

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

**AGENDA**

**February 20, 2013 – 10:00 a.m.**

**February 21, 2013 – 8:00 a.m.**

**February 22, 2013 – 8:00 a.m.**

**TRS East Building, 5<sup>th</sup> Floor, Boardroom**

*NOTE: Any item posted on the agenda may be taken up during the Board meeting on Wednesday, February 20, 2013, or during the continuation of the meeting on Thursday, February 21, 2013, or Friday, February 22, 2013, or both, beginning at the times and place specified on this agenda.*

*The open portions of the February 20-22, 2013 Board meetings are being broadcast over the Internet. Access to the Internet broadcast of the Board meeting is provided on TRS' Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us).*

1. Call roll of Board members.
2. Consider the approval of the December 13–14, 2012 Board meeting minutes – David Kelly.
3. Provide opportunity for public comment – David Kelly.
4. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
  - A. Review the agenda items to be taken up on February 20, 2013.
  - B. Discuss TRS organizational structure, review the agency's 2012 accomplishments, and discuss the Executive Director's 2013 goals and objectives, including strategic planning, identified priorities, and metrics for success.
  - C. Preview draft agendas for upcoming Board meetings.
  - D. Receive the Board training calendar.
  - E. Discuss the project to review Board orientation materials.
  - F. Retirement plan benefits, investment activity and operations, health-benefit programs and operations, and administrative operations, including financial, audit, legal, and staff services and special projects.

5. Receive presentations on the TRS investment management and functions, including the following matters:
  - A. Receive an update on the Investment Management Division and a review of market conditions and outlook – Britt Harris.
  - B. Receive an overview and update on principal investments – Joe Colonna, Jerry Albright, Rich Hall, and Eric Lang.
  - C. Confer with employees, consultants, or legal counsel of TRS and one or more representatives of KKR & Co. L.P. about TRS' investment in a private investment fund or the purchase, holding, or disposal of restricted securities or a private investment fund's investment in restricted securities – George Roberts, KKR & Co. L.P.
  - D. Receive an update on TRS' Emerging Manager Program – Stuart Bernstein.
  - E. Measuring Investment Performance: A Primer – Dr. Keith Brown.
6. Receive a presentation on Dodd-Frank – Angela Vogeli, Denise Lopez, and Tess Weil, Purrington Moody Weil, LLP.

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

7. Provide opportunity for public comment – David Kelly.
8. Review the agenda items to be taken up on February 21, 2013 – Brian Guthrie.
9. Receive an overview of the Texas budgeting process and the legislative landscape, including a discussion of the proposed state budget for TRS in the House and Senate Appropriations bills – Don Green and Ray Spivey.
10. Receive an overview of the organization and functions of the TRS Human Resources Division – Janet Bray.
11. Discuss agency staffing and resource matters – Janet Bray and Don Green.
12. Receive an overview of the organization and functions of the Legal Services Division – Dennis Gold.
13. Review trustee roles, responsibilities, and fiduciary duties; qualifications for office and standards of conduct; immunities, indemnification, and insurance; and requirements related to trustee ethics, conflicts, and disclosures – Tim Wei; Steve Huff; and Keith Johnson, Reinhart Boerner Van Deuren, s.c.
14. Receive open government training – Dan Junell.

15. Receive an overview of the Communications Division, including a discussion of TRS communication initiatives and policies – Howard Goldman.
16. Receive an overview of the organization and functions of the Special Projects Department, including the 403(b) company certification and product registration program and the legislative fiscal-note preparation function – Rebecca Merrill.
17. Receive an overview of the organization and functions of the Financial Division – Don Green.
18. Review the reports of the Chief Financial Officer – Don Green:
  - A. Review the report under § 825.314(b), Government Code, of expenditures that exceed the amount of operating expenses appropriated from the general revenue fund and are required to perform the fiduciary duties of the Board.
  - B. Quarterly financial reports on TRS programs.
19. Receive a presentation on the administration and operation of the TRS pension plan, including the following subjects – Marianne Woods Wiley:
  - A. Overview of the TRS Pension Plan.
  - B. Information on Increased Cost of Certain Service Credit.
  - C. Organization and functions of the Benefits Services Division
20. Receive a presentation on Health Care 101, including an overview of the administrative organization and functions of TRS-Care and TRS-ActiveCare and an update on the TRS-Care Medicare Advantage and Prescription Drug Plans – Betsey Jones.
21. Receive presentation on and consider premiums and plan design for the preferred-provider organization (PPO) plan options under the active employees health benefits program (TRS-ActiveCare) – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.
22. Receive presentation on and consider premiums and plan design for health maintenance organizations (HMOs) under the active employees health benefits program (TRS-ActiveCare) – Betsey Jones.
23. Consider the enrollment periods for the 2013-2014 plan year for the active employees health benefits program (TRS-ActiveCare), including presentation of participation data – Betsey Jones.

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

24. Provide opportunity for public comment – David Kelly.
25. Review the agenda items to be taken up on February 22, 2013 – Brian Guthrie.
26. Receive a presentation from the TEAM Program Independent Program Assessment (IPA) Vendor – Michael Johnson, Bridgepoint Consulting.
27. Receive an update on the TEAM Program – Ken Welch; Amy Morgan; Jay Masci, Provaliant; and Janet Bray.
28. Receive a panel discussion on the oversight functions for TRS – Amy Barrett, Jay LeBlanc, Don Ballard, Jamie Michels, Hugh Ohn.
29. Review the Deputy Director’s report, including an update on Board elections – Ken Welch.
30. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Investment Officer, or Chief Audit Executive – David Kelly.
31. 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.



