

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

**AGENDA**

**February 24, 2016 – 9:00 a.m.**

**February 25, 2016 – 8:00 a.m.**

**February 26, 2016 – 8:00 a.m.**

**Region 10 Educational Service Center, 1<sup>st</sup> Floor, Collin, Dallas, and Ellis Rooms  
400 East Spring Valley Road, Richardson, TX 75081**

*All or part of the February 24-26, 2016 meeting of the TRS Board of Trustees may be held by telephone conference call as authorized under Section 551.130 of the Texas Government Code. The Board intends to have a quorum physically present at the following location: **400 East Spring Valley Road, Richardson, TX 75081**. The Board may take up the items posted on its agenda in any order at its meeting on February 24-26, 2016 beginning at the time and place specified on this agenda.*

*The open portions of the February 24-26, 2016 Board meeting are being broadcast over the Internet. Access to the Internet broadcast of the Board meeting is provided on TRS' website at [www.trs.state.tx.us](http://www.trs.state.tx.us).*

1. Call roll of Board members.
2. Consider the following Board administrative matters – David Kelly:
  - A. Welcome new trustees, if applicable.
  - B. Consider approving the November 19-20, 2015 proposed Board meeting minutes.
  - C. Consider approving the December 7, 2015 proposed Board meeting minutes.
  - D. Consider the election of the Board Vice-Chair.
  - E. Consider consenting to the Board Chair's appointment of committee members and receive the Board Chair's public announcement of committee chairs.
  - F. Consider setting, rescheduling, or canceling future Board meetings.
  - G. Recognize outgoing trustees.
3. Provide an opportunity for public comment – David Kelly.
4. Receive an overview of the Board meeting agenda and theme – Brian Guthrie.

5. Receive the report of the Chief Benefit Officer and consider the following matters – Barbie Pearson:
  - A. Consider approving the minutes of the July, September, and November 2015 Medical Board meetings.
  - B. Consider concurring in the Medical Board’s certification regarding a disability retiree under Section 824.307 of the Government Code, discontinuing annuity payments for the retiree, and restoring the retiree to membership.
  - C. Consider approving the list of members qualified for retirement for September through November 2015.
6. Discuss and consider selecting a TRS-Care Standard Health Plan Administrator (HPA), including considering a finding that deliberating or conferring on the selection of the HPA in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person.
7. Consider establishing a single, uniformly applied employer-health-benefit-surcharge rate under TRS-Care – Katrina Daniel and Yimei Zhao.
8. Consider designating the Chair and Vice-Chair of the Retiree Advisory Committee – Katrina Daniel.
9. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
  - A. Review Strategic Plan and Executive Director goals.
  - B. Discuss TRS history, operations, and workforce overview.
  - C. Preview draft agendas for upcoming Board meetings.
  - D. Receive the Board training calendar.
  - E. Discuss and receive information on the TEAM Program history, 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.
10. Receive a brief history and status update on the TEAM Program – Jay Masci, Provaliant; David Cook and Adam Fambrough.
11. Look ahead at Key TEAM Program Risks for 2016 – Michael Johnson, Bridgepoint Consulting.

12. Receive an overview of the Benefits Division and of the Information Technology Division, including demonstrations of the TRUST program and remote counseling – Barbie Pearson and Chris Cutler.
13. Receive an overview of the Health Insurance Benefits and Human Resources Departments and discuss the collaboration among Benefits, Health Insurance Benefits, and Human Resources on a training and quality assurance initiatives – Barbie Pearson, Katrina Daniel, and Janet Bray.
14. Receive an overview of the following departments or divisions:
  - A. Internal Audit – Amy Barrett.
  - B. Financial Services, including an update on financial matters – Don Green.
  - C. Project Management Office (PMO) – David Cook.
15. Receive a presentation on and discuss collaboration among departments for automation best ideas, including the following:
  - A. Presentation overview and automation as a result of TEAM implementation – Amy Barrett, Jan Engler, and Toma Miller.
  - B. Development and identification of ideas and executive priorities – Barbie Pearson, Don Green, Janet Bray, Amy Barrett, and Chris Cutler.
  - C. Sustaining a “culture of innovation” – David Cook and Chris Cutler.

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

16. Provide opportunity for public comment – David Kelly.
17. Receive an overview of the February 25, 2016 agenda – Brian Guthrie.
18. Receive an overview of the Communications Department and discuss the collaboration between Communications and IT on the TEAM Web Site Redesign Project – Howard Goldman and Chris Cutler.
19. Discuss health care cost containment and data analytics initiatives – Katrina Daniel.
20. Receive an overview of the Governmental Relations Department and an update on legislative interim charges – Ray Spivey and Merita Zoga.
21. Receive an update on employer audits and discuss the collaboration between Audit and Benefits in the employer audit process – Amy Barrett, Art Mata, Dinah Arce and Melody Austin.

