state contributions to be received by the retired school employees group insurance fund (TRS Care) for the 2018 fiscal year under the appropriations authorized by Chapter 1575 of the Insurance Code, the Texas Public School Retired Employees Group Benefits Program. This amount includes \$401,129,797 to increase the state contribution rate to 1.25% of active public school employee payroll plus a supplemental amount of \$182,600,000 as authorized in the General Appropriations Act (Senate Bill 1, 85th Legislature, Regular Session). The total referenced above includes an additional \$212,000,000 that was appropriated via HB 21 during the first called session.

This estimate of state contributions is required by Section 1575.209 of the Insurance Code.

SIGNED: _____
R. David Kelly
Chairman, Board of Trustees
August 25, 2017

SIGNED: _____
Brian Guthrie
Executive Director
August 25, 2017

Sec. 1575.209. CERTIFICATION OF AMOUNT OF STATE CONTRIBUTIONS. Not later than August 31 of each year, the trustee shall certify to the comptroller the estimated amount of state contributions to be received by the fund for the next fiscal year under the appropriations authorized by this chapter.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 3, eff. June 1, 2003. Amended by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.436, eff. Sept. 1, 2003.

TAB 8



ANNUAL HISTORICALLY UNDERUTILIZED BUSINESS (HUB) PROGRAM
STATUS REPORT FOR FY16 AND FY17

PRESENTED BY DON GREEN, CHIEF FINANCIAL OFFICER AND LATRESA
STROUD, DIRECTOR OF PROCUREMENT AND CONTRACTS

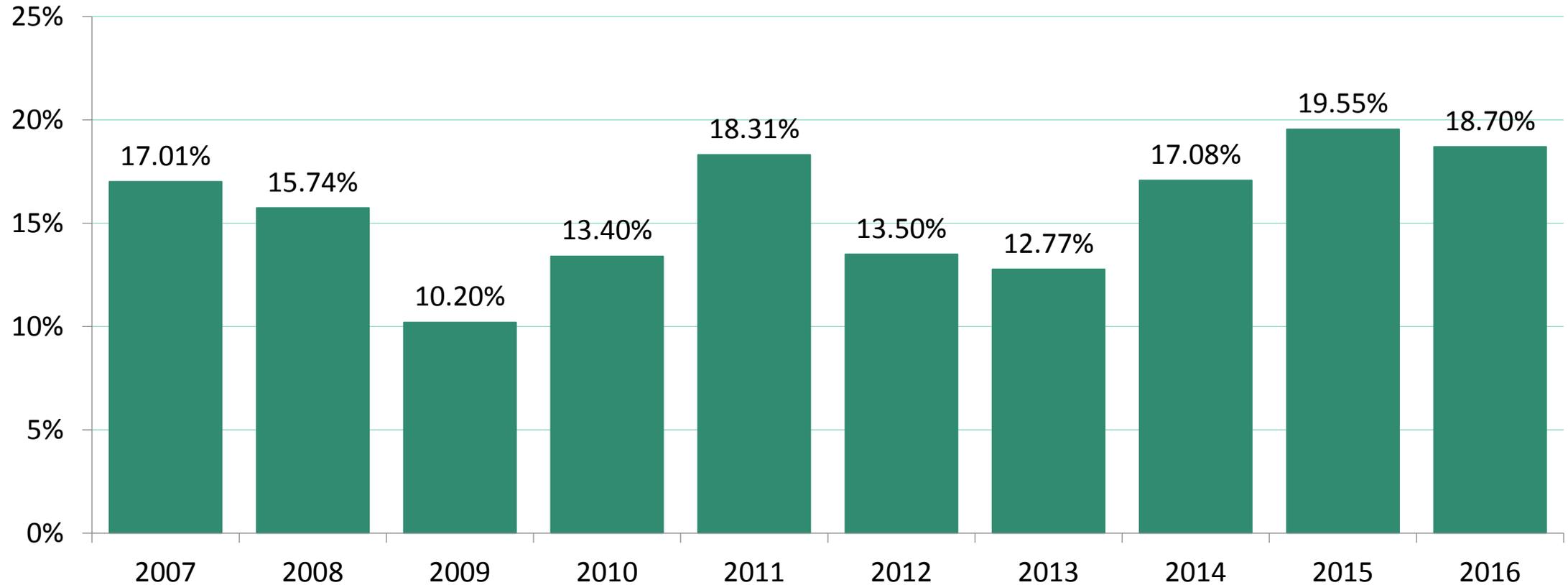
BOARD OF TRUSTEES MEETING, AUGUST 25, 2017



Historical Perspective

Over the last 10 years, TRS has averaged 15.63% HUB Utilization

TRS HUB Utilization 2007-2016



HUB Forums TRS Hosted and Participated In FY16 and FY17

Date of HUB Forum	Hosted By	City
February 18, 2016	TRS	Austin
April 17, 2016	Texas Department of Motor Vehicles	Austin
May 9-10, 2016	FY16 Senator Royce West Spot Bid Fair	Irving
June 27, 2016	Health and Human Services	Austin
April 12, 2017	TRS	Austin
May 8-9, 2017	FY17 Senator Royce West Spot Bid Fair	Irving

TRS HUB Goal Comparison Since FY14

	FY14 Goals	FY14 Actual	FY15 Goals	FY15 Actuals	FY16 Goals	FY16 Actuals	FY17 Goals	FY17 Actuals to Date	Proposed Goals for FY18
Commodities	35%	40.43%	45%	38.08%	40%	27.30%	40%	35.96%	40%
Other Services	15%	10.59%	15%	14.82%	15%	11.34%	15%	20.47%	15%
Professional Services	5%	4.69%	5%	6.93%	5%	0.00%	5%	2.34%	5%
Special Trade	25%	41.95%	35%	24.18%	40%	13.64%	40%	43.82%	40%

Proposed FY18 TRS HUB Goal Resolution

Whereas, TRS staff developed proposed HUB goals for fiscal year 2018 for the Board to consider; and

Whereas, The Board has received and discussed the proposed HUB goals, and the Board desires to adopt TRS' HUB goals for fiscal year 2018; now, therefore, be it

Resolved, That the Board hereby adopts the following HUB expenditure goals for fiscal year 2018:

- **Commodities - 40%**
- **Other Services – 15%**
- **Professional Services – 5%**
- **Special Trade – 40%**

Future Initiatives

TRS will continue to:

- Support and implement responsibilities as determined by Texas Comptroller of Public Accounts (CPA)
- Host the annual TRS HUB Forum and participate in local and selected statewide HUB events including CPA Forums
- Conduct one-on-one meetings with HUB vendors and assist with identifying business opportunities with TRS and other State agencies and assist vendors in becoming certified or re-certified as a Texas HUB
- Encourage vendor participation in the Mentor-Protégé Program
- Support and enhance the Emerging Managers program initiated by the Investments Division
- While TRS' initiatives, including subcontracting and attendance of HUB Economic Opportunity Forums, have been successful, TRS is committed to improving its outreach to HUBs to increase their utilization and success.

TRS Plan for HUB Participation and Support for FY18

- **TRS' HUB Program supports TRS' Strategic Plan Goal #5 to promote purchasing selection practices that foster meaningful and substantive inclusion of Historically Underutilized Businesses (HUBs) as follows:**
- **Strategy 1:** TRS continues to educate staff on HUB utilization goals as well as identifying and providing procurement opportunities to HUBs.
- **Tactic 1:** TRS voluntarily complies with the Comptroller's HUB Program guidelines on soliciting HUB vendors.
- **Tactic 2:** When Subcontracting opportunities are identified for purchases over \$100,000, TRS requires vendors to submit completed HUB Subcontracting Plans with their response.
- **Tactic 3:** TRS attempts to maximize HUB opportunities under existing statewide contracts.
- **Tactic 4:** TRS has and will continue to attend HUB forums to broaden HUB outreach.
- **Tactic 5:** TRS will host our annual HUB forum in early spring of 2018.

Conclusion

- Since the inception of the HUB Program, TRS' HUB utilization percentages have fluctuated from 1.25% in FY 1992 up to a high point of 25.83% in FY 2000.
- Over the last 10 years, the average overall HUB utilization for TRS has been 15.63%.
- TRS recognizes the importance of the HUB program and develops initiatives to promote and increase HUB opportunities. TRS is committed to achieving established goals and making a good faith effort in all areas.

Appendix A – HUB Definition

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

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

TAB 9



TRS-Care Rates and Benefits for FY2018

Katrina Daniel, Bill Hickman and Amy Cohen

August 25, 2017





85th Legislature Special Session

- **HB 21 and HB 30**

- Appropriation of \$212 million to provide relief to every participant in TRS-Care
- **Non-Medicare Retirees**
 - Reduce deductible: Legislative intent is to reduce the health care deductible in the 2018-2019 plan years for non-Medicare retirees.
 - Non-Medicare Retiree/Family Deductibles from \$3,000/\$6,000 to \$1,500/\$3,000
 - Reduce maximum out-of-pocket: Legislative intent is to reduce the maximum out-of-pocket for non-Medicare retirees in the 2018-2019 plan years.
 - Non-Medicare Retiree/Family Maximum Out-of-Pocket From \$6,650/\$13,300 to \$5,650/\$11,300
- **Medicare Retirees**
 - Reduce premiums: Legislative intent is to reduce premiums by \$11 for all Medicare retirees in the 2018-2019 plan years.
- **Dependents of Non-Medicare and Medicare retirees**
 - Reduce premiums for retirees with adult disabled children: Legislative intent is to reduce the premiums by \$200 per month in the 2018-2019 plan years.
 - Reduce premiums for covered children: Legislative intent is to reduce premiums by \$25 for all children covered in both plans in the 2018-2019 plan years.
 - Reduce premiums for Spouses: Legislative intent is to reduce premiums by \$50 for spouses in both plans in the 2018-2019 plan years.



TRS-Care

July 2017 Enrollment

Medicare Status	Relationship to Insured	Care-1	Care-2	Care-3	Medicare Advantage for Care-2	Medicare Advantage for Care-3	Total
Medicare A&B	Retirees	12,740	5,601	35,494	12,796	73,319	139,950
	Dependents	1,143	2,001	7,716	5,932	19,976	36,768
Medicare B Only	Retirees	8,062	1,214	5,466	0	0	14,742
	Dependents	65	115	131	0	0	311
Non-Medicare	Retirees	4,791	32,225	16,996	0	0	54,012
	Dependents	1,221	14,324	7,276	0	0	22,821
Total		28,022	55,480	73,079	18,728	93,295	268,604



TRS-Care Plan Year 2018 Rates and Benefits Recommendation

Medicare Status of Participant	FY2017 through December 31, 2017	Plan Year 2018 as adopted in June 2017	Plan Year 2018 revised recommendation based on Legislative changes
Non-Medicare	TRS-Care 1 TRS-Care 2 TRS-Care 3	<p style="text-align: center;"><u>TRS-Care Standard</u></p> <p style="text-align: center;"><u>In-Network</u> \$3,000/\$6,000 Deductible \$7,150/\$14,300 Maximum Out-of-Pocket 80/20% Coinsurance</p> <p style="text-align: center;"><u>Out-of-Network</u> \$6,000/\$12,000 Deductible \$14,300/\$28,600 Maximum Out-of-Pocket 60/40% Coinsurance</p>	<p style="text-align: center;"><u>TRS-Care Standard</u></p> <p style="text-align: center;"><u>In-Network</u> \$1,500/\$3,000 Deductible \$5,650/\$11,300 Maximum Out-of-Pocket 80/20% Coinsurance</p> <p style="text-align: center;"><u>Out-of-Network</u> \$3,000/\$6,000 Deductible \$11,300/\$22,600 Maximum Out-of-Pocket 60/40% Coinsurance</p>
Medicare Part B Only	TRS-Care 1 TRS-Care 2/Part D-2 TRS-Care 3/Part D-3	<p style="text-align: center;"><u>TRS-Care Medicare Advantage/Medicare Part D Plan</u></p> <p style="text-align: center;">\$500 Deductible \$3,500 Maximum Out-of-Pocket 95/5% Coinsurance \$500 IP Hospital copay per stay \$250 OP Hospital copay per visit \$65 ER copay \$35 Urgent Care copay \$5 PCP Office Visit copay \$10 Specialist Office Visit copay \$0 Preventive Services copay \$5/\$25/\$50 Retail Pharmacy copay \$15/\$70/\$125 Mail Order Pharmacy copay</p>	<p style="text-align: center;"><u>TRS-Care Medicare Advantage/Medicare Part D Plan</u></p> <p style="text-align: center;">No changes</p>
Medicare Parts A & B	TRS-Care 1 TRS-Care 2/Part D-2 TRS-Care 3/Part D-3 MA for TRS-Care 2/Part D-2 MA for TRS-Care 3/Part D-3		

▪ TRS will make an alternative plan available for certain participants who are Medicare eligible but not enrolled in either Medicare Part A or Medicare Part B, or cannot access a provider through the TRS-Care Medicare Advantage plan.





TRS-Care Plan Year 2018

Rates and Benefits Recommendation

	FY2017 September 1, 2016 – December 31, 2017					CY2018 as adopted in June 2017		CY2018 revised recommendation based on Legislative changes	
	TRS-Care-1	TRS-Care-2	TRS-Care-3	MA for TRS-Care-2	MA for TRS-Care-3	TRS-Care Standard	TRS-Care Medicare Advantage Plan	TRS-Care Standard	TRS-Care Medicare Advantage Plan
Deductible (Individual/Family)									
In-Network	Part A&B \$2,350/\$4,700	\$1,300/\$2,600	\$400/\$800	\$500	\$150	\$3,000/\$6,000	\$500	\$1,500/\$3,000	\$500
Out-of-Network	Part B Only \$3,900/\$7,800					\$6,000/\$12,000		\$3,000/\$6,000	
	Non-Medicare \$5,250/\$10,500								
Maximum Out-of-Pocket Limits (Individual/Family)									
In-Network	Part A&B \$6,250/\$12,500	\$5,800/\$11,600	\$4,900/\$9,800	\$3,500	\$3,150	\$7,150/\$14,300	\$3,500	\$5,650/\$11,300	\$3,500
Out-of-Network	Part B Only \$7,800/\$15,600					\$14,300/\$28,600		\$11,300/\$22,600	
	Non-Medicare \$8,250/\$16,500								
Coinsurance									
In-Network	80%/20%	80%/20%	80%/20%	95%/5%	95%/5%	80%/20%	95%/5%	80%/20%	95%/5%
Out-of-Network	60%/40%	60%/40%	60%/40%			60%/40%		60%/40%	

- TRS will make an alternative plan available for certain participants who are Medicare eligible but not enrolled in either Medicare Part A or Medicare Part B, or cannot access a provider through the TRS-Care Medicare Advantage plan.





TRS-Care Plan Year 2018

Rates and Benefits Recommendation

	FY2017 September 1, 2016 – December 31, 2017				CY2018 as adopted in June 2017		CY2018 revised recommendation based on Legislative changes	
	TRS-Care-2	TRS-Care-3	Medicare Part D for TRS-Care-2	Medicare Part D for TRS-Care-3	TRS-Care Standard	TRS-Care Medicare Part D Plan	TRS-Care Standard	TRS-Care Medicare Part D Plan
Retail Pharmacy								
Generic	\$13	\$13	\$5	\$5	80/20%	\$5	No changes	
Preferred Brand	\$40	\$30	\$25	\$20		\$25		
Non-Preferred Brand	\$65	\$50	\$50	\$40		\$50		
Retail Pharmacy – Maintenance Drugs								
Generic	\$23	\$23	Not applicable		80/20% (\$0 copay for certain generic preventive maintenance medications)	Not applicable	No changes	
Preferred Brand	\$50	\$40						
Non-Preferred Brand	\$75	\$60						
Mail Order/Retail 90 Pharmacy								
Generic	\$25	\$25	\$15	\$15	80/20% (\$0 copay for certain generic preventive maintenance medications)	\$15	No changes	
Preferred Brand	\$100	\$65	\$70	\$45		\$70		
Non-Preferred Brand	\$165	\$105	\$125	\$80		\$125		

- Prescription drug benefits for non-Medicare participants will be integrated with medical benefits and subject to the plan’s deductible and out-of-pocket maximums.
- Prescription drug benefits for Medicare participants will be provided through a Medicare Part D plan.





TRS-Care Plan Year 2018

Rates and Benefits Recommendation

- January 1, 2018 to December 31, 2018
 - Discontinue current retiree contribution schedule, including the \$0 premium plan option.
 - Implement retiree contribution schedule based on family size and Medicare status of the retiree.
 - Monthly contributions from non-Medicare retirees who are disabled as of 1/1/2017 will be \$0 for Retiree Only coverage beginning 1/1/2018 and ending when the retiree reaches Medicare status or 8/31/2021, whichever is earlier. Other coverage tiers will be reduced by \$200 per month.

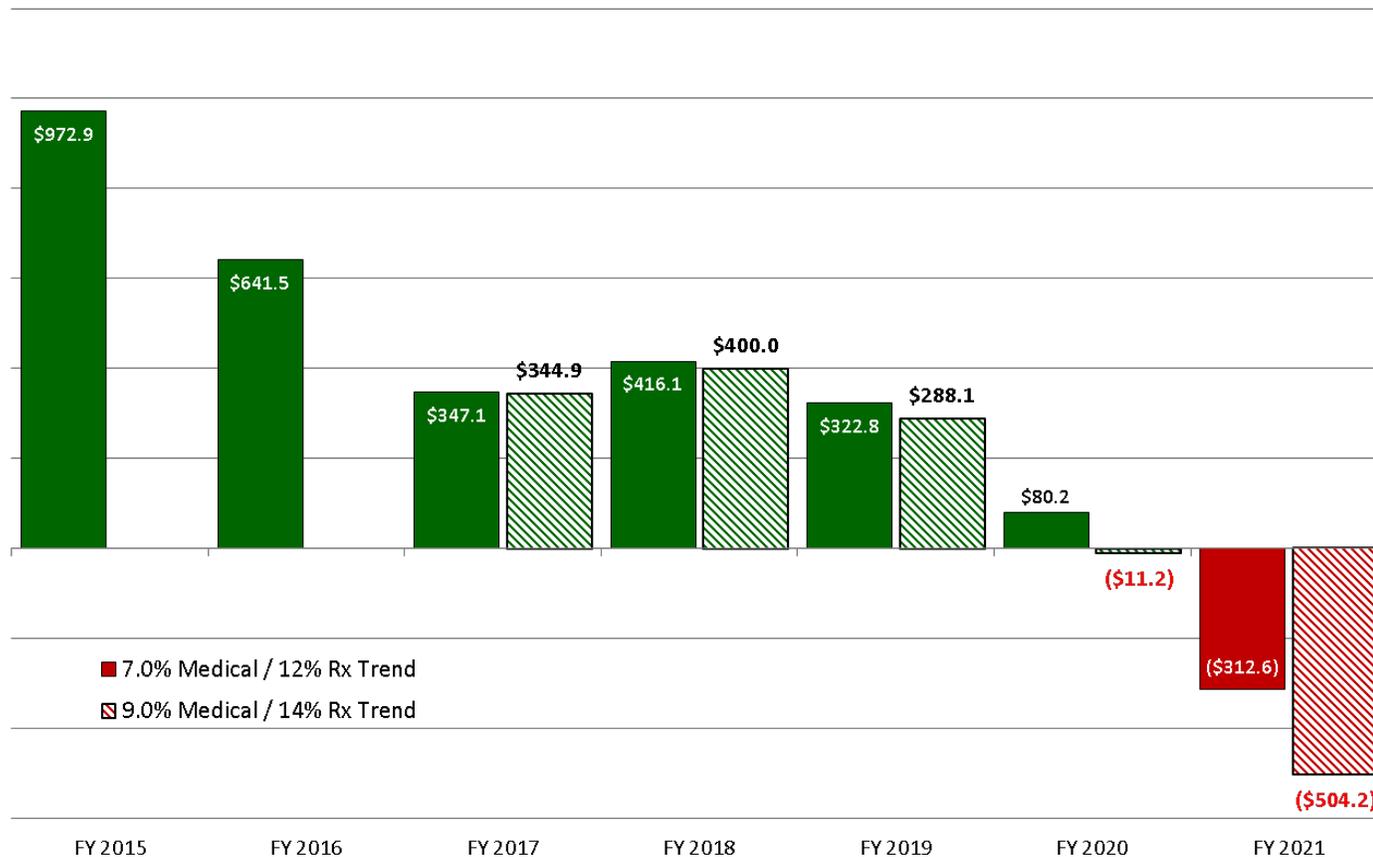
Coverage Tier	Current Premiums					Adopted Premiums Effective 1/1/2018		Revised Proposed Premiums Effective 1/1/2018	
	TRS-Care 1	TRS-Care 2	TRS-Care 3	Medicare Advantage for TRS-Care 2	Medicare Advantage for TRS-Care 3	TRS-Care Standard	TRS-Care Medicare Part D Plan	TRS-Care Standard	TRS-Care Medicare Part D Plan
Retiree/Surviving Spouse Only	\$0	\$60 – \$210	\$90 - \$310	\$45 – \$65	\$75 - \$95	\$200	\$146	\$200	\$135
Retiree & Spouse	\$20 - \$140	\$160 - \$450	\$235 - \$665	\$130 - \$305	\$205 - \$460	\$739	\$590	\$689	\$529
Retiree/Surviving Spouse & Child(ren)	\$28 - \$41	\$122 - \$272	\$172 - \$392	\$92 - \$257	\$142 - \$377	\$433	\$504	\$408	\$468
Retiree & Family	\$58 - \$168	\$222 - \$512	\$317 - \$747	\$177 - \$497	\$272 - \$732	\$1,074	\$1,106	\$999	\$1,020
Surviving Child(ren)	\$28	\$62	\$82	\$47	\$67	\$233	\$233	\$208	\$208





TRS-Care Funding Projection

Projected Fund Balance as of June 30, 2017
(Incurred Basis in Millions)



Benefit and premium changes resulting from the special session of the legislature is projected to increase the FY2021 shortfall by \$212M with no further rate and benefit adjustments by the board for the 2019 plan year.