## Teacher Retirement System of Texas

### Minutes of the Board of Trustees

February 20 – 22, 2013

The Board of Trustees of the Teacher Retirement System of Texas met on February 20 – 22, 2013 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  
Todd Barth  
Karen Charleston  
Charlotte Clifton  
Joe Colonna  
Eric McDonald  
Chris Moss  
Anita Palmer  
Nanette Sissney

Others present:

Brian Guthrie, TRS  
Ken Welch, TRS  
Amy Barrett, TRS  
Dennis Gold, TRS  
Howard Goldman, TRS  
Don Green, TRS  
T. Britton Harris IV, TRS  
Jerry Albright, TRS  
Ray Spivey, TRS  
Thomas Albright, TRS  
Jase Auby, TRS  
Mohan Balachandran, TRS  
Ashley Baum, TRS  
Sylvia Bell, TRS  
Stuart Bernstein, TRS  
Chi Chai, TRS  
Michelle Bertram, TRS  
Brian Gomolski, TRS  
Rich Hall, TRS  
Terry Harris, TRS  
Dan Herron, TRS  
Janis Hydak, TRS  
Dan Junell, TRS  
Eric Lang, TRS  
Lynn Lau, TRS  
Scot Leith, TRS  
Denise Lopez, TRS  
Shayne McGuire, TRS  
Rebecca Merrill, TRS

Kelly Newhall, TRS  
Melinda Nink, TRS  
Hugh Ohn, TRS  
Rhonda Price, TRS  
Noel Sherman, TRS  
Rebecca Smith, TRS  
Sharon Toalson, TRS  
David Veal, TRS  
Angela Vogeli, TRS  
Susan Wade, TRS  
Jennifer Wenzel, TRS  
Dr. Keith Brown  
Steve Huff, Reinhart Boerner Van Deuren  
Keith Johnson, Reinhart Boerner Van Deuren  
Steve Voss, Hewitt EnnisKnupp  
Brady O'Connell, Hewitt EnnisKnupp  
George Roberts, KKR  
Tess Weil, Purrington Moody Weil  
Philip Mullins, Austin Retired Teachers Association and  
Texas State Employees Union  
Jeff Lambert, State Street  
Mark Schafer, State Street  
Ann Fickel, Texas Classroom Teachers Association  
Tom Rogers, Austin Retired Teachers Association and  
Texas Retired Teachers Association  
Jeremy Begman, Apollo  
Holly McMullan, Apollo  
Josh Sanderson, Association of Texas Professional  
Educators

Mr. David Kelly called the meeting to order at 10:05 a.m.

**1. Call roll of Board members.**

Ms. Lynn Lau called the roll. A quorum was present. Mr. Joe Colonna arrived at the meeting around 11:00 a.m.

**2. Consider the approval of the December 13–14, 2012 Board meeting minutes**

On a motion by Mr. Chris Moss, seconded by Ms. Charlotte Clifton, the board unanimously approved the minutes for the December 13-14, 2012 meeting.

**3. Provide opportunity for public comment**

Mr. Kelly called for public comment. No public comment was received.

Mr. Kelly announced that the board would take up agenda item number 5A.

**5. Receive presentations on the TRS investment management and functions, including the following matters:**

**A. Receive an update on the Investment Management Division and a review of market conditions and outlook.**

Mr. Britt Harris discussed the performance of the pension trust fund, changes to the accounting system, and the recent pension benefit design study. Mr. Brian Guthrie elaborated on the outlook for the pension fund and potential changes related to the benefit design study. Per Mr. Kelly's request, Mr. Harris explained the outperformance of hedge funds in the markets since 2007. Mr. Harris also presented the market outlook for 2013 and global economic conditions, including sustainability issues relating to supply shortages of natural resources. He concluded his presentation by laying out TRS' historical ability to generate the 8 percent target return.

After a brief recess at 11:35 a.m., the board reconvened at 12 p.m.

Mr. Kelly announced that the board would take up agenda item 4.

**4. Review and discuss the Executive Director's report on the following matters:**

**A. Review the agenda items to be taken up on February 20, 2013.**

Mr. Guthrie provided an overview of the agenda items for this meeting.

**B. Discuss TRS organizational structure, review the agency's 2012 accomplishments, and discuss the Executive Director's 2013 goals and objectives, including strategic planning, identified priorities, and metrics for success.**

Mr. Guthrie provided a historical overview of significant events since the fund's inception. Responding to questions from Mr. Kelly about the pension fund and TRS-Care sustainability

studies requested by the Legislature, Mr. Guthrie said that both studies had been favorably received. He said that the pension fund study provided objective information and helped educate policymakers about the viability and advantages of a defined benefit plan like TRS' and the plan-design options for ensuring long-term sustainability. Mr. Guthrie addressed workforce continuity issues given the increasing number of employees becoming eligible for retirement. He presented the agency accomplishments in 2012 and goals and challenges in 2013. Responding to a question from Ms. Nanette Sissney regarding adequate staffing, Mr. Guthrie stated that most of the challenges were tied to the TEAM program.

**C. Preview draft agendas for upcoming Board meetings.**

Mr. Guthrie reviewed the board meeting agendas for the rest of calendar year 2013.

**D. Receive the Board training calendar.**

Mr. Guthrie referred the board to the training calendar, which showed upcoming educational opportunities.

**E. Discuss the project to review Board orientation materials.**

This item was deferred.

**F. Retirement plan benefits, investment activity and operations, health-benefit programs and operations, and administrative operations, including financial, audit, legal, and staff services and special projects.**

After a brief recess at 2:12 p.m., the board reconvened at 2:25 p.m.

Mr. Kelly announced that the board would take up agenda item number 6.

**6. Receive a presentation on Dodd-Frank.**

Ms. Angela Vogeli, Ms. Denise Lopez, and Ms. Tess Weil of Purrington Moody Weil provided a presentation on Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Mr. Kelly announced that the board would take up agenda item number 5B and defer item number 5E.

**5. Receive presentations on the TRS investment management and functions, including the following matters:**

**B. Receive an overview and update on principal investments.**

Mr. Colonna introduced the general concept of principal investments and their process.

Mr. Jerry Albright profiled TRS' Principal Investment Program (program), including the following: its organizational structure, current allocations in real assets and private equity, historical implementation process, and long-term goals. Mr. Colonna and Dr. Keith Brown shared their insights on the investment process. Mr. Rich Hall and Mr. Eric Lang, respectively,

provided a detailed overview of the private equity and real estate investment programs. They laid out the advantages and opportunities available through the programs. They also discussed the private markets programs' performance drivers, objectives, process, and current goals. Mr. Kelly asked that in the future the staff address negative performance information, if any, reflected in the presentation materials.

**C. Confer with employees, consultants, or legal counsel of TRS and one or more representatives of KKR & Co. L.P. about TRS' investment in a private investment fund or the purchase, holding, or disposal of restricted securities or a private investment fund's investment in restricted securities.**

Mr. Colonna briefly introduced the item.

