

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

AGENDA

February 11, 2015 – 10:00 a.m.

February 12, 2015 – 8:30 a.m.

February 13, 2015 – 8:00 a.m.

TRS East Building, 5th Floor, Boardroom

NOTE: Any item posted on the agenda may be taken up during the Board meeting on Wednesday, February 11, 2015, or during the continuation of the meeting on Thursday, February 12, 2015, or Friday, February 13, 2015, or both, beginning at the times and place specified on this agenda.

The open portions of the February 11-13, 2015 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.

1. Call roll of Board members.
2. Consider the following Board administrative matters – David Kelly:
 - A. Approval of the November 20-21, 2014 meeting minutes.
 - B. Excusing Board member absences from the November 20-21, 2014 Board meeting.
 - C. Setting, rescheduling, or canceling future Board meetings.
3. Provide opportunity for public comment – David Kelly.
4. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
 - A. Receive an overview of the Board meeting agenda and theme.
 - B. Discuss TRS' organizational structure, including a discussion of agency accomplishments and goals.
 - C. Preview draft agendas for upcoming Board meetings.
 - D. Receive the Board training calendar.

- E. Discuss and receive information on 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. Review the reports on the Historically Underutilized Business (HUB) Program, and consider related goals, as appropriate, for fiscal year 2015 – John Dobrich and Darryl Gaona.

***NOTE:** The Board meeting likely will recess after the last item above for a lunch break and resume after lunch to take up the items listed below.*

6. Discuss the following investment management items:
- A. Receive a presentation on and discuss historical economic cycles and investing – Steve Voss and Brady O’Conner, Hewitt EnnisKnupp; and Dr. Keith Brown.
 - B. Engage in a conversation about the evolving world and the economic machines behind it – Ray Dalio, Bridgewater and Britt Harris.
 - C. Receive an update on the Emerging Manager Portfolio – Cheryl Hines.
 - D. Receive a presentation on and discuss the energy and natural resources markets – R.T. Dukes, Wood Mackenzie; Doug Kimmelman, Energy Capital; and Britt Harris.
 - E. Review the Investment Management Division Best Ideas Survey results – Britt Harris.
 - F. Receive an update on the preferred destination initiative – Britt Harris.

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

7. Provide opportunity for public comment – David Kelly.
8. Receive an overview of the February 12, 2015 agenda – Brian Guthrie.
9. Review the Deputy Director’s report on the following matters – Ken Welch:
- A. Board of Trustee election update.
 - B. Matters related to administrative, financial, and staff services operations.
10. Receive an overview of the Texas budgeting process and a legislative and appropriations update – Ken Welch, Don Green, and Ray Spivey.

11. Receive an update on TRS' long-term space planning project, including satellite offices and matters related to real property – Brian Guthrie

NOTE: The Board meeting likely will recess after the last item above for a lunch break and resume after lunch to take up the items listed below.

12. Receive a presentation on and discuss investment compliance and ethics – Heather Traeger.
13. Receive fiduciary and legal training, and consider rule adoption, including:
 - A. Review procurement and fiduciary responsibility – Steve Huff, Reinhart Boerner Van Deuren, s.c.
 - B. Discuss the roles of TRS General Counsel and the TRS fiduciary counsel; receive legal training on open government matters; and review trustee roles, responsibilities, fiduciary duties, qualifications for office, and governance – Keith Johnson and Steve Huff, Reinhart Boerner Van Deuren, s.c.; Luke Biernan, Raymond Sarola, and Suzanne Dugan, Cohen Milstein Sellers & Toll PLLC; and Carolina de Onís.
 - C. Consider the adoption of proposed amendments to TRS Rule § 25.26 of Title 34 of the Texas Administrative Code, relating to Annual Compensation Creditable for Benefit Calculation.
14. Receive an overview of the Division of Strategic Initiatives, including a discussion of the TRS Strategic Plan – Rebecca Merrill.
15. Discuss the following financial matters – Don Green:
 - A. Receive an overview of the Financial Services Division.
 - B. Receive a financial update through December 31, 2014, including the cash report.
 - C. Discuss an update on implementation of Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68.
16. Receive an overview of the Benefits Division, including a review of the Telephone Counseling Center – Tom Guerin.
17. Receive an overview of the Human Resources Department, including a workforce overview – Janet Bray.
18. Receive an overview of the Communications Department, including a screening of the updated Video Value Brochure – Howard Goldman.

