

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

**AGENDA**

**March 26, 2015 – 8:00 a.m.**

**March 27, 2015 – 8:00 a.m. (If needed)**

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

*The March 26-27 meeting of the TRS Board of Trustees will be held by telephone conference call as authorized under Texas Government Code Section 551.130. The Board intends to have a quorum physically present at the following location: **1000 Red River Austin, Texas 78701 in the 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, March 26, or the following day beginning at the time and place specified on this agenda. However, the Board expects to conclude its March 2015 meeting on Thursday, March 26, 2015.*

*The open portions of the March 26-27, 2015, 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 the following Board administrative matters– David Kelly:
  - A. Approval of the February 11-13, 2015 meeting minutes.
  - B. Setting, rescheduling, or canceling future Board meetings.
3. Provide opportunity for public comments – David Kelly.
4. Discuss and consider the following investment matters:
  - A. Quarterly Public Strategic Partnership Update – Grant Birdwell.
  - B. Consider authorizing staff to negotiate and execute agreements concerning the following additional or new commitments relating to the Private Markets Strategic Partnership Network, including conferring with TRS staff, consultants or legal counsel or with a third party about an investment or potential investment in a private investment fund or the purchase, holding, or disposal of restricted securities by TRS or a private investment fund – Britt Harris and Courtney Villalta; Leon Black and James Zelter, Apollo; George Roberts and Scott Nuttall, KKR:
    - i. Review of current Private Strategic Partnership investments.

- ii. Additional commitments to the Private Markets Strategic Partnerships' investments in two existing master limited partnership funds of funds.
    - iii. New commitments to up to two new master limited partnership funds of funds for investments in potential tactical opportunities to be managed by affiliates of the general partners of the Private Markets Strategic Partnerships.
  - C. Performance Review: Fourth Quarter 2014 – Steve Voss and Brady O’Connell, Hewitt EnnisKnupp.
- 5. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
  - A. The most recent actuarial valuation of the TRS Pension Trust Fund.
  - B. Administrative operational matters, including updates on financial, audit, legal, staff services, board administration activities, special projects, long-term space planning, and strategic planning.
  - C. Board operational matters, including a review of draft agendas for upcoming meetings.

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

- 6. Review the report of the Investment Management Committee on its March 26, 2015 meeting – Todd Barth.
- 7. Review the report of the Risk Management Committee on its March 26, 2015 meeting – Karen Charleston.
- 8. Review the report of the Policy Committee on its March 26, 2015 meeting, including adoption of a TRS Litigation Policy – Joe Colonna.
- 9. Review the report of the Audit Committee on its March 26, 2015 meeting – Christopher Moss.
- 10. Review the Deputy Director’s Report, including matters related to administrative, financial, and staff services operations – Ken Welch
- 11. Receive a presentation from the TEAM Program Independent Program Assessment (IPA) Vendor – Michael Johnson, Bridgepoint Consulting.
- 12. Receive a quarterly review of the TEAM Program, including a discussion of data management and an update on the Line of Business Project. – Adam Fambrough; Barbie Pearson; David Cook; and Jay Masci, Provaliant.

13. Mid-year budget review for FY 2015 – Don Green.
14. Review the report of the Chief Benefit Officer and consider the following related matters – Tom Guerin:
  - A. Approve members qualified for retirement.
  - B. Approve minutes of Medical Board meetings.
15. Review the report of the General Counsel on pending and contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, and open records – Carolina de Onís.
16. 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.
17. 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

March 26, 2015

The Board of Trustees of the Teacher Retirement System of Texas met on March 26, 2015 in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River Street, Austin, Texas. The following board members were present:

David Kelly, Chair  
Nanette Sissney, Vice-Chair  
Todd Barth  
Karen Charleston  
Joe Colonnetta  
David Corpus  
Christopher Moss  
Anita Palmer  
Dolores Ramirez, via telephone conference