Mr. Kelly announced that the board would go into executive session on agenda item number 5C under the following statutes: section 825.3011 of the Government Code to confer about confidential investment matters relating to a private investment fund for the purchase, holding, or disposal of restricted securities; and section 551.071 of the Government Code to seek advice from the board's legal counsel as needed. He asked all members of the public and staff not needed for the executive session to leave the meeting room and take their belongings with them.

The open portion of the board meeting recessed at 4:35 p.m. After the executive session concluded, Mr. Kelly announced that the open session was reconvened at 5:45 p.m.

Mr. Kelly announced that the board would take up agenda item number 5D.

**D. Receive an update on TRS' Emerging Manager Program.**

Mr. Stuart Bernstein profiled the Emerging Managers Program (program), including the following: its organizational structure, history since inception, process, achievements, and performance. Mr. Todd Barth asked about the program's current allocation, invested amount, net asset value, and available funding. Mr. Harris and Mr. Bernstein responded by providing a historical overview of the allocation approved by the board and explained how staff had built the program with the approved allocation. Mr. Harris stated that the program had grown from \$500 million to \$1.65 billion in value and from 30 relationships to over 101 relationships. He stated that the program was being funded within its allocation limit as rapidly and prudently as possible. Mr. Hall and Mr. Bernstein discussed commitments and investments in the Credit Suisse funds of funds. Mr. Steve Voss confirmed for Ms. Sissney that the policy currently caps the total allocation, measured by commitments, for emerging managers at \$1.65 billion. Mr. Dennis Gold described the commitment policies for the Emerging Managing Program and the Private Equity and Real Assets Portfolios. He clarified for Mr. Barth that, although an allocation to the program remained at \$1.65 billion, it could be replenished through unused capital left at the end of an investment period or by distributions received on investments. He noted that not many investments, if any, had reached the expiration of their investment periods. He said that, in managing program investments, staff could overcommit capital in order to meet the committed allocation target. Mr. Albright explained for Mr. Eric McDonald that an unused capital commitment would be rolled into the total fund and not kept as idle cash in the program, which would stay fully funded.

Mr. Bernstein laid out the investment process and best practices for the program. Mr. Albright provided an overview of the experience gained, the accomplishments achieved since inception, and the future plans and additional resources needed. Responding to questions from Mr. McDonald and Ms. Clifton regarding the ultimate goal of the program and its benefit to the TRS membership, Mr. Harris stated that the program was intended to build long-term investment relationships that would produce future returns.

Whereupon, the meeting recessed at 7:00 p.m.

The Board of Trustees of the Teacher Retirement System of Texas reconvened on February 21, 2013, 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  
Todd Barth  
Karen Charleston  
Charlotte Clifton  
Joe Colonna  
Eric McDonald  
Chris Moss  
Anita Palmer  
Nanette Sissney

Others present:

Brian Guthrie, TRS  
Ken Welch, TRS  
Amy Barrett, TRS  
Dennis Gold, TRS  
Howard Goldman, TRS  
Janet Bray, TRS  
T. Britton Harris IV, TRS  
Jerry Albright, TRS  
Betsey Jones, TRS  
Ray Spivey, TRS  
Marianne Woods Wiley, TRS  
Tina Carnes, TRS  
Mary Chang, TRS  
Janie Duarte, TRS  
Michelle Bertram, TRS  
Adam Fambrough, TRS  
Tom Guerin, TRS  
Dan Herron, TRS  
Bob Jordan, TRS  
Dan Junell, TRS  
Lynn Lau, TRS  
Scot Leith, TRS  
Sam Martin, TRS  
Rebecca Merrill, TRS  
Jamie Michels, TRS  
Melinda Nink, TRS  
Rhonda Price, TRS

Jimmie Savage, TRS  
Noel Shelman, TRS  
Charmaine Skillman, TRS  
Ellen Small, TRS  
Rebecca Smith, TRS  
David Veal, TRS  
Angela Vogeli, TRS  
Susan Wade, TRS  
Merita Zoga, TRS  
Steve Voss, Hewitt EnnisKnupp  
Brady O'Connell, Hewitt EnnisKnupp  
Steve Huff, Reinhart Boerner Van Deuren  
Keith Johnson, Reinhart Boerner Van Deuren  
Philip Mullins, Austin Retired Teachers Association and Texas State Employees Union  
Bill Hickman, Gabriel Roeder Smith and Company  
Tom Rogers, Texas Retired Teachers Association  
Sammy Berrios, Aetna  
Josh Sanderson, Association of Texas Professional Educators  
Ted Melina Raab, Texas American Federation of Teachers  
Ann Fickel, Texas Classroom Teachers Association  
Derly Rivera, Austin Retired Teachers Association  
Jon Scolnik, Unite Here  
Craig Kessler, ESI  
Tim Lee Texas Retired Teachers Association  
David Runyan, Express Scripts

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

**1. Call roll of Board members.**

Ms. Lau called the roll. All trustees were present.

**7. Provide opportunity for public comment.**

Mr. Kelly called for public comment. No comment was received.

**8. Review the agenda items to be taken up on February 21, 2013.**

Mr. Guthrie reviewed the February 21, 2013 agenda.

Mr. Guthrie announced that the Senate Finance Committee had confirmed the appointments of four board members: Ms. Karen Charleston, Mr. Colonna, Mr. Kelly, and Ms. Anita Palmer.

**9. Receive an overview of the Texas budgeting process and the legislative landscape, including a discussion of the proposed state budget for TRS in the House and Senate Appropriations bills.**

Mr. Ray Spivey described the legislative landscape and summarized challenges faced by TRS. Mr. Don Green provided an overview of the appropriation process, including the following: timelines, roles of key participants, major budget drivers, state revenue sources, constitutional spending limits, and revenues available through the Economic Stabilization Fund, Texas' so-called rainy day fund. He also summarized the fiscal years 2014-2015 biennial budget recommendations and the Legislative Budget Board's recommendations for appropriations to TRS. Mr. Green, Mr. Guthrie, and Mr. Gold also clarified for the trustees the process of paying agency expenses.

After a brief recess at 9:35 a.m., the meeting reconvened at 9:49 a.m.