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

19. Provide opportunity for public comment – David Kelly.
20. Receive an overview of the February 13, 2015 agenda – Brian Guthrie.
21. Receive the presentation “Maximize the Value from Analytics in the Context of Internal Audit” – Christer Johnson and James Walton, EY
22. Discuss matters related to governance, risk management, internal control, compliance violations, fraud, regulatory reviews or investigations, new and outstanding complaints, fraud risk areas, audits for the annual internal audit plan, or auditors' ability to perform duties – Amy Barrett.
23. Receive an overview of the Information Technology Division – Chris Cutler.
24. Receive an update on the TEAM Program – Adam Fambrough; David Cook; Jamie Pierce; and Jay Masci, Provaliant.
25. Discuss Bridgepoint’s role in TEAM now and looking ahead – Michael Johnson, Bridgepoint.
26. 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.
27. 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.

Minutes of the Board of Trustees

February 11-13, 2015

The Board of Trustees of the Teacher Retirement System of Texas met on February 11, 2015 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
Nanette Sissney, Vice-Chair
Todd Barth
Karen Charleston
Joe Colonna
David Corpus
Christopher Moss
Anita Palmer
Dolores Ramirez

Others present:

Brian Guthrie, TRS	Bob Jordan, TRS
Ken Welch, TRS	Dan Junell, TRS
Carolina de Onís, TRS	Eric Lang, TRS
Amy Barrett, TRS	Lynn Lau, TRS
Janet Bray, TRS	Ralph Linn, TRS
Don Green, TRS	Beckie Smith, TRS
Howard Goldman, TRS	Heather Traeger, TRS
T. Britton Harris IV, TRS	Courtney Villalta, TRS
Jerry Albright, TRS	Mike Pia, TRS
Amy Barrett, TRS	Yimei Zhao, TRS
Janet Bray, TRS	Sharon Toalson, TRS
Howard Goldman, TRS	Dr. Keith Brown, Investment Advisor
Jase Auby, TRS	Keith Johnson, Reinhart Boerner Van Deuren
Dr. Mohan Balachandran, TRS	Steve Huff, Reinhart Boerner Van Deuren
Ronnie Bounds, TRS	Steve Voss, Hewitt EnnisKnupp
Chi Chai, TRS	Brady O'Connell, Hewitt EnnisKnupp
Chris Cutler, TRS	Philip Mullins
John Dobrich, TRS	Ray Dalio, Bridgewater
Tom Guerin, TRS	R.T. Dukes, Wood Mackenzie
Jamie Pierce, TRS	Doug Kimmelman, Energy Capital
Darryl Gaona, TRS	Becca Slezak, Aetna
Cheryl Hines, TRS	Joni Lozano, Caremark
Andy Cronin, TRS	Maggie Parker, Aetna
Krista Kerr, TRS	David Myer, Accounting Securities

Mr. Kelly called the meeting to order at 10:15 a.m.

1. Call roll of Board members.

Ms. Lau called the roll. A quorum was present. Mr. Colonna arrived shortly after the roll call.

2. Consider the following Board administrative matters – David Kelly:

A. Approval of the November 20-21, 2014 meeting minutes.

On a motion by Ms. Palmer, seconded by Ms. Sissney, the board unanimously adopted the minutes of the November 20-21, 2014 meeting, as presented.

B. Excusing Board member absences from the November 20-21, 2014 Board meeting.

On a motion by Mr. Barth, seconded by Ms. Charleston, the board unanimously excused the absences of Mr. Kelly and Ms. Ramirez from the November 20-21, 2014 meeting.

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

The board did not take up agenda item 2.C.

3. Provide opportunity for public comment – David Kelly.

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

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

A. Receive an overview of the Board meeting agenda and theme.

Mr. Welch noted that Mr. Guthrie was presenting before the House Appropriations Committee and would be joining the board meeting upon conclusion of his testimony. Mr. Welch provided an overview of the February Board Meeting agenda.

5. Review the reports on the Historically Underutilized Business (HUB) Program, and consider related goals, as appropriate, for fiscal year 2015 – John Dobrich and Darryl Gaona.

Mr. Gaona provided a report concerning HUB program performance. He reported that HUB utilization increased 4.31 percent from 12.77 percent in FY 2013 to 17.08 percent in FY 2014, which was 4.5 percent higher than the state's overall HUB utilization. He noted that consultant and outside counsel services continued to be a challenge for the HUB utilization program because of the specialized nature of those services. He stated that because both the special trade and commodity purchase categories had exceeded their goals in FY 2014, the proposed FY 2015 goals for those two categories were raised to 35 percent and 45 percent, respectively.

