

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

**AGENDA**

**June 5, 2014 – 12:30 p.m.**

**June 6, 2014 – 9:30 a.m.**

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

*NOTE: The Board may take up any item posted on the agenda during its meeting on Thursday, June 5, 2014, or the following day beginning at the time and place specified on this agenda.*

*The open portions of the June 5-6, 2014, Board meetings 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 administrative items, including – David Kelly:
  - A. Approval of the March 27-28, 2014 Board meeting minutes.
  - B. Setting, rescheduling, or canceling future Board meetings.
3. Provide opportunity for public comments – David Kelly.
4. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
  - A. Administrative operational matters, including financial, audit, legal, staff services, board administration activities, special projects, long-term space planning, and strategic planning.
  - B. Board operational matters, including a review of draft agendas for upcoming meetings.
5. Receive an update on TRS' long-term space planning project, including matters related to real property – Meredith Bell, CBRE Workplace Strategy; Lenny Beaudoin, CBRE Workplace Strategy; Peter Jansen, CBRE Public Institutions and Education Services; and Peter Larkin, CBRE Public Institutions and Education Services.
6. Discuss and consider investment matters, including the following items:
  - A. Review the report of the Investment Management Committee on its June 5, 2014 meeting – Todd Barth.

- B. Receive a presentation on the Global Investment Outlook – Bob Prince, Bridgewater.
  - C. Fourth Phase Review of the 2014 Asset Allocation Study, including allocation recommendations – Britt Harris, Mohan Balachandran and Ashley Baum.
  - D. Performance Review: First Quarter 2014 – Steve Voss and Brady O’Connell, Hewitt EnnisKnupp.
7. Receive a presentation from the TEAM Program Independent Program Assessment (IPA) Vendor – Michael Johnson, Bridgepoint Consulting.
  8. Receive an update on the TEAM Program, including an update on the schedule and a review of dependencies between TEAM projects – David Cook, Jamie Pierce; Adam Fambrough; and Jay Masci, Provaliant .
  9. Review the report of the Compensation Committee on its June 5, 2014 meeting – Nanette Sissney.
  10. Review the report of the Budget Committee on its June 5, 2014 meeting and consider authorizing an increase in the current fiscal year budget to provide funding for professional services related to TRS-ActiveCare – Nanette Sissney.
  11. Review the report of the Policy Committee on its June 5, 2014 meeting and consider final proposed amendments to or adoption of the following TRS rules in Title 34, Part 3 of the Texas Administrative Code – Joe Colonna.
    - A. Rule § 23.5, relating to Nomination for Appointment to the Board of Trustees;
    - B. Rule § 25.1, relating to Full-time Service;
    - C. Rule § 25.25, relating to Required Deposits;
    - D. Proposed new Rule § 25.36, relating to Employer Payments for Members Not Covered under the Federal Old-Age, Survivors, and Disability Insurance Program;
    - E. Proposed new Rule § 25.37, relating to Employer Payments from Public Junior Colleges and Public Junior College Districts;
    - F. Rule § 25.77, relating to USERRA Service Creditable but not Established;
    - G. Rule § 25.113, relating to Transfer of Credit between TRS and ERS;
    - H. Rule § 25.302, relating to Calculation of Actuarial Costs of Service Credit;
    - I. Proposed new Rule § 25.303, relating to Calculation of Actuarial Costs for Purchase of Compensation Credit;
    - J. Rule § 27.5, relating to Termination of Right to Benefits;
    - K. Rule § 29.1, relating to Eligibility for Service Retirement;

- L. Rule § 29.11, relating to Actuarial Tables;
  - M. Rule § 43.43, relating to Subpoenas and Commissions; and
  - N. Proposed new Rule § 51.13, relating to Five-Year Service Credit Requirement Effective August 31, 2014.
12. Review the report of the Risk Management Committee on its June 5, 2014 meeting – Karen Charleston.

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

13. Provide an opportunity for public comment – David Kelly.
14. Receive an update on matters related to TRS-Care and TRS-ActiveCare, including – Betsey Jones; Kevin DeStefino, RPh; Alan Lotvin, EVP Specialty for CVS/Caremark; and Bill Hickman, Gabriel, Roeder, Smith & Company:
- A. The report of the Retirees Advisory Committee on its April 10, 2014 and May 22, 2014 meetings.
  - B. Age-in and enrollment opportunities in Medicare Advantage and Medicare Part D plans.
  - C. Matters relating to compound and specialty drugs.
  - D. The TRS-Care and TRS-ActiveCare sustainability studies.
15. Discuss and consider adoption of premiums and plan design for TRS-Care, the retiree health benefits program, including: (i) adopting premiums and plan design for the three standard plans and the fully-insured Medicare Advantage Plans; and (ii) adopting plan design for the Medicare Part D Plans – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.
16. Discuss and consider the following items regarding the active employees health benefits program (TRS-ActiveCare) health maintenance organization (HMO) option, including considering a finding that deliberating or conferring on the HMO vendor selection in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company:
- A. Selection of HMO vendor(s) under TRS-ActiveCare.
  - B. Adoption of premiums and plan design for the TRS-ActiveCare HMO plan options.

17. Discuss and consider adoption of premiums and plan design for self-funded plan options under the active employees health benefits program (TRS-ActiveCare) – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.
18. Discuss and consider enrollment periods for the 2014-2015 plan year for the active employees health benefits program (TRS-ActiveCare) – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.
19. Evaluate the performance of Gabriel, Roeder, Smith & Company as the provider of health benefit consultant services to TRS – Betsey Jones.
20. Evaluate the performance of Gabriel, Roeder, Smith & Company as the provider of Pension Trust Fund actuarial services and related services to TRS – Rebecca Merrill.
21. Consider selecting a firm to provide actuarial audit services – Rebecca Merrill
22. Receive a report on the 2014 TRS Member Satisfaction Survey – Howard Goldman and Veronica Kronvall, University of North Texas (UNT) Survey Research Center.
23. Review the report of the Audit Committee on its June 6, 2014 meeting and consider adoption of proposed revisions to Fiscal Year 2014 Audit Plan – Christopher Moss.
24. Review the report of the Chief Financial Officer under § 825.314(b), Government Code, on 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 – Don Green.
25. Review and discuss the Deputy Director’s Report, including matters related to administrative, financial, and staff services operations – Ken Welch
26. Review the report of the General Counsel on pending or contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, and open records – Carolina de Onís.
27. 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.
28. 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

June 5-6, 2014

The Board of Trustees of the Teacher Retirement System of Texas met on June 5-6, 2014 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  
Joe Colonna  
David Corpus  
Christopher Moss  
Anita Palmer  
Nanette Sissney

### Others present:

Brian Guthrie, TRS	Cindy Yarbrough, TRS
Ken Welch, TRS	Dr. Keith Brown
Amy Barrett, TRS	Steve Huff, Reinhart Boerner Van Deuren
Janet Bray	Brady O'Connell, Hewitt EnnisKnupp
Carolina de Onís, TRS	Steve Voss, Hewitt EnnisKnupp
Don Green, TRS	Michael Johnson, Bridgepoint
Howard Goldman, TRS	Jay Masci, Provaliant
T. Britton Harris IV, TRS	Bob Prince, Bridgewater
Betsey Jones, TRS	Alan Bowser, Bridgewater
Amy Morgan, TRS	Ted Melina Raab, Texas American Federation of Teachers
Marianne Woods Wiley, TRS	Lori Pethick, Whitesboro ISD
Jerry Albright, TRS	Cecelia Meinholdt, Whitesboro ISD
Jase Auby, TRS	Ann Fickel, Texas Classroom Teachers Association
Mohan Balachandran, TRS	Josh Sanderson, Association of Texas Professional Educators
Christine Bailey, TRS	John Grey, Texas State Teachers Association
Ashley Baum, TRS	Carole Buchanan, Texas Retired Teachers Association
Michelle Bertram, TRS	Philip Mullins, Texas State Employee Union
Ronnie Bounds, TRS	Jody Wright, Legislative Budget Board
Amber Conrad, TRS	Roberto Enriquez, Health Matters
David Cook, TRS	Lenny Beandoin, CBRE
Dennis Gold, TRS	Meredith Bell, CBRE
Tom Guerin, TRS	Peter Jansen, CBRE
Dan Junell, TRS	Bill Barnes, Texas Retired Teachers Association
Lynn Lau, TRS	Melinda Maczko, HP
Scot Leith, TRS	Victor Ferreira, HP Enterprise Services
Jamie Michel, TRS	Tom Rogers, Texas Retired Teachers Association & Austin
Beckie Smith, TRS	Retired Teachers Association
Sharon Toalson, TRS	

Mr. Kelly called the meeting to order at 1:44 p.m.