**10. Receive an overview of the organization and functions of the TRS Human Resources Division.**

Ms. Janet Bray provided an overview of the TRS workforce. She presented the key functions of the Human Resources Division and its organizational structure.

**11. Discuss agency staffing and resource matters.**

Ms. Bray presented the current agency staffing considerations. She highlighted the staffing needs for the TEAM program.

Mr. Green discussed strategies to address the staffing needs for TEAM. He described the Legislature's allocation of full-time equivalent (FTE) employees to TRS for TEAM under the current General Appropriations Act for fiscal year (FY) 2013 and in the filed general appropriations bill for the next biennium. He said that the Legislature wanted TRS to give a status report on the progress of TEAM before restoring the previously authorized FTEs for FY 2014-2015. He added that those FTEs, if approved, would be paid from the TRS trust fund. Mr.

Guthrie clarified for Mr. Kelly that the legislative cap on FTEs would be eliminated if the Legislature removed TRS' administrative budget from the appropriations act. In that case, Mr. Guthrie said, the TRS board would determine the system's administrative operating budget, including staffing, outside the strictures of the appropriations act. He noted that other statewide pension funds typically have such budget discretion.

Mr. Green concluded his presentation by laying out the long-term considerations for staffing needs and the opportunities for insourcing and outsourcing to tackle some of the staffing issues.

**12. Receive an overview of the organization and functions of the Legal Services Division.**

Per Mr. Kelly's request, Mr. Guthrie provided an update on the selection of the new general counsel. He stated that three finalists had been selected for a final interview by Mr. Ken Welch and himself. He stated that the finalists will be invited to meet with Mr. Kelly, Ms. Clifton, and managers on the Executive Council. He confirmed for Mr. Kelly that the finalists could be invited to meet an individual board member upon his or her request. Mr. Colonna commented that the finalists should be aware of the general counsel's role in providing legal services related to board governance and have common sense about business matters. Mr. McDonald and Mr. Barth concurred with Mr. Colonna's comment.

Mr. Gold profiled TRS Legal Services. Per Mr. Kelly's request, he explained the role of TRS legal staff in serving the board and the agency as a public entity and the distinction between the role of the general counsel office and the fiduciary counsel. He described the different roles of members of the legal staff and summarized their professional credentials and experience. In response to a question from Mr. Barth regarding the cost and resources needed to respond to open record requests, Mr. Gold discussed the challenge faced by Legal and other departments in fulfilling those requests. He said that staff was looking at software that would help expedite open records processing and make it more efficient. There was an extensive discussion concerning open record requests affecting employees' privacy. Mr. Colonna suggested that the board discuss the issue further to seek remedies for this issue.

**13. Review trustee roles, responsibilities, and fiduciary duties; qualifications for office and standards of conduct; immunities, indemnification, and insurance; and requirements related to trustee ethics, conflicts, and disclosures.**

Mr. Steve Huff and Mr. Keith Johnson presented the trustee ethics policies relating to gifts, lodging and entertainment of trustees' duties, policies relating to personal investments, conflicts of interest, recusal and disclosure remedies, and trustee qualifications. They discussed best governance practices and compared them with TRS'. The board also discussed a process for evaluating board members. In response to a question from Mr. Kelly regarding the function of the board's Ethics Committee, Mr. Gold explained that it is a committee of the whole that mainly would consider any proposal to waive a provision in the Ethics Policy. He also elaborated on sovereign immunity.

**14. Receive open government training.**

Mr. Dan Junell provided an overview of the Public Information Act. He explained the process of meeting open record requests, the fee schedule, trustee requirements, timeline, and current workload. In response to Ms. Clifton's request, Mr. Gold provided detail on the software that may help facilitate the process. Mr. Junell further explained for Mr. Colonna how staff determines whether information is confidential.

Mr. Junell provided an overview of the Open Meeting Act (Act) and an update of significant opinions by the courts and Attorney General in 2012. Mr. Barth and Ms. Sissney asked about a recent incident when trustees were restricted to attend a conference to avoid a quorum, Ms. Rebecca Merrill clarified that both deliberation among board members and receiving information from a third party can constitute a public meeting if a quorum is involved and the meeting is about TRS business. She noted an exception in the Act for regional networking conferences that would allow any number of trustees to attend a conference at the same time. Mr. Junell confirmed for Mr. Kelly that most offenses under the Act are misdemeanors.

Mr. Junell highlighted significant meeting issues addressed in 2012, including meeting through e-mail, discussions outside board meetings, attorney consultations, attendance of a board quorum at a committee meeting, and emergency meetings.

**15. Receive an overview of the Communications Division, including a discussion of TRS communication initiatives and policies.**

Mr. Howard Goldman provided an overview of the Communications Department. He laid out the division's functions and responsibilities. He described different social media sites hosted by TRS. He reviewed the department's accomplishments in FY 2012 and discussed its focus for FY 2013. He also presented information on current issues and trends as well as online and software tools designed to improve communications with TRS members and the public.

Mr. Goldman and Mr. Guthrie discussed with board members how TRS responds to media inquiries, requests for interviews and published or broadcast reports about TRS. They also discussed press releases, corrections and other communications with the media initiated by TRS. Mr. Guthrie said that one option for the board to consider would be to limit media communication in writing only. Mr. Goldman discussed the risks and opportunities of social media for TRS. He said that Communications monitors and uses social media to correct misunderstandings about issues related to TRS.

**16. Receive an overview of the organization and functions of the Special Projects Department, including the 403(b) company certification and product registration program and the legislative fiscal-note preparation function.**

Ms. Merrill provided an overview of the Special Projects Department, including its organizational structure and key functions. She highlighted the 403(b) program, fiscal notes preparation, CEM benchmarking study and other studies and publications assigned to the department to complete. Ms. Merrill reviewed her role in board operations, including overseeing

the switch from paper to electronic board materials and expediting the turnaround time of delivering final materials to the board.

**17. Receive an overview of the organization and functions of the Financial Division.**

Mr. Green provided an overview of the Financial Division, which consists of Benefit Accounting, General Accounting, Investment Accounting, and Staff Services. He introduced the functions of each team, team leaders, and their organizational structures. He highlighted the division's 2012 accomplishments as well as ongoing and future challenges.