*Due to the volatility of future health care costs, projected fiscal years are also shown assuming actual medical and pharmacy trends exceed current trend levels by 2 percentage points.



Medicare Advantage Network

- Questions about whether their doctor will accept the plan
- FAQs on the TRS website
- News article “Think you doctor won’t accept the Medicare Advantage plan?”
- Flyer in their enrollment kit for them to give to their doctor that explains the plan
- Outreach to providers

Before deciding on the new Medicare Advantage plan, TRS worked with Humana to survey providers who our members already see.

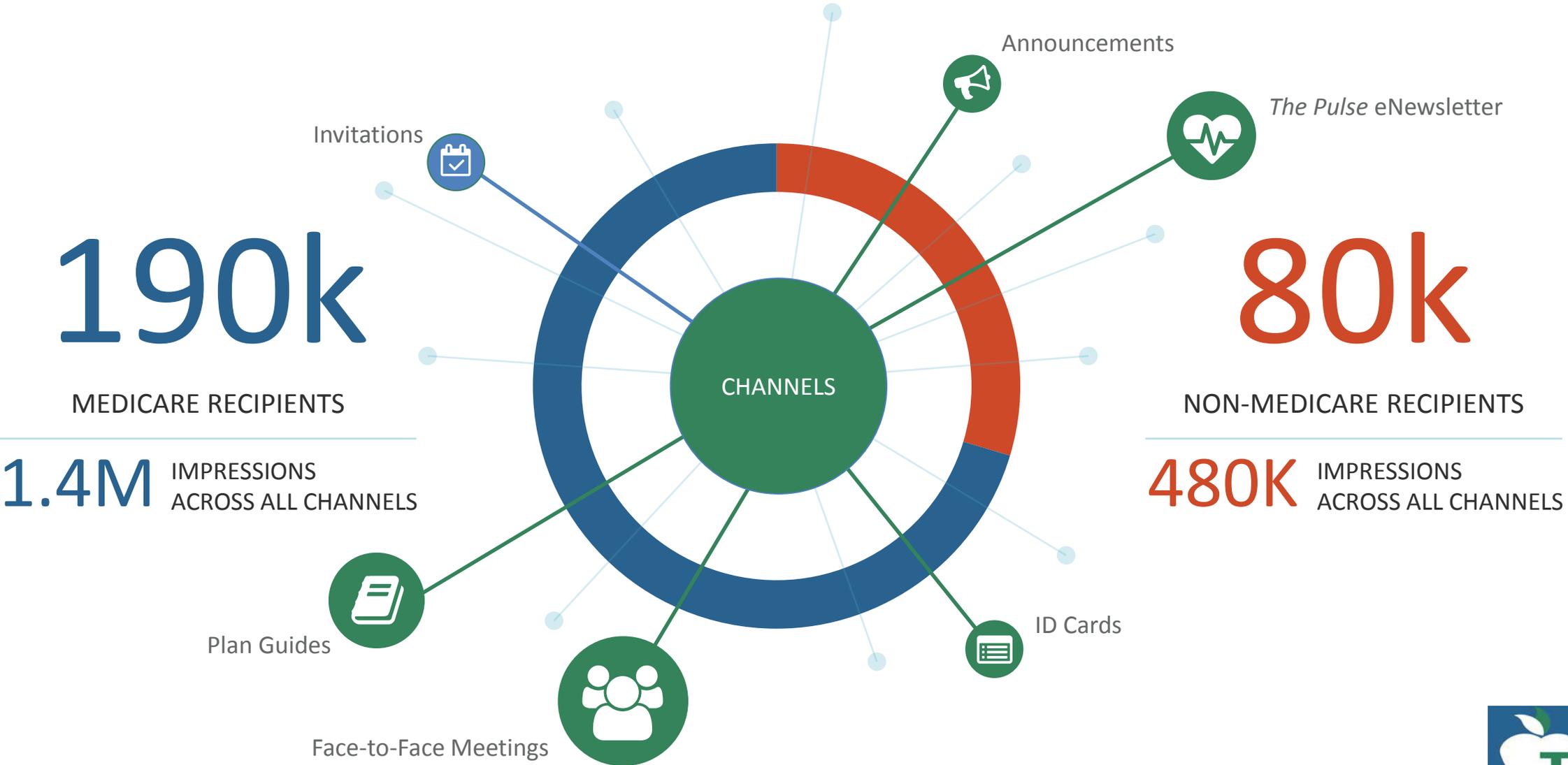
WE FOUND

96%

of doctors for those already on MA in 2017 accepted the plan or were willing to bill Humana



Communications Impact



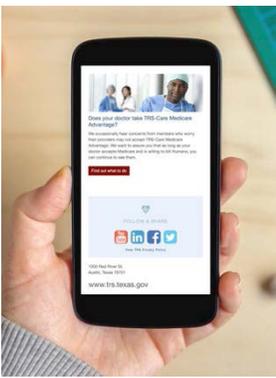
COMMUNICATIONS TIMELINE

May

June



Introduced *The Pulse* newsletter for TRS-Care



The Pulse – announced 2018 plan changes



Content announcing 2018 plan changes posted on TRS website immediately following TRS Board meeting



Retirement sessions and Benefits Administrator trainings around the state included content on plan changes





COMMUNICATIONS TIMELINE

July



CVS website for TRS-Care Standard plan launched on July 1



The Pulse – Highlighted a new FAQ with answers about upcoming TRS-Care changes



Launched new Health Care Benefits landing page with content targeting groups based on their Medicare status



Began mailing letters announcing 2018 plan changes





COMMUNICATIONS TIMELINE

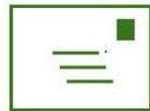
August



Announcement letters continue



Letter announcing CVS will become PBM with welcome kits and ID cards



TRS News announcing plan changes and noting special session goes to all members



Additional FAQs

- Health Savings Accounts
- How to prepare for changes





COMMUNICATIONS TIMELINE

September

October



Invitations to retiree information sessions



The Pulse – announces information sessions, reminder about extended plan year for Standard plan



Retiree information sessions begin Oct. 9



TRS-Care Medicare Rx announcement letter from SilverScript



Plan guides with premium and benefit information



The Pulse – info session reminder, SilverScript contact info and website



RETIREE INFORMATION SESSIONS

- 88 sessions over 40+ days
- Entire 270,000 retiree population invited
- Single RSVP process for entire population
- All TRS-Care vendors will participate:
 - Humana
 - CVS Caremark/SilverScript
 - Aetna
- Set agenda with presentations for participants with and without Medicare
- Webinars in November for those who are unable to attend in person





COMMUNICATIONS TIMELINE

November

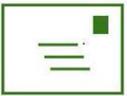
December



In-person retiree information sessions end Nov. 2



Week of webinars begins Nov. 6



ID cards begin to go out



The Pulse – getting ready for Jan. 1



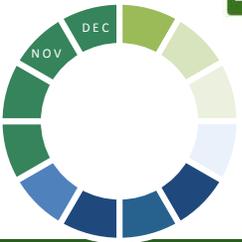
ID cards continue to go out



The Pulse – getting ready for Jan. 1

NEW PLAN YEAR

for all TRS-Care participants starts Jan. 1, 2018





August 25, 2017

Mr. Brian Guthrie
Executive Director
Teacher Retirement System of Texas
1000 Red River Street
Austin, Texas 78701

Re: TRS-Care Plan Design and Funding

Dear Mr. Guthrie:

We have reviewed the TRS-Care Health Care Program and are pleased to offer our observations regarding the status of the plan and our recommendations regarding retiree contributions and benefit levels for the 2018 fiscal year. We have taken into account the provisions of HB 3976, SB 1 and the additional funding provided for TRS-Care provided by the 85th Legislature during special session. In addition, plan experience through June 2017 has been included in our analysis.

Plan Funding

Our review and analysis has included recognition of an increase in the State and District contribution rates for fiscal year 2018 and beyond. The State contribution will increase from 1.0% to 1.25%; the District contribution will increase from 0.55% to 0.75%. Active public education contributions were assumed to remain at 0.65% of public education payroll. For projection purposes, an annual increase in active public education payroll has been assumed.

Supplemental funding of \$398.2 million has also been recognized in the projection for fiscal year 2018 as a result of supplemental appropriations included in a rider to the Appropriations Bill.

Benefit Levels

In our analysis, we have assumed that the current plans offered by TRS-Care will continue to be offered through December 31, 2017 as an extension of the FY2017 benefits for those in the standard TRS-Care medical plans. Deductibles and maximum out-of-pocket accumulators will not re-start on September 1, 2017. Beginning January 1, 2018, all plans offered through TRS-Care will operate on a calendar year basis. This change will align the plan year for non-Medicare participants with that of the Medicare participants.

HB 3976, passed by the 85th Legislature on May 24, 2017, requires that TRS offer a high deductible plan option to non-Medicare participants enrolled in TRS-Care. As a result of the additional funding provided by the Legislature during special session, the recommended benefit design for this population includes a \$1,500 individual deductible and a \$5,650 individual maximum out-of-pocket limit. Similar to the current TRS-Care 1 plan, both medical and prescription drug claim costs accumulate towards the deductible and maximum out-of-pocket limit.

TRS-Care Standard Plan For Non-Medicare Participants	
<u>In-Network Benefits</u> \$1,500/\$3,000 Deductible \$5,650/\$11,300 Max Out-of-Pocket Limit 20% Coinsurance	<u>Out-of-Network Benefits</u> \$3,000/\$6,000 Deductible \$11,300/\$22,600 Max Out-of-Pocket Limit 40% Coinsurance

¹ Deductibles and Maximum Out-of-Pocket Limits are shown on an Individual/Family basis.

A Medicare Advantage and Medicare Part D plan will be available for TRS-Care participants enrolled in Medicare Part A and/or B. The proposed plan design is equivalent to the current TRS-Care 2 level of benefits under the Medicare Advantage plan.

TRS-Care Medicare Advantage and Medicare Part D Plan for Medicare Participants	
<u>Medical Benefits</u> \$500 Deductible \$3,500 Max Out-of-pocket Limit 95%/5% Coinsurance \$500 copay per Inpatient Hospital stay \$250 copay per Outpatient Hospital visit \$35 copay per Urgent Care Facility visit \$65 copay per Emergency Room visit \$0 copay Preventive Services \$5 copay per PCP Office visit \$10 copay per Specialist Office visit	<u>Prescription Drug Benefits</u> <u>Retail Pharmacy</u> \$5 Generic copay \$25 Preferred Brand copay \$50 Non-preferred Brand copay \$50 Specialty drug copay <u>Mail Order Pharmacy</u> \$15 Generic copay \$70 Preferred Brand copay \$125 Non-preferred Brand copay \$125 Specialty drug copay

Alternative medical and prescription drug plans will be available to TRS-Care enrollees who are eligible to enroll in Medicare, but would suffer a hardship, as determined by TRS, by being enrolled in the Medicare Advantage and/or Medicare Part D plans shown above. The following table outlines the benefits of the alternative plans, which are similar to the current TRS-Care 2 traditional benefits in place today.

TRS-Care Alternative Medical Plan for Medicare eligible participants		
Eligibility	Enrolled in Medicare Part A and B	All other Medicare eligible participants enrolled in the Alternative Medical Plan ¹
Deductible	\$1,300/\$2,600	\$1,300/\$2,600
Maximum Out-of-Pocket Limit	\$7,150/\$14,150	\$7,150/\$14,150
In-network Coinsurance	80%/20%	80%/20%
Out-of-network Coinsurance	60%/40%	60%/40%
Preventive Services	\$0 copay	\$0 copay
Inpatient Hospital Stay	80/20% coinsurance after Medicare	\$500 copay
Outpatient Hospital Visit		\$250 copay
Urgent Care Facility Visit		\$35 copay
Emergency Room Visit		\$65 copay
PCP Office Visit		\$25 copay
Specialist Office Visit		\$35 copay

¹ Medicare Part B enrollment is assumed for claims adjudication purposes.

TRS-Care Alternative Prescription Drug Plan for Medicare eligible participants	
Retail Pharmacy¹	
Generic	\$13 copay
Preferred Brand	\$40 copay
Non-preferred Brand	\$65 copay
Mail Order & Retail⁹⁰ Pharmacy	
Generic	\$25 copay
Preferred Brand	\$100 copay
Non-preferred Brand	\$165 copay

¹ For maintenance medications filled at a retail pharmacy, there will be a \$10 convenience fee added to the copay on the second and subsequent refills.

Retiree Contributions

With an effective date of January 1, 2018, HB3976 eliminated the statutory requirement that TRS provide a no-premium healthcare plan. Our modeling assumes that current retiree contribution rates are continued through December 31, 2017.

In order to maintain solvency of the TRS-Care fund, we have assumed the following monthly retiree premium contributions beginning January 1, 2018.

Non-Medicare Retirees			
Coverage Tier	Non-Medicare Retirees	Non-Medicare, Disability Retirees¹	Non-Medicare Retiree with Disabled Child(ren)
Retiree Only	\$200	\$0	N/A
Retiree & Spouse	\$689	\$489	N/A
Retiree & Child(ren)	\$408	\$208	\$208
Retiree & Family	\$999	\$799	\$799
Surviving Spouse Only	\$200	N/A	N/A
Surviving Spouse & Child(ren)	\$408	N/A	\$208
Surviving Child(ren)	\$208	N/A	\$8

¹ \$0 retiree contribution for disability retirees who: (1) are retired as a disability retiree on or before 1/1/2017; (2) are currently receiving disability retirement benefits; and (3) are not eligible to enroll in Medicare.

Medicare Retirees		
Coverage Tier	Medicare Retiree	Medicare Retiree with Disabled Child(ren)
Retiree Only	\$135	N/A
Retiree & Spouse	\$529	N/A
Retiree & Child(ren)	\$468	\$208
Retiree & Family	\$1,020	\$820
Surviving Spouse Only	\$135	N/A
Surviving Spouse & Child(ren)	\$468	\$268
Surviving Child(ren)	\$208	\$8

Beginning January 1, 2019, the above non-Medicare contribution rates are expected to increase in a manner consistent with the intent of the 85th Legislature.

Our analysis also indicates that, in accordance with statutory requirements, the retiree share of total plan cost continues to be greater than 30%. Please let us know if you have questions.

Summary

Taking into consideration the savings to TRS-Care resulting from the recent Pharmacy Benefit Manager procurement, the redesign of TRS-Care’s benefit levels, the redesign of retiree premium contributions and the additional funding provided by the State and Districts, current projections indicate that the TRS-Care fund will be adequately funded through the end of calendar year 2018.

Please let us know if you have any questions or if additional information is needed.



