

Minutes of the Board of Trustees

June 16 and 17, 2016

The Board of Trustees of the Teacher Retirement System of Texas met on June 16 and 17, 2016 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
Karen Charleston
David Corpus
Dr. Greg Gibson
Christopher Moss
Anita Palmer
Dolores Ramirez

Others present:

Brian Guthrie, TRS
Ken Welch, TRS
Britt Harris, TRS
Carolina de Onís, TRS
Janet Bray, TRS
Katrina Daniel, TRS
Howard Goldman, TRS
Don Green, TRS
Rebecca Merrill, TRS
Jerry Albright, TRS
Lane Arnold, TRS
Christine Bailey, TRS
Ronald Bounds, TRS
Patricia Cantu, TRS
Mary Chang, TRS
Edward Esquivel, TRS
Dan Herron, TRS
Katy Hoffman, TRS
Clarke Howard, TRS
Steve Huff, TRS
Dan Junell, TRS
Eric Lange, TRS
Mike Pia, TRS
Jamie Pierce, TRS
Jim Pinkard, TRS
Rhonda Price, TRS
Beckie Smith, TRS
Sharon Toalson, TRS
Andrea Torrez, TRS
Heather Traeger, TRS
Courtney Villalta, TRS
Kristi Vorce, TRS
Dale West, TRS
Yimei Zhao, TRS

Nanette Sissney, former Board member
Max Ates, Fort Worth ISD
Jim Baker, Unite Here
Leon Black, Apollo
Dr. Keith Brown, TRS Board Investment [Advisor/Counsel]
Monie Stewart Cariaga, Caesars Entertainment/Unite Here
Amy Cohen, GRS
Kristen Doyle, Aon Hewitt
Ann Fickel, TCTA
Barbara Franklin, TSTA-R
William Hickman, GRS
Sally Imig, Aetna
Bob Jordan
Rob Kochis, Townsend Group
Jason Kordosky, Unite Here
Tim Lee, TRTA
Ta Lohachitku, Albourne
Mike McCormick, Aon Hewitt
Philip Mullins, Texas State Employees Union
Tim Murphy, Aetna
Maggie Parker, Aetna
Mark Quinn, Aetna
Keith Robinson, Focus Consulting
Victor F. Russell, MMR Reality Advisors
Trevor M. Simmons, LBB
Tim Snyder, Humana
Eric St. Pierre, GRS
Dan Tufte, Humana
Cindy Walsh, Humana
Aretha Wilder, Caesars Entertainment, Unite Here
Paul Yett, Hamilton Lane
Jim Zelter, Apollo

Mr. Kelly called the meeting to order at 9:00 a.m.

1. Call roll of Board members.

Mr. Junell called the roll. A quorum was present. Mr. Colonna and Mr. Elliott were absent.

2. Consider the following administrative items – David Kelly:

A. Approval of the proposed May 13, 2016 Board meeting minutes.

On a motion by Ms. Palmer, seconded by Ms. Ramirez, the Board unanimously voted to approve the proposed minutes of the May 13, 2016 board meeting.

B. Excusing Board member absences from the May 13, 2016 Board meeting.

On a motion by Ms. Ramirez, seconded by Ms. Charleston, the Board unanimously voted to excuse the absences of Mr. Colonna and Ms. Palmer from the May 13, 2016 Board meeting.

C. Election of the Board Vice-Chair.

Mr. Kelly nominated Ms. Ramirez as the Board's Vice-Chair. Dr. Gibson seconded the nomination. The Board unanimously voted Ms. Ramirez as the Board Vice-Chair.

D. Consenting to the Board Chair's appointment of committee members, and receiving the Board Chair's public announcement of committee chairs.

On a motion by Mr. Moss, seconded by Dr. Gibson, the Board unanimously voted to approve the appointment of committee members as recommended by Mr. Kelly.

Audit Committee

Chris Moss, Chair
Karen Charleston
David Corpus
Greg Gibson
Anita Palmer

Investment Management Committee

Joe Colonna, Chair
David Corpus
David Kelly
Chris Moss
Dolores Ramirez

Benefits Committee

Anita Palmer, Chair
Karen Charleston
Greg Gibson
Chris Moss
Dolores Ramirez

Risk Management Committee

Karen Charleston, Chair
David Corpus
John Elliott
David Kelly
Chris Moss

Budget Committee

Anita Palmer, Chair
Karen Charleston
John Elliott
Greg Gibson
Dolores Ramirez

Ethics Committee (committee of the whole)

Dolores Ramirez, Chair

Policy Committee

David Corpus, Chair
Joe Colonna
John Elliott
David Kelly
Anita Palmer

Compensation Committee

Dolores Ramirez, Chair
Joe Colonna
John Elliott
Greg Gibson
David Kelly

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

On a motion by Mr. Corpus, seconded by Ms. Ramirez, the Board unanimously voted to approve February 22 – 24, 2017 as the dates for the February 2017 Board meeting in Austin.

F. Recognizing the service of outgoing TRS trustee, Nanette Sissney.

On a motion by Dr. Gibson, seconded by Ms. Ramirez, the Board adopted the proposed resolution recognizing the service of outgoing TRS trustee Nanette Sissney.

Nanette Sissney has served as a member of the Board of Trustees of the Teacher Retirement System of Texas from October 2009 through April 2016. Mindful of her duty as caretaker of a trust of those who teach or otherwise serve our state's children and thereby shape its future; and

Whereas, she has provided leadership to the System during a time when the Retirement System grew to more than 1.4 million member annuitants, management controls were strengthened, new investment allocations and procedures were adopted and implemented, the TRS Enterprise Application and Modernization (TEAM) program was launched with significant progress made, the State Auditor's Office reports provided unqualified opinions with no material findings, and TRS annually received a certificate of Achievement for Excellence in Financial Reporting from the Government Finance Office Association; and

Whereas, she served TRS in numerous ways, including as vice-chair of the board, chair of the Budget, Compensation and Ethics committees, and as a member of the Audit, Benefits and Investment Management committees; and

Whereas, she served on the Board at a time when TRS conducted an important legislative study on pension fund sustainability which enabled the legislature to make modifications that made the pension fund actuarially sound, allowing for the first permanent cost of living increase for a majority of retirees in more than a decade.

Whereas, she played an active role in selecting a new executive director for the TRS in February 2011; and

Whereas, she served on the Board during the time of TRS's 75th anniversary and joined other trustees in commemorating that special event; and

Whereas, she represented TRS on the National Council on Teacher Retirement (NCTR) Resolutions, Trustee Education and Legislative committees; and

Whereas, she helped guide the agency through the prudent oversight of trust assets during a challenging period of extreme capital markets volatility, including one of the nation's most serious recessions, when the TRS pension fund rebounded from approximately \$90 billion in October 2009 to approximately \$129 billion as of June 2016.