22. Receive an overview of the Division of Strategic Initiatives, including an update on the TRS Strategic Planning process and the integration of enterprise risk management with strategic planning – Rebecca Merrill and Jay LeBlanc.
23. Discuss the role of enterprise risk management and facilities management in creating a safe, productive work environment – Jay LeBlanc and Don Green.
24. Receive a presentation on actuarial matters, including a review of actuarial terminology, methodology, and assumptions – Joe Newton, Gabriel, Roeder, Smith and Co.
25. Receive an overview of the Legal Department and receive presentations on the following matters – Carolina de Onís:
  - A. Open Government Update – Dan Junell and Ronnie Bounds.
  - B. An overview of and question and answer session on ethics and compliance matters – Carolina de Onís; Heather Traeger; and Steve Huff, Reinhart Boerner Van Deuren, s.c.
26. Receive an update on implementation of various Governmental Accounting Standards Board (GASB) requirements – Don Green and Jamie Pierce.
27. Receive a presentation on and discuss contracting and procurement practices, including the report on Historically Underutilized Businesses (HUB) for fiscal year 2015 and consider related HUB goals for fiscal year 2016 – Don Green and Cecilia Whitley.
28. Panel discussion on environmental, social, and governance (ESG) investing – Steve Voss and Meredith Jones, Aon Hewitt; and Dr. Keith Brown.

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

29. Provide opportunity for public comment – David Kelly.
30. Receive an overview of the February 26, 2016 agenda – Brian Guthrie.
31. Discuss the following investment matters:
  - A. Review of the Stock Exchange – Bernie Bozzelli.
  - B. Fast and Fair: A Market Based Solution to Market Wide Issues – Ronan Ryan, IEX.
  - C. Receive an update on the Emerging Manager portfolio – Sylvia Bell.
  - D. TRS Investment Management Division Market and Trust Review – Britt Harris.

32. 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.
33. 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 24-26, 2016

The Board of Trustees of the Teacher Retirement System of Texas met on February 24, 2016 in the Collin, Dallas, and Ellis Rooms located on the First Floor of the Region 10 Educational Service Center at 400 East Spring Valley Road in Richardson, Texas. The following board members were present:

David Kelly, Chair  
Nanette Sissney, Vice-Chair  
Karen Charleston  
Joe Colonna  
David Corpus  
Anita Palmer  
Dolores Ramirez

### Others present:

Brian Guthrie, TRS	Heather Traeger, TRS
Ken Welch, TRS	Yimei Zhao, TRS
Carolina de Onís, TRS	Melody Austin, TRS
Amy Barrett, TRS	Will Burgess, TRS
Janet Bray, TRS	Vic Horton, TRS
Chris Cutler, TRS	Edward Esquivel, TRS
Katrina Daniel, TRS	Senator Don Huffines
Don Green, TRS	Jay Masci, Provaliant
Howard Goldman, TRS	John Hryhorchuk, The Governor's Office
Rebecca Merrill, TRS	Dr. Gordon Taylor, Region 10 Education Service Center
Barbie Pearson, TRS	Steve Huff, Reinhart Boerner Van Deuren
Ray Spivey, TRS	Keith Johnson, Reinhart Boerner Van Deuren
Ronnie Bounds, TRS	Linda Engelking, Texas Retired Teachers Association
Clarke Howard, TRS	Ted Melina Raab, Texas American Federation of Teachers
Dan Junell, TRS	Bill Barnes, Texas Retired Teachers Association
Lynn Lau, TRS	Bill Hickman, Gabriel Roeder Smith and Company
Merita Zoga, TRS	Amy Cohen, Gabriel Roeder Smith and Company
Rhonda Price, TRS	Eric St. Pierre, Gabriel Roeder Smith and Company
Dan Herron, TRS	Tobi Bray, Richardson Retired School Personnel
Jamie Pierce, TRS	J. R. Fletcher, West Grayson District
Cindy Yarbrough, TRS	Mary Nan Storz, West Grayson Retired School Personnel Association
Amber Conrad, TRS	Tim Lee, Texas Retired Teachers Association
Garry Sitz, TRS	Mary De Peri, Plano Retired School Personal Association
Toma Miller, TRS	David Tolliver, Express Scripts
Art Mata, TRS	Ernie Sanders, HPE
Dinah Arce, TRS	Prashant Jaiswal, HPE
Adam Fambrough, TRS	Carol Riley, Blue Cross and Blue Shield of Texas
David Cook, TRS	John Bass, United Healthcare
Jan Engler, TRS	Joni Lozano, Caremark
	Tonna Duke, Texas Retired Teachers Association

Mr. Kelly called the meeting to order at 9:10 a.m.

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

Ms. Lau called the roll. A quorum was present. Mr. Barth and Mr. Moss were absent. Ms. Sissney arrived at 10:18 a.m.

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

**A. Welcome new trustees, if applicable.**

The board did not take up agenda items 2A.