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

Ms. Lau called the roll. A quorum was present. Ms. Ramirez was absent.

**2. Consider administrative items, including – David Kelly:**

**A. Approval of the March 27-28, 2014 Board meeting minutes.**

On a motion by Mr. Moss, seconded by Ms. Sissney, the board unanimously adopted the minutes of the March 27-28, 2014 meeting, as presented.

**3. Provide opportunity for public comments – David Kelly.**

No public comment was received.

Ms. Sissney introduced her colleagues, Cecelia Meinholdt and Lori Pethick.

Ms. Charleston introduced one of her students, Charles Smith.

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

**6. Discuss and consider investment matters, including the following items:**

**A. Review the report of the Investment Management Committee on its June 5, 2014 meeting – Todd Barth.**

Mr. Barth, committee chair, provided the Investment Management Committee report as follows:

The Investment Management Committee met today. The first presentation was a review of the Private Equity and Real Assets Portfolio, which were presented by Eric Lang, Neil Randall, and Grant Walker. Next, Vaughn Brock reviewed the Energy and Natural Resources Portfolio. David Veal and Courtney Villalta followed with an update on the Private Market Strategic Partnership Network. The final review in the Investment Management Committee was a review of private market investment outlook presented by George Roberts of KKR.

**B. Receive a presentation on the Global Investment Outlook – Bob Prince, Bridgewater.**

Mr. Prince provided a presentation on global conditions and how they are impacting asset returns, risk management, and investment strategies. The board also discussed with staff and investment advisors the definition and classification of a hedge fund and the risk parity strategy.

Mr. Barth left the meeting at 3:20 p.m.

**C. Fourth Phase Review of the 2014 Asset Allocation Study, including allocation recommendations – Britt Harris, Mohan Balachandran and Ashley Baum.**

Mr. Harris provided an overview of the fourth phase of the asset allocation study and summarized staff's preliminary recommendation regarding future allocations to asset classes. Dr. Balachandran and Ms. Baum addressed the following options in detail:

- Increase illiquidity by 5%;
- Increase risk parity by 5%;
- Increase illiquidity by 5% and increase risk parity by 5%; and
- Reduce UST and TIPS by 5%.

Ms. Baum also addressed funding alternatives and the projected performance of each option. Dr. Balachandran discussed the risk analysis performed for eight suggested portfolios, the probabilities of achieving an 8% target return, and their performance during economic regimes and cycles. A preliminary recommendation for the third option was offered, involving a 5% increase to illiquidity and a 5% increase to risk parity funded from a balanced approach. Ms. Baum presented the project timeline and the remaining tasks. She stated that staff would present the final recommendation to the board in September.

**D. Performance Review: First Quarter 2014 – Steve Voss and Brady O’Connell, Hewitt EnnisKnupp.**

Mr. O’Connell presented the trust fund performance review for the first quarter of 2014.

- 5. Receive an update on TRS’ long-term space planning project, including matters related to real property – Meredith Bell, CBRE Workplace Strategy; Lenny Beaudoin, CBRE Workplace Strategy; Peter Jansen, CBRE Public Institutions and Education Services; and Peter Larkin, CBRE Public Institutions and Education Services.**

Mr. Jansen, Mr. Beaudoin, and Ms. Bell provided a presentation about the space planning study. They addressed the goals of space planning and findings from the utilization study, employee survey, and leadership interviews. They also addressed how the space planning study evaluated different divisions’ needs, current space usage, potential improvements involving space usage efficiency, recommendations, and the costs and benefits of possible scenarios. Mr. Jansen stated that the detailed costs of each scenario would be presented to the board in July. Mr. Beaudoin clarified that the current study did not include considering specific, possible relocation sites.

After a brief recess at 5:15 p.m., the board reconvened at 5:25 p.m.

Mr. Kelly announced that the board would take up agenda item 7.

- 7. Receive a presentation from the TEAM Program Independent Program Assessment (IPA) Vendor – Michael Johnson, Bridgepoint Consulting.**

Mr. Johnson provided an update on the TEAM program assessment. He presented the updated Independent Program Assessment (IPA) overall scorecard. He clarified for Mr. Colonna that when an item was changed from a green to blue score, it indicated that there was an observation that the item should be addressed better. He indicated that a recommendation about the item was discussed with staff. Mr. Johnson addressed current strengths, risk observations, and deliverables. Mr. Cook commented on TRS’ response to the risk observations. Mr. Johnson laid out for Ms. Palmer the protocols for updating and following up on the observations. Mr. Kelly

stated that it would be helpful to have a spotlight report that tracks the progress on addressing unresolved observations. Mr. Moss stated that he was not concerned about differing opinions about observations, but would be concerned if there were differing opinions about how the plan should be executed. Mr. Johnson described the activities completed during the current period, activities planned for the next period, and the status of the budget.

**8. Receive an update on the TEAM Program, including an update on the schedule and a review of dependencies between TEAM projects – David Cook, Jamie Pierce; Adam Fambrough; and Jay Masci, Provaliant.**

Mr. Cook provided an update on the schedule and budget of the TEAM program. Mr. Masci provided an update on project interdependencies. Mr. Fambrough provided an update on the Line of Business (LOB) project. Ms. Pierce provided an update on the Financial System Replacement (FSR) project. She stated that after thorough consideration and evaluation, staff decided not to hire CGI solution for the FSR project. She stated that staff would continue to explore other options for a new system. Mr. Welch stated that staff may undergo another procurement for the project and would report back to the board with a plan.

**9. Review the report of the Compensation Committee on its June 5, 2014 meeting – Nanette Sissney.**

Ms. Sissney, committee chair, provided a report of the Compensation Committee as follows:

The Compensation Committee met on June 5, 2014. The committee adopted the minutes of the September 12, 2013 meeting. The committee received a presentation from Ms. Janet Bray, Human Resource director, and Ms. Christine Bailey, team lead of compensation, on matters related to compensation for TRS employees. Mr. Adam Barnett, partner at McLagan Consulting, was also present to address compensation matters related to the investment management positions. TRS staff summarized the results of a compensation review conducted by HR. Ms. Bray outlined the benefits of establishing a formal compensation philosophy for staff at the Red River location, and the need to adjust base salaries for employees throughout TRS, including investment staff. Mr. Guthrie will bring additional information to the July Board meeting related to a compensation philosophy and salary adjustments for Red River staff for the fiscal year 2016-17 biennium. He also plans to implement increases for investment management positions at IMD this fiscal year in order to bring IMD in line with the TRS compensation philosophy for that division.

**10. Review the report of the Budget Committee on its June 5, 2014 meeting and consider authorizing an increase in the current fiscal year budget to provide funding for professional services related to TRS-ActiveCare – Nanette Sissney.**

Ms. Sissney, committee chair, provided a report of the Budget Committee as follows:

The Budget Committee met at noon on Thursday, June 5, 2014. The first item of



business was approval of the minutes of the June 14, 2013 Budget Committee meeting. Mr. Green then provided an overview of a request for a budget amendment in fiscal year 2014 that would provide an additional \$630,000 for TRS-ActiveCare. The need is for professional services funding related to mission critical, unanticipated expenses resulting from the increasing use of compound prescription drugs, and a new sustainability study for the TRS-ActiveCare program. On a motion by Mr. Moss and seconded by Mr. Barth, the Budget Committee recommended approval of the proposed budget amendment.