Mr. Gaona highlighted TRS' future initiatives to promote and increase HUB opportunities. In response to a question from Mr. Kelly concerning the volatility of HUB utilization over the years, Mr. Gaona stated that HUB utilization and reporting were based on the dollar amount spent. Therefore, large-scale projects such as TEAM could affect the HUB percentage dramatically. He noted that whether TRS could find a HUB vendor for large-scale contracts would be based purely on chance. Per Mr. Kelly's request, staff would provide data on the number of HUB participants

in addition to the dollar amount spent in future reports. Responding to a question from Mr. Barth, Mr. Gaona stated that the Comptroller maintains the centralized master bidders list and all agencies are required to use the list as a primary source for notifying and selecting vendors in Texas. He confirmed for Ms. Sissney that there was no minimum requirement for agencies to meet their HUB goals. He also clarified for Ms. Charleston that all procurements over \$100,000, for which the prime contractor would subcontract with other vendors, require the prime contractor to submit a HUB Subcontracting Plan.

On a motion by Mr. Corpus, seconded by Ms. Charleston, the board unanimously adopted the following resolution to approve the proposed HUB goals for FY 2015:

Whereas, TRS staff met on January 20, 2015 and reviewed the report of the Texas Comptroller of Public Accounts on TRS HUB expenditures for fiscal year 2014 and discussed the 2014 HUB Program Annual Status Report to be presented to the TRS Board of Trustees (Board);

Whereas, TRS staff developed proposed HUB goals for fiscal year 2015 for the Board to consider; and

Whereas, The Board has received and discussed the HUB expenditure reports, and the Board desires to adopt TRS' HUB goals for fiscal year 2015; now, therefore, be it

Resolved, That the Board hereby adopts the following HUB expenditure goals for fiscal year 2015:

Category	TRS FY14 Goals	TRS FY14 Actual	TRS FY15 Goals
Special Trade	25%	41.95%	35%
Professional Services	5%	4.69%	5%
Other Services	15%	10.59%	15%
Commodity Purchases	35%	40.43%	45%

The board took up the rest of agenda item 4.

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

B. Discuss TRS' organizational structure, including a discussion of agency accomplishments and goals.

Mr. Guthrie provided a summary of agency accomplishments and goals. He provided an update on the development of the strategic plan and the status of the pension fund as of August 31, 2014, including investment returns, pension liabilities and contributions, membership growth, and legislative impact on the pension fund. He discussed the following agency goals:

- Sustain a financially sound pension trust fund;
- Build and maintain strong, customer-focused relationships;
- Facilitate access to competitive, reliable health care benefits for our members;
- Attract, retain, and develop a highly competent staff; and
- Meaningful and substantive inclusion of historically underutilized businesses (HUBs).

D. Receive the Board training calendar.

Mr. Guthrie provided a list of upcoming training opportunities for trustees.

C. Preview draft agendas for upcoming Board meetings.

Mr. Guthrie provided a summary of agenda items for upcoming board meetings.

E. Discuss and receive information on 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.

The board did not take up agenda item 4E.

After a brief recess at 11:55 a.m., the meeting reconvened at 12:15 p.m.

6. Discuss the following investment management items:

A. Receive a presentation on and discuss historical economic cycles and investing – Brady O’Connell, Hewitt EnnisKnupp; and Dr. Keith Brown.

Mr. O’Connell of Hewitt EnnisKnupp and Dr. Brown provided a presentation on the impact of economic regimes on the performance of different asset classes and strategic asset allocation.

After a recess at 1:23 p.m., the meeting reconvened at 1:40 p.m.

B. Engage in a conversation about the evolving world and the economic machines behind it – Ray Dalio, Bridgewater and Britt Harris.

Mr. Dalio of Bridgewater and Mr. Harris discussed business, investment and economic principles. Mr. Dalio also discussed the outlook of the Chinese economy and the oil market.

The board took up agenda item 6.D. before 6.C.

D. Receive a presentation on and discuss the energy and natural resources markets – R.T. Dukes, Wood Mackenzie; Doug Kimmelman, Energy Capital; and Britt Harris.

Mr. Dukes of Wood Mackenzie, Mr. Kimmelman of Energy Capital, and Mr. Harris provided a presentation on the energy and natural resources markets.