**B. Consider approving the November 19-20, 2015 proposed Board meeting minutes.**

On a motion by Ms. Palmer, seconded by Mr. Corpus, the board unanimously adopted the proposed minutes of the November 19-20, 2015 board meeting.

**C. Consider approving the December 7, 2015 proposed Board meeting minutes.**

On a motion by Ms. Ramirez, seconded by Mr. Corpus, the board unanimously adopted the proposed minutes of the December 7, 2015 board meeting.

**D. Consider the election of the Board Vice-Chair.**

**E. Consider consenting to the Board Chair's appointment of committee members and receive the Board Chair's public announcement of committee chairs.**

**F. Consider setting, rescheduling, or canceling future Board meetings.**

**G. Recognize outgoing trustees.**

The board did not take up agenda items 2D-G.

**3. Provide an opportunity for public comment – David Kelly.**

Mr. Kelly introduced Dr. Gordon Taylor, Executive Director for the Region 10 Education Service Center. Dr. Taylor welcomed the board to the center.

**4. Receive an overview of the Board meeting agenda and theme – Brian Guthrie.**

Mr. Guthrie stated that the theme of this board meeting was partnering for the future, which would highlight internal and external partnerships and interdepartmental projects for achieving TRS' goals and mission. He provided an overview of the meeting agenda.

**5. Receive the report of the Chief Benefit Officer and consider the following matters – Barbie Pearson:**

**A. Consider approving the minutes of the July, September, and November 2015 Medical Board meetings.**

Ms. Pearson presented the minutes of the July 14, September 15, and November 10, 2015 Medical Board meeting minutes. On a motion by Mr. Corpus, seconded by Ms. Palmer, the board approved the minutes of the Medical Board meetings as presented, thereby ratifying the actions of the Medical Board reflected in those minutes.

**B. Consider concurring in the Medical Board's certification regarding a disability retiree under Section 824.307 of the Government Code, discontinuing annuity payments for the retiree, and restoring the retiree to membership.**

Ms. Pearson presented information regarding a determination made by the Medical Board that a disability retiree was no longer disabled. On a motion by Ms. Palmer, seconded by Ms. Ramirez, the board unanimously voted to accept the Medical Board's findings, thereby discontinuing the disability retiree's annuity payments and restoring the retiree to active status.

**C. Consider approving the list of members qualified for retirement for September through November 2015.**

Ms. Pearson presented the list of members and beneficiaries receiving initial benefit payments during the period of September through November of 2015. On a motion by Ms. Ramirez, seconded by Mr. Corpus, the board unanimously approved the list of members and beneficiaries who qualified for retirement, disability, DROP, PLSO, survivor, or death benefits initiated during the reporting period.

**6. Discuss and consider selecting a TRS-Care Standard Health Plan Administrator (HPA), including considering a finding that deliberating or conferring on the selection of the HPA in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person.**

Ms. Daniel described the role of the TRS-Care Standard Health Plan Administrator (HPA) and the procurement to select an HPA vendor. She reported that three organizations — Aetna, Blue Cross, and United Healthcare — had responded to the bid. All three were identified as finalists. She discussed the methodology used to evaluate the finalists' proposals.

Mr. Kelly called for a motion to find that deliberating or conferring in an open meeting about TRS-Care procurement issues would have a detrimental effect on TRS' position in negotiations with a third party. On a motion by Mr. Corpus, seconded by Ms. Ramirez, the board voted unanimously to enter into closed session on agenda item 6.

Mr. Kelly announced that the board would go into executive session on agenda item 6 under § 825.115(e) of the Government Code to deliberate procurement matters and under § 551.071 of

the Government Code to consult with 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.

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 10:29 a.m.

On a motion by Mr. Corpus, seconded by Ms. Ramirez, the board unanimously voted to adopt the following resolution selecting Aetna as the TRS-Care Standard HPA and United Healthcare as the alternate:

**Whereas**, Chapter 1575, Texas Insurance Code, governs the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care program") and authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement the group coverage program described in the statute;

**Whereas**, TRS issued a Request for Proposals ("RFP") to interested entities for health plan administrative, network, and network management services for the TRS-Care program;

**Whereas**, TRS received responsive proposals from a number of entities to provide health plan administrative, network, and network management services for the TRS-Care program;

**Whereas**, TRS staff and the TRS health benefits consultant, Gabriel, Roeder, Smith & Company ("GRS"), have evaluated these proposals, have provided relevant information and presented an evaluation to the TRS Board of Trustees (the "Board") concerning the selection of a health plan administrator, and have discussed this selection with the Board;

**Whereas**, The Board has considered the information and evaluation provided by TRS staff and GRS; now therefore, be it

**Resolved**, That Board hereby selects Aetna to be the health plan administrator for the TRS-Care program, subject to the successful negotiation and execution of a final agreement for the provision of health plan administrative, network, and network management services to the TRS-Care program, for a two-year initial term to commence on September 1, 2016, with four optional one-year renewal terms; further