Mr. Brian Guthrie
August 25, 2017
Page 5

Sincerely,



William J. Hickman
Senior Health Care Consultant



Amy E. Cohen, ASA, MAAA
Health Care Consultant



Teacher Retirement System of Texas

RESOLUTION ADJUSTING THE PLANS OFFERED UNDER TRS-CARE AND APPROVING PREMIUM RATES AND BENEFIT PLAN DESIGNS

August 25, 2017

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, in response to legislation passed during the Regular Session of the 85th Legislature, the TRS Board of Trustees ("Board") adopted a resolution on June 2, 2017 entitled "Resolution Adjusting the Plans Offered under TRS-Care and Approving Premium Rates and Benefit Plan Designs";

Whereas, in response to additional funding for TRS-Care provided by the 85th Legislature during a special session, TRS desires to replace in full the above noted resolution adopted on June 2, 2017;

Whereas, TRS-Care currently offers coverage in three standard plans (*i.e.*, TRS-Care 1, TRS-Care 2, and TRS-Care 3), offers coverage in two fully insured Medicare Advantage plans (*i.e.*, the TRS-Care 2 Medicare Advantage plan and the TRS-Care 3 Medicare Advantage plan), and offers coverage in two Medicare Prescription Drug plans (*i.e.*, the TRS-Care 2 Medicare Prescription Drug plan and the TRS-Care 3 Medicare Prescription Drug plan);

Whereas, due to the passage of recent legislation, TRS staff and the TRS health benefits consultant, Gabriel, Roeder, Smith & Company ("GRS") have recommended that the current Fiscal Year 2017 plan year of the existing TRS-Care standard plans be extended through December 31, 2017 and the TRS-Care standard plans themselves be continued through December 31, 2017, under their current premium rate structure and current benefit plan designs;

Whereas, due to the passage of recent legislation, TRS staff and GRS have recommended that the existing TRS-Care standard plans be discontinued at the end of Calendar Year 2017;

Whereas, due to the passage of recent legislation, TRS staff and GRS have recommended that the existing TRS-Care Medicare Advantage plans and the existing TRS-Care Medicare Prescription Drug plans be discontinued at the end of Calendar Year 2017;

Whereas, due to the passage of recent legislation, TRS staff and GRS have recommended that beginning January 1, 2018, TRS establish and make available a high deductible health plan for TRS-Care enrollees who are not eligible to enroll in Medicare, with the major benefit plan designs set out in Exhibit A, attached to this resolution and incorporated herein by reference;

Whereas, due to the passage of recent legislation, TRS staff and GRS have recommended that beginning January 1, 2018, TRS establish and make available a new Medicare Advantage plan and a new Medicare Prescription Drug plan (together, the "New Medicare Plans") for TRS-Care enrollees who are eligible to enroll in Medicare, with the major benefit plan designs set out in Exhibit A;

Whereas, due to the passage of recent legislation, TRS staff and GRS have recommended that beginning January 1, 2018, TRS establish and make available a non-Medicare medical plan (the "Alternative Medical Plan") and a non-Medicare prescription drug plan (the "Alternative Prescription Drug Plan") (together, the "Alternative Plans") that will only be available to TRS-Care enrollees who are eligible to enroll in Medicare, but would suffer a hardship, as determined by TRS, by being enrolled in the New Medicare Plans, with the major benefit plan designs set out in Exhibit A;

Whereas, TRS staff and GRS have recommended that for the Calendar Year 2018 plan year, beginning on January 1, 2018, premium rates in the high deductible health plan, in the New Medicare Plans, and in the Alternative Plans, be set at the amounts found in Exhibit B;

Whereas, TRS staff and GRS have recommended that the transition in enrollment from TRS-Care plans in existence as of December 31, 2017, to TRS-Care plans in existence as of January 1, 2018, shall take place on January 1, 2018, in accordance with enrollment criteria and enrollment procedures established by law or by TRS; and

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

Resolved, That this resolution supersedes and replaces in full the resolution adopted by TRS on June 2, 2017 and contained in the June Board minutes adopted by the Board on July 13, 2017, entitled "Resolution Adjusting the Plans Offered under TRS-Care and Approving Premium Rates and Benefit Plan Designs";

Resolved, That the Board hereby adopts and authorizes the extension of the current Fiscal Year 2017 plan year of the existing TRS-Care standard plans through December 31, 2017 and the continuation of TRS-Care standard plans themselves through December 31, 2017, under their current premium rate structure and current benefit plan designs;

Resolved, That the Board hereby adopts and authorizes staff to discontinue the existing TRS-Care standard plans at the end of Calendar Year 2017;

Resolved, That the Board hereby adopts and authorizes staff to discontinue the existing TRS-Care Medicare Advantage plans and the existing TRS-Care Medicare Prescription Drug plans at the end of Calendar Year 2017;

Resolved, That the Board hereby adopts and authorizes staff to establish and make available a high deductible health plan for TRS-Care enrollees who are not eligible to enroll in Medicare, beginning January 1, 2018 and until further action of the Board, with the major benefit plan designs set out in Exhibit A, attached to this resolution and incorporated herein by reference;

Resolved, That the Board hereby adopts and authorizes staff to establish and make available a new Medicare Advantage plan and a new Medicare Prescription Drug plan (together, the "New Medicare Plans") for TRS-Care enrollees who are eligible to enroll in Medicare, beginning January 1, 2018 and until further action of the Board, with the major benefit plan designs set out in Exhibit A;

Resolved, That the Board hereby adopts and authorizes staff to establish and make available a non-Medicare medical plan (the "Alternative Medical Plan") and a non-Medicare prescription drug plan (the "Alternative Prescription Drug Plan") (together, the "Alternative Plans") that will only be available to TRS-Care enrollees who are eligible to enroll in Medicare, but would suffer a hardship, as determined by TRS, by being enrolled in the New Medicare Plans, beginning January 1, 2018 and until further action of the Board, with the major benefit plan designs set out in Exhibit A;

Resolved, That beginning on January 1, 2018, and until further action of the Board, the Board hereby adopts and authorizes the premium rates in the high deductible health plan, in the New Medicare Plans, and in the Alternative Plans, set at the amounts found in Exhibit B;

Resolved, That the Board authorizes and directs the transition in enrollment from TRS-Care plans in existence as of December 31, 2017, to TRS-Care plans in existence as of January 1, 2018, shall take place on January 1, 2018, in accordance with enrollment criteria and enrollment procedures established by law or by TRS;

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 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, administer, and continue the TRS-Care program until further action by the Board.

Exhibit A

TO THE RESOLUTION ADJUSTING THE
PLANS OFFERED UNDER TRS-CARE AND APPROVING
PREMIUM RATES AND BENEFIT PLAN DESIGNS

Major Benefit Plan Designs

High Deductible Health Plan

The Board hereby approves and adopts the following major benefit plan design elements for the High Deductible Health Plan, subject to all other plan requirements and restrictions, beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Benefits	For the Calendar Year 2018 Plan Year
In-Network	
Individual Deductible	\$1,500
Family Deductible	\$3,000
Individual Out-of-Pocket Maximum	\$5,650
Family Out-of-Pocket Maximum	\$11,300
Coinsurance	80% / 20%
Out-of-Network	
Individual Deductible	\$3,000
Family Deductible	\$6,000
Individual Out-of-Pocket Maximum	\$11,300
Family Out-of-Pocket Maximum	\$22,600
Coinsurance	60% / 40%
Retail Pharmacy	80% / 20%
Retail Pharmacy Maintenance Drugs	80% / 20% (\$0 copay for certain generic preventive maintenance medications)
Mail Order / Retail 90 Pharmacy	80% / 20% (\$0 copay for certain generic preventive maintenance medications)

New Medicare Advantage Plan

The Board hereby approves and adopts the following major benefit plan design elements for the New Medicare Advantage Plan, subject to all other plan requirements and restrictions, beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Benefits	For the Calendar Year 2018 Plan Year
Individual Deductible	\$500
Individual Out-of-pocket maximum	\$3,500
Coinsurance	95% / 5%
In Patient Hospital Copay per Stay	\$500
Out Patient Hospital Copay per Visit	\$250
ER Copay	\$65
Urgent Care Copay	\$35
Primary Care Physician Office Visit Copay	\$5
Specialist Office Visit Copay	\$10
Preventive Services Copay	\$0

New Medicare Prescription Drug Plan

The Board hereby approves and adopts the following major benefit plan design elements for the New Medicare Prescription Drug Plan, subject to all other plan requirements and restrictions, beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Benefits	For the Calendar Year 2018 Plan Year
Retail Pharmacy Copay	
Generic	\$5
Preferred Brand	\$25
Non-Preferred Brand	\$50
Specialty	\$50
Mail Order Pharmacy Copay	
Generic	\$15
Preferred Brand	\$70
Non-Preferred Brand	\$125
Specialty	\$125

Alternative Medical Plan

The Board hereby approves and adopts the following major benefit plan design elements for the medical benefits under the Alternative Medical Plan, subject to all other plan requirements and restrictions, beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Medicare Status	Benefits	For the Calendar Year 2018 Plan Year
Enrolled in Medicare Parts A and B	Individual Deductible	\$1,300
	Family Deductible	\$2,600
	Individual Out-of-pocket maximum	\$7,150
	Family Out-of-pocket maximum	\$14,300
	In-Network Coinsurance	80%/20% after Medicare
	Out-of-Network Coinsurance	60%/40% after Medicare
	Preventive Services Copay	\$0
All other Medicare eligible participants ¹	Individual Deductible	\$1,300
	Family Deductible	\$2,600
	Individual Out-of-pocket maximum	\$7,150
	Family Out-of-pocket maximum	\$14,300
	In-Network Coinsurance	80%/20%
	Out-of-Network Coinsurance	60%/40%
	Inpatient Hospital Stay	\$500 copay
	Outpatient Hospital Visit	\$250 copay
	Urgent Care Facility Visit	\$35 copay
	ER Visit	\$65 copay
	Physician Office Visit Copay	\$35
Preventive Services Copay	\$0	

¹ Medicare Part B enrollment is assumed for claims adjudication purposes.

Alternative Prescription Drug Plan

The Board hereby approves and adopts the following major benefit plan design elements for the drug benefits under the Alternative Prescription Drug Plan, subject to all other plan requirements and restrictions, beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Benefits	For the Calendar Year 2018 Plan Year
Retail Pharmacy Copay*	
Generic	\$13
Preferred Brand	\$40
Non-Preferred Brand	\$65
Mail Order Pharmacy Copay	
Generic	\$25
Preferred Brand	\$100
Non-Preferred Brand	\$165
*For maintenance medications filled at a retail pharmacy, there will be a \$10 convenience fee added to the copay on the second and subsequent refills.	

Exhibit B

TO THE RESOLUTION ADJUSTING THE
PLANS OFFERED UNDER TRS-CARE AND APPROVING
PREMIUM RATES AND BENEFIT PLAN DESIGNS

Monthly Premium Rates

High Deductible Health Plan

The Board hereby approves and adopts the following monthly premium rates* for the High Deductible Health Plan beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Coverage Tier	Non-Medicare Retiree Premiums	Non-Medicare Disability Retiree Premiums*	Non-Medicare Retiree with Disabled Child(ren) Premiums**
Retiree Only	\$200	\$0	N/A
Surviving Spouse Only	\$200	N/A	N/A
Retiree and Spouse	\$689	\$489	N/A
Retiree and Child(ren)	\$408	\$208	\$208
Surviving Spouse and Children	\$408	N/A	\$208
Retiree and Family	\$999	\$799	\$799
Surviving Child(ren)	\$208	N/A	\$8

* No monthly premium is due for a retiree himself or herself who has taken a disability retirement under the TRS pension on or before January 1, 2017, is receiving disability retirement benefits from the TRS pension, and is not eligible to enroll in Medicare.

** To qualify for this premium, the Retiree or Surviving Spouse must have an enrolled child with a mental disability or a physical incapacity, as determined by TRS.

New Medicare Plans and Alternative Plans

The Board hereby approves and adopts the following monthly premium rates for the New Medicare Plans and the Alternative Plans beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Coverage Tier	Medicare Retiree Premiums	Medicare Retiree with Disabled Child(ren) Premiums*
Retiree / Surviving Spouse Only	\$135	N/A
Retiree and Spouse	\$529	N/A
Retiree / Surviving Spouse and Child(ren)	\$468	\$268
Retiree and Family	\$1,020	\$820
Surviving Child(ren)	\$208	\$8

* To qualify for this premium, the Retiree or Surviving Spouse must have an enrolled child with a mental disability or a physical incapacity, as determined by TRS.

TAB 10



Teacher Retirement System of Texas

PROXY RESEARCH & VOTING SERVICES

August 25, 2017



AGENDA

Glass Lewis Overview

Trends in Responsible Investing

Proxy Paper[®] – Proxy Research

Viewpoint[®] – Vote Management Service

Why choose Glass Lewis?

GL Attendees:

Jeff Thompson, SVP Sales & Marketing

Anna Willis, Director of Sales

COMPANY PROFILE

The leading independent provider of global governance services, helping institutional investors understand and connect with the companies they invest in.

Glass Lewis offers a complete suite of governance-related services:

- **Proxy Paper** – In-depth research on 20,000+ company meetings every year
- **Viewpoint** – Leading-edge proxy vote management platform
- **Right Claim** – Class action settlement recovery service
- **E&S** – Complete spectrum of E&S data, monitoring, and screening tools
- **Meetyl** – The leading global web-based platform for corporate access

Glass Lewis is a portfolio company of the Ontario Teachers' Pension Plan Board (80%) and Alberta Investment Management Corp. (20%)

CURRENT SNAPSHOT

Clients

- 1,200+ globally, representing over \$35 trillion in AUM

Employees

- 350+ employees, more than half of whom are dedicated to research

Locations

- Full-service offices in U.S. (SF, NY), Ireland, Germany, Australia and London

Subsidiaries

- IVOX Glass Lewis, CGI Glass Lewis, Washington Analysis, Meetyl

Notable Milestones During Last 3 Years

- 2012: Opened European center in Ireland; formed partnership with Equilar
- 2013: AIMCo acquired 20% of Glass Lewis
- 2014: Acquired Meetyl, ground breaking web-based engagement platform
- 2015: Acquired IVOX, leading independent proxy advisor in Germany
- 2016: Partnership with Sustainalytics, leading provider of ESG research, ratings & analysis
- 2017: Opened London Office

EXECUTING LONG-TERM GROWTH PLAN

Stability and support of ownership has allowed GL to deliver on its long-term plan of client-focused expansion

Expansion and Infrastructure

- Tripled number of clients & employees: including ~180 employees in Europe
- Launched full-service offices in NY (2008), Ireland (2012), and London (2017); expanded Australian office to Asia-Pac hub; acquired location in continental Europe (Germany)

Product Innovation

- Enhanced P4P analysis in Proxy Paper research through use of Equilar market peers
- New Viewpoint UI released (2014); robust development roadmap
- Expanding research and voting via Sustainalytics partnership

Broadening Engagement & Facilitating Communication

- Dramatic expansion in issuer communication and engagement
- Launch of Issuer Portal (2012) and Issuer Data Report service (2015)
- Meetyl acquisition and Viewpoint enhancements lead next generation solutions

TRENDS IN RESPONSIBLE INVESTING

Expansion of engagement

- Growing in-house expertise; expansion of global stewardship codes and standards; motivated companies

Increased scrutiny on institutional investors & proxy advisors

- Regulators, clients, stakeholders, trade groups, companies; reporting & disclosure critical

Evolving reliance on custom policy and workflow

- Investors need sophisticated tools to streamline processes and allow for deeper focus on key issues

Year-round involvement

- Confluence of these factors means that there is no longer a proxy “season”

RISE OF STEWARDSHIP & PRAGMATIC POLICY

Engagement is a game changer

- Widespread engagement between companies and investors
- Impacting shareholder expectations and outcomes at meetings
- Continues to accelerate, supported by stewardship codes emerging across NA, Europe, Asia and long term practices in UK & Australia
- In last 18 months Glass Lewis analysts have engaged with over 4,500 companies, including formal meetings with approximately 1,500.

Pragmatic policy

- Investor Stewardship Group (ISG) is a key foundational advance for a pragmatic approach to corporate governance and long-term shareholder value creation
- The ISG Principles are closely aligned with Glass Lewis' own guidelines
- Glass Lewis clients often leverage our guidelines as a foundation, then layering custom rules on top to tailor approach on key issues

CONFLICTS OF INTEREST

Glass Lewis eliminates and avoids conflicts

- Consulting services are not offered to public corporations, directors, shareholder proponents or dissidents
- Owners are excluded from any involvement in developing proxy voting policies and voting recommendations
- Only publicly-available information is used to develop voting recommendations

Any remaining conflicts are explicitly disclosed to clients

- Conflict of Interest Statement and Conflict Avoidance Procedures
- Conflict Categories: GL parent company has a reportable ownership stake in a company; GL employee/affiliate is a company executive or director; Company is a GL client; Company is a GL partner; Proponent or dissident is a GL client

PROXY RESEARCH

PAY-FOR-PERFORMANCE

Walt Disney's executive compensation received a C grade in our proprietary pay-for-performance model. The Company paid about the same compensation to its named executive officers as the median compensation for a group of companies selected using S&P's market based peer algorithm. The CEO was paid moderately more than the median CEO compensation of these peer companies. Overall, the Company paid moderately more than its peers and performed moderately better than its peers.

HISTORICAL COMPENSATION GRADE: FY 2012: C FY 2012 CEO COMPENSATION: \$2,300,000 SALARY: \$2,300,000

COMPANY PROFILE

FINANCIALS

	1 YR TSR	3 YR TSR AVG.	5 YR TSR AVG.
DIS	24.1%	23.9%	22.9%
S&P 500 INDEX	15.6%	14.5%	4.7%
PEERS*	24.9%	27.2%	12.1%

MARKET CAPITALIZATION (MM USD): 20-SEP-2012: \$2,805

PROXY PAPER VIACOM INC.

NASDAQ: VIA
ISIN: US92553P2011

MEETING DATE: 14 MARCH 2016
RECORD DATE: 19 JANUARY 2016
PUBLISH DATE: 23 FEBRUARY 2016

INDEX MEMBERSHIP: NASDAQ COMPOSITE, RUSSELL 3000, NASDAQ-100, RUSSELL 1000, S&P 500
SECTOR: CONSUMER DISCRETIONARY
INDUSTRY: MEDIA
COUNTRY OF TRADE: UNITED STATES
COUNTRY OF INCORPORATION: UNITED STATES
HEADQUARTERS: NEW YORK
VOTING IMPEDIMENT: NONE
DISCLOSURES: NONE

2016 ANNUAL MEETING

PROPOSAL	ISSUE	BOARD	GLASS LEWIS	CONCERNS
1.00	Election of Directors	FOR	SPLIT	
1.01	Elect George S. Abrams	FOR	FOR	
1.02	Elect Philippe P. Dauman	FOR	FOR	
1.03	Elect Thomas E. Dooley	FOR	FOR	
1.04	Elect Christina Falcone Sorrell	FOR	FOR	
1.05	Elect Blythe J. McGarvie	FOR	WITHHOLD	• Ongoing compensation concerns
1.06	Elect Deborah Noville	FOR	WITHHOLD	• Affiliate/Insider on a committee • Ongoing compensation concerns
1.07	Elect Charles E. Phillips, Jr.	FOR	WITHHOLD	• Ongoing compensation concerns
1.08	Elect Shari Redstone	FOR	FOR	
1.09	Elect Sumner M. Redstone	FOR	FOR	
1.10	Elect Frederic W. Salerno	FOR	WITHHOLD	• Ongoing compensation concerns
1.11	Elect William Schwartz	FOR	WITHHOLD	• Ongoing compensation concerns
2.00	Ratification of Auditor	FOR	FOR	
3.00	Shareholder Proposal Regarding Recapitalization	AGAINST	FOR	• Allowing one vote per share generally operates as a safeguard for common shareholders

Proxy Paper®

- Guaranteed global coverage; complete report for all companies
- 20,000+ meetings across 100 markets
- Independent and contextual analysis with a focus on economic impact
- Equilar market peers in P4P model for US and Canada
- Direct access to research team
- Board presentations, white papers, Proxy Talks, data feeds

Issuer Engagement Policy:

Designed to empower clients and investors

PROXY RESEARCH PROCESS

Team Approach

- Analysis varies based upon market, issue, complexity and company size
- All reports reviewed by two or more people; varies by report profile
- Accuracy and lead times are monitored to ensure client satisfaction

Executive Compensation

- Analyze executive compensation quantitatively and qualitatively
- Exclusive rights to incorporate Equilar market-based peers in P4P model
- Incorporate multiple performance factors into P4P analysis

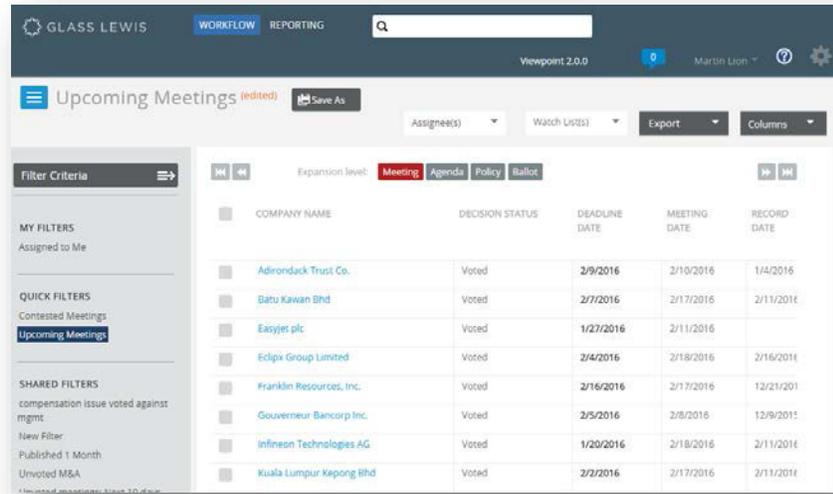
Mergers & Acquisitions / Proxy Contests

- Specialized team and experience
- Proposed offers are evaluated versus the returns to shareholders
- Approach to proxy contests aligns well with most institutional investors

Shareholder Proposals

- Balanced presentation, describing both company and proponent perspectives
- Attention to proposal's expected effect on long-term shareholder value