On a motion by Ms. Sissney as the committee chair, the board unanimously amended the fiscal year 2014 TRS-ActiveCare administrative operations budget to increase the amount budgeted for professional fees and services by \$630,000.

Ms. Sissney continued her report as follows:

Next, Mr. Green was joined by the general counsel for TRS, Carolina de Onís, to discuss a change in the source of funding for external legal fees related to investment deals. They spoke of the current process by which payment is made for external counsel expenses and recommended that those expenses be paid from investment fund accounts going forward. They discussed the volatility of these costs, the complexity associated with forecasting costs, the existing payment process and the proposed process that will increase transparency and result in more accurate portfolio return and incentive compensation results. Ms. Sissney and the board requested the monthly reporting of legal fees on the IMD transparency report.

Mr. Green began the budget presentation by recognizing Ms. Jody Wright, LBB Budget analyst. Ms. Wright will be retiring from the LBB this month and TRS thanks her for her assistance and years of service. Mr. Green then provided historical financial data for fiscal years 2008-2014. He presented charts analyzing FTE growth in the agency from 435 in FY2008 to 490 in FY2013 and indicated the changes were largely attributable to the addition of investment resources and a more recent focus on the TEAM program. Membership has grown by 21% in active members and 45% in retired members in the past decade. The trust fund balance has grown to over \$126 billion as of the end of March 2014. Benefits processing has seen an increase of 22% overall in activity with a 59% increase in retirements processed and a 27% increase in beneficiary claims processed since 2008. The benefit cost per member has increased to \$26.48 in FY2013. To conclude the presentation, Mr. Green provided charts highlighting expense category details for FY2012 and FY2013 by department and then for Benefit Operations, Investment Operations, TRS-Active Care, TRS-Care and the 403(b) Certification Program.

Mr. Green gave a high level overview of the proposed administrative operating budget and general provisions for FY2015. The FY2015 requested budget is substantially the same as FY2014 with no general revenue funding available.

Increases in wages and personnel costs are due to an across-the-board, legislatively mandated pay raise of 2%, funding for a merit pool, increased health care costs and an increase to the employer contribution rate for retirement. Incentive Compensation is estimated to be \$9.3 million which includes the remaining balance of the last plan year (\$2.7 million) plus the maximum allowed for the first half of the current plan year (\$6.6 million).

Expected funding for the TEAM program is \$19.1 million.

Mr. Green gave an overview of the funding options for the IMD equity adjustments that were discussed earlier at the Compensation Committee. Mr. Guthrie followed with providing some suggestions on funding the equity adjustments and additional FTEs requested by IMD.

No changes to the general provisions were recommended by Mr. Green. The complete details of the FY2015 operating budget will be brought to the board for approval at the July meeting.

Mr. Green then discussed the development of the 2016-2017 legislative appropriations request (LAR). Assumed salary growth rates of 2% for public education and 4% for higher education were included in the request for state matching. A 1% statutory rate for TRS Care was included as well as additional funds to sustain the program to the end of the biennium. For administrative operations, additional staff for IMD and TEAM will be requested to bolster staff's ability to meet long term investing goals and provide the necessary resources to effectively accomplish TEAM program objectives. The LAR will include a hard dollar request for the continuation IMD equity adjustments. The complete details of the 2016-2017 LAR will be brought to the board for approval at the July meeting.

- 11. Review the report of the Policy Committee on its June 5, 2014 meeting and consider final proposed amendments to or adoption of the following TRS rules in Title 34, Part 3 of the Texas Administrative Code – Joe Colonna.**
  - A. Rule § 23.5, relating to Nomination for Appointment to the Board of Trustees;**
  - B. Rule § 25.1, relating to Full-time Service;**
  - C. Rule § 25.25, relating to Required Deposits;**
  - D. Proposed new Rule § 25.36, relating to Employer Payments for Members Not Covered under the Federal Old-Age, Survivors, and Disability Insurance Program;**
  - E. Proposed new Rule § 25.37, relating to Employer Payments from Public Junior Colleges and Public Junior College Districts;**

- F. Rule § 25.77, relating to USERRA Service Creditable but not Established;**
- G. Rule § 25.113, relating to Transfer of Credit between TRS and ERS;**
- H. Rule § 25.302, relating to Calculation of Actuarial Costs of Service Credit;**
- I. Proposed new Rule § 25.303, relating to Calculation of Actuarial Costs for Purchase of Compensation Credit;**
- J. Rule § 27.5, relating to Termination of Right to Benefits;**
- K. Rule § 29.1, relating to Eligibility for Service Retirement;**
- L. Rule § 29.11, relating to Actuarial Tables;**
- M. Rule § 43.43, relating to Subpoenas and Commissions; and**
- N. Proposed new Rule § 51.13, relating to Five-Year Service Credit Requirement Effective August 31, 2014.**

Mr. Colonna, committee chair, provided the Policy Committee report as follows:

The Policy Committee met today, June 5, 2014. The committee adopted the minutes of the March 27, 2014 committee meeting. Next the committee recommended to the board final adoption of proposed amendments to certain TRS rules, Chapters 23 to 51, necessary to implement legislation from the most recent legislative session.

On a motion by Mr. Colonna as the committee chair, the board unanimously voted to adopt the order adopting new and amended rules to chapters 23 through 51 of Title 34, Part 3 of the Texas Administrative Code, as recommended by the Policy Committee.

**12. Review the report of the Risk Management Committee on its June 5, 2014 meeting – Karen Charleston.**

Ms. Charleston, committee chair, provided the Risk Management Committee report as follows:

The Risk Management Committee met on June 5, 2014. Risk Management and Strategic Planning staff provided a report on the Enterprise Risk Management (ERM) function, which included information on the annual public pension funds, ERM, peer group forum, and update on the spotlight report and related ERM activities.

Whereupon, the board meeting recessed at 6:35 p.m.

The Board of Trustees of the Teacher Retirement System of Texas reconvened on June 6, 2014 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  
Joe Colonna  
David Corpus  
Christopher Moss  
Anita Palmer  
Dolores Ramirez  
Nanette Sissney

Others present:

Brian Guthrie, TRS	Troy Lonnoo, Caremark
Ken Welch, TRS	Rick Edwards, Caremark
Carolina de Onís, TRS	Adriana Salazar, Caremark
Howard Goldman, TRS	Becky Chrzanowski, Aetna
Don Green, TRS	Steve Watkins, Aetna
Betsey Jones, TRS	Shannon Meroney, Aetna
Marianne Woods Wiley, TRS	Eric St. Pierre, Aetna
Ronnie Bounds, TRS	David Runyan Tolliver, Express Scripts
Charmaine Drummond, TRS	Ann Fickel, Texas Classroom Teachers Association
Janice Engler, TRS	Josh Sanderson, Association of Texas Professional Educators
Edward Esquivel, TRS	Bill Barnes, Texas Retired Teachers Association
Clarke Howard, TRS	John Grey, Texas State Teachers Association
Bob Jordan, TRS	Gerald Haschke, Texas State Teachers Association
Dan Junell, TRS	Patricia Del Rio, Aetna
Lynn Lau, TRS	Carole Buchanan, Texas Retired Teachers Association
Hugh Ohn, TRS	Tim Tusser, First Care
Beckie Smith, TRS	Brian Stoner, First Care
Yimei Zhao, TRS	Johnetta Williams, Texas State Teachers Association
Steve Huff, Reinhart Boerner Van Deuren	Veronica Kronall, University of North Texas
Amy Cohen, Gabriel, Roeder, Smith & Company	Meredith Fouler, Speaker Joe Straus
Philip Mullins, Texas State Employee Union	Jennifer Chambers, BlueCrossBlueShields of Texas
Kevin DeStefino, Towers Watson	Carol Riley, BlueCrossBlueShields of Texas
Tim Lee, Texas Retired Teachers Association	Lori Pethick, Whitesboro ISD
Bill Hickman, Gabriel, Roeder, Smith & Company	Cecelia Meinholdt, Whitesboro ISD
Ann Hueberger, Del Valle ISD	Alan Lotvin, CVS Caremark
Ted Melina Raab, Texas American Federation of Teachers	Tom Rogers, Texas Retired Teachers Association & Austin Retired Teachers Association

Mr. Kelly called the meeting to order at 10:34 a.m.