**Resolved**, That the Board authorizes the Executive Director to expend funds and to take all actions deemed by him to be necessary or advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize an acceptable contract with Aetna on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of the TRS-Care program, and from time to time to amend or modify the contract as deemed by the Executive Director to be in the best interest of the TRS-Care program, it being understood that the Board's selection of Aetna pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until a full and final written contract is successfully negotiated and executed by both parties; further

**Resolved,** That if for any reason, the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract with Aetna, then the Board hereby selects United Healthcare to be the health plan administrator for the TRS-Care program, subject to the successful negotiation and execution of a final agreement for the provision of health plan administrative, network, and network management services to the TRS-Care program, for a two-year initial term to commence on September 1, 2016, with four optional one-year renewal terms; further

**Resolved,** That once the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract with Aetna, then the Board authorizes the Executive Director to expend funds and to take all actions deemed by him to be necessary or advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize an acceptable contract with United Healthcare on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of the TRS-Care program, and from time to time to amend or modify the contract as deemed by the Executive Director to be in the best interest of the TRS-Care program, it being understood that the Board's selection of United Healthcare pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until a full and final written contract is successfully negotiated and executed by both parties.

**7. Consider establishing a single, uniformly applied employer-health-benefit-surcharge rate under TRS-Care – Katrina Daniel and Yimei Zhao.**

Ms. Daniel explained staff's recommendation under the TRS-Care plan concerning the surcharge collected from employers of certain TRS retirees. She stated that the current surcharge rate depended on whether the coverage was for an individual or family and whether the participant was Medicare eligible or not. She explained that the Legislature had amended the law to simplify TRS' determination of the surcharge rate. Under the amended law, she said, TRS could apply a single surcharge rate based on the average cost to provide benefits to all TRS-Care participants and the average contribution made by all retirees to the plan. Ms. Daniel presented staff's recommendation that the board adopt a single surcharge rate of \$535 per retiree per month. She noted that the new surcharge rate, if adopted, would become effective September 1, 2016 and would be administered through the new TRUST system. Ms. Daniel confirmed for Ms. Ramirez that the rate would apply to retirees who have dependents enrolled in the plan.

On a motion by Ms. Palmer, seconded by Ms. Ramirez, the board adopted the following resolution establishing a single, uniformly applied employer-health-benefit surcharge rate under TRS-Care as recommended by staff:

**Whereas,** Chapter 1575, Insurance Code, authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the uniform group health benefits program under the Texas Public School Retired Employees Group Benefits Act ("TRS-Care"), as described in the statute;

**Whereas,** Section 1575.204(b), Insurance Code, and Section 825.4092(c), Government Code, require for each payroll period, for each retiree who is enrolled in TRS-Care, that the employer who reports the employment of the retiree shall pay an employer-health-benefit surcharge established by TRS;

**Whereas,** In determining the amount of the employer-health-benefit surcharge, TRS is to consider the amount a retiree is required to pay in premiums for the TRS-Care coverage selected by the retiree and the cost of participation in TRS-Care of all enrolled retirees and their enrolled dependents;

**Whereas,** The TRS Board of Trustees ("Board") has adopted (i) monthly premium rates for the TRS-Care 1 standard plan, the TRS-Care 2 standard plan, and the TRS-Care 3 standard plan, effective September 1, 2015, and (ii) monthly premium rates for the TRS-Care 2 Medicare Advantage plan and the TRS-Care 3 Medicare Advantage plan, effective January 1, 2016;

**Whereas,** To improve clarity, to reduce the cost of administration, and to enhance the ease of administration, Gabriel, Roeder, Smith & Company, the TRS health benefits consultant, and TRS staff have calculated and recommend that the Board adopt a single, monthly, uniformly applied employer-health-benefit-surcharge rate under TRS-Care in the amount of \$535.00 per employed retiree for the upcoming plan years; now, therefore, be it

**Resolved,** That the Board hereby approves and adopts a single, uniformly applied employer-health-benefit-surcharge under TRS-Care in the amount of \$535.00 per employed retiree, such amount to be paid monthly to TRS beginning September 1, 2016 and hereafter in accordance with applicable law, including related Board rules, until further action by the Board or until superseded by applicable law; and

**Resolved,** That the Executive Director is authorized to take all actions deemed necessary, in accordance with applicable law, to implement this resolution.

**8. Consider designating the Chair and Vice-Chair of the Retiree Advisory Committee – Katrina Daniel.**

Ms. Daniel presented staff's recommendation that the board designate Grace Mueller as Chair of the Retiree Advisory Committee (RAC) and Bill Barnes as Vice-chair. On a motion by Ms. Palmer, seconded by Ms. Sissney, the board unanimously voted to designate Ms. Mueller to be the RAC Chair and Mr. Barnes to be the RAC Vice-Chair.