Now, therefore, be it resolved that the Board of Trustees and staff of the Teacher Retirement System of Texas recognizes the accomplishments and contributions of Nanette Sissney and express appreciation on behalf of TRS members, both present and future. And be it further resolved that a copy of this resolution be presented to Nanette Sissney and entered into the record of the Board for June 16, 2016.

3. Provide opportunity for public comment – David Kelly.

Mr. Jason Kardosky with UniteHere presented his comments regarding Apollo Global management, including Apollo Fund IV. Mr. Kardosky expressed concerns regarding Apollo's management of contract negotiations with Caesars Entertainment ("Caesars") and its portfolio companies. He said that such management could pose risks for investors, workers, and communities and he suggested that TRS may have indemnification obligations. Mr. Kardosky encouraged the Board to investigate whether its limited partnership agreements with Apollo Fund IV have an indemnification clause or other language that could cause the fund, and by extension, Texas pensioners to be liable for damages or costs arising out of litigation.

Ms. Monie Cariaga, a cocktail server at the Paris Casino in Las Vegas and active member of Unite Here, addressed the Board about Apollo's contract negotiations with Caesars. Ms. Cariaga asked TRS to tell Apollo that Caesars should deal fairly with its workers.

Ms. Aretha Wilder, a cocktail serve at the Flamingo Hotel in Las Vegas and active member of Unite Here, asked TRS to inform Apollo that TRS is in favor of a rapid and fair resolution to ongoing contract negotiations.

Mr. Jim Baker with UniteHere addressed the Board concerning Valeant and Turing Pharmaceuticals' acquisitions of pharmaceutical companies and the increased prices of drugs that were acquired in the acquisitions. Mr. Baker noted news reports of Apollo Global Management's bid for Concordia Health Care and the rising prices of drugs. Mr. Baker questioned what the acquisition of a company like Concordia Health Care would mean for Apollo partners such as TRS.

Ms. Ann Fickel with the Texas Classroom Teachers Association ("TCTA") addressed the Board regarding the service of Nanette Sissney, noting Ms. Sissney's 25 years of service to the TCTA, and thanked Ms. Sissney, on behalf of TCTA, for her work over the years for Texas teachers.

Mr. Tim Lee expressed his appreciation for Ms. Sissney's time and service to Texas teachers. Mr. Lee also provided comments regarding the TRS health insurance programs, potential changes affecting out-of-pocket maximums, and how such changes would be difficult for retirees. Mr. Kelly invited Mr. Lee to share his input if there is something TRS can do to be more or better prepared that is not getting done.

4. Consider the following investment matters:

A. Performance Review: First Quarter 2016 – Kristen Doyle and Mike McCormick, Aon Hewitt.

Ms. Kristen Doyle and Mr. Mike McCormick presented the trust performance summary for the first quarter of 2016 ending March 31, 2016. They provided information regarding market returns, market value change, asset allocation, total fund performance and attribution, and risk profile. Responding to a comment by Dr. Brown regarding the reason for focusing on short-term asset allocation performance in comparison to the three- and five-year performance for the remainder of the report, Mr. McCormick responded that short-term information is provided so that the Board can have a general understanding of what has driven recent results and so the Board can link those together to have continuity in understanding of what is driving the plan.

B. Consider the contracts with the following investment consultants: Aon Hewitt (Steve Voss); Albourne Partners Limited (Ta Lohachitku); Hamilton Lane Advisors LLC (Paul Yett); The Townsend Group (Rob Kochis) – Jerry Albright.

Mr. Jerry Albright, Deputy Chief Investment Officer, provided an overview of TRS' use of investment consultants, the contracting process, and staff recommendations regarding the extension of current investment consultant contracts. On a motion by Ms. Palmer, seconded by Dr. Gibson, the Board unanimously adopted the following resolution authorizing extensions to the contracts between TRS and Aon Hewitt, TRS and Albourne Partners Limited, TRS and Hamilton Lane Advisors LLC, and TRS and The Townsend Group for two years.

Whereas, Texas Government Code section 825.301(b) authorizes the Board of Trustees ("Board") of the Teacher Retirement System of Texas ("TRS") to contract with private professional investment managers, advisors, and consultants to assist or advise the Board and the staff of the retirement system in investing TRS assets;

Whereas, TRS investment staff has evaluated the investment consulting services provided by the current Board consultant Aon Hewitt and the consultants for Hedge Funds, Private Equities, and Real Assets listed below (collectively, "investment consultants");

Whereas, TRS investment staff has recommended that the Board authorize the extension of the engagements of the current investment consultants for two years according to terms, conditions, and fees to be negotiated by the TRS Executive Director or his designee;

Whereas, The TRS Board has determined that extending the contract of each investment consultant listed below for two years will provide the best overall value for TRS; now therefore, be it

Resolved, That the Executive Director, or his designee, be and hereby is authorized to negotiate, with the assistance and advice of legal counsel, an extended and amended agreement for investment consulting services with each of the service providers listed below and, if negotiations are deemed by the Executive Director in his discretion to be successful, then the Executive Director or his designee is hereby authorized to execute an extended agreement with each service provider for two years according to such terms, conditions, and fees as the Executive Director may deem in his discretion to be appropriate and to provide the best overall value for TRS, and to execute and deliver all such other documents that the Executive Director 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 associated with such agreements and deemed in the discretion of the Executive Director to be reasonably necessary or advisable with respect to each agreement:

Board Consultant:	Aon Hewitt (formerly known as Hewitt EnnisKnupp, Inc.)
Hedge Funds:	Albourne Partners Limited (formerly known as Albourne America LLC)
Private Equities:	Hamilton Lane Advisors LLC
Real Assets:	The Townsend Group

C. Market Overview from Apollo – Leon Black.

Mr. Leon Black and Mr. Jim Zelter with Apollo discussed world credit markets and opportunities for private equity investments. Responding to a request from Dr. Brown to comment from an operating perspective and from the Board’s perspective as an asset owner on allocating assets in a negative rate environment, Mr. Zelter discussed how the low rate environment has brought equity returns up dramatically and recent changes in approach. Responding to a question from Mr. Kelly regarding return expectations going forward, Mr. Black stated that Apollo’s average net return was 26 percent and that it would stick to its value orientation of generating high returns by taking less risk through paying lower prices. Mr. Zelter next discussed Apollo’s credit strategy. Responding to a question from Mr. Corpus regarding investments in China in the next five to ten years, Mr. Zelter responded by stating that Apollo does not have direct investments in China and that it is very challenging to navigate property rights issues and the rule of law there.