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

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

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

Ms. Ann Hueberger, Vice-President of the Del Valle ISD, addressed the negative impact that increases to TRS-ActiveCare plan premiums and deductibles were having on school employee recruitment and retention, the finances of school districts across the state, and the finances of the lowest paid employees. She stated that it became very challenging to continue to offer an affordable quality plan to school employees. She noted that the very high premium and deductible and low coverage associated with TRS-ActiveCare 1HD would not keep school employees healthy and worry-free about meeting their medical needs. She also noted the lack of parity between TRS-ActiveCare and the health insurance offered by the Employee Retirement System. She urged the board to consider public school employees and the struggles faced by school districts, not only in keeping a quality affordable health insurance plan in place for their employees, but also in balancing school budgets.

Mr. Kelly expressed his understanding of the challenges faced by school districts. He explained that TRS is only allowed to inform the legislature of the facts, not advocate positions on health care issues.

Mr. Josh Sanderson of Association of Texas Professional Educators stated that the health care issue affects the ability of the public education system to recruit and retain educators. He stated that the issue lies mainly with the legislature and funding sources.

Mr. John Grey of Texas State Teacher Association urged the board to work with teachers' associations to inform the legislature about the devastating effects premium increases had on current school employees and employee retention. He stated that he would like to see increasing healthcare costs included in the sustainability studies presented to the legislature.

Mr. Ted Melina Raab of Texas American Federation of Teachers (AFT) stated that providing healthcare for active and retired employees is critical to ensuring a high quality public education for Texas students. He stated that healthcare programs are only sustainable to the extent that they provide decent affordable coverage. He stated that the answer is to provide for a significant and sustained increase in state funding for school employee healthcare. He also stated that Texas AFT would continue to identify existing and new sources of revenue for funding purposes. He expressed his appreciation to TRS for providing accurate and timely information.

Ms. Ann Fickel of Texas Classroom Teachers Association discussed the importance of compensation and benefits in recruiting and retaining quality educators. She requested that TRS staff continue to expand the provider network and keep members informed of the changes made to the network. She also expressed her appreciation for the board's decision to delay the elimination of TRS-Active Care 3 last year.

Mr. Tim Lee of Texas Retired Teachers Association (TRTA) stated that TRTA would continue to work with other school employee groups to increase legislative funding for TRS-ActiveCare. He addressed the issue of access to the TRS-Care provider network and asked that TRS engage further with providers to make the TRS-Care program more accessible to its members. He noted that if the Medicare Advantage Plan was a possible option to increase accessibility, the network of doctors and hospitals that were going to participate in the Medicare Advantage Plan would need to be stronger. He stated that the legislature must put more funding towards the health care plans. He expressed his appreciation for the information provided by TRS staff. Mr. Lee also commented on TRS space planning and staff compensation issues. He stated that TRS would need to justify why the existing structure may not be the most adequate and how a transition would be beneficial to the system. He stated that reviewing all staff compensation was a good thing, but that caution should be taken in spending too much money on outside money manager fees which might lead to headline risk and an attack on the defined benefit plan.

Mr. Kelly announced that the board would take up agenda item 2.B. to discuss possible changes to the July meeting schedule.

**2. Consider administrative items, including – David Kelly:**

**B. Setting, rescheduling, or canceling future Board meetings.**

The board discussed potential agenda items to be taken up at the July board and committee meetings. Mr. Guthrie also noted that some key staff members, including himself, would attend the Pensions and Investments Committee hearing on the morning of July 10. After further discussion and on a motion by Ms. Sissney which was seconded by Mr. Corpus, the board voted unanimously to amend the resolution setting the meeting dates for calendar year 2014 by expanding the July meeting to two days, July 10 and July 11, 2014.

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

**A. Administrative operational matters, including financial, audit, legal, staff services, board administration activities, special projects, long-term space planning, and strategic planning.**

Mr. Guthrie highlighted recent notable TRS events, including the Private Markets Summit, Retirees Advisory Committee workshop and meeting, the Texas Retired Teachers Association annual convention, and his presentation at the Government Finance Officers Association (GFOA). He noted some agency internal events relating to employee awards, staffing, and the completion of the TRS Strategic Plan. He also noted the impending transition of state leadership due to retirements and other departures of some members.

**B. Board operational matters, including a review of draft agendas for upcoming meetings.**

Mr. Guthrie highlighted major agenda items for the July and September meetings.

Mr. Kelly announced that the board would take up agenda item 14.

**14. Receive an update on matters related to TRS-Care and TRS-ActiveCare, including – Betsey Jones; Kevin DeStefino, RPh; Alan Lotvin, EVP Specialty for CVS/Caremark; and Bill Hickman, Gabriel, Roeder, Smith & Company:**

**A. The report of the Retirees Advisory Committee on its April 10, 2014 and May 22, 2014 meetings.**

Ms. Jones stated that the Retirees Advisory Committee (RAC) met on April 10 to discuss the sustainability study for TRS-Care and on May 22, 2014 to present recommendations regarding TRS-Care benefits and rates. She noted that the RAC member for the active auxiliary position had recently resigned and, therefore, there were currently two vacant positions, including the retired auxiliary position. She stated that future nominations for the two vacant positions would be presented to the board.

**B. Age-in and enrollment opportunities in Medicare Advantage and Medicare Part D plans.**

Ms. Jones noted that there is an additional opportunity from October 15 through November 15 for people to enroll in the Medicare Advantage Plans and the Medicare Part D plans, effective January 1, 2015. She stated that members would be notified of the opportunity via mail. She stated that the Medicare Advantage participation rate was currently 68% and the Medicare Part D participation rate was 81%. She noted that staff anticipated higher future participation in those plans.

**C. Matters relating to compound and specialty drugs.**

Ms. Jones and Mr. DeStefino followed-up from March and discussed issues related to compound drugs, a significant driver of prescription drug costs for the health plans. Ms. Jones stated that effective July 15, 2014 coverage would be excluded for over 1,100 bulk chemicals; on September 1, 2014 all compounds containing bulk chemicals would be excluded from TRS-ActiveCare and prior authorization would be required for all other compounds that cost the plans more than \$300. She stated that staff would continue to work with ESI and Caremark to find a stronger cost containment solution to the issue. She clarified for Ms. Palmer that the current strategy would restrict but not eliminate benefits for compound drugs. Mr. DeStefino provided further detail about the current process regarding the use of compound and specialty drugs in response to questions from Ms. Palmer, Mr. Kelly, and Mr. Corpus.

Mr. DeStefino and Mr. Lotvin provided an overview of specialty drugs, another significant driver of prescription drug costs, including their characteristics, usage, and costs. Mr. Lotvin provided further detail on the market trend, administration and clinical aspects of specialty drug usage and its detrimental impact on plan cost. The board discussed with Mr. DeStefino and Mr. Lotvin ways to contain costs through strategies such as plan designs and pricing limitations.