VIEWPOINT – COMPLETE VOTE MANAGEMENT SYSTEM



GLASS LEWIS | WORKFLOW | REPORTING | Viewpoint 2.0.0 | Martin Lion

Upcoming Meetings (edited) | Save As

Assignees | Watch Lists | Export | Columns

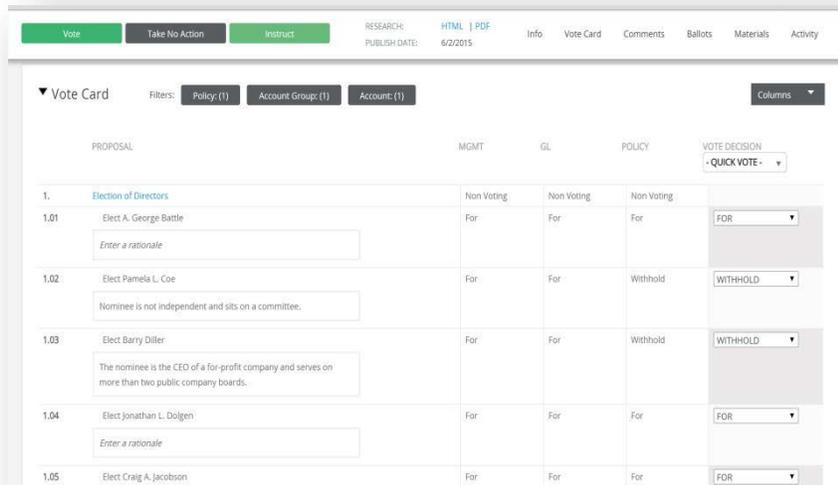
Filter Criteria

MY FILTERS
Assigned to Me

QUICK FILTERS
Contested Meetings
Upcoming Meetings

SHARED FILTERS
compensation issue voted against mgmt
New Filter
Published 1 Month
Unvoted M&A

COMPANY NAME	DECISION STATUS	DEADLINE DATE	MEETING DATE	RECORD DATE
Adirondack Trust Co.	Voted	2/9/2016	2/10/2016	1/4/2016
Batu Kawan Bhd	Voted	2/7/2016	2/17/2016	2/11/2016
Easyjet plc	Voted	1/27/2016	2/11/2016	
Eclipse Group Limited	Voted	2/4/2016	2/18/2016	2/16/2016
Franklin Resources, Inc.	Voted	2/16/2016	2/17/2016	12/21/2015
Gouverneur Bancorp Inc.	Voted	2/5/2016	2/8/2016	12/9/2015
Infinion Technologies AG	Voted	1/20/2016	2/18/2016	2/11/2016
Kuala Lumpur Kepong Bhd	Voted	2/2/2016	2/17/2016	2/11/2016



Vote | Take No Action | Instruct

RESEARCH: HTML | PDF | Info | Vote Card | Comments | Ballots | Materials | Activity
PUBLISH DATE: 6/2/2015

Vote Card | Filters: Policy (1) | Account Group (1) | Account (1) | Columns

PROPOSAL	MGMT	GL	POLICY	VOTE DECISION
1. Election of Directors	Non Voting	Non Voting	Non Voting	
1.01 Elect A. George Battle Enter a rationale	For	For	For	FOR
1.02 Elect Pamela L. Coe Nominee is not independent and sits on a committee.	For	For	Withhold	WITHHOLD
1.03 Elect Barry Diller The nominee is the CEO of a for-profit company and serves on more than two public company boards.	For	For	Withhold	WITHHOLD
1.04 Elect Jonathan L. Dolgen Enter a rationale	For	For	For	FOR
1.05 Elect Craig A. Jacobson	For	For	For	FOR

Viewpoint®

- Flexible, configurable user interface
- Responsive search; workflow updates dynamically
- In-application user collaboration; also streamlines communication between non-users
- Nuanced custom policy implementation
- Integration of Sustainalytics data and ratings
- Transparent and compliant; audits, reconciliation and activity logs
- Extensive permissioning controls
- Myriad reporting options

Secure and reliable:

99.9%+ uptime; round the clock support

VOTE AGENCY SERVICE

Service Level

- Flexible service model and configurable technology supports tailored client workflow
- Dedicated client service manager (CSM) with limited client load; less than 15 clients per rep
- Service culture built on integrity and accountability, and rewarding responsiveness
- North American, European, and Asia-Pacific offices provide support for client's global offices, as well as nearly 24/7 backup support for urgent operational requests

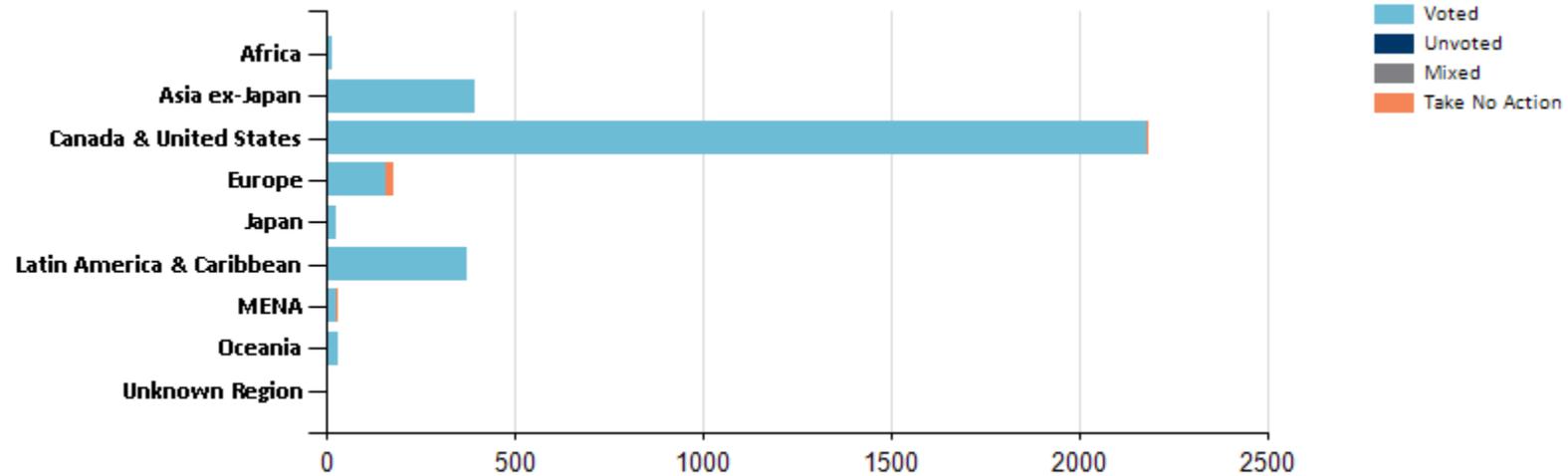
Technology and Operations

- Modern platform architecture supports sophisticated and evolving workflow
- Continued investment and agile development process ensures rapid innovation
- Client-centric product development and software update processes
- Unrivaled 10-year track record of reliability, security, and performance

Reporting and Compliance

- Multi-faceted account and ballot reconciliation process
- Complete and reportable logging of user activities
- GL business model minimizes risk to clients
- Proactive, transparent disclosure of potential conflicts which cannot be eliminated (e.g., research on a public investment company which is also a client)
- Scheduled and ad-hoc reporting; public vote disclosure hosting

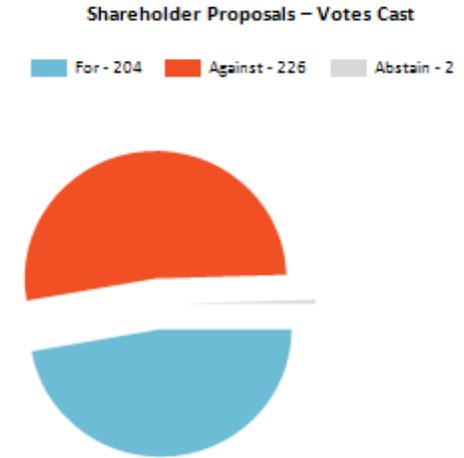
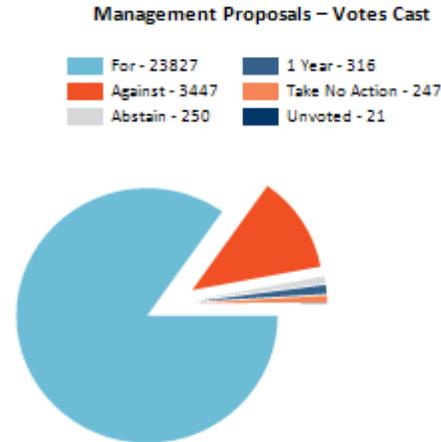
SAMPLE REPORT – VOTING SUMMARY



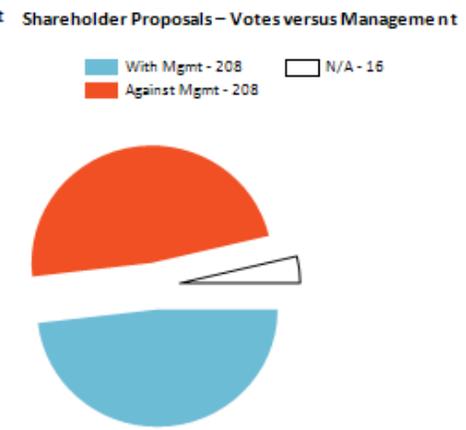
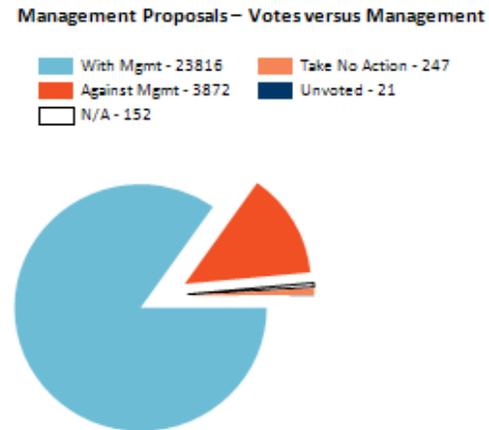
Region	Voted	Unvoted	Mixed	Take No Action	Total
Total for all Regions	3187	2	0	28	3217
<i>Africa</i>	11	0	0	0	11
<i>Asia ex-Japan</i>	395	0	0	0	395
<i>Canada & United States</i>	2177	1	0	1	2179
<i>Europe</i>	154	1	0	24	179
<i>Japan</i>	23	0	0	0	23
<i>Latin America & Caribbean</i>	372	0	0	0	372
<i>MENA</i>	23	0	0	3	26
<i>Oceania</i>	31	0	0	0	31
<i>Unknown Region</i>	1	0	0	0	1

SAMPLE REPORT – ANALYZE VOTING ACTIVITY

	Mgmt Proposals	SHP Proposals	Total Proposals
For	23827	204	24031
Against	3447	226	3673
Abstain	250	2	252
1 Year	316	0	316
2 Years	0	0	0
3 Years	0	0	0
Mixed	0	0	0
Take No Action	247	0	247
Unvoted	21	0	21
Totals	28108	432	28540



	Mgmt Proposals	SHP Proposals	Total Proposals
With Management	23816	208	24024
Against Management	3872	208	4080
N/A	152	16	168
Mixed	0	0	0
Take No Action	247	0	247
Unvoted	21	0	21
Totals	28108	432	28540



WHY CHOOSE GLASS LEWIS?

PEOPLE – Corporate culture built on service, integrity, and accountability

PRODUCTS – Modern technology supports rapidly evolving client needs

CLIENT SERVICE – Tailored, proactive support; workflow refined over years

INNOVATION – Leading edge products; unparalleled development roadmap

PENSION EXPERTISE – Exclusive vote agent for majority of largest U.S. public pensions

OWNERSHIP – Institutional investors; knowledgeable, supportive, long-term

INDEPENDENCE – Uncompromising business model empowers clients

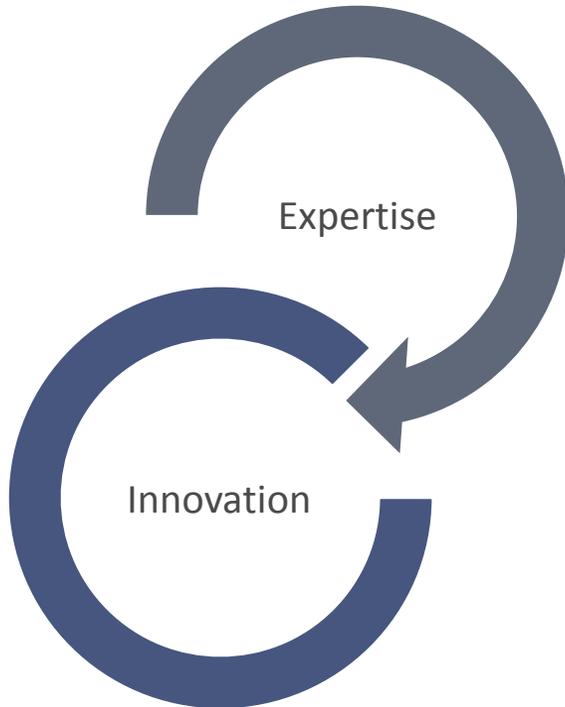
***GLASS LEWIS DNA** – Corporate governance is our **core business** and **sole focus**,
and our clients are the center of everything we do.*



Teacher Retirement System of Texas

ISS Presentation to the Board of Trustees
August 25, 2017

The ISS Synergy



Integrated Solutions for all TRS' Governance Needs

Governance Research,
Advisory & Proxy Voting

Responsible Investment
(ISS-Ethix)

Data & Analytics
(ISS Analytics)

Securities Class
Action Services

Agile & Efficient Solutions

- A resilient technology infrastructure, scalable to support future growth and continued improvements
- Highly secure, reliable and flexible technology environment
- Provisions for integration across points of needs, service deliveries, and product lines

Expert, proactive support committed to TRS' success.

Quality

- Inquiries are responded to immediately and resolved promptly
- Bespoke requests are addressed in collaboration with relevant internal teams
- CRM system to track issues and communications for prompt resolution
- Unmatched client service
- Widest range of corporate governance products, capabilities and expertise

Approach

- 900+ professionals located across 18 offices across 12 countries in key financial centers worldwide, 25 different languages spoken by staff.
- Dedicated client service contact, backed by a multidisciplinary support team
- 24x6 global support hotline

Expertise

- Local market knowledge and understanding of the process and current or emerging governance issues
- Custom research consultants and operational support specialists embedded within the support team
- 30 years of global leadership in corporate governance & responsible investment

Support

- Extensions of your in-house proxy team
- Present directly to the Board of Trustees regarding governance and proxy voting
- Provides the maximum amount of in-person and on-site training

Service

- Notification of upcoming events, webinars, and new thought leadership
- User-specific platform customization and reporting
- Quarterly review of Master Account List

Global reach. Local perspective.

Account Management & Sales		Research & Data Procurement		Operations
Boston	Rockville	Berlin	Rockville	Brussels
Brussels	San Francisco	Boston	San Francisco	London
Chicago	Stockholm	Brussels	Stockholm	Manila
London	Sydney	London	Singapore	Norman
New York	Tokyo	Manila	Sydney	
Paris	Toronto	Paris	Tokyo	
Portland		Portland	Toronto	

Covering 40,000 company meetings annually, across 115+ markets

1 Integrated solution for research, voting, reporting & disclosure.

8.5M Ballots processed annually for clients

360°

View of issuer, meeting, proxy & research information; plus custom research, rationales and engagements

16 Major platform releases in 3 years to meet client needs.

The scale and the experience to vote TRS' views with confidence.

**200,000 ballots
& 1,200 holdings**

One day processing capabilities during peak proxy season

290,000

Holdings files processed annually

1,300+

Clients and 5,000+ unique users

24x7x365

System with load balancing & disaster recovery capabilities

01. Control your voting experience.

ProxyExchange gives unmatched control and transparency over your proxy activities. Agile technologies together with exception-based workflows provide a low-risk and efficient platform, enabling you to flawlessly execute your mandates, season after proxy season.

.01

02. Proactively support your investment philosophies.

Industry-leading intelligence identifies underlying vote implications, informing choices that help you manage risks and support your investment mandates.

.02

ProxyExchange Covers All the Bases for TRS

03. Champion engagement & stewardship.

ProxyExchange provides communication modules that you can use throughout the year to respond, and engage with stakeholders, and evaluate your engagement programs.

.03

04. Experts at your service.

ProxyExchange is your gateway to a global network of experts - product specialists and governance consultants, trained as proactive and dedicated extensions of your team, enabling you to fully utilize the power of the PX platform.

.04

Reporting: Support TRS' mandates and stakeholder demand

ProxyExchange Voting Reports

- **Transparency and control** by leveraging ISS' library of pre-built, customizable templates
- **Flexibility** to include vote history and statistical summary data
- **Meet internal, compliance, and client requests**

Vote Disclosure Service

- **Efficient and cost-effective** solution in global markets where vote disclosure is a regulatory or best practice standard
- **Turnkey solution** includes record-keeping, reporting, and hosted websites
- **Easy access to data** for stakeholder request fulfillment (FOIA requests)

Global Stewardship Codes

- **Fulfill stewardship responsibilities** through comprehensive reporting solutions
- **Support engagement and vote disclosure**, including PRI Reporting User Guide

Meet regulatory and best practice standards for:

- National Instrument (NI) 81-106 website disclosure in Canada
- PRI Signatories
- UCITS Directive in Europe
- UK Stewardship Code
- EC Action Plan for Corporate Governance
- EU Shareholder Rights Directive
- EFAMA Code for External Governance
- Minder Swiss Ordinance for Pension Fund Voting
- BVI Code of Conduct in Germany
- Eumedion Best Practices in Netherlands
- Assogestioni Principi in Italy
- Japan Stewardship Code
- Financial Service Council (FSC) Standard No. 13 and Standard No. 20
- Stronger Super Reforms (RG 252)

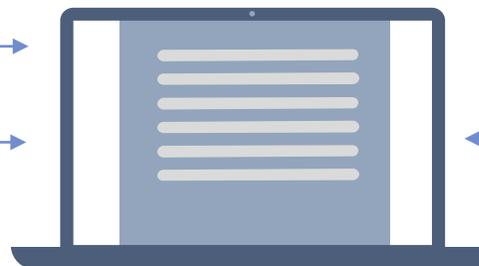
Full spectrum research supports TRS' investment philosophy at every point of need.