Mr. Kelly announced that the board would next consider agenda items 15 and 16.

15. Receive an overview of the executive evaluation process – Keith Robinson, Focus Consulting and Janet Bray.

Mr. Keith Robinson of Focus Consulting provided an overview and update of the executive evaluation assessment process for the executive director, chief investment officer and chief audit executive. Mr. Robinson discussed key inputs and ratings scales utilized in the assessment process.

16. Consider amendments to the Executive Performance Incentive Pay Plan for the plan year beginning July 1, 2016, including adopting performance categories, category weights, performance goals, and key performance indicators – Keith Robinson, Focus Consulting and Janet Bray.

Mr. Keith Robinson provided an overview of the executive director performance incentive plan pilot program. Ms. Bray indicated that the one change being recommended to the plan is to delete all references to the pilot period. Responding to a question from Mr. Moss whether the pilot period would result in an incentive for the Executive Director, Ms. Bray responded that it would and that results from the pilot period will be reported at the July Board meeting. Responding to a question from Mr. Gibson regarding whether customer satisfaction means member satisfaction and how

that data is obtained, Mr. Robinson indicated that it does and that the data used is CEM data that measures customer satisfaction through third party customer satisfaction surveys.

On a motion by Mr. Moss, seconded by Dr. Gibson, the Board unanimously voted to approve the amendments to the Executive Performance Incentive Pay Plan for the plan year beginning July 1, 2016, including adopting performance categories, category weights, performance goals, and key performance indicators.

The board recessed at 11:00 a.m. to conduct committee meetings. After the recess, the board meeting reconvened at 4:00 p.m.

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

5. Discuss the Executive Director's report on the following – Brian Guthrie:

- A. Administrative operational matters, including updates on the Executive Director's goals; financial, audit, legal, staff services, investment, board administration, special projects, long-term space planning, the use of emergency leave, and strategic planning.**
- B. Board operational matters, including a review of draft agendas for upcoming meetings.**
- C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.**

Mr. Guthrie provided an update on upcoming deadlines, including submission of the strategic plan, adoption of the budget in July, and submission of the Legislative Appropriations Request ("LAR") in late July/early August. Mr. Guthrie also mentioned a directive sent by Governor Abbott directing agencies to limit the use of emergency leave. He advised the Board that TRS will fully comply with that directive and that additional statutory clarification is anticipated.

Mr. Guthrie next referred to a letter received from the El Paso Independent School District concerning the district's desire to leave TRS-ActiveCare and its request for Board consideration of alternatives to what the current plan design allows through the Joint Select Committee, allowing for regional rates and other considerations. Mr. Guthrie indicated that a response is being drafted that will be shared with the Board when completed.

Mr. Guthrie mentioned a recent annual NCTR directors workshop in which a topic of discussion was assumed rate of return. Responding to a question from Mr. Kelly about the assumed rate of return, Mr. Guthrie indicated that those pension funds that have lowered their assumption have also lowered their investment return, with TRS now at the high end of return percent.

Mr. Guthrie next discussed his goals and key performance indicators. He also mentioned the 360 assessment tool and plans for its use in other areas of the agency. Mr. Guthrie indicated his work on mentorship and coaching. He also mentioned improvements to the physical work environment. Mr. Guthrie noted goals for specific divisions and the importance of effective communication.

Responding to a question from Mr. Kelly regarding how to add an overlay of what the board expects regarding the legislative year to the list of goals, Mr. Guthrie responded that broad legislative goals exist in the plan and that specific goals from the board can be added. Mr. Guthrie identified the focus for the upcoming legislative session, including seeking supplemental funding for TRS-Care, statutory cleanup, as well as issues that could crop up regarding the pension plan and the 403(b) program. Mr. Guthrie also noted the start of the Sunset process beginning next year. He also discussed federal trending issues, including Puerto Rico's pension plan troubles and how discussion at the federal level concerning additional reporting requirements could affect bond status. Mr. Guthrie also mentioned a proposal from Senator Hatch that could affect some investments. Mr. Kelly asked whether that issue was really an issue of timing, and Mr. Guthrie indicated yes.

Mr. Guthrie indicated that the July 29, 2016 meeting will primarily focus on staff evaluations, budget adoption, LAR review, and certification of correct ORP amounts. Mr. Guthrie concluded by mentioning upcoming Board meetings and clarifying future meeting dates in response to inquiries from Mr. Kelly and Ms. Ramirez.

6. Consider selecting a vendor as the fully insured TRS-Care Medicare Advantage Plan provider, including considering a finding that deliberating or conferring on the procurement in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Katrina Daniel.

Ms. Katrina Daniel provided a brief overview of the TRS-Care Medicare Advantage Plan provider selection process and requirements that each respondent needed to meet. Ms. Daniel indicated that four carriers responded and all made the finalists list. Finalist meetings were held and clarifications obtained. Ms. Daniel also discussed the evaluation team and key points of the evaluation process.

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. Palmer, 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. He asked that all members of the public and staff not needed for the executive session leave the meeting room and take their belongings with them.

Whereupon, the open session of the board meeting recessed at 4:35 p.m. to go into executive session.

The board meeting reconvened in open session at 5:28 p.m.

Ms. Daniel stated that staff recommends that the Board select Humana as the primary awardee for the fully insured TRS-Care Medicare Advantage plan provider contracts and that, if contract negotiations fail, Aetna be selected as the secondary awardee.

On a motion by Mr. Moss, seconded by Mr. Corpus and Ms. Palmer, the board unanimously voted to approve staff's recommendation and adopt the following resolution regarding the fully insured TRS-Care Medicare Advantage Plan provider.

**RESOLUTION SELECTING THE MEDICARE
ADVANTAGE CARRIER FOR THE TRS-CARE PROGRAM**

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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") concerning services as the carrier of Medicare Advantage plans to be offered in association with the TRS-Care program;

WHEREAS, TRS received responsive proposals from a number of interested entities to provide services as the carrier of Medicare Advantage plans to be offered in association with 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 carrier of Medicare Advantage plans to be offered in association with the TRS-Care program, 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 the Board hereby selects Humana to be the Medicare Advantage carrier to provide, implement, and administer coverage in qualified, fully insured Medicare Advantage plans in association with the TRS-Care program, subject to the successful negotiation and execution of a final agreement for a two-year term to commence on January 1, 2017, with four optional one-year renewals.

