

Policy Committee Meeting

March 26, 2015

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

(Mr. Colonna, Committee Chair; Mr. Barth; Mr. Corpus; Mr. Kelly; & Ms. Ramirez, Committee Members)

AGENDA

**March 26, 2015 – 1:30 p.m.
TRS East Building, 5th Floor, Boardroom**

*The March 26-27, 2015 meeting of the Policy Committee and TRS Board of Trustees will be held by telephone conference call as authorized under Texas Government Code Section 551.130. The Board and Committee intend to have a quorum physically present at the following location: **1000 Red River Austin, Texas 78701 in the TRS East Building, 5th Floor, Boardroom.***

1. Consider the approval of the proposed minutes of the November 20, 2014 committee meeting – Joe Colonna.
2. Discuss and consider recommending to the Board adoption of a TRS Litigation Policy – Carolina de Onís.
3. Discuss the process and framework for adoption of a Trustee Procurement Policy – Carolina de Onís.
4. Discuss and seek advice from the Board's attorneys about specific legal matters or issues regarding the Code of Ethics for Contractors, applicable forms, and related rules, including potential amendments to them – Carolina de Onís and Heather Traeger.

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

Tab 1



Minutes of the Policy Committee

November 20, 2014

The Policy Committee of the Board of Trustees of the Teacher Retirement System of Texas met on November 20, 2014, in the boardroom on the Fifth Floor of the East Building of TRS offices located at 1000 Red River Street, Austin, Texas 78701. The following committee members were present:

Joe Colonna, Chair
Todd Barth
David Corpus

Others present:

Karen Charleston, TRS Trustee	Dan Junell, TRS
Christopher Moss, TRS Trustee	Lynn Lau, TRS
Anita Palmer, TRS Trustee	James Nield, TRS
Nanette Sissney, TRS Trustee	Hugh Ohn, TRS
Brian Guthrie, TRS	Mike Rehling, TRS
Carolina de Onís, TRS	Beckie Smith, TRS
Britt Harris, TRS	Susan White, TRS
Jerry Albright, TRS	Dr. Keith Brown, Investment Advisor
Jase Auby, TRS	Steven Huff, Fiduciary Counsel, Reinhart Boerner Van Deuren
Ronnie Bounds, TRS	Steve Voss, Hewitt EnnisKnupp
Chris Cutler, TRS	Ann Fickel, Texas Classroom Teachers Association
Clarke Howard, TRS	Philip Mullins, Texas State Employee Union
	Josh Sanderson, Association of Texas Professional Educators

Mr. Colonna called the meeting to order at 2:15 p.m. A quorum was present. Mr. Kelly and Ms. Ramirez were absent.

1. Consider the approval of the proposed minutes of the September 18, 2014 committee meeting – Joe Colonna.

On a motion by Mr. Barth, the committee approved the proposed minutes of the September 18, 2014 meeting, as presented.

Mr. Colonna announced that the committee would take up item 4.

4. Consider recommending to the Board the adoption of the four-year statutory rule review of TRS rules in Chapters 21-51 of Title 34 of the Texas Administrative Code, including the readoption of rules in those chapters with or without changes, and the adoption of the following proposed amended rules – Rebecca Smith and Clarke Howard:

A. Chapter 25 (Membership Credit) – Rebecca Smith:

i. Rule § 25.1, relating to Full-time Service;