C. Receive an update on the Emerging Manager Portfolio – Cheryl Hines.

Mr. Albright introduced Cheryl Hines, TRS’ new Director of the Emerging Manager Portfolio. Ms. Hines introduced herself and provided an update on the Emerging Manager Portfolio, including its organizational structure, allocation, performance, growth projections, and goals. Ms. Hines and Mr. Harris also discussed and analyzed the lifecycle of fund managers.

E. Review the Investment Management Division Best Ideas Survey results – Britt Harris.

Mr. Harris provided an overview of the 2014 IMD Best Ideas Survey. He provided background for the survey, which predicts the attractiveness of each asset class, sector, and stock in a year based on the recommendations from a network of investment firms around the world. He highlighted the attractiveness of the asset classes, sectors, and stocks projected in the 2014 survey and their actual performance results.

F. Receive an update on the preferred destination initiative – Britt Harris.

Mr. Harris discussed the top priorities for IMD: improving pricing skills, ability to manage risk and act, standardizing internal processes, and focusing on competence. Mr. Harris highlighted the priority of becoming the preferred destination for attractive large investments.

Mr. Lang further elaborated on the concept and methodology of becoming a preferred initial destination for attractive global investment opportunities. He stated that the process categorized the fund's premier list into four tiers—platinum, gold, silver, and bronze, based on the kind of principal investment deal flow the fund received from each manager. He stated that platinum managers mainly include strategic partners; gold managers are key relationships; silver managers are managers that provide diversification; and bronze managers are niche managers.

Mr. Lang provided an overview of the gold tour meeting with 20 gold managers. He also described the competitive landscape with the world's largest Sovereign Wealth Funds (SWF), profiled the SWFs' cash flow advantage, and discussed their challenges. He described the accomplishments from surveying all general partners in creating value-added relationships and attracting top-performing principal investments. He stated that current goals were to become a full underwriting partner and first call of choice with the flexibility to react quickly. Mr. Lang concluded his presentation by laying out the organization of the Principal Investments Team.

Whereupon, the board meeting recessed at 6:00 p.m.

The Board of Trustees of the Teacher Retirement System of Texas reconvened on February 12, 2015 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
Nanette Sissney, Vice-Chair
Todd Barth
Karen Charleston
Joe Colonna
David Corpus
Christopher Moss
Anita Palmer
Dolores Ramirez

Others present:

Brian Guthrie, TRS
Ken Welch, TRS
Amy Barrett, TRS
Janet Bray, TRS
Chris Cutler, TRS
Carolina de Onís, TRS
Howard Goldman, TRS
Don Green, TRS
Tom Guerin, TRS
Rebecca Merrill, TRS
Britt Harris, TRS
Jerry Albright, TRS
Jase Auby, TRS
Christine Bailey, TRS
Michelle Bertram, TRS
Ronnie Bounds, TRS
John Dobrich, TRS
Rob Dunn, TRS
Dennis Gold, TRS
Cindy Haley, TRS
Dan Herron, TRS
Caasi Lamb, TRS
Lynn Lau, TRS
Jay LeBlanc, TRS
Gloria Nichols, TRS
Bob Jordan, TRS

Dan Junell, TRS
Michelle Pagan, TRS
Barbie Pearson, TRS
Mike Pia, TRS
Jamie Pierce, TRS
Shunne Powell, TRS
Cristi Rendon, TRS
Mike Rehling, TRS
Jimmie Savage, TRS
Beckie Smith, TRS
Robert Zapata, TRS
Keith Johnson, Reinhart Boerner Van Deuren
Steve Huff, Reinhart Boerner Van Deuren
Pattie Featherston, Legislative Budget Board
Ann Fickel, Texas Classroom Teachers Association
Jim Baker, Unite Here
Roberto Enriquerz, Health Matters
Becca Slezak, Aetna
Maggie Parker, Aetna
Suzanne Dugan, Cohen Milstein
Ray Sarola, Cohen Milstein
Luke Bierman, Cohen Milstein
Ted Melina Raab, Texas American Federation of Teachers
John Corey, Texas State Teachers Association
Josh Sanderson, Association of Texas Professional Educators
Melinda Macska, HP

Mr. Kelly called the meeting to order at 8:40 a.m.

1. Call roll of Board members.

Ms. Lau called the roll. A quorum was present. Mr. Barth and Mr. Colonna arrived shortly after the roll call.

7. Provide opportunity for public comment – David Kelly.

Mr. Jim Baker of Unite Here addressed the board concerning TRS' investments in distressed debt funds managed by Lone Star Funds. He stated his concerns regarding the current scarcity of distressed deals, high turnover rate of the firm's senior executives combined with a lack of a succession strategy, and its strategy of buying up distressed residential and corporate debt. He urged TRS staff to investigate these issues.