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 Humana 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 Humana 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 Humana, then the Board hereby selects Aetna Life Insurance Company to be the Medicare Advantage carrier to provide, implement, and administer coverage in qualified, fully insured Medicare Advantage plans in association with the TRS-Care program, subject to the successful negotiation and execution of

a final agreement for a two-year term to commence on January 1, 2017, with four optional one-year renewals.

FURTHER RESOLVED, That once the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract with Humana, 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 Aetna Life Insurance Company 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 Life Insurance Company 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. Receive the report of the Policy Committee on its June 16, 2016 meeting and consider amendments to the Code of Ethics for Contractors – Committee Chair.

Mr. Corpus, Committee Chair, provided the committee report as follows:

The Policy Committee met on June 16, 2016. The committee approved the proposed minutes of the April 7, 2016 meeting. The committee recommended to the Board adoption of proposed amendments to the code of ethics for contractors.

On a motion by Mr. Corpus as Committee Chair, the board unanimously adopted the proposed amendments to the Code of Ethics for Contractors, as recommended by the Policy Committee.

8. Receive the report of the Investment Management Committee on its June 16, 2016 meeting – Committee Chair.

Mr. Kelly, Committee Chair, provided the committee report as follows:

The Investment Management Committee met on June 16, 2016. The first presentation was an update on the private strategic partnership given by Mike Pia and Courtney Villalta on the partnership performance and market conditions. Second, Leon Black conducted a presentation on Apollo's portfolio and performance. Following this, there was a presentation given providing an update of external private markets which was presented by Eric Lang. Next, there was a review of private equity presented by Neil Randall. Grant Walker followed with a review of real assets. The last presentation was made by Carolyn Hansard with a review of energy and natural resources.

9. Receive the report of the Benefits Committee on its June 16, 2016 meeting and consider the following – Committee Chair:

- A. Premium and plan design for TRS-Care, the retiree health benefits program, including the three standard plans, the fully-insured Medicare Advantage Plans, and the Medicare Part D Plans.**
- B. Premium and plan design for TRS-ActiveCare, the active member health benefits program, including the preferred-provider organization (PPO) plan.**

C. Premiums and plan design for the TRS-ActiveCare HMO plan.

Ms. Palmer, Committee Chair, provided the committee report as follows:

The Benefits Committee met on June 16, 2016. The committee approved the proposed minutes of its April 7, 2016 meeting. The committee received a report on the May 19, 2016 meeting of the Retiree Advisory Committee. With regard to TRS-Care, the committee discussed and recommended to the Board adoption of premiums and plan design for the 2016-17 plan year, as recommended by staff, for the three standard plans, the fully insured Medicare Advantage plans, and the Medicare Part D plans. The committee also recommended adoption of premiums and plan design, as presented by staff, for the TRS-ActiveCare preferred provider organization plans, and the HMO plans associated with TRS-ActiveCare.

On a motion by Ms. Palmer as Committee Chair, the board unanimously adopted the following resolutions regarding premium and plan design for TRS-Care, the retiree health benefits program, including the three standard plans, the fully-insured Medicare Advantage Plans, and the Medicare Part D Plans; premium and plan design for TRS-ActiveCare, the active member health benefits program, including the preferred-provider organization (PPO) plan; and premiums and plan design for the TRS-ActiveCare HMO plan.

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

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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 Fiscal Year 2017 plan year, beginning September 1, 2016, premium rates in the TRS-Care Standard plans remain unchanged from the current premium rates for these plans for the Fiscal Year 2016 plan year;

Whereas, due to the funding available to TRS-Care, TRS staff and GRS have further recommended that for the plan year commencing on January 1, 2017, 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, 2016;

Whereas, TRS staff and GRS have further recommended that for the Fiscal Year 2017 plan year, beginning September 1, 2016, benefit plan designs for the TRS-Care 1, TRS-Care 2, and TRS-Care 3 Standard plans remain unchanged from the current benefit plan designs for these plans, save and except with regard 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, 2017, 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;

Whereas, TRS staff and GRS have further recommended that, beginning January 1, 2017, and thereafter until further action by the Board, participants who are enrolled in Medicare benefits under Part A or Part B and who are enrolled in either the TRS-Care 2 or TRS-Care 3 level of coverage, will not be eligible to remain enrolled in or eligible to enroll in either the standard prescription drug plan offered under the TRS-Care 2 level of coverage or the standard prescription drug plan offered under the TRS-Care 3 level of coverage; 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 Fiscal Year 2017 plan year beginning September 1, 2016, 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 Fiscal Year 2016 plan year;

Resolved, That for the TRS-Care Medicare Advantage plans, for the plan year commencing on January 1, 2017, 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, 2016;

Resolved, That for the TRS-Care 1, TRS-Care 2, and TRS-Care 3 Standard plans, for the Fiscal Year 2017 plan year beginning September 1, 2016, 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 Fiscal Year 2016 plan year, save and except with regard 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, 2017, 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, 2016;

Resolved, That beginning January 1, 2017, and thereafter until further action by the Board, participants who are enrolled in Medicare benefits under Part A or Part B and who are enrolled in either the TRS-Care 2 or TRS-Care 3 level of coverage, will not be eligible to remain enrolled in or eligible to enroll in either the standard prescription drug plan offered under the TRS-Care 2 level of coverage or the standard prescription drug plan offered under the TRS-Care 3 level of coverage;

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 Fiscal Year 2017 plan year commencing on September 1, 2016 for the TRS-Care Standard plans, and for the plan year commencing on January 1, 2017 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 1 Standard Plan

The Board hereby approves and adopts the following benefit plan design changes for the TRS-Care 1 Standard plan, subject to all other plan requirements and restrictions, beginning in the Fiscal Year 2017 plan year commencing on September 1, 2016 and for all plan years thereafter, until further action by the Board:

Medicare Status	From FY2016	To FY2017
Individual/Family Deductibles		
Medicare Part A & B	\$1,800/\$3,600	\$2,350/\$4,700
Medicare Part B Only	\$3,000/\$6,000	\$3,900/\$7,800
Non-Medicare	\$4,000/\$8,000	\$5,250/\$10,500
Maximum Out-of-Pocket Limits		
Medicare Part A & B	\$4,800/\$9,600	\$6,250/\$12,500
Medicare Part B Only	\$6,000/\$12,000	\$7,800/\$15,600
Non-Medicare	\$6,350/\$12,700	\$8,250/\$16,500

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 Fiscal Year 2017 plan year commencing on September 1, 2016 and for all plan years thereafter, until further action by the Board:

Benefit	From FY2016	To FY2017
Medical		
Individual/Family Deductible	\$1,000/\$2,000	\$1,300/\$2,600
Maximum Out-of-Pocket Limit	\$4,400/\$8,800	\$5,800/\$11,600