- ii. **Rule § 25.21, relating to Compensation Subject to Deposit and Credit;**
- iii. **Rule § 25.25, relating to Required Deposits;**
- iv. **Rule § 25.26, relating to Annual Compensation Creditable for Benefit Calculation;**
- v. **Rule § 25.28, relating to Payroll Report Dates;**
- vi. **Rule § 25.34, relating to Membership Waiting Period;**
- vii. **Rule § 25.35, relating to Employer Payments for New Members;**
- viii. **Rule § 25.41, relating to Deposits for Unreported Service or Compensation;**
- ix. **Rule § 25.42, relating to Payment of Benefits Contingent on Deposits;**
- x. **Rule § 25.43, relating to Cost for Unreported Service or Compensation;**
- xi. **Rule § 25.45, relating to Verification of Unreported Compensation or Service;**
- xii. **Rule § 25.46, relating to Determination of Compensation Subject to Deposit and Credit;**
- xiii. **Rule § 25.61, relating to Service Credit for Eligible Military Duty;**
- xiv. **Rule § 25.64, relating to Crediting Fee;**
- xv. **Rule § 25.74, relating to Cost;**
- xvi. **Rule § 25.81, relating to Out-of-State Service Eligible for Credit;**
- xvii. **Rule § 25.131, relating to Required Service;**
- xviii. **Rule § 25.135, relating to Service Credit Missing from Annual Statement;**
- xix. **Rule § 25.184, relating to Refund for Nonpayment;**
- xx. **Rule § 25.302, relating to Calculation of Actuarial Costs of Service Credit; and**
- xxi. **Rule § 25.303, relating to Calculation of Actuarial Cost for Purchase of Compensation Credit.**

B. Chapter 27 (Termination of Membership and Refunds) – Rebecca Smith.

- i. **Rule § 27.4, relating to Refunds; and**
- ii. **Rule § 27.6, relating to Reinstatement of an Account.**



- C. **Chapter 29 (Benefits) – Rebecca Smith.**
 - i. **Rule § 29.15, relating to Termination of Employment; and**
 - ii. **Rule § 29.55, relating to Limitation on Contributions.**
- D. **Chapter 31 (Employment After Retirement) – Rebecca Smith.**
 - i. **Rule § 31.13, relating to Substitute Service;**
 - ii. **Rule § 31.14, relating to One-half Time Employment;**
 - iii. **Rule § 31.15, relating to Full-time Employment After 12 Consecutive Month Break In Service; and**
 - iv. **Rule § 31.32, relating to Half-time Employment Up to 90 Days.**
- E. **Chapter 39 (Proof of Age) – Rebecca Smith.**
 - i. **Rule § 39.1, relating to Establishment of Date of Birth.**
- F. **Chapter 41 (Health Care and Insurance Programs) – Clarke Howard.**
 - i. **Rule § 41.1, relating to Initial Enrollment Periods for the Health Benefits Program Under the Texas Public School Retired Employees Group Benefits Act (TRS-Care);**
 - ii. **Rule § 41.2, relating to Additional Enrollment Opportunities;**
 - iii. **Rule § 41.7, relating to Effective Date of Coverage;**
 - iv. **Rule § 41.10, relating to Eligibility to Enroll in the Health Benefits Program Under the Texas Public School Retired Employees Group Benefits Act (TRS-Care);**
 - v. **Rule § 41.14, relating to Expulsion from TRS-Care for Fraud;**
 - vi. **Rule § 41.30, relating to Participation in the Health Benefits Program under the Texas School Employees Uniform Group Health Coverage Act by School Districts, Other Educational Districts, Charter Schools, and Regional Education Service Centers;**
 - vii. **Rule § 41.33, relating to Definitions Applicable to the Texas School Employees Uniform Group Health Coverage Program;**
 - viii. **Rule § 41.34, relating to Eligibility for Coverage under the Texas School Employees Uniform Group Health Coverage Program;**
 - ix. **Rule § 41.36, relating to Enrollment Periods for TRS-ActiveCare;**
 - x. **Rule § 41.37, relating to Effective Dates of Coverage;**