Mr. Roberto Enrique of Health Matters presented a wellness program to the board.

8. Receive an overview of the February 12, 2015 agenda – Brian Guthrie.

Mr. Guthrie provided a preview of agenda items being discussed this day.

Mr. Kelly announced that the board would take up agenda item 11.

11. Receive an update on TRS' long-term space planning project, including satellite offices and matters related to real property – Brian Guthrie

Mr. Guthrie discussed options for meeting the strategic goal of building strong customer-focused relationships, including expanding regional presence around the state, utilizing existing regional resources, and providing self-service through technology. He opined that setting up regional offices was not the best use of TRS resources for the future. Recapping the results of the 2014 CEM benchmarking survey, he noted that the wait time for counseling sessions at TRS headquarters had increased and that the number of field visits TRS offered was fewer than other pension plans. He addressed possible options to increase TRS' regional presence: having counselors stationed at or traveling to regional Educational Service Centers (ESC); having video counseling set up at the ESCs or at home; and offering more field visits. He confirmed for Mr. Kelly that staff was planning to create a training module to support the plan to expand and improve customer service. Responding to a question from Ms. Palmer regarding the expansion, Mr. Guthrie stated that the plan would start with larger counties, such as Harris County and, after that, continue to explore and expand into other areas. Mr. Cutler elaborated on technological tools that were available to offer members better customer service. Mr. Moss brought out the need for cross-training counselors in different areas, such as health care. Mr. Kelly suggested a hybrid plan that would offer both onsite counseling and remote access to subject matter experts. Mr. Moss also addressed the need to reach out to younger members. Mr. Guthrie stated that staff would present a pilot proposal for the board's consideration at a future meeting.

Whereupon, Mr. Kelly announced that the board would go into executive session on agenda item 11 under §§ 551.072, 551.074, and 551.071 of the Government Code to discuss real property matters related to space planning and personnel matters related to satellite offices and to seek the advice of legal counsel. He asked all members of the public and staff not needed for executive session to leave the meeting room and take their belongings with them.

Whereupon, the open session of the board meeting recessed at 9:35 a.m. to go into executive session.

The board meeting reconvened in open session at 10:35 a.m. Mr. Kelly announced that the board would take up agenda item 9.

9. Review the Deputy Director's report on the following matters – Ken Welch:

A. Board of Trustee election update.

Mr. Welch provided an update on the upcoming board election, including the positions, eligibility requirements, process, timeline, and candidates.

B. Matters related to administrative, financial, and staff services operations.

Mr. Welch provided an update on the process of filling the Chief Benefits Officer and Chief Health Care Officer positions. He also addressed issues relating to the high call volume in January and the new state contracting practices and staff's plan to address those issues. Mr. Welch introduced the graduates of the leadership development class and provided an update on agency events,

including holiday celebrations and the State Employee Charitable Campaign.

Mr. Kelly announced that the board would take up agenda item 12.

12. Receive a presentation on and discuss investment compliance and ethics – Heather Traeger.

Ms. de Onis introduced Heather Traeger, TRS' new Chief Compliance Officer and Compliance Counsel. Ms. Traeger provided a presentation on investment compliance and ethics. She described the goals and common aspects of effective ethics and compliance programs. She also discussed hypothetical scenarios and cases relating to ethics and compliance issues. She provided a road map for the future development and promotion of compliance at TRS.

Whereupon, Mr. Kelly announced that the board would go into executive session on agenda items 13A and 13B under § 551.071 to seek the advice of legal counsel. He asked all members of the public and staff not needed for executive session to leave the meeting room and take their belongings with them.

Whereupon, the open session of the board meeting recessed at 11:35 a.m. to go into executive session.

13. Receive fiduciary and legal training, and consider rule adoption, including:

- A. Review procurement and fiduciary responsibility – Steve Huff, Reinhart Boerner Van Deuren, s.c.**
- B. Discuss the roles of TRS General Counsel and the TRS fiduciary counsel; receive legal training on open government matters; and review trustee roles, responsibilities, fiduciary duties, qualifications for office, and governance – Keith Johnson and Steve Huff, Reinhart Boerner Van Deuren, s.c.; Luke Biernan, Raymond Sarola, and Suzanne Dugan, Cohen Milstein Sellers & Toll PLLC; and Carolina de Onís.**

The board meeting reconvened in open session at 2:00 p.m. Mr. Kelly announced that the board would take up agenda item 13C.