Benefit	From FY2016	To FY2017
Prescription Drug – Standard Plan		
Retail Pharmacy Generic	\$10 copay	\$13 copay
Preferred Brand	\$30 copay	\$40 copay
Non-Preferred Brand	\$50 copay	\$65 copay
Maintenance Drugs at a Retail Pharmacy Generic	N/A	\$23 copay
Preferred Brand		\$50 copay
Non-Preferred Brand		\$75 copay
Mail Order Pharmacy Generic	\$20 copay	\$25 copay
Preferred Brand	\$75 copay	\$100 copay
Non-Preferred Brand	\$125 copay	\$165 copay

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 Fiscal Year 2017 plan year commencing on September 1, 2016 and for all plan years thereafter, until further action by the Board:

Benefit	From FY2016	To FY2017
Medical		
Individual/Family Deductible	\$300/\$600	\$400/\$800
Maximum Out-of-Pocket Limit	\$3,700/\$7,400	\$4,900/\$9,800
Prescription Drug – Standard Plan		
Retail Pharmacy Generic	\$10 copay	\$13 copay
Preferred Brand	\$25 copay	\$30 copay
Non-Preferred Brand	\$40 copay	\$50 copay
Maintenance Drugs at a Retail Pharmacy Generic	N/A	\$23 copay
Preferred Brand		\$40 copay
Non-Preferred Brand		\$60 copay
Mail Order Pharmacy Generic	\$20 copay	\$25 copay
Preferred Brand	\$50 copay	\$65 copay
Non-Preferred Brand	\$80 copay	\$105 copay

RESOLUTION APPROVING BENEFITS AND
PREMIUM RATES FOR TRS-ACTIVECARE 1-HD,
TRS-ACTIVECARE SELECT, AND TRS-ACTIVECARE 2

June 16 - 17, 2016

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, TRS-ActiveCare Select, and TRS-ActiveCare 2 for the Fiscal Year 2017 plan year commencing on September 1, 2016;

Whereas, TRS staff and GRS have recommended that for the Fiscal Year 2017 plan year commencing on September 1, 2016, rates at all levels of coverage in TRS-ActiveCare 1-HD, TRS-ActiveCare Select, and TRS-ActiveCare 2 be set at the gross premium amounts set out in Exhibit A, attached to this resolution and incorporated herein by reference; 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 Fiscal Year 2017 plan year commencing on September 1, 2016 and thereafter, until further action by the Board:

Plan Feature	From 2016 Year	2015- Plan	To 2016-2017 Plan Year
Individual Out-of-pocket maximum	\$6,450		\$6,550
Family Out-of-pocket maximum	\$12,900		\$13,100

Resolved, That the Board hereby adopts and authorizes the following benefit changes, subject to all other plan requirements and restrictions, for TRS-ActiveCare Select, beginning in the Fiscal Year 2017 plan year commencing on September 1, 2016 and thereafter, until further action by the Board:

Plan Feature	From 2016 Year	2015- Plan	To 2017 Year	2016- Plan
Individual Out-of-pocket maximum	\$6,600		\$6,850	
Family Out-of-pocket maximum	\$13,200		\$13,700	
Retail Maintenance (after 1st fill; up to 31 day supply)				
Generic	\$25 copay		\$35 copay	
Preferred Brand	\$50 copay		\$60 copay	
Non-Preferred Brand				

	50% coinsurance	50% coinsurance
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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 Fiscal Year 2017 plan year commencing on September 1, 2016 and thereafter, until further action by the Board:

Plan Feature	From 2016 Year	2015-2016 Plan	To 2017 Year	2016-2017 Plan
Individual Out-of-pocket maximum	\$6,600		\$6,850	
Family Out-of-pocket maximum	\$13,200		\$13,700	
Retail Maintenance (after 1 st fill; up to 31 day supply)				
Generic	\$25 copay		\$35 copay	
Preferred Brand	\$50 copay		\$60 copay	
Non-Preferred Brand	\$80 copay		\$90 copay	

Resolved, That the Board hereby adopts and authorizes the gross premium rates for TRS-ActiveCare 1-HD, TRS-ActiveCare Select, and TRS-ActiveCare 2 contained in Exhibit A, for the Fiscal Year 2017 plan year commencing on September 1, 2016 and thereafter, until further action by the Board; 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, and to otherwise continue the existing approved plans of coverage for TRS-ActiveCare 1-HD, TRS-ActiveCare Select, and TRS-ActiveCare 2, until further action by the Board.

Exhibit A

TO THE RESOLUTION APPROVING BENEFITS AND PREMIUM RATES FOR TRS-ACTIVECARE 1-HD, TRS-ACTIVECARE SELECT, AND TRS-ACTIVECARE 2

Summary of Proposed FY 2017 Monthly Premium Rates

	Current FY 2016 Rate	Proposed FY 2017 Rate	Percent Change
TRS-ActiveCare 1-HD			
Employee Only	\$341.00	\$341.00	0.0%
Employee and Spouse	\$914.00	\$914.00	0.0%
Employee and Child(ren)	\$615.00	\$615.00	0.0%
Employee and Family	\$1,231.00	\$1,231.00	0.0%
TRS-ActiveCare Select			

Employee Only	\$473.00	\$484.00	2.3%
Employee and Spouse	\$1,122.00	\$1,147.00	2.2%
Employee and Child(ren)	\$762.00	\$779.00	2.2%
Employee and Family	\$1,331.00	\$1,361.00	2.3%

TRS-ActiveCare 2

Employee Only	\$614.00	\$645.00	5.0%
Employee and Spouse	\$1,478.00	\$1,552.00	5.0%
Employee and Child(ren)	\$992.00	\$1,042.00	5.0%
Employee and Family	\$1,521.00	\$1,597.00	5.0%

RESOLUTION APPROVING BENEFITS,
PREMIUM RATES AND SERVICE AREAS
FOR HMOs ASSOCIATED WITH
THE TRS-ACTIVECARE PROGRAM

June 16 - 17, 2016

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 currently has contracts with three health maintenance organizations, SHA, L.L.C. d/b/a FirstCare Health Plans, Scott & White Health Plan, and Allegian Insurance Company d/b/a Allegian Health Plans, to offer benefits to participants in TRS-ActiveCare who reside or work in the respective service areas of each health maintenance organization ("HMO");