- xi. **Rule § 41.38, relating to Termination Date of Coverage;**
 - xii. **Rule § 41.39, relating to Coverage for Individuals Changing Employers;**
 - xiii. **Rule § 41.50, relating to Appeals Relating to Claims or Other Benefits;**
 - xiv. **Rule § 41.51, relating to Appeals Relating to Eligibility;**
 - xv. **Rule § 41.52, relating to Expulsion from TRS-ActiveCare; and**
 - xvi. **Rule § 41.91, relating to Certification of Insurance Coverage.**
- G. Chapter 47 (Qualified Domestic Relations Orders) – Rebecca Smith.**
- i. **Rule § 47.10, relating to Determination of Whether an Order is a Qualified Domestic Relations Order.**
- H. Chapter 51 (General Administration) – Rebecca Smith.**
- i. **Rule § 51.5, relating to Waiver of Deadline to Remit Deposits and Documentation.**

Ms. Smith recapped the four-year statutory rule review process to date. She said that all the proposed amendments had been published for public comment for over 30 days and no comments were received.

Ms. Smith said that staff was recommending that amended Rule § 25.25 be adopted with clarifying changes to the published text of the proposed rule. She explained the rule concerning contributions due on temporary or part-time employment, which normally would not be eligible for membership in TRS. She said that the additional changes would not require republication of the proposed rule for additional comment.

Ms. Smith also noted that the executive director authorized publication of an additional proposed amendment to Rule § 25.26 after the Policy Committee had approved publication of the proposed rules in September. The additional amendment concerned the transition to the standard school year as the basis for calculating annual compensation creditable for benefit purposes. She explained that staff had further considered the additional amendment and decided to recommend that it be pulled and not adopted at this meeting. She said that, instead, staff was recommending that the amended rule be adopted as the committee had originally proposed it. She said that staff had refined the language of the pulled amendment. She said that staff would be asking the committee to authorize publication of a revised version of the proposed amendment under agenda item 5 to give those affected by the new language more time to comment on it.

Ms. Smith said that the proposed rules and the rule review were ready for adoption with the changes described. She explained that the proposed board order provided for the adoption of the proposed amended rules, re-adoption of rules without changes, and adoption of the completed rule review, as presented by staff at this meeting.



On a motion by Mr. Barth, seconded by Mr. Corpus, the committee recommended that the board adopt the proposed board order adopting the proposed rules listed in committee agenda item 4 and completing the four-year statutory rule review of Chapters 21-53, as presented by staff.

Mr. Colonna announced that the committee would next take up item 5.

5. Consider authorizing for public comment publication in the Texas Register proposed amendments to Rule § 25.26, relating to Annual Compensation Creditable for Benefit Calculation – Rebecca Smith.

Following upon her explanation of the revised amendment to Rule § 25.26, Ms. Smith said that staff was now asking the committee to authorize publication of the proposed new language for public comment. Responding to a question from Mr. Colonna about the adoption process, Ms. Smith replied that the revised proposal would be published in time for the committee or the board or both to consider its adoption at the February meeting. Ms. Sissney asked when the proposed amendment, if adopted, would be effective and Ms. Smith said it would be March. Ms. Smith explained for Mr. Moss the issues relating to the transition to the standard school year and the calculation of annual compensation used in determining retirement benefits, including fairness to TRS members, administrative complexity for TRS staff, and possible confusion by all. She said that, under the current rule, staff and members often had to deal with two different calculations of annual compensation in trying to reconcile the amounts paid during the member's contract year and those based on the standard school year.

Ms. Smith clarified for Mr. Moss and Mr. Colonna that the new language proposed for Rule § 25.26 would not resolve the issues regarding the standard school year raised earlier this day at the board meeting by Ann Fickel on behalf of the Texas Classroom Teachers Association. The committee discussed issues with Ms. Smith, Ms. de Onís, and Mr. Guthrie, which arose from the Legislature's action standardizing the school year to run from September through August for the purpose of calculating TRS benefits, while some school employees are still paid by their districts on an August-through-July basis. Ms. Smith said that she did not think TRS had the power to resolve those issues through rulemaking, but said that staff would explore possible solutions. Ms. Sissney asked whether the proposed amendment would disadvantage members. Ms. Smith replied that some members could see higher benefits as a result of the amended rule, but that all of them would be served by being provided a single, stable estimate of their creditable annual compensation upon which they could rely in making retirement decisions.