- C. Consider the adoption of proposed amendments to TRS Rule § 25.26 of Title 34 of the Texas Administrative Code, relating to Annual Compensation Creditable for Benefit Calculation.**

Ms. Smith explained the proposed amendments to rule §25.26 that would limit comparison of salaries using different school year standards to the 2012-2013 school year, rather than all prior years. She stated that the rule would apply to retirements and deaths that occurred after March 31, 2015. She stated that the rule had been published for 30 days and was ready for the board to consider for adoption.

On a motion by Mr. Barth, seconded by Ms. Charleston, the board unanimously adopted the board order adopting the proposed amendments to rule §25.26, as published in the *Texas Register*.

14. Receive an overview of the Division of Strategic Initiatives, including a discussion of the TRS Strategic Plan – Rebecca Merrill.

Ms. Merrill provided an overview of the Strategic Initiatives Division. She addressed the organization and functions of the division, including strategic planning, enterprise risk management, business continuity, insurance policy management, and safety planning. She discussed the strategic plan and its implementation process. Ms. Merrill also highlighted the updated Value Brochure and discussed the data relating to pension benefits and their economic impact on the state economy.

15. Discuss the following financial matters – Don Green:

A. Receive an overview of the Financial Services Division.

Mr. Green provided an overview of the Financial Services Division. He addressed the division's organizational structure, which consists of the Benefit Accounting, General Accounting and Budget, Investment Accounting, and Staff Services. He described each department's functions and its accomplishments. He noted staffing and training needs relating to the TEAM Program and the implementation of Governmental Accounting Standards Board (GASB) statements. He also noted the goal of improving internal controls for the performance incentive plan.

B. Receive a financial update through December 31, 2014, including the cash report.

Mr. Green provided a financial report as of December 31, 2014.

C. Discuss an update on implementation of Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68.

Mr. Green provided an overview of GASB Statements 67 and 68. He highlighted their impact on employers and staff's outreach efforts informing employers of those requirements.

Mr. Kelly announced that the board would take up agenda item 10.

10. Receive an overview of the Texas budgeting process and a legislative and appropriations update – Ken Welch, Don Green, and Ray Spivey.

Mr. Green provided an overview of the Texas budgeting process, including the general timeline, FY 2014-2015 state budget overview, constitutional limits, the flow of major revenues for the 2016-2017 biennium, sources of general revenue-related funds, budget drivers, Legislative Budget Board recommendations for TRS, and the new appropriation rider requests for FY 2016-2017. In response to a question from Mr. Colonna, he also explained the Economic Stabilization Fund, also known as the "Rainy Day" fund.

Mr. Spivey described the legislative landscape. He highlighted the statutory mandate that prohibits TRS trustees or staff from advocating or influencing legislative action or inaction or advocating for higher benefits. He profiled key participants in the legislative process. He also highlighted the TRS-Care and TRS-ActiveCare bills and the TRS omnibus bill for the 84th Legislative Session.

16. Receive an overview of the Benefits Division, including a review of the Telephone Counseling Center – Tom Guerin.

Mr. Guerin provided an overview of the Benefits Division which consists of the Benefit Counseling, Benefit Processing, and Member Data Services. He addressed the division's organizational structure and recent changes. Mr. Guerin provided an update on the performance and monitoring of the Telephone Counseling Center (TCC). He also gave a live demonstration of the TCC dashboard.

17. Receive an overview of the Human Resources Department, including a workforce overview – Janet Bray.

Ms. Bray provided an overview of the Human Resources (HR) Department. She described HR initiatives to attract, retain, and develop a highly competent staff, as part of TRS' Strategic Plan. She also discussed recruitment efforts in filling vacant positions, current and future employee development programs, and compensation programs.

18. Receive an overview of the Communications Department, including a screening of the updated Video Value Brochure – Howard Goldman.

Mr. Goldman provided an overview of the Communications Department. He addressed department functions relating to publications, media interviews and relations, market research, graphic design, media open record requests, and surveys. Mr. Goldman provided an update on the social media program and recent activity track records. He also provided an overview of the TRS website redesign project. He ended his presentation by presenting the new Value Brochure video.

Whereupon, the board meeting recessed at 5:45 p.m.