**18. Review the reports of the Chief Financial Officer:**

**A. Review the report under § 825.314(b), Government Code, of expenditures that exceed the amount of operating expenses appropriated from the general revenue fund and are required to perform the fiduciary duties of the Board.**

Pursuant to section 825.314(b) of the Government Code, Mr. Green presented a report of the expenditures paid during the months of November and December 2012 that were required to perform the fiduciary duties of the board.

**B. Quarterly financial reports on TRS programs.**

Mr. Green provided the quarterly financial reports on TRS programs as of November 30, 2012.

Mr. Green suggested adding a new section to report expenditures by division or department. He said that he would provide a sample of the new section for the board's review before incorporating it into the regular quarterly reports.

**19. Receive a presentation on the administration and operation of the TRS pension plan, including the following subjects:**

**A. Overview of the TRS Pension Plan.**

Ms. Marianne Woods Wiley provided an overview of the pension plan. She also summarized the key plan terms for determining retirement eligibility and benefits.

**B. Information on Increased Cost of Certain Service Credit.**

Mr. Tom Guerin presented information on the increased costs to purchase special service.

**C. Organization and functions of the Benefits Services Division**

Ms. Woods Wiley provided an overview of the functions, organization and departments of the Benefit Services Division, including those related to Member Data Services, Benefit Counseling and Benefit Processing. She highlighted the division's 2012 accomplishments as well as ongoing and future challenges.

After a recess at 5:25 p.m., the board reconvened at 5:40 p.m.

**20. Receive a presentation on Health Care 101, including an overview of the administrative organization and functions of TRS-Care and TRS-ActiveCare and an update on the TRS-Care Medicare Advantage and Prescription Drug Plans.**

Ms. Betsey Jones presented an overview of the Health and Insurance Benefits Department. She described the department's organizational structure, core functions, and vendors' responsibilities. She introduced the team leaders.

Ms. Jones provided an update on the TRS-Care program. She described the transition to Express Scripts as the Pharmacy Benefit Manager (PBM). She reviewed the implementation of the new Aetna Medicare Advantage and Part D plans, which had generated significant savings and improved the near-term solvency of TRS-Care. She said that the program was projected to be solvent through 2015. She stated that the primary challenge for TRS-Care continued to be its long-term solvency. She said that any staff recommendations for changes to the program would be presented to the board in June 2013. The board discussed ways to generate savings and provide funding for TRS-Care.

Ms. Jones provided an overview of the TRS-ActiveCare program. She presented the following information about the program: its history, accomplishments, funding sources, eligibility requirements, levels of plan benefits, current district participation and member enrollment, key processes, vendor responsibilities, and ongoing and future challenges.

**21. Receive presentation on and consider premiums and plan design for the preferred-provider organization (PPO) plan options under the active employees health benefits program (TRS-ActiveCare).**

Ms. Jones provided an overview of the proposed changes to the premiums and plan design for TRS-ActiveCare. She reviewed employee-only benefits, including participation rates and funding sources. She highlighted the shift in participation from TRS-ActiveCare 2 to TRS-ActiveCare 1 and 1-HD, which have higher deductibles. She said that the shift occurred after premiums increased and benefits decreased for ActiveCare 2. She explained how the shift affected the fund balance. The challenge, she said, was to project shifts of enrollment to accurately set premiums for each tier. She stated that a negative fund balance of \$69 million was anticipated at the end of 2013 because of the enrollment shift and insufficient premiums. Mr. Hickman of Gabriel, Roeder, Smith & Company (GRS) elaborated on the projected change in enrollment distribution among the benefit tiers for 2013. He stated that claims over \$100,000 significantly and unexpectedly increased from the year before.

Ms. Jones presented in detail the proposed increase in monthly rates and additional benefit changes to the TRS-ActiveCare plan options recommended by staff and GRS to generate necessary funding for the program. Responding to a question from Mr. Kelly regarding the 25% increase in premiums for TRS-ActiveCare 3, Ms. Jones stated that ActiveCare 3 was not a sustainable tier under the current or proposed funding structure and had only a 3 percent enrollment rate. She stated that the 25 percent increase was insufficient to pay for the plan and showed that it should eventually be eliminated. She stated that doubling the premium of ActiveCare 3 likely would drive participants to switch to ActiveCare 2. Mr. Hickman stated that the rate increase was driven by this migration of population, which was anticipated to be 25

percent for this year. He explained that statutes required ActiveCare 1 and 2 to offer primary and catastrophic health benefits comparable to those provided for state employees. He stated that raising the family deductible was intended to provide an affordable option for everyone in the current funding environment. Ms. Jones explained for Ms. Sissney the proposed premium for each tier. Further discussion followed concerning other options to keep the plans affordable and solvent as well as staff's projections on the impact of the changes.

On a motion by Mr. McDonald, seconded by Mr. Colonna, the board unanimously adopted the following resolution discontinuing TRS-ActiveCare 1 and approving premium rates and benefits for TRS-ActiveCare 1-HD, TRS-ActiveCare 2, and TRS-ActiveCare 3:

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

**Whereas**, TRS staff and the TRS health benefits consultant, Gabriel, Roeder, Smith & Company ("GRS"), have recommended that TRS-ActiveCare 1 be discontinued effective September 1, 2013;

**Whereas**, TRS staff and GRS have recommended that all enrollees in TRS-ActiveCare 1 be transitioned to TRS-ActiveCare 1-HD effective September 1, 2013, unless the employee selects TRS-ActiveCare 2 or 3 during the annual enrollment periods for the 2013-2014 plan year;

**Whereas**, TRS staff and GRS have recommended that benefit changes, as indicated below, be made to TRS-ActiveCare 1-HD and 2 for the plan year commencing on September 1, 2013;

**Whereas**, TRS staff and GRS have recommended that the current benefits for TRS-ActiveCare 3 remain unchanged for the plan year commencing on September 1, 2013;

**Whereas**, TRS staff and GRS have recommended that for the plan year commencing on September 1, 2013, rates at all levels of coverage in TRS-ActiveCare 1-HD, 2, and 3 be adjusted to the gross premium amounts indicated in this resolution; and