Whereas, TRS Staff and TRS health benefits consultant, Gabriel, Roeder, Smith & Company ("GRS") have recommended that during Fiscal Year 2017, SHA, L.L.C. d/b/a FirstCare Health Plans, Scott & White Health Plan, and Allegian Insurance Company d/b/a Allegian Health Plans be allowed to provide health care services to TRS-ActiveCare participants in their respective service areas under the same respective plan design that each HMO offered in Fiscal Year 2016, with only those changes in benefits noted hereafter, along with other minor benefit changes that may be reflected in the TRS-ActiveCare Enrollment Guide and the Evidence of Coverage issued by each respective HMO;

Whereas, Staff and GRS have recommended that for Fiscal Year 2017, the Board approve the premium rates noted herein, to be paid by TRS-ActiveCare participants enrolled in an HMO, which premium rates include a monthly administration fee of \$10.00 per employee enrolled in an HMO, to cover fees and other administrative expenses incurred by the TRS-ActiveCare program; and

Whereas, The Board desires to approve the recommendations, including the respective plan design offered in Fiscal Year 2017 by each of the three HMOs, with the respective changes in benefits (including changes as noted hereafter) proposed by SHA, L.L.C. d/b/a FirstCare Health Plans, Scott & White Health Plan, and Allegian Insurance Company d/b/a Allegian Health Plans, and to approve the premium rates offered for Fiscal Year 2017 by each of the three HMOs as recommended by Staff and GRS; now, therefore, be it

Resolved, that the Board hereby approves the proposal for SHA, L.L.C. d/b/a FirstCare Health Plans to offer to TRS-ActiveCare participants during Fiscal Year 2017 the same plan design it offered in Fiscal Year 2016, with the following proposed major benefit changes, and approves and adopts the following monthly premium rates to be charged to TRS-ActiveCare participants enrolled in this HMO during Fiscal Year 2017 according to coverage tier:

SHA, L.L.C. d/b/a FirstCare Health Plan Major Benefit Change Highlights

Benefit	FY 2016 Plan Year	FY 2017 Plan Year
Deductible	Individual -- \$ 450.00 Family -- \$ 1,125.00	Individual -- \$ 500.00 Family -- \$ 1,500.00
Out-of-Pocket Maximum	Individual -- \$ 5,000.00 Family -- \$10,000.00	Individual -- \$ 6,000.00 Family -- \$12,000.00
Emergency Room Copay	25% after deductible	\$500 copay after deductible
Advanced Imaging Copay (MRI, CT Scan, PET Scan)	25% after deductible	\$250 copay after deductible

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

Coverage Tier	FY 2016 Premiums	FY 2017 Premiums	Percent Change
Employee Only	\$ 418.80	\$ 472.50	+12.82%
Employee & Spouse	\$ 1,050.44	\$ 1,180.50	+12.38%
Employee & Child(ren)	\$ 664.74	\$ 748.50	+12.60%
Employee & Family	\$ 1,060.84	\$ 1,190.50	+12.22%

Resolved, that the Board hereby approves the proposal for Scott & White Health Plan to offer to TRS-ActiveCare participants during Fiscal Year 2017 the same plan design it offered in Fiscal Year 2016, with the following proposed major benefit changes, and approves and adopts the following monthly premium rates to be charged to TRS-ActiveCare participants enrolled in this HMO during Fiscal Year 2017, according to coverage tier:

Scott & White Health Plan Major Benefit Change Highlights

Benefit	FY 2016 Plan Year	FY 2017 Plan Year
Deductible	Individual -- \$ 800.00 Family -- \$ 2,400.00	Individual -- \$ 1,000.00 Family -- \$ 3,000.00
Out-of-Pocket Maximum	Individual -- \$ 5,000.00 Family -- \$10,000.00	No change
Primary Care Office Visit Copay	\$20	\$20; first visit copay for illness waived, does not apply to visits for wellness or preventive care

Durable Medical Equipment Coinsurance	50% after deductible	20% after deductible
Manipulative Therapy	N/A	New benefit; 20% without office visit, \$40 plus 20% with office visit (Maximums: 5 visits per month, 35 per year)
Prescription Drugs -- Specialty Medications	Four tiers - 10%, 20%, 30% and 50% after deductible	20% after deductible

Scott & White Health Plan Premium Changes

Coverage Tier	FY 2016 Premiums	FY 2017 Premiums	Percent Change
Employee Only	\$ 503.60	\$ 530.16	+5.27%
Employee & Spouse	\$ 1,135.62	\$ 1,192.82	+5.04%
Employee & Child(ren)	\$ 798.30	\$ 839.16	+5.12%
Employee & Family	\$ 1,259.76	\$ 1,322.98	+5.02%

Resolved, that the Board hereby approves the proposal for Allegian Insurance Company d/b/a Allegian Health Plans to offer to TRS-ActiveCare participants during Fiscal Year 2017 the same plan design it offered in Fiscal Year 2016, with no major benefit changes, and approves and adopts the following monthly premium rates to be charged to TRS-ActiveCare participants enrolled in this HMO during Fiscal Year 2017, according to coverage tier:

Allegian Insurance Company d/b/a Allegian Health Plans Premium Changes

Coverage Tier	FY 2016 Premiums	FY 2017 Plan Year	Percent Change
Employee Only	\$ 413.38	\$ 449.08	+8.64%
Employee & Spouse	\$ 1,001.88	\$ 1,085.74	+8.37%
Employee & Child(ren)	\$ 647.94	\$ 702.84	+8.47%
Employee & Family	\$ 1,022.16	\$ 1,151.60	+12.66%

Resolved, that the approved plans of coverage offered by each HMO to participants in TRS-ActiveCare who reside or work in the respective service areas of each HMO, each of which commences on September 1, 2016, shall remain unchanged until further action by the Board.

Resolved, that with prior written approval from the Executive Director or his designee, each HMO may offer to participants in TRS-ActiveCare who reside or work in the respective service areas of each HMO, lower premiums than those herein approved, each of which commences on September 1, 2016.

Resolved, that the Board authorizes the Executive Director or his designees to take any actions, including the expenditure of funds and the execution of all documents, deemed by him or such designee to be necessary or advisable to implement this resolution and to administer the TRS-ActiveCare contracts with the HMOs in the best interests of the TRS-ActiveCare program.

10. Receive the report of the Risk Management Committee on its June 16, 2016 meeting – Committee Chair.

Ms. Charleston, Committee Chair, provided the committee report as follows:

The Risk Management Committee met on June 16, 2016. Risk management and strategic planning staff provided a report on the enterprise risk management function which included an update on spotlight reports and related enterprise risk management activities. In addition, staff provided an overview of the risk management program review report, completed by the State Office of Risk Management.