The Board of Trustees of the Teacher Retirement System of Texas reconvened on February 13, 2015 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
Nanette Sissney, Vice-Chair
Todd Barth
Karen Charleston
Joe Colonna
David Corpus
Christopher Moss
Anita Palmer
Dolores Ramirez

Others present:

Brian Guthrie, TRS
Ken Welch, TRS
Amy Barrett, TRS
Janet Bray, TRS
Chris Cutler, TRS
Carolina de Onís, TRS
Howard Goldman, TRS
Don Green, TRS
Britt Harris, TRS
Ronnie Bounds, TRS
David Cook, TRS
Adam Fambrough, TRS
Amanda Gentry, TRS
Dan Junell, TRS
Lynn Lau, TRS
T. A. Miller, TRS
Mike Pia, TRS
Jamie Pierce, TRS
Barbie Pearson, TRS
Garry Sitz, TRS

Beckie Smith, TRS
Heather Traeger, TRS
Michael Jones
Russell Montgomery
Jay Masci, Provaliant
Steve Huff, Reinhart Boerner Van Deuren
Michael Johnson, Bridgepoint Consulting
Tim Lee, Texas Retired Teachers Association
Christer Johnson, EY
James Walton, EY
Mariano Camarillo, Texas GovLink
David Toliver, Express Scripts
Steve Tolbert, HP
Victor Ferrero, HP
Melinda Maczko, HP
Ernie Sanders, HP
Mike Freese, HP
Prashant Jaiswal, HP
Danny Krause, ACI

Ms. Sissney called the meeting to order at 8:13 a.m.

1. Call roll of Board members.

Ms. Lau called the roll. A quorum was present. Mr. Kelly arrived at 8:45 a.m.

19. Provide opportunity for public comment – David Kelly.

Ms. Sissney called for public comment. No public comment was received.

20. Receive an overview of the February 13, 2015 agenda – Brian Guthrie.

Mr. Guthrie provided a preview of agenda items being discussed this day.

21. Receive the presentation “Maximize the Value from Analytics in the Context of Internal Audit” – Christer Johnson and James Walton, EY

Mr. Johnson and Mr. Walton provided a presentation on data analytics technology for decision making and risk management functions.

Whereupon, Ms. Sissney announced that the board would go into executive session on agenda item 22 under § 825.115(b) of the Government Code to discuss confidential audit matters. She asked all members of the public and staff not needed for executive session to leave the meeting room and take their belongings with them.

Whereupon, the open session of the board meeting recessed at 8:54 a.m. to go into executive session.

22. Discuss matters related to governance, risk management, internal control, compliance violations, fraud, regulatory reviews or investigations, new and outstanding complaints, fraud risk areas, audits for the annual internal audit plan, or auditors' ability to perform duties – Amy Barrett.

The board meeting reconvened in open session at 9:37 a.m.

Mr. Kelly announced that the board would take a moment to remember and honor Betsey Jones, former Chief Health Care Officer. Mr. Guthrie, Mr. Welch, and Mr. Jordan provided remarks remembering Ms. Jones. Mr. Kelly read the following memorial resolution into the record as trustees, staff, and all members of the audience stood to honor the resolution:

Whereas, Betsey Jones joined the Teacher Retirement System of Texas (TRS) in 1997, focusing her early work in the area of General Accounting; and

Whereas, She was transferred to TRS-ActiveCare in July 2001 and became director in June 2002, leading the implementation of the TRS-ActiveCare program that now provides quality health care coverage to over 480,000 Texans; and

Whereas, She was transferred to Health Benefits Finance in October 2004, was promoted to director in May 2005, and became an invaluable member of the TRS Executive Council; and

Whereas, Betsey for many years directed the development of several key documents for the agency: the popular brochure – “A Great Value For All Texans” – that illustrates the economic benefits TRS provides to the State of Texas; the “Fast Facts” report that highlights key operational statistics for the board of trustees on a monthly basis; and the CEM Benchmarking Inc. survey that measures TRS’ pension administration cost effectiveness and management with peer organizations on an international level; and

Whereas, Betsey made possible the organizational changes to the TRS-ActiveCare and TRSCare departments that prepared the consolidated division to better serve active and retired public school employees and their dependents; and

Whereas, Betsey led the Health and Insurance Benefits Department through a financially challenging time for TRS-Care and TRS-ActiveCare, directing several initiatives that resulted in significant savings to the programs: the introduction of the self-insured Medicare Part D program and the fully-insured Medicare Advantage plan; the incorporation of financial performance-based terms into the medical contract; and adopting the Accountable Care Organization medical care delivery model and plan options; and

Whereas, Betsey developed and updated the TRS-Care and TRS-ActiveCare studies to research funding options and to communicate to the legislature the financial challenges facing both plans; and