### Others present:

Brian Guthrie, TRS	Hugh Ohn, TRS
Ken Welch, TRS	Mike Pia, TRS
Carolina de Onís, TRS	Steve Poliner, TRS
Amy Barrett, TRS	Garry Sitz, TRS
Janet Bray, TRS	Rebecca Smith, TRS
Don Green, TRS	Heather Traeger, TRS
Howard Goldman, TRS	Courtney Villalta, TRS
T. Britton Harris IV, TRS	Dr. Keith Brown, Investment Advisor
Barbie Pearson, TRS	Steve Huff, Reinhart Boerner Van Deuren
Jase Auby, TRS	Brady O'Connell, Hewitt EnnisKnupp
Ronnie Bounds, TRS	Michael Johnson, Bridgepoint Consulting
Grant Birdwell, TRS	Jay Masci, Provaliant
David Cook, TRS	Herman Martina
Chris Cutler, TRS	Dwight Harris, Texas American Federation of Teachers
Rob Dunn, TRS	Bill Barnes, Texas Retired Teachers Association
Edward Esquivel, TRS	Tim Lee, Texas Retired Teachers Association
Adam Fambrough, TRS	Josh Sanderson, Association of Texas Professional Teachers
Tom Guerin, TRS	Joni Lozano, CVS Caremark
Dan Junell, TRS	Victor Ferreira, HP Enterprise Services
Eric Lang, TRS	Steve Tolbut, HP Enterprise Services
Lynn Lau, TRS	Murail Kyasa, HP Enterprise Services
	John Powell, State Street

Mr. Kelly called the meeting to order at 8:12 a.m.

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

Ms. Lau called the roll. All trustees were present. Ms. Ramirez attended the meeting via telephone conferencing under section 551.130 of the Government Code.

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

**A. Approval of the February 11-13, 2015 meeting minutes.**

The minutes of the February 11-13, 2015 meeting were approved by unanimous consent as presented by staff.

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

The board took up agenda item 2.B. later in the meeting.

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

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

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

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

**16. 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.**

Under items 5.B and 16, Mr. Kelly and Mr. Guthrie recognized Ms. Melinda Nink's 30 years of service at TRS. Without objection, Mr. Kelly read the proposed resolution attached to these minutes. There was no motion or vote on the proposal.

**4. Discuss and consider the following investment matters:**

**A. Quarterly Public Strategic Partnership Update – Grant Birdwell.**

Mr. Birdwell provided an update on the Public Markets Strategic Partnership (SPN), including its performance, tactical positioning, benchmark, commitments, and research projects completed. Mr. Kelly requested that, in future updates, staff describe the tactical application of the research projects. Mr. Harris announced that Mr. Mike Pia would be the new Director of SPN effective April 1, 2015.

- B. Consider authorizing staff to negotiate and execute agreements concerning the following additional or new commitments relating to the Private Markets Strategic Partnership Network, including conferring with TRS staff, consultants or legal counsel or with a third party about an investment or potential investment in a private investment fund or the purchase, holding, or disposal of restricted securities by TRS or a private investment fund – Britt Harris and Courtney Villalta; Leon Black and James Zelter, Apollo; George Roberts and Scott Nuttall, KKR:**
- i. Review of current Private Strategic Partnership investments.**
  - ii. Additional commitments to the Private Markets Strategic Partnerships' investments in two existing master limited partnership funds of funds.**
  - iii. New commitments to up to two new master limited partnership funds of funds for investments in potential tactical opportunities to be managed by affiliates of the general partners of the Private Markets Strategic Partnerships.**

At 8:25 a.m., Mr. Kelly announced that the board would go into executive session on agenda item 4B under section 825.3011 of the Government Code to confer about confidential investment matters and section 551.071 to seek advice from legal counsel. 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.

After completion of the executive session, Mr. Kelly announced that the open session was reconvened at 10:25 a.m.

Mr. Kelly stated that the board would consider a resolution relating to proposed increases to previous commitments to the two strategic partnerships in the Private Markets SPN network. He said that the board would also consider a resolution relating to a follow-on or additional allocation to each strategic partnership for tactical investment purposes. Ms. de Onís clarified that staff was presenting the board one resolution to consider for the commitment increases and a choice of two resolutions (A and B) for the tactical SPN allocation. She explained that the first proposed version, Resolution A, included a waiver that would exclude certain investments by the strategic partnerships from the calculation of allocation or commitment limits applied to a management organization under Appendix B of TRS' Investment Policy Statement (IPS). She said the second version, Resolution B did not have such an exclusion.