**D. The TRS-Care and TRS-ActiveCare sustainability studies.**

Ms. Jones provided an overview of both TRS-Care and TRS-ActiveCare, including their histories, plan structures, enrollment, funding, and funding projections. She presented options relating to both the TRS-Care and TRS-ActiveCare studies. She clarified for Mr. Kelly that there is no financial impact on TRS-Care when members do not enroll in Medicare Part B; however, those members would be affected if they had to face major medical expenses. Further discussion followed concerning whether members should be asked to purchase Part B. Mr. Kelly asked staff to prepare a formal presentation on this matter to be given at a future board meeting. Mr. Hickman confirmed for Mr. Colonna that the total cost increase in private sector plans was in line with what TRS plans were facing and that private plans, in general, were moving to high deductible plans to keep premiums low. Ms. Jones explained for Mr. Colonna the TRS-Care funding structure and projections. Responding to a question from Ms. Ramirez, Mr. Hickman stated that plans for public education employees were designed separately from those established for state employees by the legislature 30 years ago. Ms. Ramirez expressed concerns about public education employees not being taken care of by the state. Further discussion followed in response to Mr. Colonna's question concerning the ability of TRS to advocate to the legislature about the health care plans. Ms. de Onís clarified that TRS was prohibited by statute from advocating to the legislature. Further discussion followed on the proper way of presenting the legislature with information relating to health care issues. Ms. Jones discussed the rest of the options. She confirmed for Ms. Sissney that the study would be completed and presented to the board in September.

After a brief recess at 2:35 p.m., the board reconvened at 2:55 p.m.

- 15. Discuss and consider adoption of premiums and plan design for TRS-Care, the retiree health benefits program, including: (i) adopting premiums and plan design for the three standard plans and the fully-insured Medicare Advantage Plans; and (ii) adopting plan design for the Medicare Part D Plans – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.**

Ms. Jones provided an overview of the current TRS-Care plan design, including rates and benefits. She also addressed the laws impacting TRS-Care premiums and benefits, projected distribution of costs, and funding sources.

- 16. Discuss and consider the following items regarding the active employees health benefits program (TRS-ActiveCare) health maintenance organization (HMO) option, including considering a finding that deliberating or conferring on the HMO vendor selection in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company:**

**A. Selection of HMO vendor(s) under TRS-ActiveCare.**

**B. Adoption of premiums and plan design for the TRS-ActiveCare HMO plan options.**



Ms. Jones presented information about the geographic coverage of the current HMOs, the impact of TRS-Care funding on HMO enrollment, and the current procurement timeline for HMOs.

**17. Discuss and consider adoption of premiums and plan design for self-funded plan options under the active employees health benefits program (TRS-ActiveCare) – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.**

Ms. Jones provided a brief overview of the TRS-ActiveCare program, describing its enrollment, funding, distribution, and funding impact.

On a motion by Mr. Corpus, seconded by Ms. Palmer, the board voted unanimously to enter into closed session on agenda item 16 under §825.115(e) of the Government Code based on the board's finding and determination that deliberating or conferring in an open meeting about the HMO procurement would have a detrimental effect on TRS' position in negotiation with a third person.

Whereupon, Mr. Kelly announced that the board would go into executive session on agenda item 16A under §825.115(e) of the Government Code to deliberate procurement matters and under §551.071 of the Government Code to seek advice of legal counsel, as needed. 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 2:02 p.m. to go into executive session.

The board meeting reconvened in open session at 3:40 p.m. Mr. Kelly announced that the board would return to agenda items 15, 16, and 17.

**15. Discuss and consider adoption of premiums and plan design for TRS-Care, the retiree health benefits program, including: (i) adopting premiums and plan design for the three standard plans and the fully-insured Medicare Advantage Plans; and (ii) adopting plan design for the Medicare Part D Plans – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.**

On a motion by Ms. Sissney, seconded by Mr. Moss, the board unanimously voted to approve the following resolution presented by the staff concerning premiums and plan design for TRS-Care:

**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 ("TRS-Care") under the Texas Public School Retired Employees Group Benefits Act, as described in the statute;

**Whereas**, TRS-Care offers coverage in three standard plans ("TRS-Care Standard plans"), historically known as TRS-Care 1, TRS-Care 2, and TRS-Care 3; offers coverage in two qualified fully-insured Medicare Advantage plans ("TRS-Care Medicare Advantage plans"), available to eligible TRS-Care 2 and TRS-Care 3 participants who have Medicare

Parts A and B; and offers coverage in two Medicare Prescription plans ("TRS-Care Medicare Prescription plans"), available to eligible TRS-Care 2 and TRS-Care 3 participants who have either Medicare Part A or Medicare Part B or both;

**Whereas**, Due to the funding available to TRS-Care, TRS staff and the TRS health benefits consultant, Gabriel, Roeder, Smith & Company ("GRS") have recommended that for the 2015 plan year, beginning September 1, 2014, premium rates in the TRS-Care Standard plans remain unchanged from the current premium rates for these plans for the 2014 plan year;

**Whereas**, TRS staff and GRS have further recommended that for the plan year commencing on January 1, 2015, premium rates in the TRS-Care Medicare Advantage plans remain unchanged from the current premium rates for these plans for the plan year that commenced on January 1, 2014;

**Whereas**, TRS staff and GRS have further recommended that for the 2015 plan year, beginning September 1, 2014, benefit plan design for the TRS-Care 1 Standard plan remain unchanged from the current benefit plan design for this plan for the 2014 plan year;

**Whereas**, TRS staff and GRS have further recommended that for the 2015 plan year, beginning September 1, 2014, benefit plan designs for the TRS-Care 2 and TRS-Care 3 Standard plans remain unchanged from the current benefit plan designs for these plans, subject to the benefit plan design changes set out in Exhibit A, attached to this resolution and incorporated herein by reference;

**Whereas**, TRS staff and GRS have further recommended that for the plan year commencing on January 1, 2015, benefit plan designs for the TRS-Care Medicare Advantage Plans and the TRS-Care Medicare Prescription plans remain unchanged from the current benefit plan designs for these plans; and

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

**Resolved**, That for the TRS-Care Standard plans, for the 2015 plan year beginning September 1, 2014, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current premium rates for these plans in place for the 2014 plan year;

**Resolved**, That for the TRS-Care Medicare Advantage plans, for the plan year commencing on January 1, 2015, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current premium rates for these plans in place for the plan year that commenced on January 1, 2014;

**Resolved**, That for the TRS-Care 1 Standard plan, for the 2015 plan year beginning September 1, 2014, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current benefit plan design for this plan in place for the 2014 plan year;

**Resolved**, That for the TRS-Care 2 and TRS-Care 3 Standard plans, for the 2015 plan year beginning September 1, 2014, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current benefit plan designs

for these plans in place for the 2014 plan year, subject to the benefit plan design changes set out in Exhibit A;

**Resolved,** That for the TRS-Care Medicare Advantage plans and the TRS-Care Medicare Prescription plans, for the plan year commencing on January 1, 2015, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current benefit plan designs for these plans in place for the plan year that commenced on January 1, 2014;

**Resolved,** That the Board finds that, considering the actions taken in the resolutions above, TRS-Care is projected to remain financially solvent during the currently funded biennium; and

**Resolved,** That for the 2015 plan year commencing on September 1, 2014 for the TRS-Care Standard plans, and for the plan year commencing on January 1, 2015 for the TRS-Care Medicare Advantage plans and the TRS-Care Medicare Prescription plans, and for all plan years thereafter, until further action by the Board, the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution, and to otherwise implement and continue the TRS-Care Standard plans, the TRS-Care Medicare Advantage plans, and the TRS-Care Medicare Prescription plans until further action by the Board.