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

- A. Review Strategic Plan and Executive Director goals.**
- B. Discuss TRS history, operations, and workforce overview.**
- C. Preview draft agendas for upcoming Board meetings.**
- D. Receive the Board training calendar.**
- E. Discuss and receive information on the TEAM Program history, 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.**

Mr. Guthrie provided an overview of the Strategic Plan and performance goals.

Mr. Guthrie introduced the Honorable Senator Don Huffines, District 16 in Dallas County. Senator Huffines welcomed the board, staff, and other attendees to District 16.

Mr. Guthrie highlighted a few performance goals, including renovations to TRS' headquarters, remote work program, and increasing TRS' national profile. He also provided an overview of performance goals in investment management, benefit services, and health care.

Mr. Guthrie reviewed TRS' core values and mission and vision statements. He also reviewed the system's history and highlighted significant events related to new programs, investments, and benefit changes. He then provided an overview of TRS programs and an update on the pension fund status, including the trust fund valuation, unfunded liability, and actuarial assumptions. He also provided an update on the benefit-related activities, sources of revenue, membership growth, operations of health care programs, 403(b) program, workforce profile, and succession planning.

Mr. Guthrie provided a list of upcoming training opportunities for trustees and summarized major agenda items for upcoming board meetings.

Ms. Sissney introduced two of her colleagues from Region 10, Ms. T. R. Fletcher from Whitesboro and Ms. Mary Nan Storz.

After a brief recess at 11:35 a.m., the board reconvened at 11:50 a.m.

Mr. Guthrie concluded his presentation by discussing the TEAM history and vision.

**10. Receive a brief history and status update on the TEAM Program – Jay Masci, Provaliant; David Cook and Adam Fambrough.**

Mr. Masci provided an overview of the TEAM program in terms of preparation, architectural vision, and major accomplishments to date.

Mr. Fambrough provided an update on the Line of Business (LOB) accomplishments.

Mr. Masci reported on the progress of the TEAM program. He noted that the Financial System Replacement (FSR) project had resumed and was currently in the procurement phase. Mr. Masci and Mr. Cook also addressed Ms. Sissney's concerns regarding the status of the data cleansing and reconfiguration projects and whether certain program enhancements would be needed. Mr. Cook reviewed the TEAM budget, including breakouts by project. He also discussed current and upcoming milestones. Mr. Fambrough discussed Phase 1A certification and related training plans for TRS staff and reporting entities.

Mr. Welch reported that Ms. Pearson had been designated the Reporting Entity Outreach sponsor, replacing Mr. Fambrough, who had recently become the manager of Benefits Processing.

**11. Look ahead at Key TEAM Program Risks for 2016 – Michael Johnson, Bridgepoint Consulting.**

Mr. Johnson provided an overview of the key TEAM program risks for 2016.

**12. Receive an overview of the Benefits Division and of the Information Technology Division, including demonstrations of the TRUST program and remote counseling – Barbie Pearson and Chris Cutler.**

Mr. Cutler provided an overview of the Information Technology (IT) Division, including the division technology and human resources, organizational structure, functions, goals, challenges, and updated technology and processes. He also highlighted the positive impacts of TEAM on the IT Division in terms of infrastructure enhancements, foundational technologies, and new processes and standards.

Ms. Pearson provided an overview of the Benefits Division, including organizational structure, roles, human resources, accomplishments, workload, work performance, and technology advancement. Mr. Cutler provided a presentation on the collaboration efforts between the Benefits Division and the IT Division through the TEAM program.

With Catherine Wallen at TRS' headquarters in Austin and Will Burgess at the meeting location in Richardson, staff conducted a mock remote-counseling visit using the TRUST application. After the demonstration, Ms. Pearson responded to trustees' questions, including counseling protocol, timeline of implementation, technological requirements, accessibility and contingencies, staff training, program costs, and service availability.

Next Mr. Fambrough conducted a demonstration of the reporting entity portal using the TRUST application.

**13. Receive an overview of the Health Insurance Benefits and Human Resources Departments and discuss the collaboration among Benefits, Health Insurance Benefits, and Human Resources on a training and quality assurance initiatives – Barbie Pearson, Katrina Daniel, and Janet Bray.**

Ms. Bray provided an overview of the Human Resources Department, including the department mission, organizational structure, accomplishments, and objectives.

Ms. Daniel provided an overview of the Health Insurance Benefits (HIB) Department, including the department organizational structure, accomplishments, and objectives.

Mr. Guthrie highlighted the department collaboration of HIB and Benefits Departments for cross-training staff and transferring staff to Human Resources. Ms. Pearson and Ms. Daniel further discussed the training and quality assurance initiatives in their respective departments. Ms. Bray discussed recruiting efforts to fill vacancies in the HIB and Benefits areas and the partnership between the two departments to establish training programs.