On a motion by Mr. Barth, seconded by Ms. Palmer, the board unanimously adopted the following resolution to authorize commitment increases to the two existing Private Markets Strategic Partnerships:

**Whereas**, Pursuant to that certain Resolution Regarding Private Markets Strategic Partnership attached hereto as Exhibit A (the "Authority Resolution"), the Board resolved on November 4, 2011 to authorize the Chief Investment Officer and an authorized designee to allocate and commit up to

\$3 billion each (plus realized profits to be re-invested) (the "Authority Limit") to up to two master limited partnership funds of funds (totaling up to \$6 billion in the aggregate, exclusive of re-invested profits) (the "PM Strategic Partnerships") managed and operated by not more than two Private Markets strategic partners;

**Whereas**, Pursuant to and in accordance with such Authority Resolution, the Chief Investment Officer and the authorized designee duly negotiated two such PM Strategic Partnerships, with affiliates of each of KKR & Co., L.P. ("KKR") and Apollo Global Management, LLC ("Apollo" and, together with KKR, the "PM Strategic Partners"), on substantially the same terms as, or better than, those presented to the Board, which negotiations were deemed by the Chief Investment Officer and the Executive Director, in their discretion, to have been successful;

**Whereas**, Pursuant to and in accordance with such Board authorization, the Executive Director duly executed definitive documentation establishing the PM Strategic Partnerships with Apollo and KKR on January 31, 2012 and February 1, 2012, respectively;

**Whereas**, The Investment Division acting through the Internal Investment Committee has recommended that, notwithstanding the provisions of IPS Sections 1.3(c) and Appendix B, the Board authorize the Chief Investment Officer to allocate and commit from time to time up to an additional \$1 billion to each PM Strategic Partnership (totaling up to an additional \$2 billion in the aggregate, exclusive of re-invested profits, provided that any reinvestment of such amount or profits thereupon shall be at the discretion of the Chief Investment Officer or the designee thereof) (the "Commitment Increases"); now, therefore be it

**Resolved**, That the Board of Trustees hereby approves and authorizes an increase in the Authority Limit to reflect the Commitment Increases, each in the form of an amendment to the definitive documents governing such PM Strategic Partnerships, and to implement such Commitment Increases the Board further authorizes the Chief Investment Officer to allocate and commit from time to time up to the amount of the Commitment Increases as determined by the Chief Investment Officer, to be invested and managed by the PM Strategic Partners, on the terms and conditions set forth in the definitive documents governing the PM Strategic Partnerships, as amended; and

**Resolved**, That the authority to negotiate the terms of such Commitment Increase with each PM Strategic Partner shall be as set forth in the Authority Resolution, provided that a Senior Managing Director, Managing Director, Director or Senior Investment Manager designated by the Chief Investment Officer may also be, and hereby is, authorized to negotiate the terms of such Commitment Increases; and

**Resolved**, That the Board hereby expressly authorizes the additional or follow-on allocations or commitments with respect to the Commitment Increases contemplated hereby, consistent with the requirement of IPS Appendix B that any such allocations or commitments in excess of 1% of the total fund value (including investments occurring in the prior six months) require prior authorization of the Board; and

**Resolved**, That, except as otherwise expressly modified by this Resolution, the Authority Resolution shall remain in full force and effect, shall apply to the terms of the increase in the Authority Limit approved hereby, and is hereby reaffirmed.

Next, Mr. Kelly called for a motion to approve the tactical follow-on allocations. Mr. Colonna made a motion. Ms. Charleston seconded the motion. Ms. de Onís confirmed for Mr. Barth that the resolution offered by Mr. Colonna through his motion was Resolution B, which would not exclude investments made with the tactical follow-on allocations from the calculation of the

allocation or commitment limits under the IPS. The board unanimously adopted the following resolution (Resolution B):

**Whereas**, Pursuant to that certain Resolution Regarding Private Markets Strategic Partnership, the Board resolved on November 4, 2011 to authorize the Chief Investment Officer and an authorized designee to allocate and commit up to \$3 billion each (plus realized profits to be re-invested) (the "Authority Limit") to up to two master limited partnership funds of funds (totaling up to \$6 billion in the aggregate, exclusive of re-invested profits) (the "PM Strategic Partnerships") managed and operated by not more than two Private Markets strategic partners;

**Whereas**, Pursuant to and in accordance with such Board authorization, the Chief Investment Officer and the authorized designee duly negotiated two such PM Strategic Partnerships, with affiliates of each of KKR & Co., L.P. ("KKR") and Apollo Global Management, LLC ("Apollo" and, together with KKR, the "PM Strategic Partners"), on substantially the same terms as, or better than, those presented to the Board, which negotiations were deemed by the Chief Investment Officer and the Executive Director, in their discretion, to have been successful;

**Whereas**, Pursuant to and in accordance with such Board authorization, the Executive Director duly executed definitive documentation establishing the PM Strategic Partnerships with Apollo and KKR on January 31, 2012 and February 1, 2012, respectively;