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

**Resolved**, That the Board hereby adopts and authorizes the following benefit changes, subject to all other plan requirements and restrictions, for TRS-ActiveCare 1-HD, beginning in the plan year commencing on September 1, 2013 and thereafter, until further action by the Board:

Plan Feature	From 2012-2013 Plan Year	To 2013-2014 Plan Year
Family Deductible	\$2,400	\$4,800
Individual Out-of-pocket maximum	\$3,000	\$3,850
Family Out-of-pocket maximum (Out-of-pocket maximums exclude deductibles and copayments)	\$5,000	\$4,200

**Resolved,** That the Board hereby adopts and authorizes the following benefit changes, subject to all other plan requirements and restrictions, for TRS-ActiveCare 2, beginning in the plan year commencing on September 1, 2013 and thereafter, until further action by the Board:

Plan Feature	From 2012-2013 Plan Year	To 2013-2014 Plan Year
Individual Deductible	\$750	\$1,000
Family Deductible	\$2,250	\$3,000
Individual Out-of-pocket maximum	\$2,000	\$4,000
Family Out-of-pocket maximum (Out-of-pocket maximums exclude deductibles and	\$6,000	\$8,000
Retail Short-term Drug Copays		
Tier 1 Drugs	\$15	\$20
Tier 2 Drugs	\$35	\$40
Tier 3 Drugs	\$60	\$65
(Up to 31 day supply)*		
Retail Maintenance Drug Copays		
Tier 1 Drugs	\$20	\$25
Tier 2 Drugs	\$45	\$50
Tier 3 Drugs	\$75	\$80
(Up to 31 day supply)*		

\* Maximum day supply is increased from 30 to 31 for the 2013-2014 plan year.

**Resolved,** That the Board hereby adopts and authorizes the following gross premium rates for TRS-ActiveCare 1-HD, 2, and 3 for the plan year commencing on September 1, 2013 and thereafter, until further action by the Board:

	Current Gross Monthly Premium Before State and District Contributions	Proposed Gross Monthly Premium Before State and District Contributions
	From 2012-2013 Plan Year	To 2013-2014 Plan Year
<b>ActiveCare 1-HD</b>		
Employee Only	\$298.00	\$325.00
Employee and Spouse	\$731.00	\$794.00
Employee and Child(ren)	\$466.00	\$572.00
Employee and Family	\$957.00	\$1,060.00

<b>ActiveCare 2</b>		
Employee Only	\$460.00	\$529.00
Employee and Spouse	\$1,046.00	\$1,203.00
Employee and Child(ren)	\$731.00	\$841.00
Employee and Family	\$1,150.00	\$1,323.00
<b>ActiveCare 3</b>		
Employee Only	\$637.00	\$796.00
Employee and Spouse	\$1,448.00	\$1,810.00
Employee and Child(ren)	\$1,015.00	\$1,269.00
Employee and Family	\$1,592.00	\$1,990.00

**Resolved,** That all enrollees in TRS-ActiveCare 1 be transitioned to TRS-ActiveCare 1-HD effective September 1, 2013, unless the employee selects TRS-ActiveCare 2 or 3 during the annual enrollment periods for the 2013-2014 plan year; and

**Resolved,** That the Board authorizes the Executive Director or his designees to take any actions that are necessary or advisable to implement the benefit structure and premium rates, as adopted or authorized herein, to otherwise continue the existing approved TRS-ActiveCare 1 plan of coverage until September 1, 2013, to discontinue TRS-ActiveCare 1 effective September 1, 2013, and continue the existing approved plans of coverage for TRS-ActiveCare 1-HD, 2, and 3, until further action by the Board.

**22. Receive presentation on and consider premiums and plan design for health maintenance organizations (HMOs) under the active employees health benefits program (TRS-ActiveCare).**

Ms. Jones referred the board to the memo by Mr. Hickman laying out recommended premium and plan design changes for health maintenance organizations (HMOs) under TRS-ActiveCare. On a motion by Mr. Barth, seconded by Mr. Moss, the board unanimously adopted the following resolution regarding the rates and benefits of HMOs for the TRS-ActiveCare program:

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

**Whereas,** TRS currently has contracts with three health maintenance organizations, SHA, L.L.C. d/b/a FIRSTCARE, Scott & White Health Plan, and Valley Baptist Health Plan, Inc., to offer benefits to participants in TRS-ActiveCare who reside or work in the respective service areas of each health maintenance organization (“HMO”);

**Whereas,** The respective contract with each HMO automatically renews for successive one (1) year terms, unless terminated as provided in each contract;

**Whereas,** Staff and TRS health benefits consultant, Gabriel, Roeder, Smith & Company (“GRS”) have recommended that during Fiscal Year 2014, SHA, L.L.C. d/b/a FIRSTCARE, Scott & White Health Plan, and Valley Baptist Health Plan, Inc. be allowed to provide health care services to TRS-ActiveCare participants in their respective service areas under the same respective plan design that each HMO offered in Fiscal Year 2013, with only those major changes in benefits noted hereafter, along with other minor benefit changes that will be reflected in the TRS-ActiveCare Enrollment Guide and the Evidence of Coverage issued by each respective HMO;

**Whereas,** Staff and GRS have recommended that the premiums to be paid by TRS-ActiveCare participants enrolled in an HMO include the rates offered for Fiscal Year 2014 by each of the three HMOs plus a monthly administration fee of \$5.00 per contract between a participant and an HMO to cover the clearinghouse fees and other administrative expenses incurred by the TRS-ActiveCare program;

**Whereas,** Scott & White Health Plan has received a Certificate of Authority from the Texas Department of Insurance to include the County of Limestone in its authorized service area, and TRS staff and GRS have concluded that the addition of this county to the service area offered under TRS-ActiveCare by Scott & White Health Plan is beneficial to the overall plan and its participants, and the addition of this county is recommended; and

**Whereas,** The Board desires to approve the recommendations, including the respective plan design offered in Fiscal Year 2014 by each of the three HMOs, with the respective changes in benefits proposed by SHA, L.L.C. d/b/a FIRSTCARE, Scott & White Health Plan, and Valley Baptist Health Plan, Inc., and to approve the rates offered for Fiscal Year 2014 by each of the three HMOs and the premiums recommended by Staff and GRS; now, therefore, be it