Whereas, Betsey was promoted to Chief Health Care Officer on April 1, 2014, having set an exemplary model of professionalism and decorum for everyone she encountered throughout her career and exhibiting the highest level of integrity; and

Whereas, Throughout her years in leadership, Betsey’s colleagues held her in the highest esteem for her affable nature, good sense of humor, and strong work ethic. She was admired for her approach to managing her division and partnerships with vendors; she embodied a fiduciary’s

duties of loyalty and care, always keeping the good of the retirement system and its participants foremost in her thoughts and actions; and now, therefore, be it

Resolved, That the board of trustees and staff of the Teacher Retirement System of Texas recognizes, posthumously, the accomplishments and contributions of Betsey Jones during her 17-year career with the retirement system and expresses appreciation on behalf of TRS members both present and future, and be it further

Resolved, That the Teacher Retirement System of Texas extends its sympathy to Betsey Jones' family after her death on January 9, 2015 and decrees that they be presented a copy of this resolution, which is entered into the record of the board for February 13, 2015.

A copy of the resolution was presented to Ms. Jones' sons, Mr. Michael Jones and Mr. Russell Montgomery.

Whereupon the board took a short recess at 9:50 a.m. and reconvened at 10:00 a.m.

Mr. Kelly announced that the board would take up agenda item 23.

23. Receive an overview of the Information Technology Division – Chris Cutler.

Mr. Cutler provided an overview of the Information Technology Division, including technology and human resources, organizational structure, functions, goals, and challenges. He discussed current technology trends, project initiatives, and activities. He also highlighted TRS' transition to the texas.gov domain name and the use of cloud computing technology.

Mr. Kelly announced that the board would take up agenda item 25.

25. Discuss Bridgepoint's role in TEAM now and looking ahead – Michael Johnson, Bridgepoint.

Mr. Johnson provided an overview of the functions of the Independent Program Assessment vendor, key deliverables for 2015, and related risks.

The board took up agenda item 24.

24. Receive an update on the TEAM Program – Adam Fambrough; David Cook; Jamie Pierce; and Jay Masci, Provaliant.

Per Mr. Kelly's request, Mr. Masci evaluated the progress of the TEAM Program in terms of planning, vendor selection, and initial requirements gathering. He also gave an overview of the TEAM components—Pension Line of Business (LOB), Decommissioning Legacy System, Reporting Entity Outreach, Business Procedures and Training, Data Management, Organizational Change Management, Business Rules, Financial System Replacement (FSR), and Website Redesign. He discussed lessons learned from visiting public pension organizations, as well as from the TEAM Program itself. He provided an update on the status of projects and milestones.

Ms. Pierce provided an update on the FSR project and highlighted progress on the Request for Offer process for the new financial system.

Mr. Fambrough provided an update on the LOB project.

Ms. Amanda Gentry of Benefit Accounting, a subject matter expert in the TEAM Program, shared her experience participating in the TEAM Program, her daily responsibilities and schedule and her perception on prospects for the program.

Mr. Fambrough provided a demonstration of the search functionality of the new TRUST system and compared it with the legacy system. He explained the rebase line schedule from FY 2014 through FY 2018 and related schedule shifts.

Mr. Cook laid out the cost impact related to the schedule shifts and provided an overall update on program budget. Responding to a question from Mr. Barth concerning the budget discrepancy, Mr. Cook stated that it could be attributed to the need for additional FTEs and the early underestimation of LOB contract costs. He also confirmed for Mr. Moss that the extra costs due to the schedule shifts had already been included in the cost discrepancy.

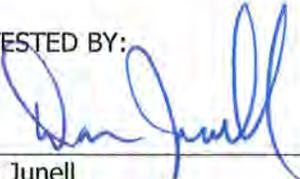
26. **Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Investment Officer, or Chief Audit Executive – David Kelly.**
27. **Consult with the Board's attorney(s) in Executive Session on any item listed above on this meeting agenda as authorized by Section 551.071 of the Texas Open Meetings Act (Chapter 551 of the Texas Government Code) – David Kelly.**

The board took up no further business under agenda items 26 and 27.

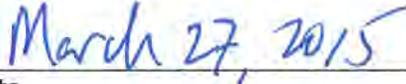
The meeting was adjourned at 11:44 a.m.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 26TH DAY OF MARCH, 2015.

ATTESTED BY:



Dan Junell
Secretary to the TRS Board of Trustees



Date