ISS Benchmark Research

- Global coverage and principles, ISS market specific policies and expertise
- Cover 40,000 company meetings annually, across 115+ markets
- Viewed as the industry standard and market best practice

ISS Custom Research

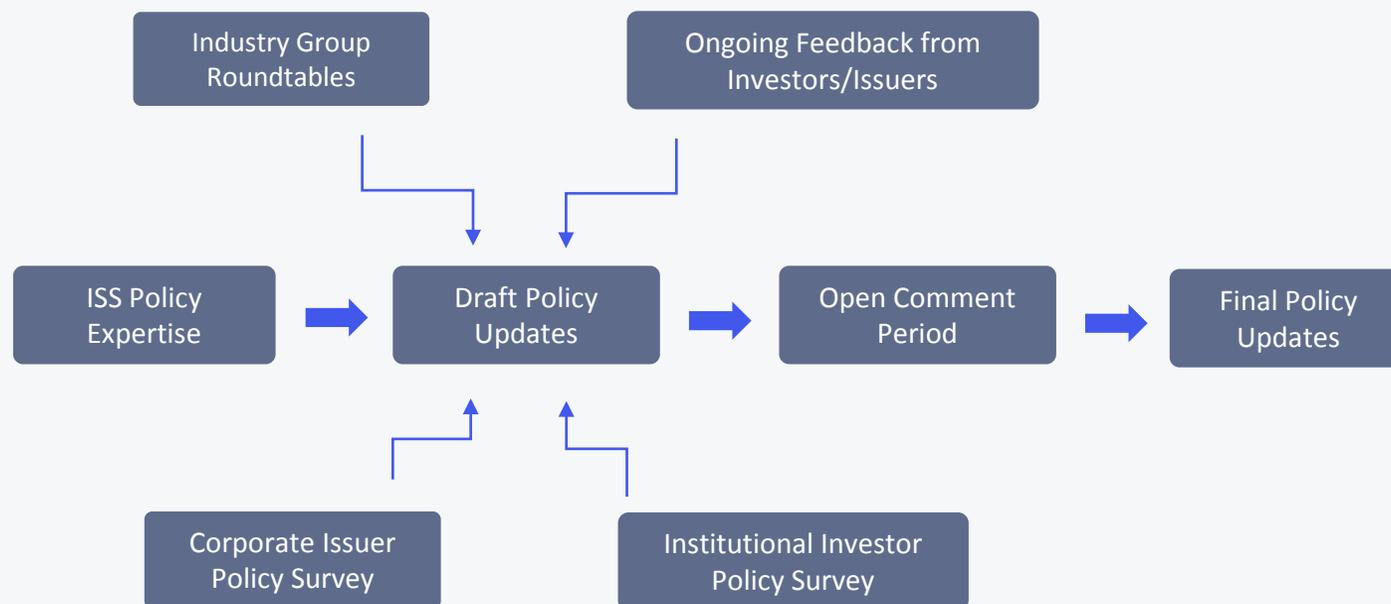
- Bespoke implementation of client governance philosophy
- High-touch approach where custom analyst partners with client
- Fastest growing area of research, as governance matters globally



ISS Specialty Research

- 5 thematic policies, including:
 - Sustainability,
 - SRI,
 - Faith-based,
 - Taft-Hartley,
 - Public Fund
- Designed to fill specific investor needs and mandates (e.g. meet PRI requirements)

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



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

Action Your Mandates from a Position of Strength

Depth of Resources

- Subject-matter and local market expertise to understand and bring context to agenda items
- Awareness of global stewardship codes and mandates

Process

- Consultative, investor-centric, transparent, and interactive benchmark policy development process

Quality

- Global and local expertise, robust analysis, data-rich, auditable
- Equity plan scorecards for US & Canada, P4P model for US, Canada, & EMEA

Breadth

- Global coverage, aligned with public equities across client portfolios
- Thought leadership, trends and perspectives



A responsive and resilient infrastructure to give you proxy peace of mind.

Robust & Agile Infrastructure

- Scalable and resilient to support growth & continued improvements
- Integration across needs, handoffs, and deliverables

Continuous Innovation to Meet Changing Needs

- Innovations to deliver industry-leading content, features & customization
- Flexible and customizable, able to support highly complex voting requirements as well as occasional users
- Strategic enhancements to key voting processes

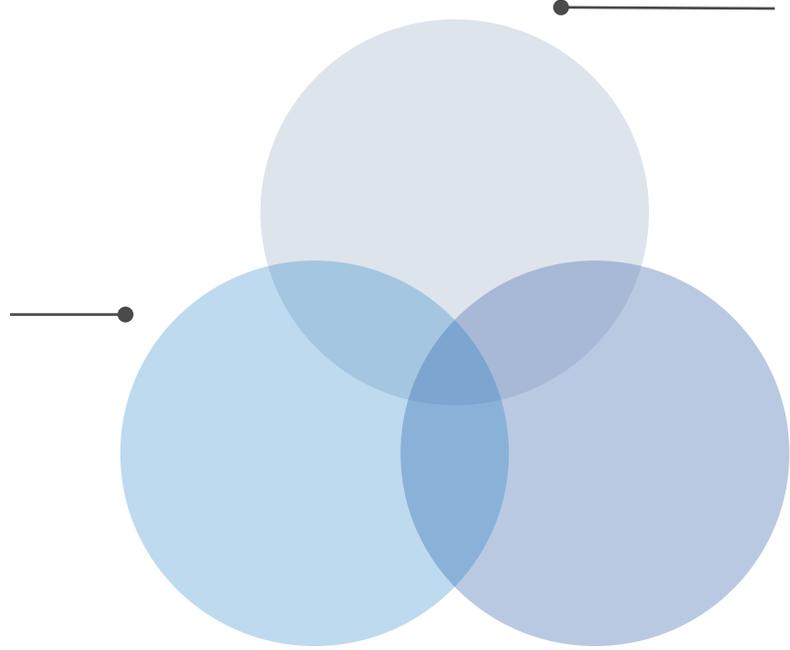
Security & Standards Compliant

- Security & business continuity programs benchmarked to ISO standards
- SSAE 16 Type II certifications and ongoing independent audits
- Dedicated controls and audit for oversight & redundancies

Industry-benchmarked security and business continuity protocols to safeguard your data.

Business Continuity Management System (BCMS)

- Benchmarked against ISO 22301
- Business continuity and disaster recovery (covering IT, data centers, personnel & critical operations).
- Crisis Management of internal and external communications.
- Pandemic Planning for responding to geographical, mass illness outbreak.



Information Security Management System (ISMS)

- Benchmarked against ISO 27001
- Covers all applicable control objectives
- Applies to all ISS business units, regardless of geographical location

Cybersecurity Management & Defense System (CMDS)

- Comprehensive control framework in response to the SEC OCIE Cybersecurity Initiative

Continued partnership between TRS and ISS.

Excellent Customer Support; In-Depth Knowledge of TRS' Governance Needs

- Dedicated Asset Owner Specialist, Corina Florea; 9+ years on TRS account
- Dedicated Business Contact, Joshua Russell; 3+ years on TRS account
- On demand access to ISS policy experts
- Dedicated custom policy support included with custom policy subscription

Superior Global Proxy Research and Coverage

- Tenured team, with local market presence and expertise
- Awareness of global stewardship codes and mandates
- Dedicated teams focused on complex governance issues, including mergers and acquisitions, executive compensation, and E &S issues
- Thought leadership, trends, and perspective

Robust Compliance Program & Operational Controls

- Dedicated Control and Audit team supporting governance business units
- SSAE 16 Type II certifications and ongoing independent audits across research and operational teams

ISS is Committed to Institutional Clients

- ISS provides impartial, independent research.
- ISS is transparent with investors and companies on its policies and procedures:
<https://www.issgovernance.com/compliance/due-diligence-materials/>
- ISS makes available to each issuer ISS' proxy report on that issuer free of charge

We believe that most operating businesses, including all those in the proxy advisory space, face potential conflicts of interest. ISS understands and takes seriously the potential for real or perceived conflicts of interest which may result from our business activities. Moreover, as a registered investment adviser, ISS is obligated to design, maintain and periodically update a program designed to eliminate, or manage and disclose conflicts of interest.

ISS serves institutional clients. Its wholly-owned subsidiary, ISS Corporate Solutions, Inc. ("ICS"), separately serves corporate issuer clients. ISS is aware of, and actively manages and mitigates, the potential for conflict of interest between the work of ISS and ICS. Measures include:

- Implementation of a physical and virtual firewall...ICS is separated, physically and virtually, from ISS, and is separately managed on a day-to-day basis
- ISS research works independently of ICS
- No guarantees to ICS' corporate clients (no pay for play)
- Extensive Disclosure
 - Disclosure regarding business model
 - Transparency...ISS clients are entitled to information about the identity of ICS' clients, the services purchased and the amounts spent by those clients
- Compliance and conflict management policies and procedures are strictly enforced
- ISS is subject to regulatory oversight as a Registered Investment Adviser

Thank You

Lorraine Kelly
Managing Director, Proxy Business
Lorraine.kelly@issgovernance.com



Proxy Advisor Services Selection Process

Sylvia Bell, Chief Operating Officer

Kay Cuclis, Senior Investment Manager

Stacey Peot, Senior Investment Manager

August 2017



Agenda

- I. Staff Process and Recommendation
- II. Factors for Evaluation
- III. Fee Proposal

Selection Process and Recommendation

- Selected Proxy Services search committee
 - 7 voting members on committee across investment management and operations
 - Oversight provided by TRS Purchasing and CCO office
- Issued RFP
- Reviewed and evaluated RFP submissions
 - 3 applicants; 2 selected as finalists
- Completed “Best and Final Offer” process
- Board Presentation and Staff Recommendation
 - Based on the discussion and information we will provide you today, which includes:
 - Results of Evaluation Team RFP review
 - Experts from the policy providers
 - Staff input in an advisory capacity

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TAB 12



Impact of Proposed 403(b) Rule Amendments
Rebecca Merrill, Director of Strategic Initiatives
Dan Pawlisch, Aon Hewitt



Background

Background: Legislative History

2001

Company Certification

- Required certification of companies selling products by salary reduction agreement.
- Certification means that a company meets financial strength criteria and licensure and experience requirements.
- Solidified the open access model.
- Prohibited certified companies from charging members fees, costs, and penalties in excess of caps adopted by TRS Board of Trustees.
- Required to publish a list on the TRS web site of certified companies.

2007

Product Registration

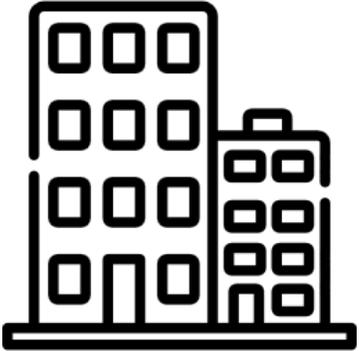
- Added product registration.
- Developed the Product Registration System for companies to register products.
- Required to publish a list on the TRS web site of registered products.
- Companies may only offer products and investment options that are registered with TRS.

2009

Platform Companies

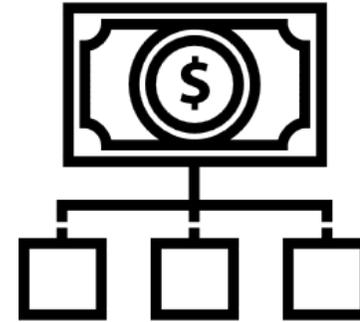
- Added certification of platform companies who register and sell other certified companies' mutual funds.

Background: 403(b) Program



80 Certified Companies

66 have active registered products and investment options

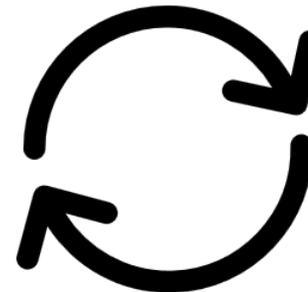


11,685 active registered products and investment options



\$3,000 certification fee

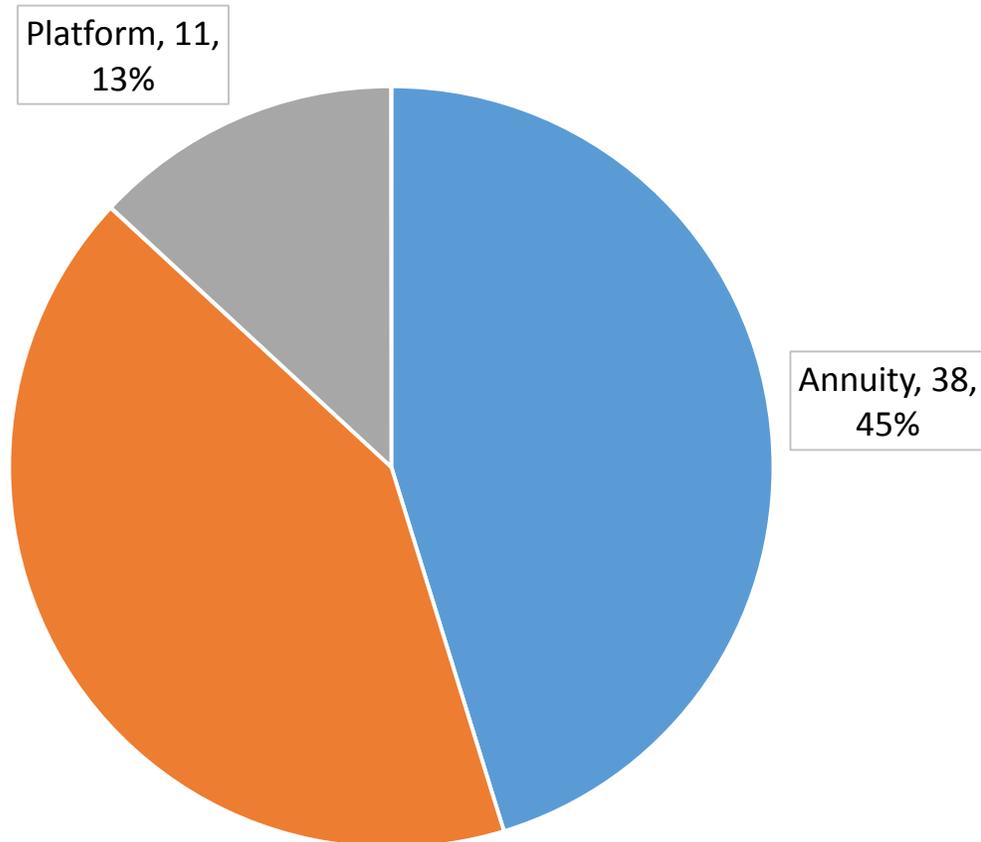
\$3,000 product registration fee



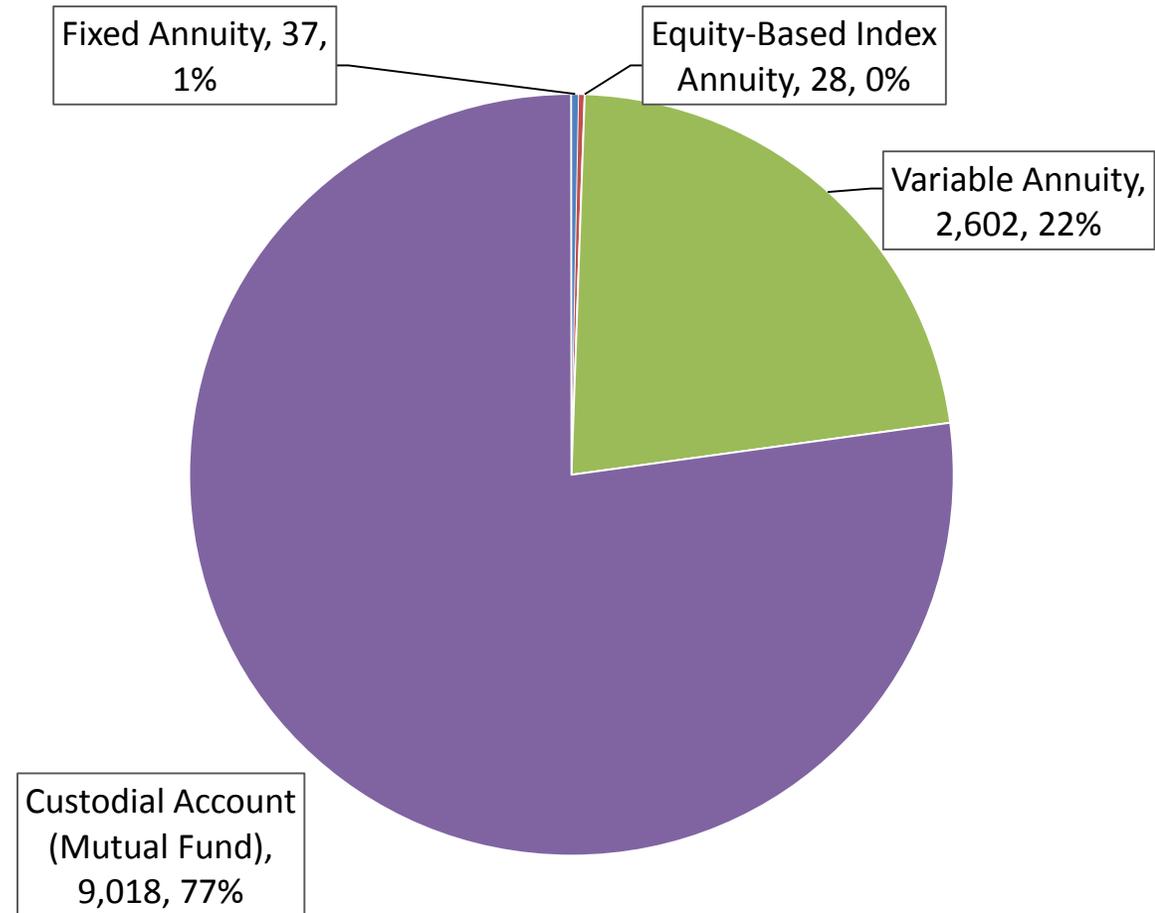
5 year renewal for certification and product registration

Background: 403(b) Program

Companies



Products & Investment Options



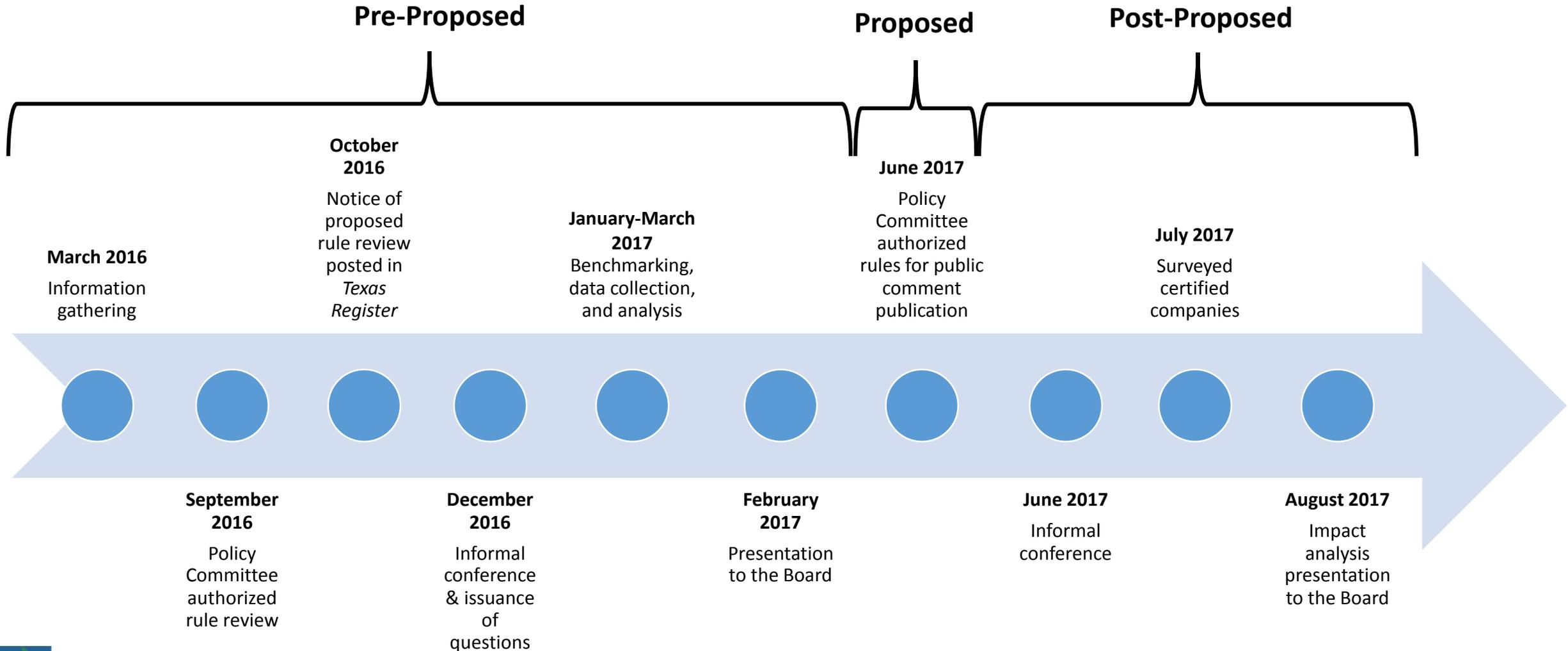
Background: Statutory Rule Review

- Required every four years. Must be completed by December 2017. Completed means adopted by the Board and filed with the Secretary of State.
- Due to the rule review, the Board must vote to do one of three things:
 - Readopt the rules with no changes;
 - Readopt the rules with amendments; or
 - Repeal the rules.
- Purpose of the review is to ascertain if the need for the rules still exists and, if so, identify any needed improvements.