**Resolved,** That the Board hereby approves the proposal for SHA, L.L.C. d/b/a FIRSTCARE to offer to TRS-ActiveCare participants during Fiscal Year 2014 the same plan design it offered in Fiscal Year 2013, with no benefit changes, and approves and adopts the following monthly premiums to be charged to TRS-ActiveCare participants enrolled in this HMO during Fiscal Year 2014 according to coverage tier:

**SHA, L.L.C. d/b/a FIRSTCARE Premium Changes**

Coverage Tier	FY 2013 Premiums	FY 2014 Premiums	Percent Change
Employee Only	\$382.06	\$391.50	+2.5%
Employee & Spouse	\$961.16	\$985.06	+2.5%
Employee & Child(ren)	\$607.56	\$622.62	+2.5%
Employee & Family	\$970.70	\$994.84	+2.5%

**Resolved,** That the Board hereby approves the proposal for Scott & White Health Plan to offer to TRS-ActiveCare participants during Fiscal Year 2014 the same plan design it offered in Fiscal Year 2013, with the following proposed benefit change, and approves and adopts the following monthly premiums to be charged to TRS-ActiveCare

participants enrolled in this HMO during Fiscal Year 2014, according to coverage tier:

**Scott & White Health Plan Benefit Change Highlights**

Benefit	2012-2013 Plan Year	Commencing 9-1-2013
Urgent Care Copay	\$40	\$55

**Scott & White Health Plan Premium Changes**

Coverage Tier	FY 2013 Premiums	FY 2014 Premiums	Percent Change
Employee Only	\$398.00	\$418.42	+5.1%
Employee & Spouse	\$961.00	\$945.10	-1.7%
Employee & Child(ren)	\$641.00	\$664.00	+3.6%
Employee & Family	\$997.00	\$1,048.54	+5.2%

**Resolved,** That the Board hereby approves the proposal for Scott & White Health Plan to include the County of Limestone in its authorized service area for TRS-ActiveCare, beginning on September 1, 2013;

**Resolved,** That the Board hereby approves the proposal for Valley Baptist Health Plan, Inc. to offer to TRS-ActiveCare participants during Fiscal Year 2014 the same plan design it offered in Fiscal Year 2013, with the following proposed major benefit changes, and approves and adopts the following monthly premiums to be charged to TRS-ActiveCare participants enrolled in this HMO during Fiscal Year 2014 according to coverage tier:

**Valley Baptist Health Plan, Inc. Benefit Change Highlights**

Benefit	2012-2013 Plan Year	Commencing 9-1-2013
Out-of-pocket maximum		
• Individual	\$3,500	\$4,000
• Family	\$7,000	\$8,000

**Valley Baptist Health Plan, Inc. With No Premium Changes**

Coverage Tier	FY 2013 Premiums	FY 2014 Premiums	Percent Change
Employee Only	\$387.06	\$387.06	0.0%
Employee & Spouse	\$941.04	\$941.04	0.0%
Employee & Child(ren)	\$607.86	\$607.86	0.0%
Employee & Family	\$960.14	\$960.14	0.0%

**Resolved,** That the approved plans of coverage offered by each HMO to participants in TRS-ActiveCare who reside or work in the respective service areas of each HMO, each of which commences on September 1, 2013, shall remain unchanged until further action by the Board.

**Resolved,** That with prior written approval from the Executive Director or his designee, each HMO may offer to participants in TRS-ActiveCare who reside or work in the respective service areas of each HMO, lower premiums than those herein approved, each of which commences on September 1, 2013.

**Resolved,** That the Board authorizes the Executive Director or his designees to take any actions, including the expenditure of funds and the execution of all documents, deemed by him or such designee to be

necessary or advisable to implement this resolution and to administer the TRS-ActiveCare contracts with the HMOs.

**23. Consider the enrollment periods for the 2013-2014 plan year for the active employees health benefits program (TRS-ActiveCare), including presentation of participation data.**

Ms. Jones referred the board to the resolution establishing the enrollment periods for TRS-ActiveCare, as required by law. She noted that staff recommended adding an enrollment period from August 1, 2013 through August 31, 2013 to provide plan participants an opportunity to make changes, if necessary. On a motion by Ms. Clifton, seconded by Mr. McDonald, the board unanimously adopted the following resolution establishing the enrollment periods for the 2013-2014 plan year for TRS-ActiveCare:

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

**Whereas**, 34 TEX. ADMIN. CODE § 41.36 provides that the TRS Board of Trustees may set the plan enrollment periods for TRS-ActiveCare by resolution;

**Whereas**, TRS staff and the TRS-ActiveCare health plan administrator, Blue Cross and Blue Shield of Texas, have recommended that the plan enrollment periods for Fiscal Year 2014 TRS-ActiveCare coverage, effective September 1, 2013, occur from April 22, 2013 through May 24, 2013, and from August 1, 2013 through August 31, 2013;

**Whereas**, These plan enrollment periods do not affect the enrollment periods for any entity that becomes a participating entity after September 1, 2013; and

**Whereas**, The Board desires to adopt the recommended plan enrollment dates; now, therefore, be it

**Resolved**, Subject to alternative plan enrollment dates established under 34 Texas Administrative Code § 41.30, that the Fiscal Year 2014 TRS-ActiveCare plan enrollment dates for entities who are participating entities on or before September 1, 2013 are from April 22, 2013 through May 24, 2013, and from August 1, 2013 through August 31, 2013.

Whereupon, the meeting recessed at 7:24 p.m.

The Board of Trustees of the Teacher Retirement System of Texas reconvened on February 22, 2013, in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River Street, Austin, Texas. The following board trustees were present:

David Kelly, Chair  
Todd Barth

Karen Charleston  
Charlotte Clifton  
Joe Colonna  
Eric McDonald  
Chris Moss  
Anita Palmer  
Nanette Sissney

Others present:

Brian Guthrie, TRS  
Ken Welch, TRS  
Jerry Albright, TRS  
Amy Barrett, TRS  
Janet Bray, TRS  
Dennis Gold, TRS  
Howard Goldman, TRS  
Don Green, TRS  
T. Britt Harris, TRS  
Amy Morgan, TRS  
Marianne Woods Wiley, TRS  
Don Ballard, TRS  
Sylvia Bell, TRS  
Jamie Michels, TRS  
Cindy Haley, TRS  
Dan Herron, TRS  
Eric Lang, TRS

Dan Junell, TRS  
Lynn Lau, TRS  
Jay LeBlanc, TRS  
Rebecca Merrill, TRS  
Melinda Nink, TRS  
Rhonda Price, TRS  
Rebecca Smith, TRS  
Steve Huff, Reinhart Boerner Van Deuren, Fiduciary Counsel  
Jay Masci, Provaliant  
Tim Lee, Texas Retired Teachers Association  
Michael Johnson, Bridgepoint Consulting  
Andrea Anderson, Bridgepoint Consulting  
Andy Tonkovich, HP  
Ernie Sanders, HP  
Victor Ferreira, HP  
John Grey, Texas State Teachers Association

Mr. Kelly called the meeting to order at 8:09 a.m.