**Exhibit A**

TO THE RESOLUTION APPROVING PREMIUM RATES AND BENEFIT PLAN DESIGNS FOR THE TRS-CARE STANDARD PLANS, THE TRS-CARE MEDICARE ADVANTAGE PLANS, AND THE TRS-CARE MEDICARE PRESCRIPTION PLANS

**Benefit Plan Design Changes**

**TRS-Care 2 Standard Plan**

The Board hereby approves and adopts the following benefit plan design changes for the TRS-Care 2 Standard plan, subject to all other plan requirements and restrictions, beginning in the 2015 plan year commencing on September 1, 2014 and for all plan years thereafter, until further action by the Board:

<b>Plan Feature</b>	<b>From 2013-2014 Plan Year</b>	<b>To 2014-2015 Plan Year</b>
Individual Co-Insurance Limit Family Co-Insurance Limit	\$3,000 \$6,000	N/A N/A
Individual Out-of-pocket maximum Family Out-of-pocket maximum	\$4,000 \$8,000  (Out-of-pocket maximums exclude deductibles and copayments)	\$4,400 \$8,800  (Out-of-pocket maximums <b>include</b> deductibles and copayments)
Quest Lab Services	N/A	100% covered for non-Medicare enrollees

**TRS-Care 3 Standard Plan**

The Board hereby approves and adopts the following benefit plan design changes for the TRS-Care 3 Standard plan, subject to all other plan requirements and restrictions, beginning in the 2015 plan year commencing on September 1, 2014 and for all plan years thereafter, until further action by the Board:

<b>Plan Feature</b>	<b>From 2013-2014 Plan Year</b>	<b>To 2014-2015 Plan Year</b>
Individual Co-Insurance Limit Family Co-Insurance Limit	\$3,000 \$6,000	N/A N/A
Individual Out-of-pocket maximum Family Out-of-pocket maximum	\$3,300 \$6,600  (Out-of-pocket maximums exclude deductibles and copayments)	\$3,700 \$7,400  (Out-of-pocket maximums <b>include</b> deductibles and copayments)
Quest Lab Services	N/A	100% covered for non-Medicare enrollees

**16. Discuss and consider the following items regarding the active employees health benefits program (TRS-ActiveCare) health maintenance organization (HMO) option, including considering a finding that deliberating or conferring on the HMO vendor selection in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company:**

**A. Selection of HMO vendor(s) under TRS-ActiveCare.**

**B. Adoption of premiums and plan design for the TRS-ActiveCare HMO plan options.**

On a motion by Ms. Sissney, seconded by Ms. Charleston, the board unanimously adopted the following resolutions, along with related exhibits, selecting Scott & White, First Care, and Valley Baptist as HMO vendors for TRS-ActiveCare:

**Whereas**, Chapter 1579, Insurance Code, establishes the Texas School Employees Uniform Group Health Coverage Program (TRS-ActiveCare), a uniform group health benefits program;

**Whereas**, Under Chapter 1579, Insurance Code, the Teacher Retirement System of Texas (TRS), as trustee, is authorized to implement and administer TRS-ActiveCare;

**Whereas**, TRS issued a Request for Proposals (“RFP”) to entities interested in offering a health maintenance organization plan to participants in TRS-ActiveCare who reside or work in the respective service areas of each health maintenance organization (“HMO”);

**Whereas,** TRS received and evaluated proposals responsive to the RFP to provide health maintenance organization plans to such TRS-ActiveCare participants;

**Whereas,** TRS staff and the TRS healthcare consultant, Gabriel, Roeder, Smith & Company (“GRS”), have discussed the proposals with the TRS Board of Trustees (the “Board”), provided relevant information to the Board, and presented an evaluation to the Board concerning the selection of HMOs that will be allowed to provide a health maintenance organization plan to participants in TRS-ActiveCare who reside or work in the respective service areas of each HMO;

**Whereas,** TRS staff and GRS have recommended that the premiums to be paid by TRS-ActiveCare participants enrolled in an HMO include the rates offered for the 2015 plan year, which begins on September 1, 2014, by each of the selected HMOs plus a monthly administration fee of \$7.50 per contract between a participant and an HMO to cover the clearinghouse fees and other administrative expenses incurred by the TRS-ActiveCare program; and

**Whereas,** The Board has considered the information and evaluations furnished by TRS staff and GRS and desires to select the HMOs that will be allowed, beginning with the 2015 plan year, which begins on September 1, 2014, to provide a health maintenance organization plan to participants in TRS-ActiveCare who reside or work in the respective service areas of each HMO; now, therefore, be it

**Resolved,** That the Board hereby selects SHA, L.L.C. d/b/a FirstCare Health Plans to provide a health maintenance organization plan within TRS-ActiveCare and hereby approves and adopts the plan design, the monthly premium, and the service area, all as set out in Exhibit A, attached to this resolution and incorporated herein by reference;

**Resolved,** That the Board hereby selects Scott & White Health Plan to provide a health maintenance organization plan within TRS-ActiveCare and hereby approves and adopts the plan design, the monthly premium, and the service area, all as set out in Exhibit B, attached to this resolution and incorporated herein by reference;

**Resolved,** That the Board hereby selects Valley Baptist Insurance Company dba Valley Baptist Health Plans to provide a health maintenance organization plan within TRS-ActiveCare and hereby approves and adopts the plan design, the monthly premium, and the service area, all as set out in Exhibit C, attached to this resolution and incorporated herein by reference;

**Resolved,** That the approved plans of coverage offered by each selected 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, 2014, shall remain unchanged until further action by the Board;

**Resolved,** That the approved service area of each selected HMO shall remain unchanged until further action by the Board;

**Resolved,** That none of the HMOs selected by the Board may charge higher premiums, during the 2015 plan year, which begins on September 1, 2014, than those hereby approved;

**Resolved,** That with prior written approval from the Executive Director or his designee, each selected HMO may offer to participants in TRS-ActiveCare who reside or work in the respective service areas of each HMO, lower premiums than those hereby approved, each of which commences on September 1, 2014; and

**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, including for each selected HMO the contract contained in the RFP, deemed by him or such designee to be necessary or advisable to implement this resolution and to administer the TRS-ActiveCare contract with each selected HMO in the best interests of the TRS-ActiveCare program.

**Exhibit A**

TO THE RESOLUTION REGARDING THE SELECTION OF HEALTH  
MAINTENANCE ORGANIZATIONS AND APPROVING BENEFITS, PREMIUM  
RATES AND SERVICE AREAS FOR THE TRS-ACTIVECARE PROGRAM

June 5 - 6, 2014

SHA, L.L.C. d/b/a FirstCare Health Plans

The Board approves and adopts the plan design contained in the responsive proposal to the RFP filed by SHA, L.L.C. d/b/a FirstCare Health Plans.

The Board approves and adopts the following monthly premiums to be charged during the 2015 plan year, which begins on September 1, 2014, to TRS-ActiveCare participants enrolled in the HMO offered by SHA, L.L.C. d/b/a FirstCare Health Plans, according to coverage tier:

Coverage Tier	FY 2015 Premiums
Employee Only	\$ 390.14
Employee & Spouse	\$ 977.76
Employee & Child(ren)	\$ 618.94
Employee & Family	\$ 987.44

The Board approves and adopts the service area contained in the responsive proposal to the RFP filed by SHA, L.L.C. d/b/a FirstCare Health Plans.

**Exhibit B**

TO THE RESOLUTION REGARDING THE SELECTION OF HEALTH  
MAINTENANCE ORGANIZATIONS AND APPROVING BENEFITS, PREMIUM  
RATES AND SERVICE AREAS FOR THE TRS-ACTIVECARE PROGRAM

June 5 - 6, 2014

Scott & White Health Plan

The Board approves and adopts the plan design contained in the responsive proposal to the RFP filed by Scott & White Health Plan.

The Board approves and adopts the following monthly premiums to be charged during the 2015 plan year, which begins on September 1, 2014, to TRS-ActiveCare participants enrolled in the HMO offered by Scott & White Health Plan, according to coverage tier:

Coverage Tier	FY 2015 Premiums
Employee Only	\$ 452.80
Employee & Spouse	\$1020.08
Employee & Child(ren)	\$ 717.32
Employee & Family	\$1131.50

The Board approves and adopts the service area contained in the responsive proposal to the RFP filed by Scott & White Health Plan.