Background: Rule Review Considerations

- Retirement Security:
 - Per a 2012 TRS study, the defined benefit plan replaces roughly **68%** of a career employee's pre-retirement income at ***initial*** retirement and provides a ***lifetime*** benefit that equates to **52%** of pre-retirement income.
 - Members will likely need to supplement their TRS pension with personal savings.
 - Low fees protect employees against erosion of returns on their investment dollars.
- Public Perception:
 - While TRS does not recommend 403(b) providers or investments, the certification and registration process gives the appearance of TRS endorsement.
 - Public perception enhances the consequence of the Board's charge to set maximum fees, costs, and penalties.
 - Employees must also exercise diligence in determining which investment products are right for them and the reasonableness of fees.

Background: Timeline



Background: Proposed Amendments

Non-Substantive

- Restructure chapter.
- Clarify company and product structures.
- Add needed terminology.

Substantive

- Require certification application disclosures.
- Adjust allowable maximum fees, costs, and penalties.
- Increase company certification and product registration fee from \$3,000 to \$5,000 and from \$3,000 to \$10,000 respectively (noticed July 21st).
- Formalize the closed and restricted product list.

Background: Solicited Feedback

Solicited Feedback on Proposed Rules

Held two informal conferences on December 12, 2016 and June 28, 2017. 74 individuals attended, including representatives from 12 certified companies.

Received
oral
testimony
from:

6 financial advisors;
5 certified companies;
2 TPAs;
2 industry associations;
2 school associations; and
2 individuals representing
themselves.

Received
written
comments
from*:

76 financial advisors;
7 certified companies;
3 TPAs;
2 industry associations;
3 individuals representing
themselves; and
1 school association.

*Numbers do not total to 93 because some commenters submitted multiple comments.

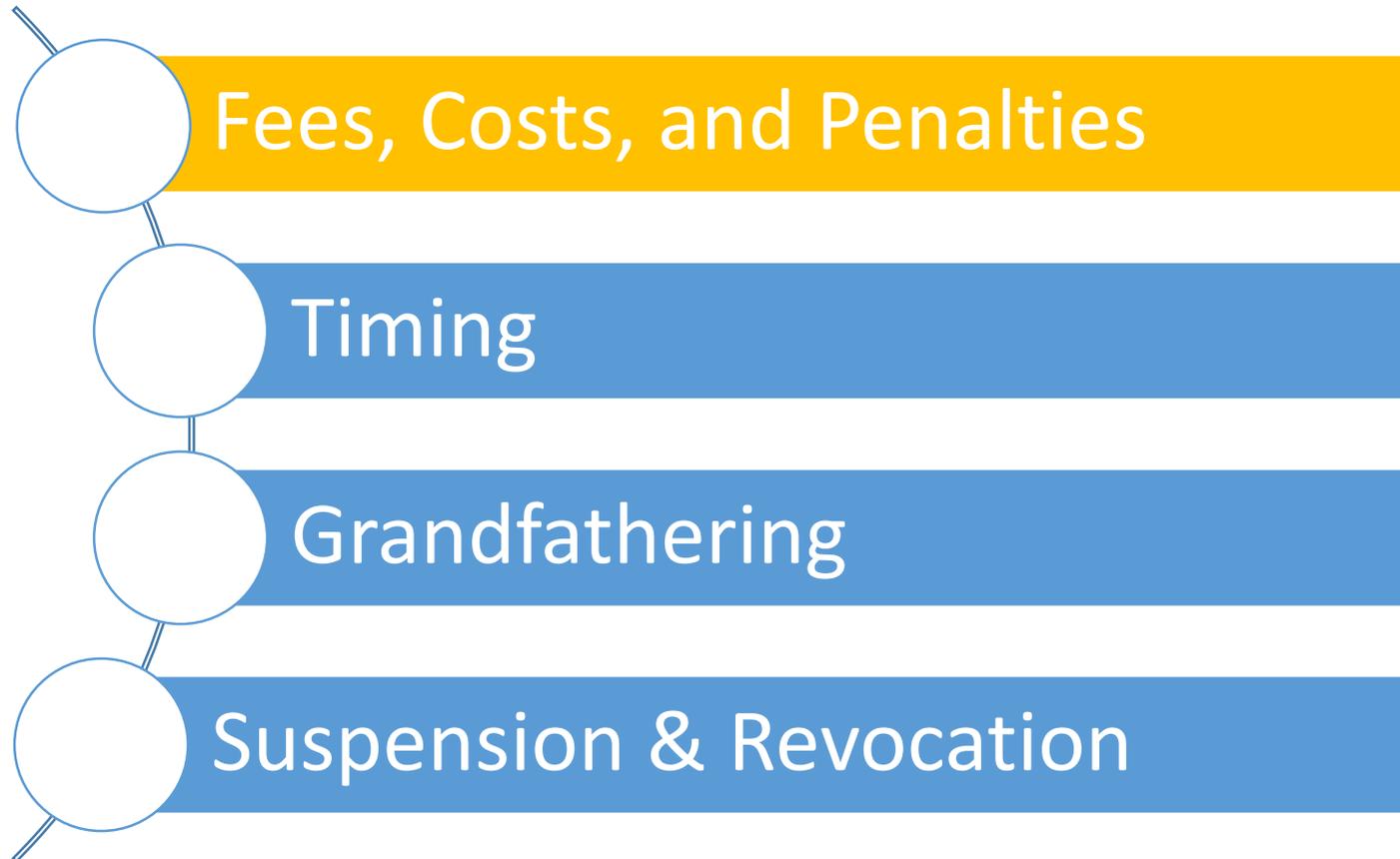
Background: Solicited Feedback

Solicited Feedback on Proposed Rules

Conducted research on stakeholder feedback. Held 20 meetings or calls from May to August in response to stakeholder comments.

Met With:

- 6 certified companies;
- 4 TPAs;
- 3 regulatory entities;
- 2 industry associations;
- 1 school association;
- and
- 1 record keeper.





Fees, Cost, & Penalties: History

Fees, Costs, & Penalties: History

2002 Initial Rule Adoption

History and purpose of the enabling legislation (SB 273, 2001):

- Ensure member choice with own money through “open access” structure.
- TRS as a qualifier.
- TRS Board to adopt maximum fees, costs, and penalties.

Preamble and comments from 2002 Initial Rule Adoption:

- TRS engaged a consultant to make recommendations on maximum fees, costs, and penalties.
- Stakeholders provided input at a public hearing and through written comments.
- The Board ultimately adopted rules that concurred with company concerns.

Fees, Costs, & Penalties: History

Category	Current (2002 – Present)
Surrender Penalty	Max 10 years (12 years with disclosure) & 10% penalty
Front-End / Back-End Sales Load	6% Combined
Annual Asset-Based	2.75%
Loan Initiation	\$50
Annual Fixed Dollar	\$50
Additional Fees	Allowable

Fees, Costs, & Penalties: History

2002 Initial Rule Adoption			
Fee	Proposed		Adopted
Surrender Penalty	6 years 6% penalty declining annually		10 years (12 years with disclosure) 10% penalty declining annually
Front- or Back-End Sales Loads	None		Max 6% front or back-end sales load
Annual, Recurring or One-Time Fixed Dollar	None		\$50
Recordkeeping or Administrative	None		Included in asset-based fee
Maximum Expense Charge <ul style="list-style-type: none"> Acceptable charges include: investment management, custodial, mortality and expense risk charges, 12b-1 fees, administrative charges and other applicable fees and charges. Surrender/withdrawal charges are not permitted. 	Asset Class	Max Charge	Ultimately, took the highest expense ratio for International / Global Equity and added a product administration / revenue sharing fee. 1.50% Highest Proposed Expense Ratio +1.25% Maximum Product Admin Fee 2.75% Maximum Asset-Based Fee
	Money Market/Stable Value	0.90%	
	Diversified Bond	1.10%	
	Balanced	1.25%	
	Large Cap Equity	1.25%	
	Small-Mid Cap Equity	1.50%	
	International/Global Equity	1.50%	

Fees, Costs, & Penalties: History

1.25% was selected as the maximum product administration fee because TRS found that:

“The addition of 125 basis points will permit compensation for costs such as mortality and expense risk, account management, personal investment advice, and administrative expenses associated with a multi-employer, multi-payroll, geographically large market. The percentage was established at a level that also would permit managed investment accounts to continue to exist and to compensate investment advisors or broker-dealers for their services to the employees and to the companies.”

27 TexReg 3575, April 26, 2002



Fees, Costs, & Penalties: Proposed Amendments & Comments

Fees, Costs, & Penalties: Current & Proposed

Category	Proposed
Surrender Penalty	Max 5 years & 5.0%
Front-End / Back-End Sales Load	Eliminate
Annual Asset-Based	Two separate maximum asset-based fee caps: <ul style="list-style-type: none">• A maximum annual expense ratio tiered by asset class; and• A 1.25% maximum annual product administration fee.
Loan Initiation	\$25
Annual Fixed Dollar	\$50
Additional Fees	Allowable

Fees, Costs, & Penalties: Current & Proposed

The proposed rules establish two separate maximum asset-based fee caps: a maximum annual expense ratio tiered by asset class and a 1.25% maximum annual product administration fee.

Asset Class	Maximum Annual Expense Ratio	Maximum Annual Product Administration Fee	Maximum Annual Asset-Based Fee
Money Market	0.15%	1.25%	1.40%
Diversified Bond	0.50%	1.25%	1.75%
Balanced	0.50%	1.25%	1.75%
Large Cap U.S. Equity	0.50%	1.25%	1.75%
Small/Mid Cap U.S. Equity	0.70%	1.25%	1.95%
International Equity	0.80%	1.25%	2.05%
Global Equity	0.80%	1.25%	2.05%

Fee, Costs, & Penalties: Current & Proposed

Category of Additional Fee	Current	Proposed
Other Fees	<ul style="list-style-type: none"> Allow companies to register “other fees” that are transactional. Other fees are not defined. 	<ul style="list-style-type: none"> Same as current practice. Define other fees as transactional in nature, including, redemption, closeout, one-time fees, and excessive trading.
Optional Fees	<ul style="list-style-type: none"> Allow companies to register “optional fees” that exceed the annual asset-based fee cap. Companies must have controls in place to ensure that participants are not charged more than the maximum annual asset-based fee. Report fees in the PRS (e.g. investment advisor and enhanced rider) 	<ul style="list-style-type: none"> Companies may only register “optional fees” that are under the annual asset-based fee cap. No longer necessary. Same as current practice.

Fees, Costs, & Penalties: Comments

Company Impacts

- Expense ratios are too low.
- Product administration fee does not allow adequate compensation for advisory services.
- Shorter surrender period and lower surrender charge do not provide an adequate deferred sales charge.
- Rules will put companies that are committed to Texas teachers out of business.
- The cost of investing has gone up.
- Proposed fees result in vendor reduction, which has failed in other jurisdictions.

Product Impacts

- Shorter surrender period and lower surrender charge result in a lower guaranteed annuity payout.
- Most annuity contracts allow members to take out up to 10% annually without a surrender penalty.
- Rules out all of the current fixed annuity products.
- Annuities provide insurance benefits that mutual funds don't have (e.g. death benefit), which necessitate a longer surrender period and charge.
- Asset class categories do not contemplate all asset-class types.

Fees, Costs, & Penalties: Comments

Participant Impacts

- Fewer companies and advisors results in decreased participation and lower saving rates.
- Fewer companies and advisors will negatively impact the rural districts and members most.
- Texas already has several low-cost vendors on the product list and participants can choose from those.
- Not every customer prioritizes low fees.

Other Considerations

- 401(k) fees are not analogous to the 403(b) market.
- Vernon's 6228a-5 authorizes companies to set a surrender period in excess of 10 years.
- Certified companies may no longer pay TPA fees which means districts or members must pay them
- Fee-based financial advisors welcome the changes and requested they go into effect without delay.
- Health insurance and other benefits for financial advisors are often directly linked to the amount of proprietary products sold, which encourages the sale of high fee, high commission products.

Fees, Costs, & Penalties: Context

2017 Proposed Rules Aon Analysis of Expense Ratios

- Examined Morningstar expense ratio data collected by Aon as of 12/31/15.
- Included data for over 12,000 funds, representing over \$9 trillion in assets, broken down by asset class.
- Reviewed expense ratio data based on percentiles (25th and 75th), medians, and average.
- Used the dollar weighted average to set the proposed expense ratio caps given that it represents how investors allocate capital.

Fees, Costs, & Penalties: Context

2017 Proposed Rules

Benchmarking Survey of Product Administration / Revenue Sharing Fee

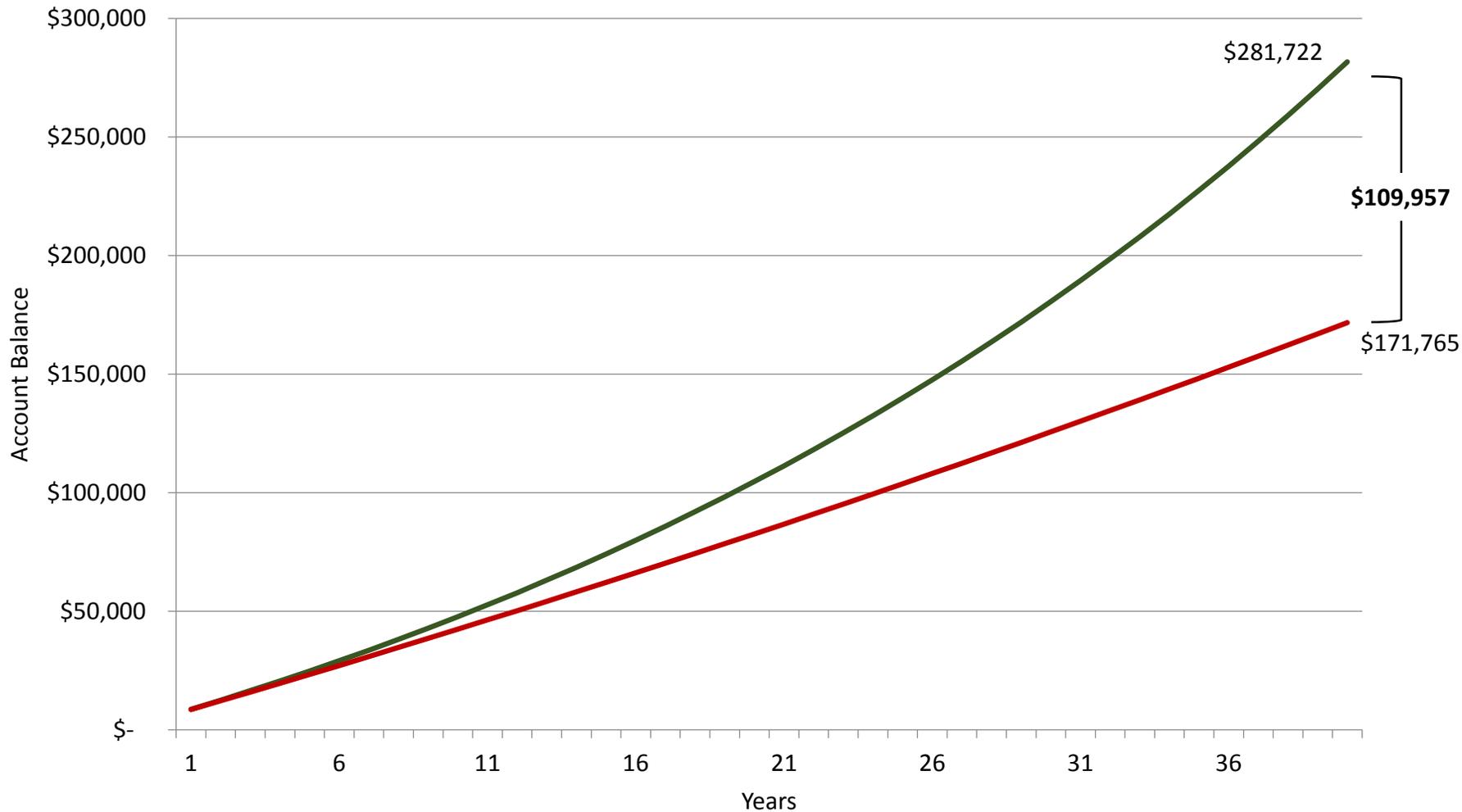
- Selected 20 school districts and one charter school to participate based on diversity of size and geographic locations.
- Requested school districts and the charter school to identify their top three 403(b) vendors. Aon selected one vendor from each list to survey.
- Reviewed approximately 300 funds with assets totaling \$77 million.
- Average administrative/other/revenue sharing fee was 0.57%, and the range was 0.21% to 1.11%. The two highest responses were 1.00% and 1.11%.
- **The 1.25% proposed maximum annual product administrative fee retains the current maximum product administrative fee built into the rule** and is higher than the maximum 1.11% administrative fee identified in the survey.

Fees, Costs, & Penalties: Context – Example I

Money Market

- 187 total money market products registered in the TRS Product Registration System.
- Money market product fees range from 0.09% to 2.31%.
- 83 of these products have an asset-based fee over 1.00%.
- 47 of these products have an asset-based fee of over 1.40%.
- Current yield of a money market account is 0.30% as of June 30, 2017.

Fees, Costs, & Penalties: Context – Example I



Money Market

- Presumes a \$5,000 initial contribution.
- Adding \$300 per month for 40 years.
- Growing at 3.0% per year.
- Lowest current registered money market fee is 0.09% and highest current registered money market fee is 2.31%.