On a motion by Mr. Corpus, seconded by Mr. Barth, the committee authorized public comment publication of the revised amendment to Rule § 25.26, as presented by staff.

Mr. Colonna announced that the committee would take up items 2 and 3.

2. Consider recommending to the Board the adoption of amendments to the Resolution Designating Persons Authorized to Sign TRS Vouchers – Don Green.

Mr. Green explained that the retirement and replacement of the employee payroll and benefits



manager necessitated the proposed amendment of the Resolution Designating Persons Authorized to Sign TRS Vouchers.

On a motion by Mr. Barth, seconded by Mr. Corpus, the committee recommended that the board adopt the proposed amended Resolution Designating Persons Authorized to Sign TRS Vouchers, as presented by staff.

3. Conduct the required review under the Policy Review Schedule and consider recommending to the Board proposed amendments to the Board of Trustees Training Policy – Rebecca Merrill.

The committee conducted the required review of the Board Training Policy and considered changes to it proposed by staff. Presenting the item, Ms. Merrill explained that most of the proposed changes would update the policy to reflect the new training requirements administered by the Pension Review Board for trustees and executive officers of state and local public retirement systems. Ms. Merrill discussed those training requirements and responded to questions from committee members about them.

On a motion by Mr. Barth, seconded by Mr. Corpus, the committee recommended that the board adopt the proposed amended Board Training Policy, as presented by staff.

The meeting adjourned at 2:35 p.m.

Approved by the Policy Committee of the Board of Trustees of the Teacher Retirement System of Texas on the ____ day of _____, 2015.

ATTESTED BY:

Dan Junell
Secretary to the TRS Board of Trustees

Date

Tab 2

Teacher Retirement System of Texas



Litigation Policy

Carolina de Onís and Lane Arnold

■ Current Process and Purpose

- Sec. 5.6(f) of TRS' Bylaws delegates all litigation authority to the Executive Director
- The Board is consulted on all significant decisions
- The proposed litigation policy is intended to formalize and clarify TRS' current process; no substantive changes to how we pursue or handle litigation are intended.

- Policy Covers Three Areas
 - Case Initiation and Settlement Authority
 - Case Management
 - Reporting



Case Initiation and Settlement

- Board consultation required to file or settle lawsuits, **except** in
 - Routine plan administration matters (*e.g.*, collections cases)
 - Judicial review proceedings (*e.g.*, open records matters)
 - “Minor Foreign Securities Litigation”
 - Exigent circumstances
- Board consultation **not** required for case-screening decisions **not to pursue** claims
 - General Counsel can decline if damages are less than \$15 million (~ 1 bp of current AUM)
 - Executive Director can decline in all cases



Case Initiation – Foreign Securities Litigation

- *Post-Morrison* (U.S. Sup. Ct. 2010), foreign securities claims cannot be pursued in passive U.S. class actions
- Claims generally must be pursued in foreign forums with differing legal arrangements, including:
 - Group opt-in (TRS name publicly available in court filings)
 - Funders (tri-party arrangement: claimant, funder, law firm)
 - Loser-pays cost shifting
 - Funder bears risk through insurance, indemnity, or both, but risk cannot be eliminated
 - Due to vetting by funder, however, claims can have greater merit



Case Initiation – Foreign Securities Litigation

Striking the Balance in Foreign Cases

- In all cases, risks are carefully considered by General Counsel and discussed with Executive Director and, as necessary, Chief Investment Officer
- Board consultation in each foreign securities case is not practical
- Board will be consulted if estimated damages exceed \$15 million