**14. Receive an overview of the following departments or divisions:**

**A. Internal Audit – Amy Barrett.**

Ms. Barrett provided an overview of the Internal Audit Department, including the department mission, functions, organizational structure, audit cycle, mandates, and goals.

**B. Financial Services, including an update on financial matters – Don Green.**

Mr. Green provided an overview of the Financial Division, including the division mission, resources, functions, and organizational structure.

Mr. Green also provided a financial update through January 2016 and summarized the approved FY 2016 budget.

**C. Project Management Office (PMO) – David Cook.**

Mr. Cook provided an overview of the Project Management Office, including the team mission, organizational structure, resources, and functions.

**15. Receive a presentation on and discuss collaboration among departments for automation best ideas, including the following:**

**A. Presentation overview and automation as a result of TEAM implementation – Amy Barrett, Jan Engler, and Toma Miller.**

Ms. Engler and Ms. Miller described three key areas of improvement through technology innovation: customer relationship management, data and reporting, and integrated processing controls. Ms. Engler and Ms. Miller used three fictional scenarios to demonstrate the difference the technology improvement would make to enhance service, quality, and efficiency.

**B. Development and identification of ideas and executive priorities – Barbie Pearson, Don Green, Janet Bray, Amy Barrett, and Chris Cutler.**

Ms. Pearson presented management initiatives to enhance customer service.

Mr. Green presented management initiatives in records management, space maximization, and efficiency assessment.

Ms. Barrett, Mr. Cutler, and Ms. Bray presented the short-term and long-term projects in automating internal processes.

**C. Sustaining a “culture of innovation” – David Cook and Chris Cutler.**

Mr. Cook and Mr. Cutler described plans in sustaining a culture of innovation.

Whereupon, the board meeting recessed at 6:23 p.m.

The Board of Trustees of the Teacher Retirement System of Texas met on February 25, 2016 in the Collin, Dallas, and Ellis Rooms located on the First Floor of the Region 10 Educational Service Center at 400 East Spring Valley Road in Richardson, Texas. The following board members were present:

David Kelly, Chair  
Nanette Sissney, Vice-Chair  
Karen Charleston  
Joe Colonna  
David Corpus  
Anita Palmer  
Dolores Ramirez

Others present:

Brian Guthrie, TRS	Heather Traeger, TRS
Ken Welch, TRS	Yimei Zhao, TRS
Carolina de Onís, TRS	Melody Austin, TRS
Amy Barrett, TRS	Heather Traeger, TRS
Janet Bray, TRS	Vic Horton, TRS
Chris Cutler, TRS	David Cook, TRS
Katrina Daniel, TRS	Toma Miller, TRS
Don Green, TRS	Edward Esquivel, TRS
Howard Goldman, TRS	Adam Fambrough, TRS
Rebecca Merrill, TRS	Steve Voss, Aon Hewitt
Barbie Pearson, TRS	Mike Cromstock, Aon Hewitt
Ray Spivey, TRS	Steve Huff, Reinhart Boerner Van Deuren
Ronnie Bounds, TRS	Keith Johnson, Reinhart Boerner Van Deuren
Clarke Howard, TRS	David Tolliver, Express Scripts
Dan Junell, TRS	John Hryhorchuk, The Governor's Office
Lynn Lau, TRS	Bill Hickman, Gabriel Roeder Smith and Company
Merita Zoga, TRS	Amy Cohen, Gabriel Roeder Smith and Company
Rhonda Price, TRS	Eric St. Pierre, Gabriel Roeder Smith and Company
Dan Herron, TRS	Ted Melina Raab, Texas American Federation of Teachers
Jamie Pierce, TRS	Pat Enlow, , Carrollton-Farmers Branch Retired School Personal Association
Amber Conrad, TRS	Della H. Swamis, Carrollton-Farmers Branch Retired School Personal Association
Dinah Arce, TRS	Lee Nitcholas, Carrollton-Farmers Branch Retired School Personal Association
Art Mata, TRS	Mary De Peri, Plano Retired School Personal Association
	Sylvia Urich

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

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

Ms. Lau called the roll. A quorum was present. Mr. Barth and Mr. Moss were absent.

**16. Provide opportunity for public comment – David Kelly.**

Ms. Sylvia Urich urged the board to continue to seek benefits for retirees, considering that some retired public school employees like herself do not have social security benefits.

Mr. Kelly recognized Ms. Charleston, Ms. Palmer, and Ms. Sissney for receiving a certificate of completion for the National Council on Teacher Retirement 15th Annual Trustee Workshop.

**17. Receive an overview of the February 25, 2016 agenda – Brian Guthrie.**

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

**18. Receive an overview of the Communications Department and discuss the collaboration between Communications and IT on the TEAM Web Site Redesign Project – Howard Goldman and Chris Cutler.**

Mr. Goldman provided an overview of the Communications Department, describing its organizational structure, 2015 accomplishments, and 2016 objectives. He highlighted the website redesign project and provided an update on its status. Mr. Cutler discussed website analytics and behind-the-scenes technology involved with the website redesign project.