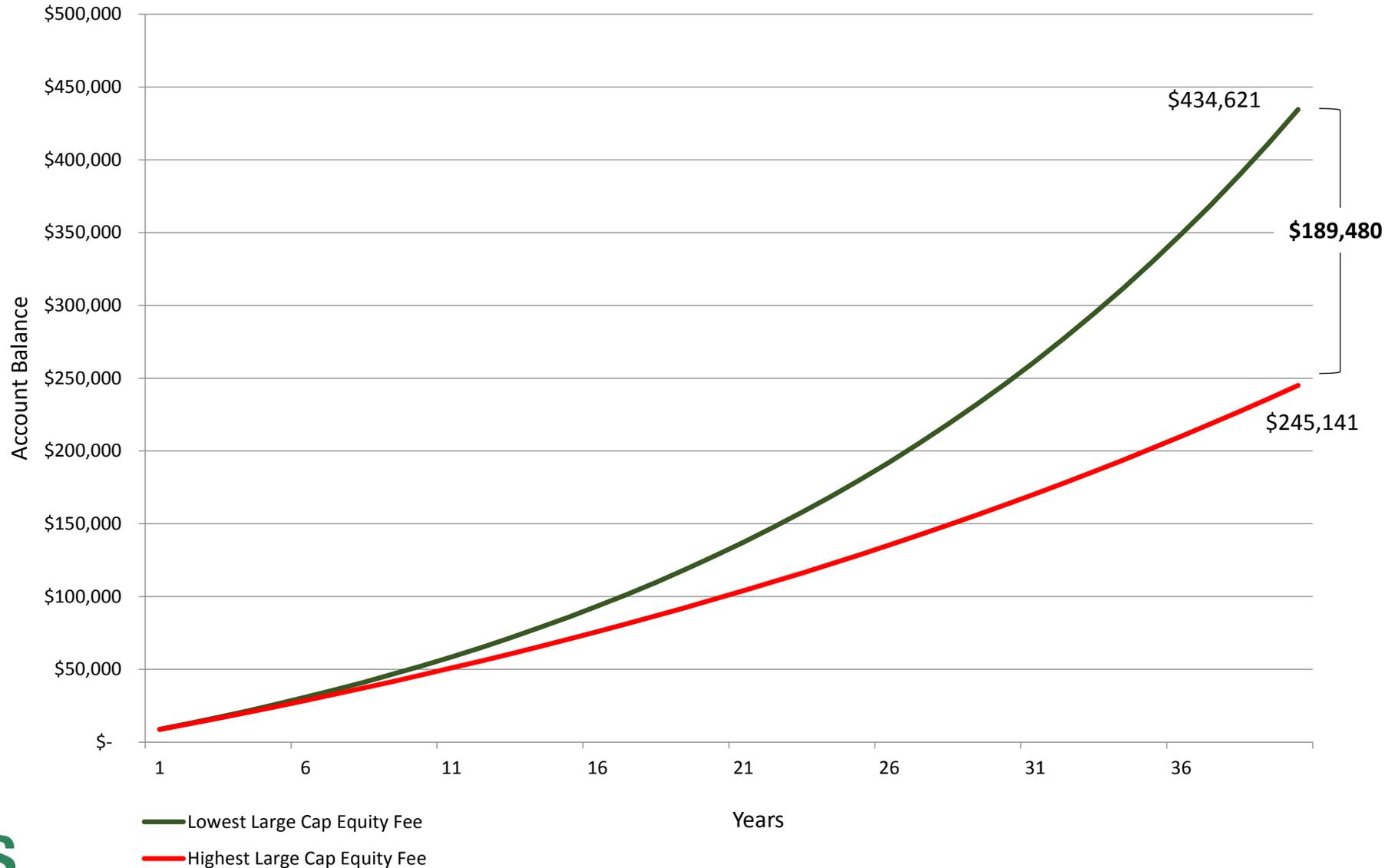
— Lowest Current MM Fee
— Highest Current MM Fee

Fees, Costs, & Penalties: Context – Example II

Large Cap Domestic Equity

- 175 total large cap domestic equity products registered in the TRS Product Registration System.
- Large cap domestic equity product fees range from 0.31% to 2.69%.
- 120 of these products have an asset-based fee over 1.50%.
- 100 of these products have an asset-based fee of over 1.75%.
- Current dividend yield of the S&P 500 Index is 2.39% as of June 30, 2017.

Fees, Costs, & Penalties: Context – Example II



Large Cap Domestic Equity

- Presumes a \$5,000 initial contribution.
- Adding \$300 per month for 40 years.
- Growing at 5% per year.
- Lowest current registered large cap domestic equity fee is 0.31% and highest current registered large cap domestic equity fee is 2.69%.

Fees, Costs, & Penalties: Context

Jurisdiction	Program Structure	Considerations
Iowa	<ul style="list-style-type: none"> Iowa moved from open access system to 4 core providers. Expense ratios range from 0.5% to 1.28. Product administration fees range from 0.0% to 0.20%. 	<p>Stakeholder comments noted that participation rates in Iowa dropped up to 50% in some counties after the consolidation.</p> <p>HB 569 (adopted May 2017) expands the program to a <u>max of 30 providers</u> recommended for program inclusion by the Director of the Department of Administration Services.</p>
North Carolina	<ul style="list-style-type: none"> Moved to a single plan provider in 2012. Expense ratios ranged from 0.007% to 0.69%. \$31 account management fee. Product administration (operating expense) ranges from 0.027% to 0.064%. No front or back end loads and no surrender fees. 	<p>Stakeholder comments noted that the participation rate in North Carolina is 0.6%.</p>

Fees: Impact Analysis & Alternative Option

Fees, Costs, & Penalties: Impact Analysis

Surveyed 44 certified companies with active registered product/investment option combinations that met the following criteria:

- ✓ maximum asset-based fees less than or equal to 2.05%;
- ✓ no sales loads;
- ✓ surrender charges less than or equal to 5%; and
- ✓ surrender periods less than or equal to 5 years.

Fees, Costs, & Penalties: Impact Analysis

The 44 companies were asked to provide the following information for their products that met the criteria:

- ✓ Asset class information;
- ✓ Product administration fees;
- ✓ Annual expense ratio;
- ✓ Surrender/Withdrawal charge; and
- ✓ Years Surrender Charge Applies.

21 certified companies responded (48%).

Fees, Costs, & Penalties: Impact Analysis

Approximately 30% of the products submitted in response to the survey meet the fee caps as proposed.

Description	Surveyed	Proposed*	Difference
Fixed Annuities	8	8	0
Equity-based Index Annuities	1	0**	-1
Variable Annuities	631	37	-594
Non-Annuities (Custodial Accounts)	4,295	391	-3,904
Total Products/Investment Options	4,935	436	-4,499
Certified Companies With Active Registered Products/Investment Options	44	25	-19

*Only 48% of surveyed companies responded.

** No survey response was given for the equity-based index annuity

Fees, Costs, & Penalties: Alternative Option

Category	Proposed	Alternative Option	Justification
Surrender Penalty	Max 5 years & 5.0%	Max 10-years (12 years with disclosure) & 10% charge (Maintain current surrender penalty)	<ul style="list-style-type: none"> • Texas Insurance Code 541.058 (allows surrender waiver in contract exchange with same or affiliate company). • V.T.C.S 6228a-5 (implies surrender periods beyond 10 years are allowed).
Front-End / Back-End Sales Load	Eliminate	No Change From Proposed.	N/A
Annual Asset-Based	Two separate maximum asset-based fee caps: <ul style="list-style-type: none"> • A maximum annual expense ratio tiered by asset class; and • A 1.25% maximum annual product administration fee. 	A single maximum asset-based fee cap tiered by asset class.	<ul style="list-style-type: none"> • Preserves the current 1.25% product administrative fee. • Increases choice among proposed products & investment options. • Allows more room for advisory and other services. • Increases flexibility for companies.
Loan Initiation	\$25	No Change From Proposed.	N/A
Annual Fixed Dollar	\$50	\$60	<ul style="list-style-type: none"> • Could be used to offset TPA fees. • Would allow lower cost providers to offer enhanced services.
Additional Fees	Allowable	No Change From Proposed.	N/A

Fees, Costs, & Penalties: Alternative Option

Under Texas Insurance Code 541.058, it is not a rebate or discrimination...

For a life annuity contract, to waive surrender charges under the contract when the contract holder exchanges that contract for another annuity contract issued by the same insurer or an affiliate of the same insurer that is part of the same holding company group if:

(A) the waiver and the exchange are fully, fairly, and accurately explained to the contract holder in a manner that is not deceptive or misleading; and

(B) the contract holder is given credit for the time that the previous contract was held when determining any surrender charges under the new contract...

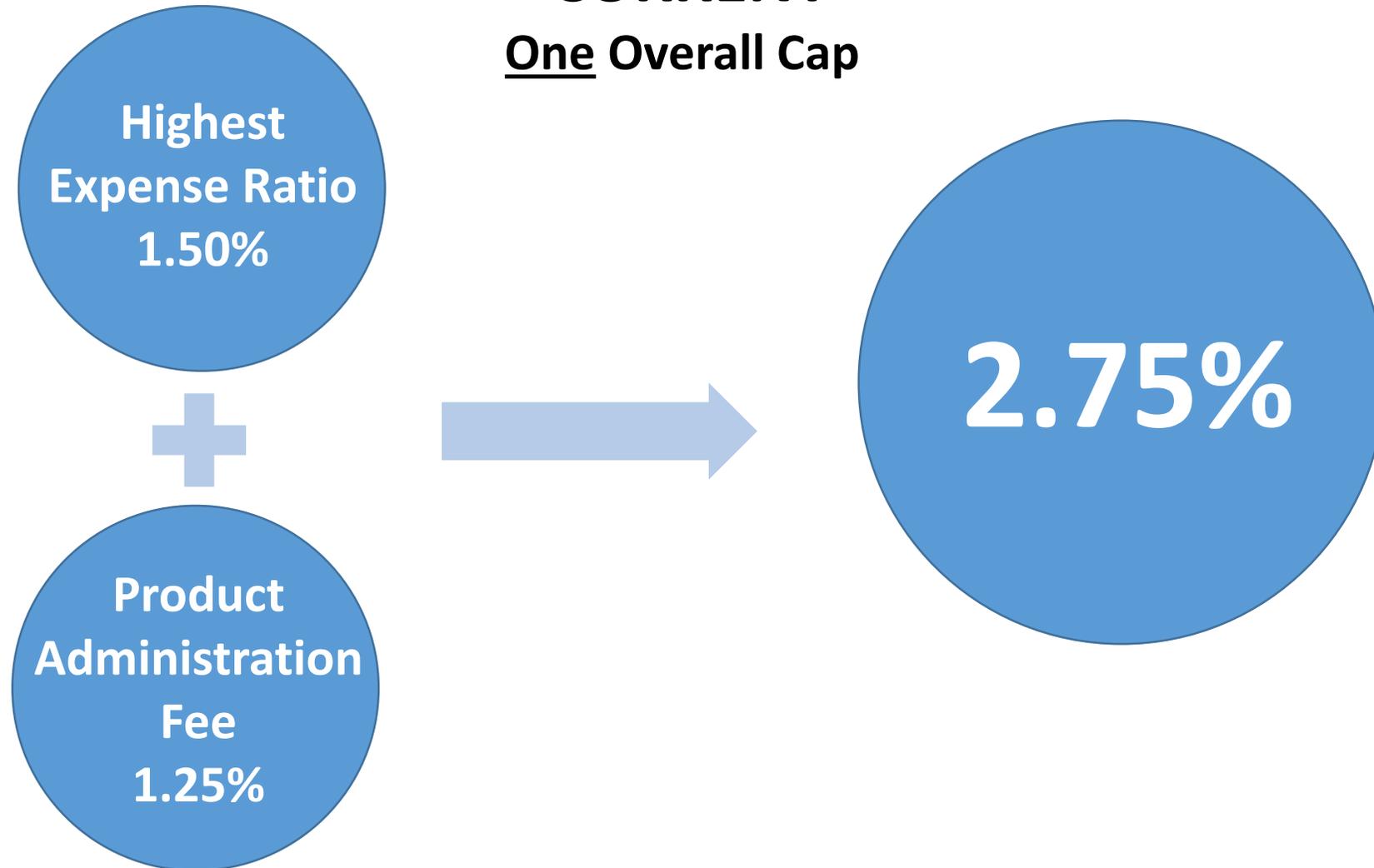
Fees, Costs, & Penalties: Alternative Option

The alternative would establish a single maximum asset-based fee cap tiered by asset class.

Asset Class	Maximum Annual Asset-Based Fee
Money Market	1.40%
Diversified Bond	1.75%
Balanced	1.75%
Large Cap U.S. Equity	1.75%
Small/Mid Cap U.S. Equity	1.95%
International Equity	2.05%
Global Equity	2.05%

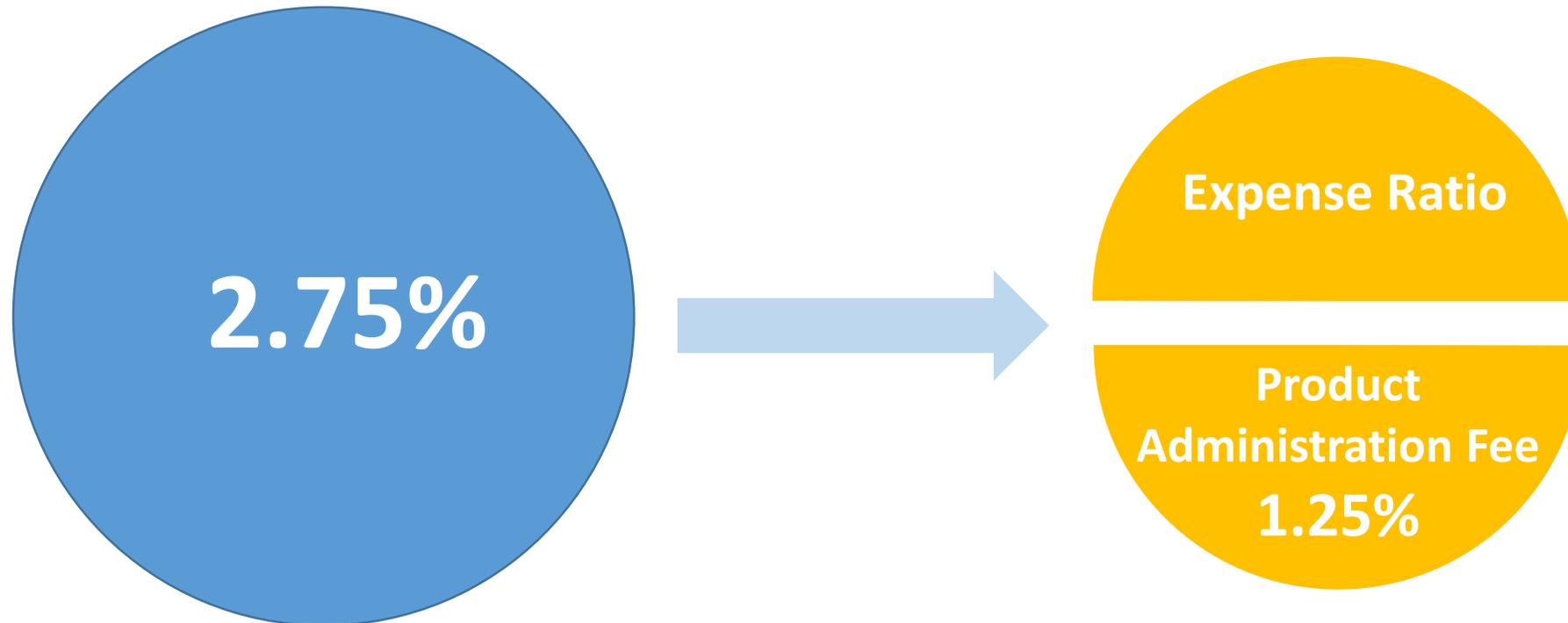
Fees, Costs, & Penalties: Maximum Asset-Based Fee Summary

CURRENT One Overall Cap

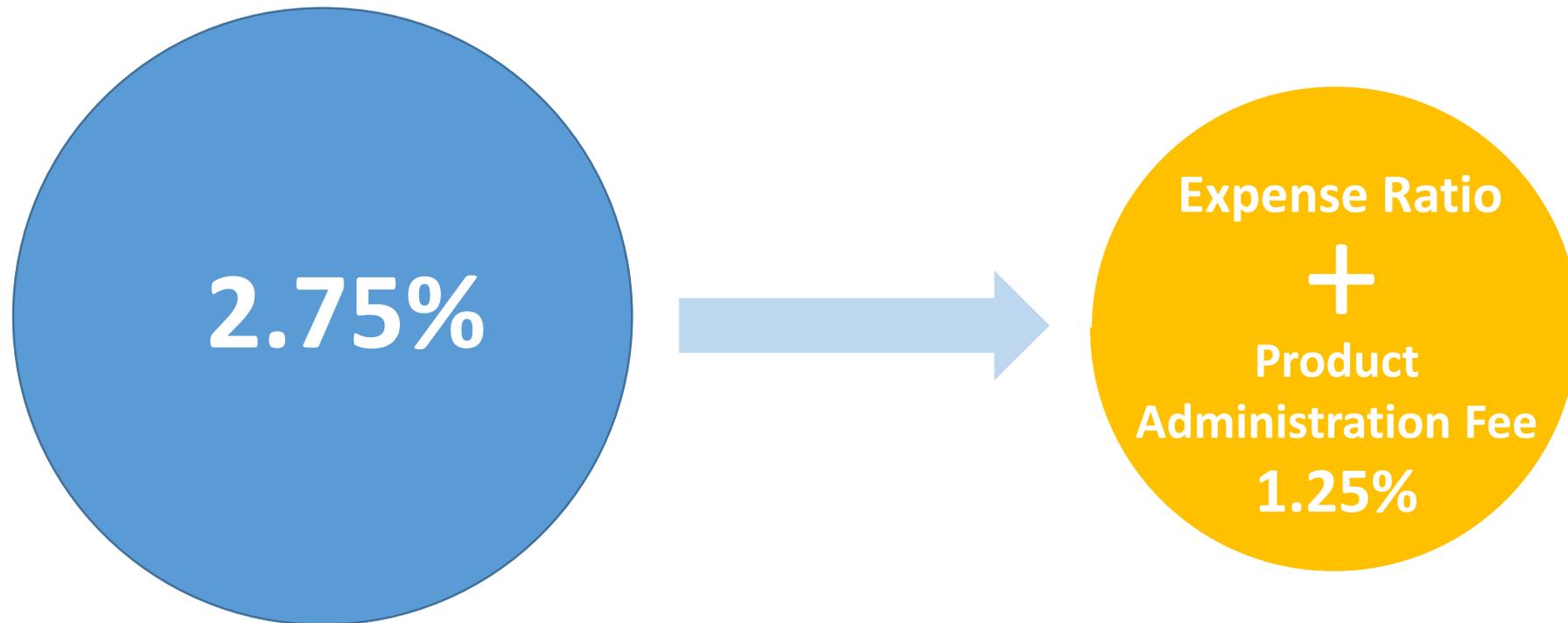


Fees, Costs, & Penalties: Maximum Asset-Based Fee Summary

PROPOSED **Two Caps By Asset Class**



ALTERNATIVE Option **One Cap By Asset Class**



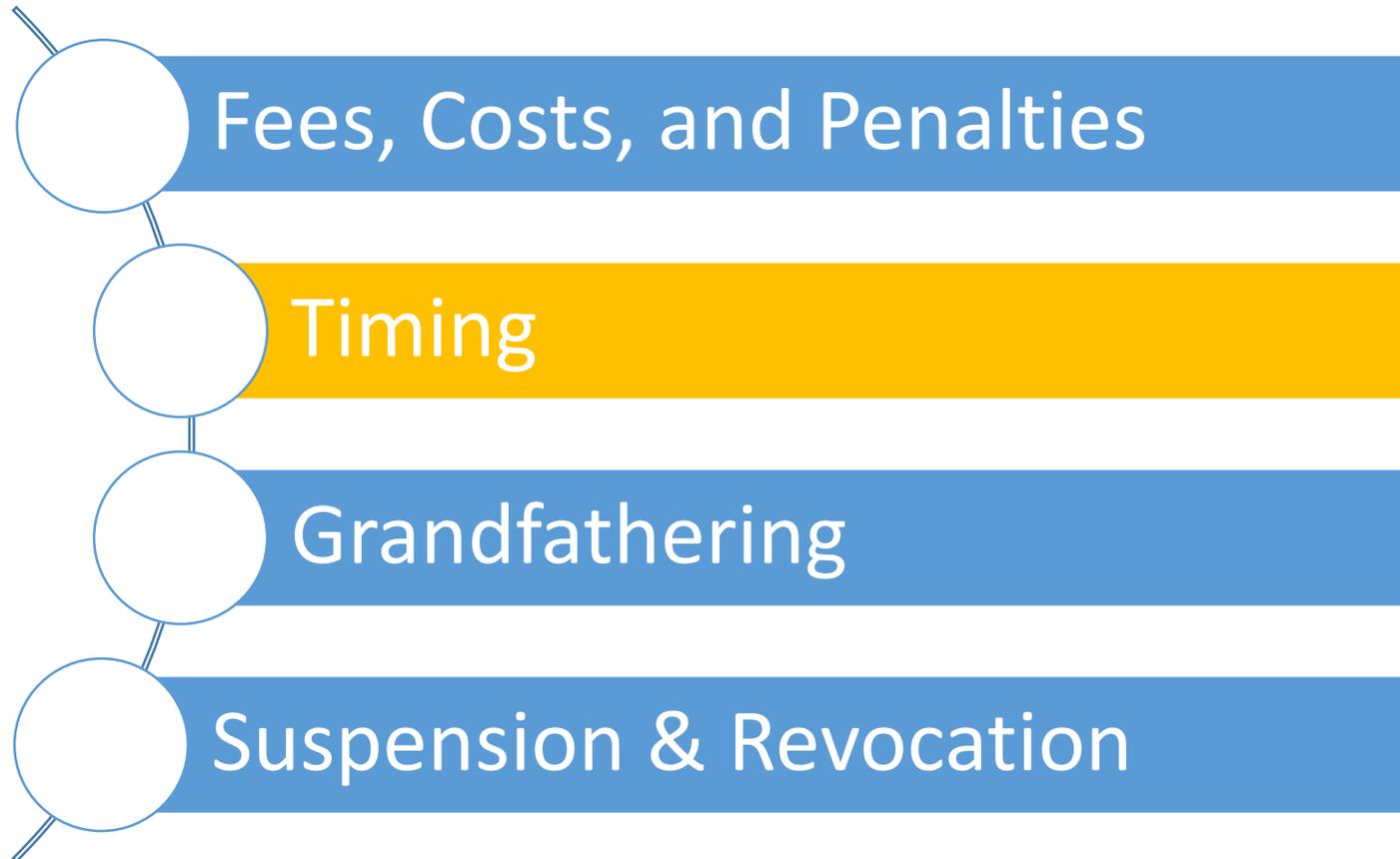
Fees, Costs, & Penalties: Alternative Option Impact

Approximately 80% of the products submitted in response to the survey meet the fee caps under Alternative One.