Case Initiation – Exigent Circumstances

Exigent Circumstances

- Decision must be made quickly, and Board consultation not possible (*e.g.*, statutes of limitation/repose post-*IndyMac* decision)
- General Counsel will attempt to procure a tolling agreement
- Executive Director will notify the Board Chairman before acting
- Full Board notified at the next meeting



Case Management – Staff Authority

- In consultation with the Executive Director and/or Chief Investment Officer, the General Counsel is authorized to make all administrative, procedural, and strategic decisions, ***other than*** case initiation and settlement decisions requiring Board consultation
 - Includes authority to file amicus briefs in cases with respect to which TRS is not a party
- Policy enumerates prudent-person fiduciary duty and “Factors for Consideration” for all decisions



Board Reporting

- Reporting Required at All Quarterly Board Meetings
 - Engagement of Counsel
 - Decisions (and reasons) ***not to pursue a case*** if estimated damages are greater than \$15 million and/or there is significant media coverage of the case
 - Status and brief description of all cases where TRS is a party or files a pleading
 - Settlements, recoveries, and requests for fees or costs



Purpose

This Litigation Policy provides a formal plan for managing litigation claims by or against TRS. This Policy shall be administered consistently with TRS fiduciary responsibility and the “prudent person” standard of care applicable to TRS investment activity.

Definitions

“**Filing Decision**” means the decision to initiate an action where TRS is a named plaintiff and asserts a claim for damages, whether by opting in or out or pursuing lead-plaintiff status in a class or group action or by commencing, with the Attorney General’s approval, a direct action in the name of TRS.

“**Minor Foreign Securities Case**” means a proceeding filed in a foreign jurisdiction based on TRS’ purchase or sale of a security outside of the United States (on a foreign securities exchange or otherwise) where TRS’ estimated damages do not exceed \$15 million.

Designated Authority

Case Screening. The General Counsel has authority to decide *not to pursue* a claim where TRS’ estimated damages are \$15 million or less. The Executive Director, in consultation with the General Counsel, has authority to decide *not to pursue* a claim in all cases. The authority granted by this paragraph may be exercised without prior consultation with the Board. Conversely, decisions to initiate litigation must be brought before the Board as provided in the following paragraph.

Case Initiation and Settlement. The Executive Director shall consult with the Board prior to making a Filing Decision in each case, except in the following circumstances: (1) the filing of a Minor Foreign Securities Case; (2) filing an action in connection with a routine plan administration matter (*e.g.*, filing a collections lawsuit); or (3) judicial review proceedings where TRS does not assert a claim for damages, other than attorneys’ fees and costs (*e.g.*, a lawsuit to challenge a public information determination made by the Office of the Attorney General). The General Counsel, in consultation with the Executive Director, shall present the Board with a recommendation to pursue or not pursue a case requiring a Filing Decision. The General Counsel, in consultation with the Executive Director, shall further consult with the Board prior to settling or otherwise terminating each case that requires a Filing Decision.

Exigent Circumstances. Notwithstanding anything in this Policy to the contrary, the Executive Director has authority to make a Filing Decision in the event any exigent circumstances (*e.g.*, the expiration of a statute of limitation or repose or other critical deadline) require such decision to be made quickly in order to preserve or protect any claim or right of TRS. The Executive Director shall confer with the General Counsel and notify the Chairman of the Board prior to exercising such authority. Before a Filing Decision is made in such cases, the General Counsel should first attempt to enter into a tolling agreement if necessary or advisable to preserve TRS’ rights and claims. At the next quarterly or other meeting, the Executive Director shall communicate to the Board all Filing Decisions made pursuant to this paragraph.