**19. Discuss health care cost containment and data analytics initiatives – Katrina Daniel.**

Ms. Daniel provided an overview of the Health Insurance Benefits (HIB) Department, describing its organizational structure, 2015 accomplishments, and 2016 objectives. She also discussed healthcare cost drivers and cost containment strategies. Finally, Ms. Daniel spoke about certain collaborative efforts undertaken by HIB with the Procurement, Internal Audit, Benefits, and Information Technology departments.

**20. Receive an overview of the Governmental Relations Department and an update on legislative interim charges – Ray Spivey and Merita Zoga.**

Mr. Spivey provided an overview of the Governmental Relations Department, describing its organizational structure and functions, the legislative process and its key participants, 2015 accomplishments, and the sunset process. Ms. Zoga provided an overview of the joint interim committee that was formed to study the financial soundness of TRS-Care and TRS-ActiveCare and its interim charges.

**21. Receive an update on employer audits and discuss the collaboration between Audit and Benefits in the employer audit process – Amy Barrett, Art Mata, Dinah Arce and Melody Austin.**

Ms. Arce, Mr. Mata, and Ms. Austin described in detail the process involved in conducting reporting entity audits and associated collaborative efforts undertaken by Internal Audit, Benefits, and Legal Services.

**22. Receive an overview of the Division of Strategic Initiatives, including an update on the TRS Strategic Planning process and the integration of enterprise risk management with strategic planning – Rebecca Merrill and Jay LeBlanc.**

Ms. Merrill provided an overview of the Division of Strategic Initiatives (DSI), describing its history, organizational structure, mission, functions, 2015 accomplishments, and 2016 objectives.

Mr. LeBlanc provided an overview of Enterprise Risk Management (ERM), a DSI key function. He described the functions and objectives of ERM and its benefits to the agency.

After a recess at 11:27 a.m., the board reconvened at 12:15 p.m.

**23. Discuss the role of enterprise risk management and facilities management in creating a safe, productive work environment – Jay LeBlanc and Don Green.**

Mr. LeBlanc discussed the role of ERM and the Facilities Management Department in creating a safe, productive work environment. Mr. Green provided an overview of security staff and budget. Mr. LeBlanc showed a video of an actual incident that indicated potential security risks. He also described changes staff made since the incident to enhance the security of TRS facilities. Mr. LeBlanc also discussed the internal Safety Committee and safety training provided for staff. Finally, there was discussion about the new state law that allows one to openly carry a handgun.

**24. Receive a presentation on actuarial matters, including a review of actuarial terminology, methodology, and assumptions – Joe Newton, Gabriel, Roeder, Smith and Co.**

Mr. Newton explained actuarial valuation and experience study processes and the importance of having a funding policy. He described the goals and components of a funding policy, current industry guidance on funding policies, types of funding policies commonly used by pension funds, steps to developing a funding policy, related terminology, and risk management framework.

**25. Receive an overview of the Legal Department and receive presentations on the following matters – Carolina de Onís:**

**A. Open Government Update – Dan Junell and Ronnie Bounds.**

**B. An overview of and question and answer session on ethics and compliance matters – Carolina de Onís; Heather Traeger; and Steve Huff, Reinhart Boerner Van Deuren, s.c.**

Ms. de Onís provided an overview of the Legal Services Department, describing its core values, organizational structure, 2015 accomplishments, and 2016 objectives. Ms. de Onís introduced Mr. Michael Gunst with the U.S. Securities and Exchange Commission (SEC). Mr. Gunst stated that any views he expressed at this meeting were his personal views and not the views of the SEC or SEC staff. He then discussed the role of the SEC, fiduciary duties of trustees and staff, fraud, cybersecurity, and transparency.

Ms. de Onís introduced panelists Mr. Bruce Karpati with Kohlberg Kravis Roberts, Mr. John Walsh with the Sutherland Law Firm, and Ms. Laurie Richards with J.P. Morgan. Ms. Traeger conducted a panel discussion regarding the importance of compliance, fiduciary duties and conduct, and the avoidance of conflicts of interest. Mr. Huff and Mr. Johnson provided their remarks on the related topics. The panelists concluded the discussion, providing their opinions on precautionary measures to take to ensure compliance.

Mr. Junell and Mr. Bounds provided a presentation on open government issues, particularly regarding new legislation related to the Open Meetings Act (OMA) and OMA general principles and guidelines. They also briefly discussed the annual total volume of open record requests and payments received over the past eight years.

**26. Receive an update on implementation of various Governmental Accounting Standards Board (GASB) requirements – Don Green and Jamie Pierce.**

Ms. Pierce provided an overview of GASB Statements 67 and 68. She highlighted their impact on calculating and reporting pension liabilities. Mr. Green introduced and explained GASB Statement 72 that addresses issues relating to fair value measurements of investments for all state and local governmental entities.