11. Receive the report of the Budget Committee on its June 16, 2016 meeting – Committee Chair.

Ms. Palmer, Committee Chair, provided the committee report as follows:

The Budget Committee met today, Thursday, June 16. The first item of business was approval of the minutes of the July 24, 2015 Budget Committee meeting. Mr. Green presented a high level overview of the proposed administrative operating budget of \$164.2 million for FY 2017 and the associated general provisions. The FY 2017 requested budget is approximately 3.2 percent over the FY 2016 budget. The portion of the operating budget from the Pension Trust Fund totals \$129.4 million, including \$21.4 million for TEAM. The capital budget for the non-TEAM projects totals \$6.5 million and includes a \$4.6 million carryforward from FY 2016. Incentive compensation is budgeted at \$11.4 million. Mr. Green also provided a summary of the 2018-19 legislative appropriations request, LAR. The state matching funding is projected to increase 11 percent over the current biennium level. Solvency funding for TRS-Care is currently projected to be in the range of \$1.5- to \$2 billion. For administrative operations funding the staff is currently evaluating the need for additional FTEs, developing a resources request for the post-TEAM transition, and assessing the need for capital projects. No action is required by the Board until the July meeting.

12. Receive an overview of securities-class-action litigation and review the report of the General Counsel on other pending or contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, and open records – Carolina de Onís.

Mr. Kelly announced that the Board would go into executive session on agenda item 12 under section 551.071 of the Government Code to consult with legal counsel about litigation matters. 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 5:36 p.m. to go into executive session.

The Board meeting reconvened in open session at 6:27 p.m.

Whereupon the board meeting recessed at 6:28 p.m.

The Board of Trustees of the Teacher Retirement System of Texas reconvened on June 17, 2016 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
Karen Charleston
David Corpus
Dr. Greg Gibson
Christopher Moss
Anita Palmer

Others present:

Brian Guthrie, TRS
Ken Welch, TRS
Britt Harris, TRS
Carolina de Onís, TRS
Janet Bray, TRS
Katrina Daniel, TRS
Howard Goldman, TRS
Don Green, TRS
Rebecca Merrill, TRS
Jerry Albright, TRS
Lane Arnold, TRS
Christine Bailey, TRS
Ronald Bounds, TRS
Patricia Cantu, TRS
Mary Chang, TRS
David Cook, TRS
Edward Esquivel, TRS
Adam Fambrough, TRS
Dan Herron, TRS
Katy Hoffman, TRS
Clarke Howard, TRS
Steve Huff, TRS
Dan Junell, TRS
Eric Lange, TRS
Mike Pia, TRS
Barbie Pearson, TRS
Jamie Pierce, TRS
Jim Pinkard, TRS
Rhonda Price, TRS
Beckie Smith, TRS
Sharon Toalson, TRS
Andrea Torrez, TRS
Heather Traeger, TRS
Courtney Villalta, TRS
Kristi Vorce, TRS
Dale West, TRS
Yimei Zhao, TRS

Bill Barnes, TRTA
Dr. Keith Brown, TRS Board Investment [Advisor/Counsel]
Victor Ferreira, HPE
Ann Fickel, TCTA
Kirby Goidel, Texas A&M
Debbie Kelly
Masci, Provaliant
Philip Mullins, Texas State Employees Union
Ted Melina Raab, Texas AFT
Trevor M. Simmons, LBB
Steve Tolbert, HPE

Mr. Kelly called the meeting to order at 9:40 a.m.

1. Call roll of Board members.

Mr. Junell called the roll. A quorum was present. Mr. Colonna, Mr. Elliott and Ms. Ramirez were absent.

13. Provide opportunity for public comment – David Kelly.

Ms. Debbie Kelly, retired TRS member, expressed her concerns about the TRS-Care surcharge. She provided her employment history and said that she now has TRS-Care 2 with a premium deducted from her monthly annuity. Ms. Kelly relayed to the board recent multiple conversations she had with TRS staff and conflicting information she received regarding the surcharge amount. Ms. Kelly indicated she would like to know the new surcharge amount and inquired whether there was a staff person in the boardroom that could provide her with the information she needed. Ms. Kelly also questioned why the surcharge is so high and why school districts should not be allowed to cover a retired rehired employee on their health plan and avoid the surcharge. Finally, Ms. Kelly asked about the new standardized surcharge cost in September 2016. Ms. Kelly suggested it would be useful to active and retired members to have ready access to factual information through phone conversations and appointments with benefit counselors and a more user-friendly website. In response to Ms. Kelly's comments, Mr. Kelly assured Ms. Kelly that she would receive an answer about the cost of the surcharge before leaving the building that day.

Ms. Kelly added how she found interesting the just-completed audit report that revealed underreporting of surcharges and miscoding of employees which was discovered by sampling people in four school districts. Mr. Kelly responded that the health care crisis is one of the most complicated and frustrating issues. Mr. Guthrie informed Ms. Kelly that the statute requires districts to pay the surcharge, but that it is up to the districts how they obtain funding to pay for the surcharge. Mr. Guthrie introduced Ms. Barbie Pearson, who indicated that she believed the surcharge to be \$535 and apologized for the varying answers Ms. Kelly received. Ms. Pearson said that TRS will address the new counselor training issue and train counselors about the surcharge.

Responding to a question from Mr. Kelly about members sitting on hold on the telephone for a long period of time, Mr. Guthrie stated that Ms. Kelly's comment is a prime example of why it is important to have better technology available in the call center as a part of the overhaul of the entire process. Responding to a question from Ms. Palmer about why it was over two months before Ms. Kelly could get an appointment with a benefits counselor, Mr. Guthrie stated that summer is just a busy time. Mr. Welch followed up that full time equivalent ("FTE") position requests will be made to address these issues, since retiree numbers and membership have grown. Mr. Guthrie added that while FTE positions have been added throughout the agency, benefits staff has decreased and then remained flat.

14. Receive a presentation on the 2016 Member Satisfaction Report – Howard Goldman.

Mr. Howard Goldman provided an overview of data collection for the 2016 Member Satisfaction Report and introduced Mr. Kirby Goidel with the Texas A&M Center for Public Policy. Mr. Goidel provided an overview of the survey, methodology utilized, topics surveyed, overall satisfaction, and methods indicated by survey respondents for obtaining information from TRS. Responding to a question from Ms. Palmer about how people that are surveyed are selected, Mr. Goidel responded that it is a random draw every two years independent of the previous two years. In response to a question from Mr. Guthrie, Mr. Goidel indicated that no geographic sampling is conducted. Dr. Gibson inquired about the compliance component and Mr. Goldman confirmed that the report is provided to the Legislative Budget Board and the Governor's office.

The board next considered agenda item 17, having previously considered agenda items 15 and 16.