Case Management

The General Counsel or his or her designee bears primary responsibility for the management of all litigation matters. The authority granted in this paragraph shall be exercised, as warranted, in consultation with the Executive Director in all cases, and, in the case of securities litigation, the Chief Investment Officer (or their respective designees, as applicable). Accordingly, except as provided above, the General Counsel has authority in all cases to make all administrative, procedural, or strategic decisions. The General Counsel has discretion to select outside legal counsel or other independent non-law firm consultants with demonstrated expertise or experience to identify, monitor, evaluate, pursue, manage, or fund litigation matters or to audit claim filings. The General Counsel is authorized to negotiate contingent legal fee or other funding arrangements. The General Counsel shall select legal counsel in accordance with the statutes and rules applicable to the retention and contracting of outside legal counsel, as administered by the Office of the Attorney General, and will otherwise communicate with that office as necessary, including without limitation with respect to any Filing Decision. The General Counsel's decision-making authority includes, without limitation, case strategy, discovery, pleadings, appeals, *amicus* briefs, and letters or affidavits in support of litigants whose interests are aligned with TRS. This list is illustrative only, as the General Counsel's authority hereunder shall be construed broadly.

Securities Litigation Matters

Domestic Cases. In U.S. securities class-action cases, TRS' interests are generally protected through passive participation as a class member. In a case where TRS' estimated damages exceed \$15 million, or a case that presents an exceptional opportunity to preserve or enhance the long-term value of a significant portfolio holding or to deter wrongful corporate conduct, TRS may consider taking steps to preserve and pursue a more active strategy, such as by moving for lead plaintiff status or by opting out and filing a separate action in state or federal court.

Foreign Cases. Proceedings in foreign jurisdictions that are based on the purchase or sale of a security outside of the United States typically require claimants to join a group as named parties, opt in at the commencement of a proceeding, or both (often before a case is filed), in order to recover any damages. The General Counsel should evaluate these cases, in consultation with the Executive Director and, as necessary, the Chief Investment Officer (or their respective designees, as applicable), based on the non-exclusive factors for consideration listed below ("**Factors for Consideration**"). In particular, the General Counsel should also consider:

1. how the foreign case is being funded and whether the funding arrangement exposes TRS to an unacceptable liability risk; and
2. whether jurisdiction-specific legal requirements potentially expose TRS to an unacceptable liability risk, such as a "loser pays" requirement for attorneys' fees and costs.

For the avoidance of doubt, all securities litigation matters are subject to the Designated Authority and Case Management sections of this Policy.

Factors for Consideration

In forming recommendations or exercising the authority granted by this Policy, TRS should consider the following factors, among others:

1. the jurisdictional, procedural, and other legal context of the case, including whether a more proactive course of action is necessary or desirable to increase recoveries, lower fees, or otherwise protect or further TRS' interests;
2. the size of TRS' estimated damages in the matter, relative to both the size of the trust and to the estimated damages, if known, of other potential claimants;
3. the nature and egregiousness of the alleged underlying conduct;
4. the likelihood of success in the matter, along with the actual or potential costs (if any) and other burdens associated with different possible strategies and outcomes;
5. whether the potential benefits of a proposed course of action justify the allocation of limited TRS resources to case management, discovery, and other associated demands;
6. the potential effects of a proposed course of action upon TRS' investments, business dealings, or other interests;
7. the potential reputational risks to TRS of pursuing an action; and
8. whether and how a course of action could lead to corporate governance changes to address the causes of the wrongful conduct or, over time, deter misconduct, foster market integrity, and improve company practices.

Board Reports

The General Counsel shall provide a litigation status report to the Board at each quarterly meeting. These reports will include the following information:

1. information regarding the engagement of outside counsel;
2. decisions not to pursue a claim, with a brief description of the reasons therefor, in cases (a) where TRS' estimated damages exceed \$15 million or (b) that receive or are anticipated to receive significant media coverage;
3. all cases in which TRS is a named party or class representative (identifying any such status) or has otherwise filed a brief, motion, objection, or other pleading, with a brief description of the status of the matter;
4. settlements, recoveries, or other case dispositions; and
5. requests for fees or costs.