**Exhibit C**

TO THE RESOLUTION REGARDING THE SELECTION OF HEALTH MAINTENANCE ORGANIZATIONS AND APPROVING BENEFITS, PREMIUM RATES AND SERVICE AREAS FOR THE TRS-ACTIVECARE PROGRAM

June 5 - 6, 2014

Valley Baptist Insurance Company  
dba Valley Baptist Health Plans

The Board approves and adopts the plan design contained in the responsive proposal to the RFP filed by Valley Baptist Insurance Company dba Valley Baptist Health Plans.

The Board approves and adopts the following monthly premiums to be charged during the 2015 plan year, which begins on September 1, 2014, to TRS-ActiveCare participants enrolled in the HMO offered by Valley Baptist Insurance Company dba Valley Baptist Health Plans, according to coverage tier:

Coverage Tier	FY 2015 Premiums
Employee Only	\$ 400.20
Employee & Spouse	\$ 969.60
Employee & Child(ren)	\$ 627.14
Employee & Family	\$ 989.22

The Board approves and adopts the service area contained in the responsive proposal to the RFP filed by Valley Baptist Insurance Company dba Valley Baptist Health Plans.

**17. Discuss and consider adoption of premiums and plan design for self-funded plan options under the active employees health benefits program (TRS-ActiveCare) – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.**

Ms. Jones presented the recommended changes that were included in the proposed resolution.

On a motion by Mr. Moss, seconded by Ms. Palmer, the board unanimously adopted the following resolution adopting the recommended changes to the TRS-ActiveCare plan design and benefits included in the resolution:

**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 (TRS-ActiveCare) under the Texas School Employees Uniform Group Health Coverage Act, as described in the statute;

**Whereas,** TRS staff and the TRS health benefits consultant, Gabriel, Roeder, Smith & Company (“GRS”), have recommended that benefit changes, as indicated below, be made to TRS-ActiveCare 1-HD and TRS-ActiveCare 2 for the 2015 plan year commencing on September 1, 2014;

**Whereas,** TRS staff and GRS have recommended the adoption of a new TRS-ActiveCare plan option, to be referred to as “TRS-ActiveCare Select,” as indicated below, for the 2015 plan year commencing on September 1, 2014;

**Whereas,** TRS staff and GRS have recommended that for the 2015 plan year commencing on September 1, 2014, rates at all levels of coverage in TRS-ActiveCare 1-HD, 2, and Select be set at the gross premium amounts set out in Exhibit A, attached to this resolution and incorporated herein by reference; and

**Whereas,** TRS staff and GRS have recommended that TRS-ActiveCare 3 be discontinued effective September 1, 2014;

**Whereas,** TRS staff and GRS have recommended that all enrollees in TRS-ActiveCare 3 be transitioned to TRS-ActiveCare 2 effective September 1, 2014, unless the employee selects another TRS-ActiveCare plan option during the annual enrollment period for the 2015 plan year, which begins on September 1, 2014; 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 2015 plan year commencing on September 1, 2014 and thereafter, until further action by the Board:

<b>Plan Feature</b>	<b>From 2013-2014 Plan Year</b>	<b>To 2014-2015 Plan Year</b>
Individual Deductible	\$2,400	\$2,500
Family Deductible	\$4,800	\$5,000
Individual Out-of-pocket maximum Family Out-of-pocket maximum	\$3,850 \$4,200  (Out-of-pocket maximums exclude deductibles and copayments)	\$6,350 \$9,200  (Out-of-pocket maximums <b>include</b> deductibles and copayments)
Teladoc Physician Services	N/A	\$40 consultation fee applies to deductible and OOP expenses

**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 2015 plan year commencing on September 1, 2014 and thereafter, until further action by the Board:



Plan Feature	From 2013-2014 Plan Year	To 2014-2015 Plan Year
Individual Out-of-pocket maximum Family Out-of-pocket maximum	\$4,000 \$8,000  (Out-of-pocket maximums exclude deductibles and copayments)	\$6,000 \$12,000  (Out-of-pocket maximums <b>include</b> deductibles and copayments)
Specialty Drugs	\$200 copay per fill	\$200 copay for up to 31 day supply; \$450 copay for 32-90 day supply
Teladoc Physician Services	N/A	100% covered
Quest Lab Services	N/A	100% covered

**Resolved,** That the Board hereby adopts and authorizes TRS-ActiveCare Select, with the following benefit design for the 2015 plan year commencing on September 1, 2014 and thereafter, until further action by the Board:

Plan Feature	For the 2014-2015 Plan Year
Individual Deductible Family Deductible	\$1,200 \$3,600
Individual Out-of-pocket maximum Family Out-of-pocket maximum	\$6,350 \$9,200  (Out-of-pocket maximums <b>include</b> deductibles and copayments)
Preventive Services	100% for all ACA designated services
Teladoc Physician Services	100% covered
Quest Lab Services	100% covered
Bariatric Surgery	Excluded
Annual Drug Deductible	\$200, excluding generic drugs (Tier I)
Retail Short-term Drug Copays Tier 1 Drugs Tier 2 Drugs Tier 3 Drugs (Up to 31 day supply)	\$20 \$40 50% coinsurance
Retail Maintenance Drug Copays Tier 1 Drugs Tier 2 Drugs Tier 3 Drugs (Up to 31 day supply)	\$25 \$50 50% coinsurance
Mail Order Drug Copays Tier 1 Drugs Tier 2 Drugs Tier 3 Drugs (Up to 90 day supply)	\$45 \$105 50% coinsurance
Specialty Drugs	20% coinsurance

**Resolved,** That the Board hereby adopts and authorizes the gross premium rates for TRS-ActiveCare 1-HD, 2, and Select contained in Exhibit A, for the 2015 plan year commencing on September 1, 2014 and thereafter, until further action by the Board;

**Resolved,** That the Board hereby discontinues TRS-ActiveCare 3 effective September 1, 2014;

**Resolved,** That all enrollees in TRS-ActiveCare 3 be transitioned to TRS-ActiveCare 2 effective September 1, 2014, unless the employee selects another TRS-ActiveCare plan option during the annual enrollment period for the 2015 plan year, which begins on September 1, 2014; 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 3 plan of coverage until September 1, 2014, to discontinue TRS-ActiveCare 3 effective September 1, 2014, to continue the existing approved plans of coverage for TRS-ActiveCare 1-HD and TRS-ActiveCare 2, and to initiate TRS-ActiveCare Select, until further action by the Board.

**Exhibit A**  
TO THE RESOLUTION APPROVING BENEFITS AND  
PREMIUM RATES FOR TRS-ACTIVECARE 1-HD, 2, AND SELECT  
AND DISCONTINUING TRS-ACTIVECARE 3

**FY 2015 Monthly Gross Premium Rates**

	<u>Current FY 2014 Rate</u>	<u>Proposed FY 2015 Rate</u>
<b>TRS-ActiveCare 1-HD</b>		
Employee Only	\$325.00	\$325.00
Employee and Spouse	\$794.00	\$850.00
Employee and Child(ren)	\$572.00	\$572.00
Employee and Family	\$1,060.00	\$1,145.00
<b>TRS-ActiveCare Select</b>		
Employee Only	N/A	\$450.00
Employee and Spouse	N/A	\$1,044.00
Employee and Child(ren)	N/A	\$709.00
Employee and Family	N/A	\$1,238.00
<b>TRS-ActiveCare 2</b>		
Employee Only	\$529.00	\$555.00
Employee and Spouse	\$1,203.00	\$1,287.00
Employee and Child(ren)	\$841.00	\$875.00
Employee and Family	\$1,323.00	\$1,323.00

**18. Discuss and consider enrollment periods for the 2014-2015 plan year for the active employees health benefits program (TRS-ActiveCare) – Betsey Jones and William Hickman, Gabriel, Roeder, Smith & Company.**

Ms. Jones stated that the proposed enrollment period for TRS-ActiveCare would be from July 21, 2014, through August 31, 2014. She noted that current participants would not need to reenroll, despite the changes to the vendors.