Description	Surveyed	Proposed*	Alternative Option	Difference Between Proposed & Alternative
Fixed Annuities	8	8	35	+27
Equity-based Index Annuities	1	0**	1	+1
Variable Annuities	631	37	234	+197
Non-Annuities (Custodial Accounts)	4,295	391	969	+578
Total Products/Investment Options	4,935	436	1,239	+803
Certified Companies With Active Registered Products/Investment Options	44	25	25	None

*Only 48% of surveyed companies responded.

** No survey response was given for the equity-based index annuity.



Timing: Comments

Company & Product Impacts

- The proposed rule process has moved too quickly.
- Companies need time to develop new products.
- Regulatory entities take months to approve new products.

Other Considerations

- School districts need time to adjust and determine the impact on TPA fees.
- Later implementation will allow time for improvements to the Product Registration System.
- Delaying implementation of lower fee caps means higher-fee products are available for longer.
- Delaying implementation of lower fee caps delays increased transparency.

Timing: Proposed & Alternative Options

Developing New 403(b) Products

Amendments propose to implement the lowered fee caps beginning with the April 2018 registration period.

To determine the length of time to develop new 403(b) products:

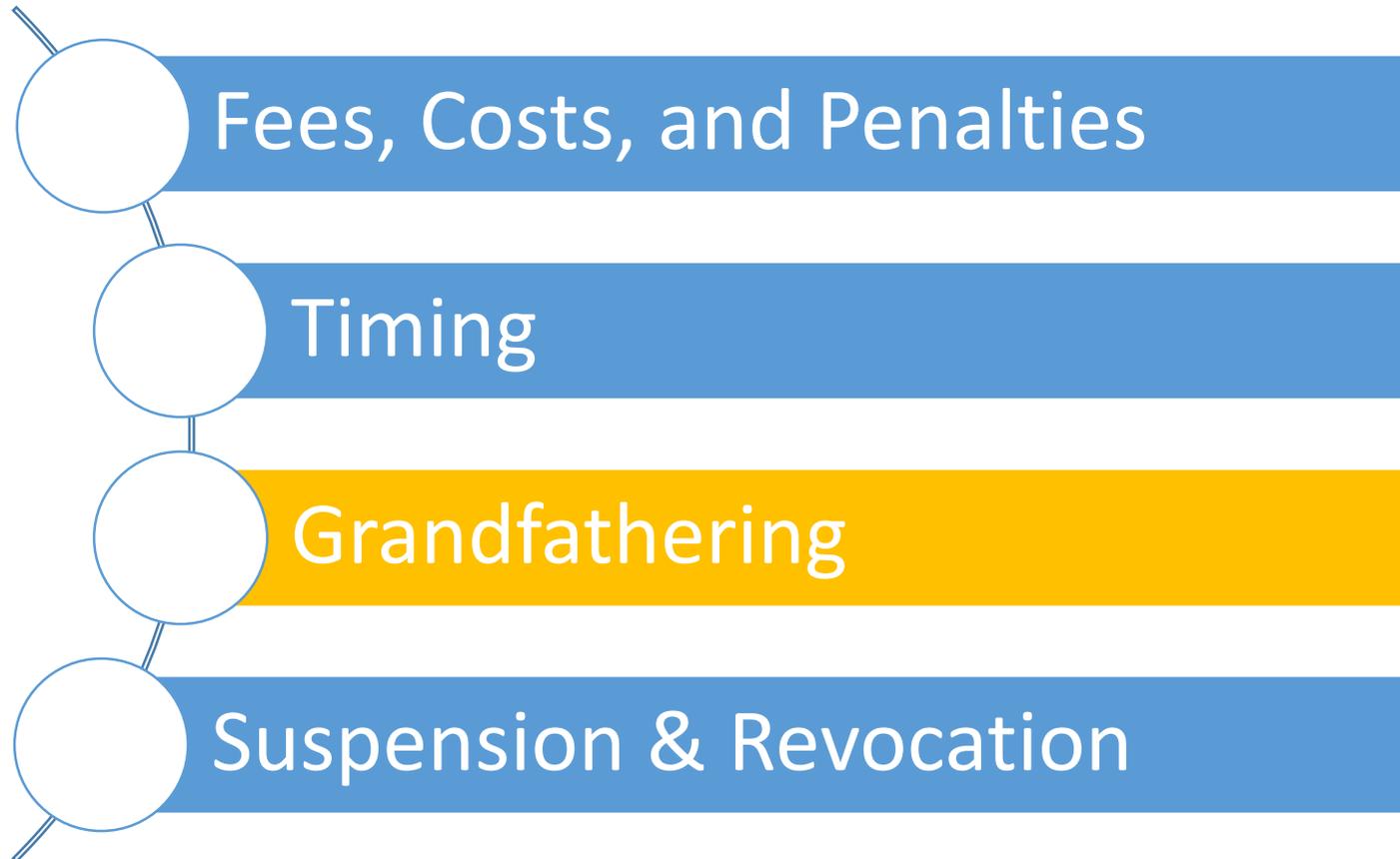
- Surveyed certified companies with active registered products or approval to register products (69 companies).
- Asked certified companies to:
 - ✓ Estimate the amount of time necessary to develop a new product or investment option before filing with a regulatory entity.
 - ✓ Estimate the number of new fixed annuity, variable annuity, equity-based index annuity or non-annuity products they will register under the proposed fee caps in 2018.

Alternative 1 Implementation: October 2018.

Alternative 2 Implementation: April 2019.

Summary of Options and Impacts

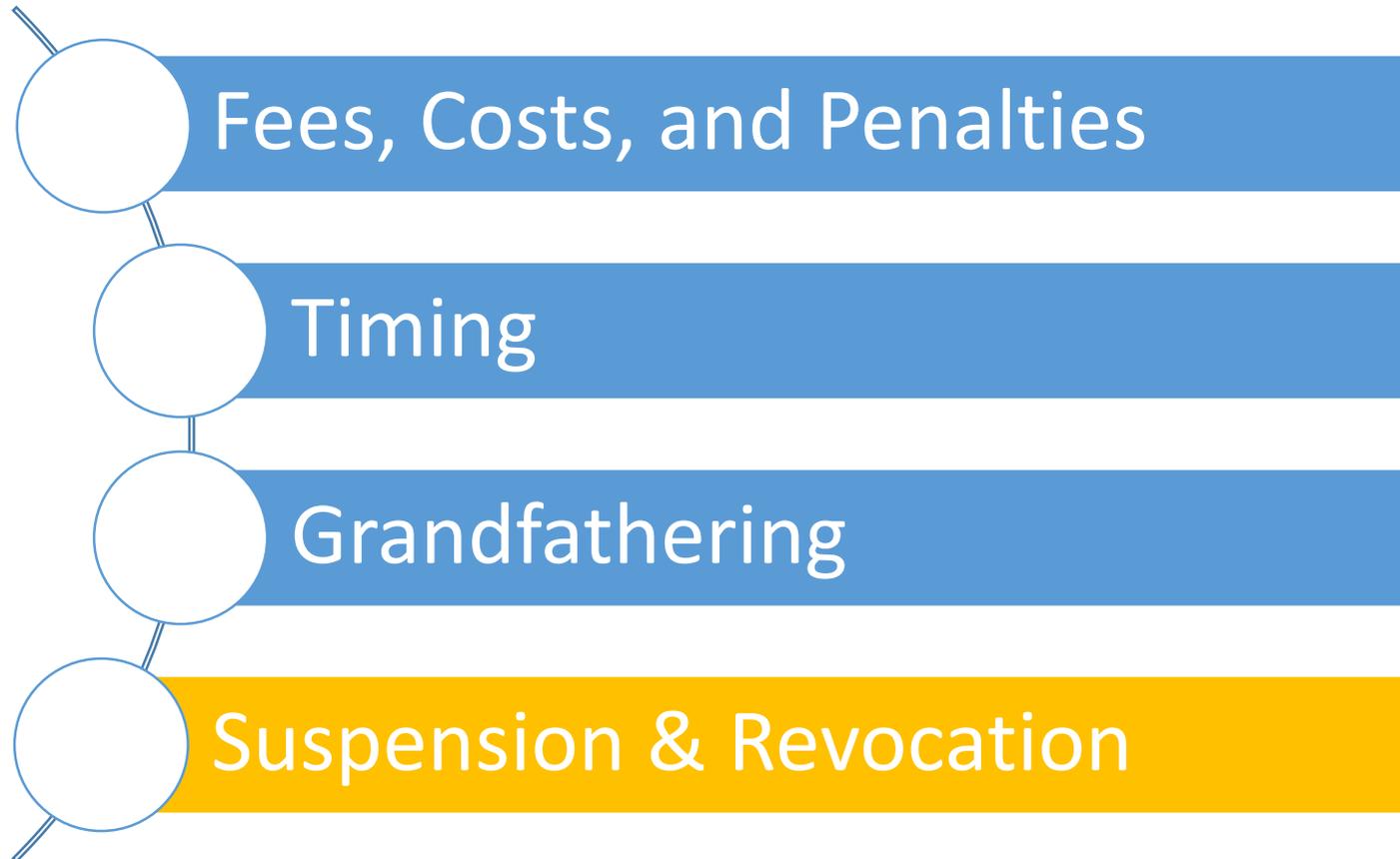
Option Name	Description	Estimated Remaining Products and Inv. Options
Proposed Fee Cap and Implementation	<p>Surrender:</p> <ul style="list-style-type: none"> 5-year period and 5% surrender charge. <p>Two separate maximum asset-based fee caps:</p> <ul style="list-style-type: none"> A maximum annual expense ratio tiered by asset class; and A 1.25% maximum annual product administration fee. <ul style="list-style-type: none"> Implementation of lowered fee caps in April 2018. All other provisions effective by end of 2017. 	<p>436</p> <p>45 annuities</p> <p>391 custodial accounts</p>
Alternative Fee Cap Option	<p>Surrender:</p> <p>10-year period and 10% surrender charge.</p> <ul style="list-style-type: none"> A single maximum asset-based fee cap tiered by asset class that preserves the 1.25% product administrative fee. Implementation of lowered fee caps in April 2018. All other provisions effective by end of 2017. 	<p>1,240</p> <p>271 annuities</p> <p>969 custodial accounts</p>
Alternative Implementation Options	<p>October 2018 implementation for lowered fee caps. All other provisions effective by end of 2017. All other provisions effective by end of 2017.</p>	<p>417</p> <p>14 annuities</p> <p>403 custodial accounts</p>
	<p>April 2019 implementation for lowered fee caps. All other provisions effective by end of 2017. All other provisions effective by end of 2017.</p>	<p>417 that could have been registered in October + products readied in the additional 6 months.</p>



Grandfather: Comments & Response

Clarity Needed

- Existing contracts will be grandfathered and providers will be able to continue to accept contributions under existing salary reduction agreements (SRA) for those contracts.
- This includes amendments to existing SRAs (may increase contributions, decrease contributions, or execute a new SRA for an existing contract).
- Companies must maintain certification to continue to accept contributions under existing SRA, even if they do not offer new products and accept new SRAs.
- Commenters provided that the grandfather was not clear.
- TRS will clarify the grandfather provisions in the rules and address any conflicting language.



Suspension & Revocation: Comments & Response

Consistency with Existing Law

- The enabling statute requires any suspension or revocation to follow the contested case proceedings of the Administrative Procedures Act (APA).
- While the proposed rules provide that suspension and revocation are contested case proceedings, commenters noted some language inconsistencies.
- TRS will adjust the suspension and revocation procedures to clarify consistency with the contested case proceedings of the APA.

Timing: Alternative 1 Implementation

Discuss PRS updates at September Board meeting.
September 21-22, 2017

Revised rules re-noticed in the *Texas Register*.
September 22, 2017

Board adopts final rules.
October 27, 2017

Final rules filed with the Secretary of State.
November 10, 2017

All rule provisions, except lowered fee caps, take effect.
November 30, 2017

Registration Begins under lowered fee caps
Oct 1, 2018
or
April 1, 2019

New product list under lower fee caps goes "live".
Nov 16, 2018
or
May 16, 2019

TAB 13



Organizational Structure, Brian Guthrie
August 25, 2017



TRS Org Structure – September 2017



Process and Objectives

- Senior management discussed succession planning and potential organization changes during June retreat.
- Recognize that TRS has organically evolved as an organization and will continue to change as the result of TEAM.
- Focus attention on **Strategy** and **Operations**.

Outcomes - Overall

- IMD, Benefits and Health Insurance report directly to the Executive Director.
- Current structure and purpose of the Executive Committee is maintained.
- Most senior positions continue to report at the same level in the chain of command.
- Deputy Director's responsibilities focus on day to day operations and project execution.

Outcomes – Strategic Initiatives

- Rebrands DSI as Chief Strategy Office.
- Aligns organization around Strategic Plan development and implementation.
- Formalizes business process improvement work that is already taking place.
- Communications moved to DSI to enhance the strategic and proactive nature of member and other stakeholder communications.
- DSI Director becomes the Chief Strategy Officer.

Outcomes – Human Resources

- Rebrands Human Resources as Talent Management and Cultural Excellence.
- Recognizes that current HR functions go well beyond those traditionally associated with HR.
- Reflects that HR also drives TRS culture, learning and development, and training and quality assurance for benefits and health care.
- HR Director becomes the Chief Talent Officer.

Future Considerations

- Agency (Post TEAM) is evolving towards the need for an Enterprise Solutions Officer to ensure alignment on major projects. Natural combination of IT and PMO.
- Move 403(b) out of Strategy to IMD or Benefits.

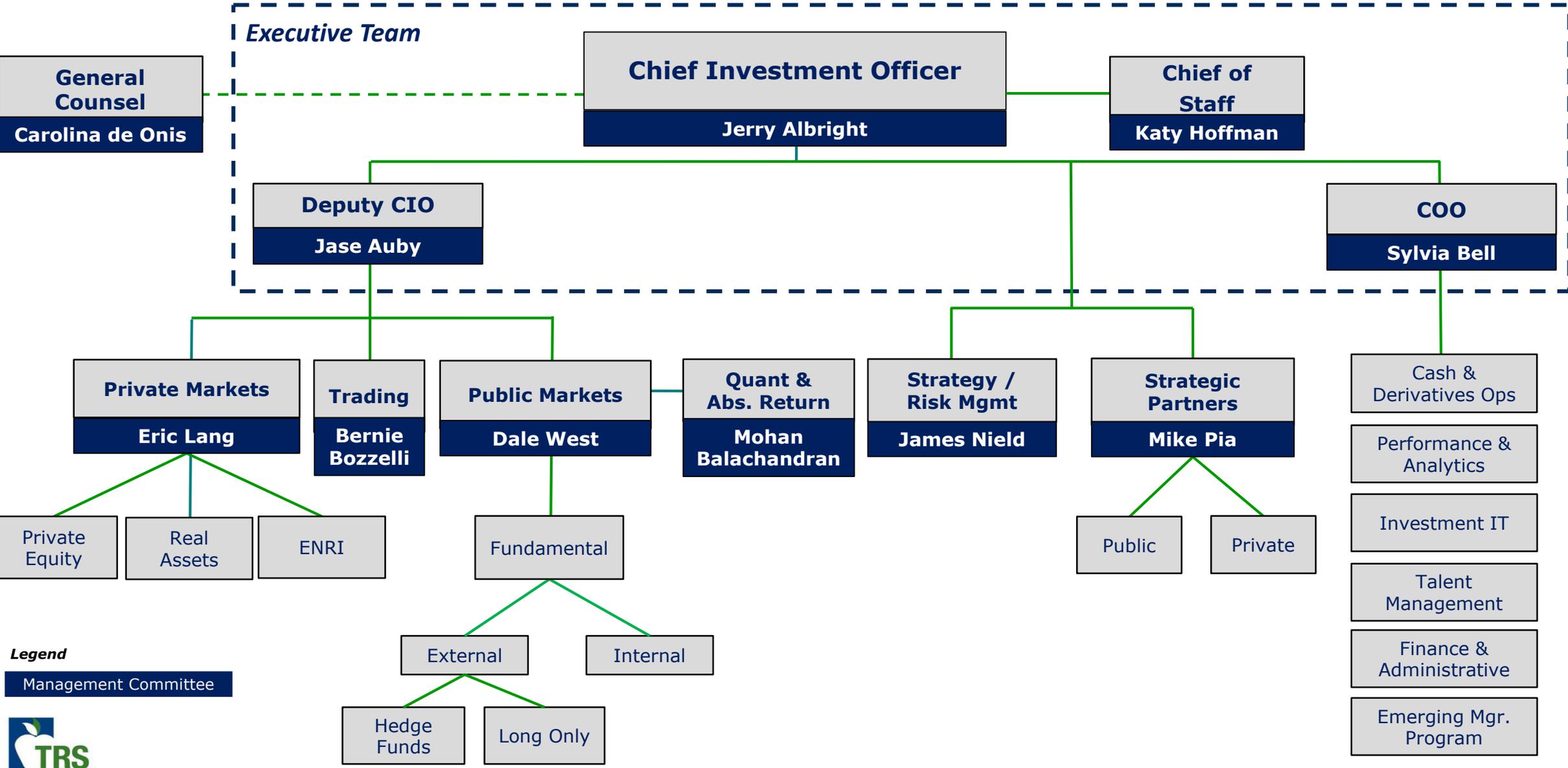


IMD Update

Jerry Albright, Chief Investment Officer
August 2017



IMD Organizational Chart



Legend
Management Committee



Key Organizational Alignments

- Profit centers remain unchanged except for the combination of EPU, IPM and Quant into Global Public Markets, which was in progress before the leadership transition

MC Member	Organizational Alignment
Jase Auby	Deputy Chief Investment Officer
Sylvia Bell	Chief Operating Officer
Dale West	Global Head of Public Markets
James Nield	Chief Risk Officer, added to MC/IIC
Mike Pia	Added to IIC and named Co-Chair of MC
Bernie Bozzelli	Named co-chair of MC
Katy Hoffman	Added to IIC as Chairperson

Preliminary PIP Update

Two goals for Performance Incentive Pay Plan modification:

- Unify
 - Establish Executive team in plan and compensate on total Trust results
- Simplify
 - Combine numerous public market profit center silos into one integrated team to increase cohesion, clarity and understanding
- These recommendations will be discussed with the Board for consideration in September