

# Compensation Committee Meeting

September 24, 2015

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING  
BOARD OF TRUSTEES  
AND  
COMPENSATION COMMITTEE**

*(Committee Chair and Members are Subject to Change at the September Board Meeting — Ms. Sissney, Chair; Mr. Colonna; Mr. Kelly; Ms. Palmer; & Ms. Ramirez, Committee Members)*

**AGENDA**

**September 24, 2015 – 1:00 p.m.  
TRS East Building, 5<sup>th</sup> Floor, Boardroom**

1. Consider the approval of the proposed minutes of the September 18, 2014 committee meeting – Committee Chair.
2. Discuss and consider recommending to the Board continuation and adoption of the Performance Incentive Pay Plan for the Performance Period beginning October 1, 2015 – Sylvia Bell and Jerry Albright.
3. Discuss and consider recommending to the Board actions on personnel matters relating to the Executive Director, including potential recommendations concerning the development of a compensation plan, general compensation matters, performance, and duties – Janet Bray and Keith Robinson, Focus Consulting.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Compensation Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because a quorum of the Board may attend the Committee meeting, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.



## Teacher Retirement System of Texas

### Minutes of the Compensation Committee

September 18, 2014

The Compensation Committee of the Board of Trustees of the Teacher Retirement System of Texas (TRS) met on September 18, 2014 in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River Street, Austin, Texas. The following committee members were present:

**The following members of the committee were present:**

Nanette Sissney, Chair  
Joe Colonna  
David Kelly  
Anita Palmer  
Dolores Ramirez

**Other TRS Board members present:**

Todd Barth  
Karen Charleston  
David Corpus  
Christopher Moss, via telephone conferencing

**Others present:**

Brian Guthrie, TRS  
Ken Welch, TRS  
Carolina de Onís, TRS  
Howard Goldman, TRS  
Britt Harris, TRS  
Janet Bray, TRS  
Jerry Albright, TRS  
Don Green, TRS  
Christine Bailey, TRS  
Sylvia Bell, TRS  
Mike Debbs, TRS  
Janie Duarte, TRS

Dan Herron, TRS  
Dan Junell, TRS  
Eric Lang, TRS  
Lynn Lau, TRS  
Mike Pia, TRS  
Dr. Keith Brown, Investment Advisor  
Steve Voss, Hewitt Ennisknupp  
Steve Huff, Reinhart Boerner Van Deuren  
Ann Fickel, Texas Classroom Teachers Association  
Ted Melina Raab, Texas American Federation of Teachers  
Tim Lee, Texas Retired Teachers Association

Ms. Sissney called the meeting to order at 1:32 p.m. All committee members were present.

**1. Consider the approval of the proposed minutes of the July 11, 2014 committee meeting – Committee Chair.**

On a motion by Ms. Palmer, seconded by Ms. Ramirez, the committee unanimously approved the proposed minutes of the July 11, 2014 meeting, as presented by staff.

Ms. Sissney announced that the committee would take up agenda item 3.

**3. Discuss and consider recommending to the Board proposed amendments to and ratification of the Performance Incentive Pay Plan for the period beginning October 1, 2014 – Jerry Albright, Sylvia Bell, and Dennis Gold.**

Mr. Albright provided an overview and background of the Performance Incentive Pay Plan (plan). Ms. Bell described the following nine proposed modifications to the plan:

1. incorporate the Risk Parity Strategy into the plan;
2. align Tactical Asset Allocation, Stable Value/Strategic Asset Allocation, and Quantitative Equity Strategies under a new area, Asset Allocation (AA);
3. modify the benchmark for the World Equity Strategy to better align it with TRS' tax-exempt status;
4. modify the return calculation for Energy and Natural Resources from a time weighted rate to an internal rate of return calculation;
5. modify the Strategic Partnership Network (SPN) benchmark and return calculation for Private Markets SPN investments;
6. provide incentives for the Global Best Ideas Portfolio and Sector;
7. adjust the payout allocation for Real Assets;
8. add an additional tier for junior analysts and modify the Maximum Potential Award level for the chief investment officer (CIO); and
9. Allow retiring employees to receive a 100 percent payout for the plan year.

Ms. Bell confirmed for Ms. Sissney that Modification 3 above would only be used for the plan and would not be used for the peer universe. Mr. Albright recapped for Ms. Sissney the performance measurement components: the benchmark component determined 50 percent of a potential award; the peer group component determined 30 percent of it; and the qualitative measures determined the remaining 20 percent. Mr. Harris explained how the plan design aligned with member benefits. The committee deferred any action on the proposed plan modifications until after taking up agenda item 2.

**2. Discuss and consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Chief Investment Officer – Committee Chair.**

At 1:47 p.m., Ms. Sissney announced that the committee would go into executive session on agenda item 2 under sections 551.074 and 551.071 of the Texas Government Code to deliberate personnel matters and, as needed, to seek advice from legal counsel. She asked all members of the public and staff not needed for the executive session to leave the meeting room and take their belongings with them.

After completion of the executive session, Ms. Sissney announced that the open session was reconvened at 2:25 p.m.

On a motion by Mr. Barth, seconded by Ms. Palmer, the committee voted unanimously to approve the proposed amendments to the incentive compensation plan presented by staff and to insert the figure "125%" in the blank for the CIO's Maximum Potential Award.

The meeting adjourned at 2:28 p.m.

MINUTES APPROVED BY THE **COMPENSATION COMMITTEE** OF THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 24<sup>th</sup> DAY OF SEPTEMBER, 2015.

ATTESTED BY:

\_\_\_\_\_  
Dan Junell  
Secretary to the TRS Board of Trustees

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Date