**1. Call roll of Board members.**

Ms. Lau called the roll. All trustees were present.

**24. Provide opportunity for public comment.**

In memory of former TRS employee, Diane Amaya of Legal Services, Ms. Rebecca Smith presented a framed print of the painting named “The Storm” by Trustee Anita Palmer. Ms. Smith stated that Ms. Amaya passed away in a sudden, tragic incident in August 2012. Ms. Smith expressed her appreciation to Ms. Palmer for her generous donation. The painting will be displayed in the offices of Legal Services.

Mr. Tim Lee of Texas Retired Teachers Association acknowledged staff’s effort in informing retirees about the new Medicare Advantage plans. He stated that he hoped the positive feedback from those who had switched would encourage other retirees to look into the new options. He stated that the recently released pension plan study indicated that the TRS pension plan benefited both the state and the people who serve in the public school system. He expressed appreciation for the factual information presented in the study, which educated its audience about the benefits of TRS’ defined benefit plan. He stated that the main concerns of his organization were the actuarial soundness of the pension and health benefit funds and the fact that retirees had not received a permanent annuity increase in 12 years.

**25. Review the agenda items to be taken up on February 22, 2013.**

Mr. Guthrie reviewed the February 22, 2013 agenda items.

Mr. Guthrie presented a draft letter to the state leadership to inform them of the changes adopted relating to the TRS-ActiveCare premiums and plan design. Per Mr. Barth's suggestion, Mr. Guthrie said that he would clarify the rationale for the premium increase in the letter.

**26. Receive a presentation from the TEAM Program Independent Program Assessment (IPA) Vendor.**

Mr. Michael Johnson of Bridgepoint Consulting, the TEAM Program Independent Program Assessment (IPA) vendor, summarized the work completed to date. He presented the upcoming milestones and IPA activity.

Mr. Johnson explained the risk-based approach to be used in assessing the TEAM Program. He categorized the typical risks faced during different phases of the project, including staffing, process, and technology. Responding to a question from Ms. Sissney regarding inadequate data conversion, Mr. Johnson confirmed that the data cleansing process would occur during the implementation process. He said that the risk-based approach being used would perform quality control to ensure that any inadequacy would be detected and mitigated. Responding to Ms. Charleston's questions regarding the basic skill sets needed to accomplish the project goals and how they would be provided, Mr. Johnson stated that the IPA would monitor the adequacy of those skill sets, the demand for which would substantially increase once the Line of Business (LOB) vendor was on board. Mr. Welch described the process for obtaining enough staff with the needed skill sets to implement the project.

Mr. Johnson explained Bridgepoint's program assessment methodology and reporting process, including the status report. He confirmed for Ms. Sissney that Bridgepoint would be actively engaged in offering solutions to risks presented in the status report, but it would be up to the management to take the actions needed to mitigate the risks.

**27. Receive an update on the TEAM Program.**

Mr. Welch presented the finalists of the naming the system context and announced that the winning submission was "TRUST," which stands for Teacher Retirement System Unified System for Technology, submitted by Rebecca Smith and Don Ballard of Legal Services.

Ms. Amy Morgan provided an update on the current status of the TEAM project. Responding to a question from Ms. Sissney concerning the distinction between the LOB and the financial system replacement projects, Ms. Woods Wiley stated that the LOB project specifically involves the pension benefit systems. Ms. Morgan stated that the scope of the financial system project had not been established yet. Mr. Jay Masci of Provaliant stated that the delay in the financial system project was due to staffing.

Ms. Morgan summarized the accomplishments of the TEAM program to date and the upcoming milestones.

Ms. Bray provided an overview of the organizational change management project for the implementation of the TEAM program.

After a recess at 10:02 a.m., the meeting reconvened at 10:25 a.m.

**28. Receive a panel discussion on the oversight functions for TRS.**

Ms. Amy Barrett introduced TRS' oversight functions. Ms. Jamie Michels, Mr. Don Ballard, Mr. Jay LeBlanc, and Ms. Barrett presented the oversight functions performed by General Accounting, Legal Services, Enterprise Risk Management, and Internal Audit, respectively. Ms. Michels and Mr. Hugh Ohn presented the oversight roles of the Comptroller's office and the State Auditor's Office, respectively, in purchasing and contracts. Ms. Barrett also laid out the lines of defense in the areas of purchasing and contracts and TEAM program to help ensure effective oversight and accountability in those areas. Ms. Michels and Mr. Ballard clarified for Ms. Sissney that multiple contracts awarded to the same vendor would be reported internally and to the Legislative Budget Board (LBB).

**29. Review the Deputy Director's report, including an update on Board elections.**

Mr. Welch provided an update on the board elections. He announced the three candidates currently on the ballot for the active public education seat on the TRS Board: Mr. Hiram Burguete of Mission, Ms. Lindsey Pollock of Houston, and Ms. Dolores Ramirez of San Benito. He briefly laid out the next steps in the election process.

**30. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Investment Officer, or Chief Audit Executive.**

**31. 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).**

Mr. Kelly announced that the board would go into executive session on agenda items 30 and 31 under section 551.074 of the Texas Open Meeting Act to deliberate posted personnel matters, and under section 551.071 of the Act to receive legal advice from its attorney. All members of the public and staff not needed for the executive session were asked to leave the meeting room at this time and take their belongings with them.

Whereupon, the open session recessed at 11:17 a.m.

The meeting was reconvened in open session at 12:43 p.m. and then adjourned at 12:45 p.m.