**27. Receive a presentation on and discuss contracting and procurement practices, including the report on Historically Underutilized Businesses (HUB) for fiscal year 2015 and consider related HUB goals for fiscal year 2016 – Don Green and Cecilia Whitley.**

Ms. Whitley provided a report concerning HUB program performance and fiscal year 2016 goals recommended by staff. She also described future initiatives to promote and educate people about TRS’ HUB program.

On a motion by Ms. Sissney, seconded by Mr. Corpus, the board unanimously adopted the following resolution to approve the proposed HUB goals for fiscal year 2016:

**Whereas**, TRS staff met on February 25, 2016 and reviewed the report of the Texas Comptroller of Public Accounts on TRS HUB expenditures for fiscal year 2015 and discussed the 2015 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 2016 and fiscal year 2017 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 2016 and fiscal year 2017; now, therefore, be it

**Resolved**, That the Board hereby adopts the following HUB expenditure goals for fiscal year 2016 and fiscal year 2017:

Category	TRS FY15 Goals	TRS FY15 Actual	TRS FY16 and FY17 Goals
Special Trade	35%	24.18%	40%
Professional Services	5%	6.93%	5%
Other Services	15%	14.82%	15%
Commodity Purchases	45%	38.08%	40%

**28. Panel discussion on environmental, social, and governance (ESG) investing – Steve Voss and Meredith Jones, Aon Hewitt; and Dr. Keith Brown.**

Mr. Harris conducted a panel discussion with Mr. Voss, Ms. Jones, and Dr. Brown on environmental, social and governance (ESG) investing.

Whereupon, the board meeting recessed at 4:45 p.m.

The Board of Trustees of the Teacher Retirement System of Texas met on February 26, 2016 in the Collin, Dallas, and Ellis Rooms located on the First Floor of the Region 10 Educational Service Center at 400 East Spring Valley Road in Richardson, Texas. The following board members were present:

David Kelly, Chair  
Nanette Sissney, Vice-Chair  
Karen Charleston  
David Corpus  
Anita Palmer

Others present:

Brian Guthrie, TRS	Heather Traeger, TRS
Ken Welch, TRS	Dan Junell, TRS
Carolina de Onís, TRS	Lynn Lau, TRS
Amy Barrett, TRS	Rhonda Price
Chris Cutler, TRS	Vic Horton, TRS
Katrina Daniel, TRS	Katy Hoffman, TRS
Barbie Pearson, TRS	Rhonda Price, TRS
Howard Goldman, TRS	Merita Zoga, TRS
Britt Harris, TRS	Sylvia Bell, TRS
Rebecca Merrill, TRS	Mike Cromstock, Aon Hewitt
Jase Auby, TRS	Steve Voss, Aon Hewitt
Bernie Bozzelli, TRS	Keith Johnson, Reinhart Boerner Van Deuren
Ronnie Bounds, TRS	Steve Huff, Reinhart Boerner Van Deuren

Mr. Kelly called the meeting to order at 8:25 a.m.

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

Ms. Lau called the roll. A quorum was present. Mr. Barth, Mr. Colonna, Mr. Moss, and Ms. Ramirez were absent.

**29. Provide opportunity for public comment – David Kelly.**

Mr. Kelly called for public comments. No public comments were received.

**30. Receive an overview of the February 26, 2016 agenda – Brian Guthrie.**

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

**31. Discuss the following investment matters:**

**A. Review of the Stock Exchange – Bernie Bozzelli.**

Mr. Bozzelli provided an overview of the Stock Exchange, describing changes to the exchange since 1998 in terms of process, technological advancement, and regulations. He also discussed trends in trading metrics over the years, trading strategies, market share, current technological needs, and the impact of Dodd-Frank on trading.

**B. Fast and Fair: A Market Based Solution to Market Wide Issues – Ronan Ryan, IEX.**

Mr. Ryan provided a presentation on the significance and impact of technology and data transfer on trading performance.

After a brief recess at 9:50 a.m., the board reconvened at 10:15 a.m.

**C. Receive an update on the Emerging Manager portfolio – Sylvia Bell.**

Ms. Bell provided an update on the Emerging Manager Portfolio, discussing program accomplishments and goals. She provided an overview of the recent Emerging Manager Conference. Mr. Corpus provided a positive remark on the conference.

**D. TRS Investment Management Division Market and Trust Review – Britt Harris.**

Mr. Harris provided an overview of the Investment Management Division, describing its organizational structure, 2015 accomplishments, 2016 goals, and portfolio performance. He also discussed U.S. and global economic and market conditions and projections.

**32. 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.**

**33. 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 32 and 33.

The meeting was adjourned at 12:00 p.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

April 14, 2016

Date