***Related Policies, Etc.
(for Reference)***

Section 5.6(f) of the Bylaws of the Board of Trustees of TRS (delegating authority for the initiation, defense, and settlement of lawsuits and other claims to the Executive Director or his designee).

Administrative Policy
Reviewer: Legal Services
Review Cycle: Every Three Years
Adopted by: The Board of Trustees

First Issued: [XX/XX], 2015
Last Board Review: March [XX/XX], 2015
Next Review Due: March [20--]
Dated: March [XX/XX], 2015

Tab 3

Teacher Retirement System of Texas



Board Procurement Policy – Framework Discussion

Carolina de Onís, General Counsel



Procurement Policy Framework

- Three major components:
 - Define Board procurements versus staff procurements and governing framework for each
 - Describe methods of Board procurements
 - Describe evaluation and oversight of contracts procured by the Board



Board Procurements, Defined

- What procurements does the Board make?
 - Established by Section 1.7 of the TRS Bylaws
 - Investments:
 - custodian banks and investment consultants
 - Pension:
 - actuarial services, actuarial audit and Medical Board
 - Legal:
 - fiduciary counsel
 - Established by statute (Texas Insurance Code, Chapters 1575, 1576 and 1579)
 - Healthcare:
 - General: consulting, actuarial
 - Long-term Care
 - TRS-Care: HPA, PBM, Medicare Advantage, Medicare Part D
 - TRS-Active Care: HPA, PBM, HMOs



Staff Procurements, Defined

- All other procurement obligations will be delegated to TRS staff
 - Section 4.1.2 of the TRS Bylaws delegates managerial responsibility for the operation of TRS programs and services
 - Procurements done by staff will be governed by Contract Administration Manual (CAM)
 - CAM is currently undergoing review and modifications
 - Additional modifications may be required as a result of legislative session



Methods of Board Procurements

- What methods does the Board use to procure contracts that it is responsible for?
 - Request for Proposal
 - Request for Qualifications
 - Internal Assessment

- Describe Request for Proposal (RFP) process
 - Most detailed and time-consuming process
 - Transparency and objectivity
 - Explicit consideration of a broad range of factors
- Describe circumstances when RFP should be used
 - Full detailed review is needed or required
 - e.g., nature of services or market
 - e.g., length of time since last procurement
 - e.g., large amount of board turnover since last RFP
 - Cost is of great or paramount importance



RFQ

- Describe Request for Qualifications (RFQ) process
 - Very similar to RFP process: same detailed, time-consuming, transparent, and objective process
 - More focus on vendors' qualifications and less focus on cost
- Describe circumstances where RFQ should be used
 - Full detailed review is needed, same as RFP
 - Subjective evaluation of qualifications is required to ensure a successful procurement
 - e.g., position requires substantive interaction with the Board, such as fiduciary counsel



Internal Assessment

- Describe internal assessment process
 - Most cost-effective and efficient
 - Non-public process, therefore less transparency and appearance of less objectivity than RFP or RFQ processes
 - Process focuses on candidates pre-screened by TRS based upon vendor qualifications, and market knowledge
- Describe circumstances where internal assessment should be used
 - Full detailed review not needed
 - e.g., few qualified vendors
 - TRS already familiar with the vendors and market
 - RFP or RFQ process would not result in proposals from the best or most qualified vendors



Oversight and Evaluation

- Evaluation and oversight of contracts procured by the Board
 - Define roles and responsibilities for day-to-day management of contracts
 - Certain contracts managed by the Board, e.g., fiduciary counsel
 - Certain contracts managed by TRS staff, e.g., health care contracts
 - Periodic review of the contract
 - Once per year? Once per contract term? As needed?
 - TRS staff evaluation of contracts for which it has managerial responsibility will be reported to the Board on same periodic basis
 - Termination/renewal of contracts will be governed by the contract language but management will vet these issues with the Board as necessary
- Periodic procurement training to the Board
 - Training can be combined with normal fiduciary training



Procurement Policy Framework

Questions?