On a motion by Ms. Ramirez, seconded by Ms. Charleston, the board unanimously adopted the following resolution authorizing the TRS-ActiveCare plan enrollment period for the 2015 plan year as presented by staff:

**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 (TRS-ActiveCare) under the Texas School Employees Uniform Group Health Coverage Act, 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 has recommended that the plan enrollment period for TRS-ActiveCare coverage during the 2015 plan year, which begins on September 1, 2014, occur from July 21, 2014 through August 31, 2014;

**Whereas**, The above plan enrollment period does not affect the alternative plan enrollment dates established under 34 Texas Administrative Code §41.36 (a) through (h) for any employee of any entity that becomes a participating entity after September 1, 2014; and

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

**Resolved**, Subject to the alternative plan enrollment dates established under 34 Texas Administrative Code §41.36 (a) through (h) for any employee of any entity that becomes a participating entity after September 1, 2014, the plan enrollment period for TRS-ActiveCare coverage during the 2015 plan year, which begins on September 1, 2014, shall occur from July 21, 2014 through August 31, 2014.

**19. Evaluate the performance of Gabriel, Roeder, Smith & Company as the provider of health benefit consultant services to TRS – Betsey Jones.**

Pursuant to the statutory requirement, Ms. Jones evaluated the services provided by Gabriel, Roeder, Smith & Company (GRS) as TRS' health benefit consultant. She expressed her appreciation for the quality services provided by GRS.

**20. Evaluate the performance of Gabriel, Roeder, Smith & Company as the provider of Pension Trust Fund actuarial services and related services to TRS – Rebecca Merrill.**

Pursuant to the statutory requirement, Ms. Merrill evaluated the services provided by GRS as

TRS' pension fund actuary. She highlighted the services provided by GRS and staff's good working relationship with the firm.

## **21. Consider selecting a firm to provide actuarial audit services – Rebecca Merrill**

Ms. Merrill stated that actuarial services will soon be due for an audit, as required by statute. She stated that, based on the response to TRS' request for proposals (RFP) issued for actuarial audit services, staff recommended that Segal Consulting provide those services. She noted that the audit results would be provided to the board in September.

On a motion by Ms. Charleston, seconded by Mr. Corpus, the board unanimously adopted the following resolution to select Segal Consulting to provide actuarial audit services:

**Whereas**, Section 825.101, Government Code, states that the Board is responsible for the general administration and operation of the retirement system, and Section 825.103, Government Code, states that the Board has exclusive authority over the purchase of goods and services using trust funds, including without limitation professional services;

**Whereas**, Section 825.206(f), Government Code, requires the Board to engage an actuarial audit at least once every five years or in conjunction with an actuarial experience study;

**Whereas**, TRS Bylaws subsections 5.6(b) and 5.6(e) authorize the Executive Director to contract for the purchase of services and the execution of vouchers for payments, in accordance with actions of the Board;

**Whereas**, TRS conducted a competitive process to identify qualified candidates for the actuarial audit; now, therefore be it

**Resolved**, That the Board of Trustees of the Teacher Retirement System of Texas (the "Board"), authorizes the Executive Director or the Deputy Director of the Teacher Retirement System of Texas ("TRS") to negotiate, with the assistance and advice of legal counsel, an agreement for actuarial audit services with **Segal Consulting** and, if negotiations are deemed in his or her discretion to be successful, then the Executive Director or the Deputy Director is hereby authorized to execute an agreement on such terms and conditions as such officer may deem, in his or her discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including all future extensions or amendments to the contract, that such officer may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to incur, approve, and pay any budgeted expenses or costs reasonably necessary or advisable with respect to such contract or amendments.

**Resolved**, That nothing in these resolutions creates or forms a contract, an offer to contract, or a power of acceptance to form a contract, it being the intention of the Board that TRS shall not be legally bound unless and until the Executive Director executes and delivers a definitive agreement for the services to be provided by the entity named above.

**22. Receive a report on the 2014 TRS Member Satisfaction Survey – Howard Goldman and Veronica Kronvall, University of North Texas (UNT) Survey Research Center.**

Mr. Goldman provided the results of the 2014 TRS member satisfaction survey, an annual survey required of all state agencies. He stated that the survey was conducted with the University of North Texas (UNT) Survey Research Center. He noted that it was the first year that the survey made use of *MyTRS* email to invite members to participate in the survey online. He said that the use of *MyTRS* had helped TRS obtain statistically significant results. He highlighted some of the notable results, including the decreased satisfaction with TRS-ActiveCare and the increased satisfaction with the TRS website and *MyTRS*. Ms. Kronvall provided further details about the survey and its results. There was discussion concerning the unknown reasons for the decreased satisfaction with the redesign of the *TRS Benefits Handbook*.

**23. Review the report of the Audit Committee on its June 6, 2014 meeting and consider adoption of proposed revisions to Fiscal Year 2014 Audit Plan – Christopher Moss.**

Mr. Moss, Committee Chair, provided the following report of the Audit Committee:

The Audit Committee met at 8:00 a.m. on Friday, June 6, 2014, in the 5th Floor Boardroom. The State Auditor's Office staff provided an overview of independent financial auditor guidance for testing census data of reporting entities and their planned approach for applying the guidance. Protiviti representatives provided a report from the results of the healthcare audit risk assessment and model three-year audit plan. Internal Audit staff presented the results of the contractor on boarding and system access security audit, third-quarter testing of Investment Management Division controls, and quarterly investment and benefit payment testing, the status of prior audit and consulting recommendations and audit administrative matters. The committee approved a recommendation to the Board of Trustees to revise the audit plan for fiscal year 2014. Revisions to the plan include deferring the electronic records audit to fiscal year 2015, deferring the healthcare governance audit and adding an advisory project to assist management in assessing TEAM internal controls.

On a motion by Mr. Moss as the committee chair, the board unanimously adopted the proposed revisions to the fiscal year 2014 Audit Plan.

Mr. Moss continued the report of the Audit Committee as follows:

The committee went into Executive Session to discuss the results of the refunds of inactive and escheated accounts, status of reporting entity reviews, and outcome of other investigations.

24. **Review the report of the Chief Financial Officer under § 825.314(b), Government Code, on 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 – Don Green.**

Pursuant to §825.314(b) of the Government Code, Mr. Green presented a report of expenditures paid during the months of March and April 2014 related to the fiduciary duties of the board.

25. **Review and discuss the Deputy Director’s Report, including matters related to administrative, financial, and staff services operations – Ken Welch**

Mr. Welch highlighted recent agency events, including the fittest loser competition, quarterly blood drive, internship program, leadership development program, and the new GASB standards.

26. **Review the report of the General Counsel on pending or contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, and open records – Carolina de Onís.**

The board members had no questions about the litigation report.

27. **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.**

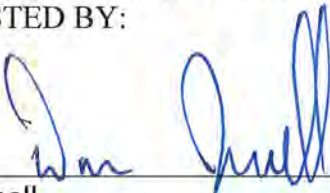
28. **Consult with the Board's attorney(s) in Executive Session on any item listed above on this meeting agenda as authorized by Section 551.071 of the Texas Open Meetings Act (Chapter 551 of the Texas Government Code) – David Kelly.**

The board took up no further business under agenda items 27 and 28.

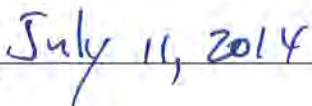
The meeting was adjourned at 4:30 p.m.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 10TH DAY OF JULY, 2014.

ATTESTED BY:

  
\_\_\_\_\_  
Dan Junell

Secretary to the TRS Board of Trustees

  
\_\_\_\_\_  
Date