17. Evaluate the performance of Gabriel, Roeder, Smith & Company as the provider of health benefits consulting and related services to TRS – Katrina Daniel.

Ms. Katrina Daniel provided a summary of the health benefits consulting and related services performed by Gabriel, Roeder, Smith & Company and an assessment of their performance.

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

Ms. Rebecca Merrill provided a summary of the pension consulting and actuarial services performed by Gabriel, Roeder, Smith and Company and an assessment of their performance.

Whereupon the Board convened for a brief recess at 10:31 a.m.

The board reconvened at 10:40 a.m.

19. Receive an update on the TEAM Program – David Cook, Adam Fambrough; Jay Masci, Provaliant.

Mr. Welch provided an overview of issues and timelines related to the TEAM program. Mr. Welch informed the Board that meeting the September 2016 Go Live date for Phase 1 of the TEAM was highly unlikely. Mr. Jay Masci provided an overview of the TEAM program, including the core pension line of business replacement project. Mr. David Cook discussed project milestones, schedule, development, and scope. Responding to a question from Mr. Kelly about data migration, Mr. Cook indicated that effects from making adjustments to the rules on handling data also change the data. Responding to a question from Mr. Kelly about deploying the data into actual or beta use, Mr. Cook indicated in the particular circumstance that it would be deployed into actual use. Mr. Adam Fambrough provided an update on the status of the project and upcoming deadlines.

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

Mr. Michael Johnson with Bridgepoint Consulting provided an assessment of the TEAM project schedule, including objectives, risks, and budget.

Mr. Welch introduced Mr. Victor Tolbert with Hewlett Packard who discussed corporate changes scheduled to take place in March. Responding to a question from Mr. Moss, Mr. Tolbert answered affirmatively that his best resources are working on the TEAM project and will continue to do so looking beyond March.

Mr. Kelly announced that the Board would go into executive session on agenda items 19, 20 and 25 under sections 551.074 and 551.071 of the Government Code to discuss the executive director's duties and 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 11:33 a.m. to go into executive session.

The Board meeting reconvened in open session at 1:20 p.m.

Mr. Kelly announced that the executive director will brief the Board again on agenda items 19 and 20 at the July Board meeting.

21. Receive the report of the Audit Committee on its June 17, 2016 meeting – Christopher Moss.

Mr. Moss, Committee Chair, provided the committee report as follows:

The Audit Committee met at 8:00 on Friday, June 17, 2016, in the 5th Floor Boardroom. Texas Department of Transportation staff presented the results of the external quality assurance review of the TRS Internal Audit Department. TRS staff presented the results of the annual self-assessment of compliance with the auditing standards. The State Auditor's Office and TRS staff presented the results of their testing of the TRS incentive pay plan. TRS staff also presented the results of the quarterly testing of investment compliance. TRS staff and representatives from Aetna and EY presented a status report on TRS-ActiveCare open enrollment and billing issues. TRS staff presented the results of four employers audits, the status of outstanding recommendations, and other administrative matters.

22. Receive the report of the Chief Benefit Officer and consider the following – Barbie Pearson:

A. Approval of members qualified for retirement for March 2016 through May 2016.

On a motion by Dr. Gibson, seconded by Mr. Moss, the Board unanimously voted to approve benefits paid to members qualified for retirement for March 2016 through May 2016.

B. Approval of the proposed minutes of the March 1, 2016 Medical Board meeting.

On a motion by Mr. Moss, seconded by Ms. Palmer, the Board unanimously voted to approve the proposed minutes of the March 1, 2016 Medical Board meeting.

C. Appointment of Dr. Larry Wilson as a member and the chair of the Medical Board and engagement as a provider of Medical Board services.

On a motion by Mr. Corpus, seconded by Dr. Gibson, the Board unanimously adopted the following resolution reappointing Dr. Larry Wilson as a member and the Chair of the Medical Board and engaging him as a provider of Medical Board services.

Whereas, Texas Government Code section 825.204 requires the Board of Trustees of the Teacher Retirement System of Texas to appoint a Medical Board composed of three physicians, who perform services under contracts with TRS, and the term of one of the current three members and Chair of the Medical Board, Larry Wilson, M.D., will expire August 31, 2016;

Whereas, TRS staff has recommended that the Board of Trustees reappoint Dr. Wilson as a member to the TRS Medical Board effective September 1, 2016 for a three-year term that ends on August 31, 2019 and reappoint him Chair of the Medical Board;

Whereas, The TRS staff and Board of Trustees have determined that reappointing and contracting with Dr. Wilson to perform services as a member of the Medical Board would provide the best overall value for TRS; now therefore, be it

Resolved, That the Board of Trustees reappoints Larry Wilson, M.D., to the TRS Medical Board for a three-year term beginning on September 1, 2016 and expiring on August 31, 2019;

Resolved, That the Board of Trustees reappoints Dr. Wilson as Chair of the TRS Medical Board and to serve as presiding officer at the pleasure of the Board of Trustees; and

Resolved, That the Executive Director, or his designee, is hereby authorized to negotiate, with the assistance and advice of legal counsel, a contract for Medical Board services with Dr. Wilson and, if negotiations are deemed by the Executive Director in his discretion to be successful, then the Executive Director or his designee is hereby authorized to execute a contract with Dr. Wilson for three years coinciding with the term of his reappointment and according to such terms, conditions, and fees as the Executive Director may deem in his discretion to be appropriate and to provide the best overall value for TRS, and to execute and deliver all such other documents that the Executive Director 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 associated with such contract and deemed in the discretion of the Executive Director to be reasonably necessary or advisable with respect to such contract.

23. Receive the Chief Financial Officer's report, including a cash flow report – Don Green.

Mr. Don Green provided a cash flow report of expenditures to date for administration of the Pension Trust Fund for the first three quarters of the fiscal year.

24. Receive the Deputy Director's Report, including matters related to administrative, financial, and staff services operations – Ken Welch.

Mr. Welch provided an update on security concerns, including email and other computer fraud attempts, reports from TRS members that they have been approached by others who claim an association with or endorsement from TRS, agency interns, call center hold time and individual member counseling sessions, and performance incentive plan automation. Mr. Welch and the Board recognized the TRS Project Management Office as winner of the TRS Shining Example award and TRS Reporting Entity Outreach staff as winners of the Executive Director's Award of Excellent award.

25. 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.

26. 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.

On a motion by Mr. Moss, the Board unanimously voted to adjourn the meeting.

Meeting adjourned at 1:38 p.m.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM
ON THE 29TH DAY OF JULY, 2016.

ATTESTED BY:

Katherine H. Farrell
Katherine Farrell
Secretary to the TRS Board of Trustees

7/29/16
Date