**Whereas**, Pursuant to a resolution dated as of the date hereof, the Board has approved an increase in the Authority Limit with respect to each of the PM Strategic Partnerships;

**Whereas**, IPS Appendix B limits the amount that may be allocated to a single manager organization, and requires prior Board authorization to exceed that limit;

**Whereas**, The Investment Division acting through the Internal Investment Committee has recommended that, notwithstanding the provisions of IPS Sections 1.3(c) and Appendix B, the Board authorize the Chief Investment Officer to allocate and commit from time to time up to \$1 billion to up to two master limited partnership funds of funds (the "Tactical Strategic Partnerships") (totaling up to \$2 billion in the aggregate, exclusive of re-invested capital) to be managed and operated by affiliates of the PM Strategic Partners (the "Tactical Strategic Partners") to pursue certain credit and debt market and related opportunistic investments ("Credit Investments"), including, but not limited to, investment portfolio funds that are managed by other affiliates of each Tactical Strategic Partner or for the purpose of co-investing therewith;

**Whereas**, The Chief Investment Officer has recommended that the Board authorize the Tactical Strategic Partnerships to pursue tactical investment strategies and opportunities ("Other Tactical Investments") in addition to Credit Investments, subject to prior Internal Investment Committee approval of the strategy, opportunity or underlying asset class of such Other Tactical Investments, including, but not limited to, investment portfolio funds that are managed by other affiliates of each Tactical Strategic Partner or for the purpose of co-investing therewith (such approved Other Tactical Investments, together with Credit Investments, "Tactical Investments");

**Whereas**, The general partner of each respective Tactical Strategic Partnership will be the Tactical Strategic Partner or its affiliate, and such general partner will exercise its discretion, subject to the agreed investment guidelines of the Tactical Strategic Partnership, to further allocate and commit such TRS capital to Tactical Investments;

**Whereas**, Section 825.301(a), Government Code, states that, for purposes of the investment authority of the Board of Trustees under Section 67, Article XVI, Texas Constitution, an interest in a limited partnership is a security without regard to the number of investors or the control, access to information, or rights granted to or retained by the retirement system; now, therefore be it

**Resolved**, That the Board of Trustees hereby approves and authorizes up to two investments, each in the form of a master limited partnership fund of funds, and to implement such investments the Board further authorizes the Chief Investment Officer to allocate and commit from time to time up to \$1 billion to each Tactical Strategic Partnership (totaling up to \$2 billion in the aggregate, exclusive of re-invested capital), to be invested and managed by the Tactical Strategic Partners, on the terms and conditions presented to the Board; and

**Resolved**, That the Chief Investment Officer, or a Senior Managing Director, Managing Director, Director or Senior Investment Manager designated by the Chief Investment Officer, be and hereby is authorized to negotiate a fund of funds master limited partnership agreement with each Tactical Strategic Partner, on substantially the same terms as, or better than, those presented to the Board, and, if negotiations are deemed by the CIO and the Executive Director, in their discretion, to be successful, then the Executive Director is hereby authorized to execute such definitive documents with up to two of the Tactical Strategic Partners on such terms and conditions as the Executive Director may deem, in his discretion, to be in the best interest of TRS, and to execute and deliver all such other documents and agreements that the Executive Director or his designee 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 agreements, and to incur, approve and pay any budgeted expenses or costs associated with such documents and agreements, and deemed in the discretion of the Executive Director and CIO to be reasonably necessary or advisable with respect to such documents and agreements; and

**Resolved**, That the Board hereby expressly authorizes the additional or follow-on allocations or commitments with respect to the formation of the Tactical Strategic Partnerships contemplated hereby, consistent with the requirement of IPS Appendix B that any such allocations or commitments in excess of 1% of the total fund value (including investments occurring in the prior six months) require prior authorization of the Board; and

**Resolved**, That the investments approved hereby and the authority granted in these resolutions to implement the approved investments does not supersede, waive, or otherwise affect the investment allocations set forth in the table in IPS Section 1.6. All investments shall be considered for purposes of the 6% Total Manager Organization limit in the IPS Appendix B.

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

Mr. O’Connell presented the trust fund performance review for the fourth quarter of 2014. In response to a question from Dr. Brown about measuring performance using peer comparison, Mr. O’Connell stated that peer comparison could be used as a secondary benchmark, which could be important in judging the performance of the current asset allocation. Dr. Brown noted the importance of choosing the right group for peer comparison. Mr. Kelly stated that he would like staff to conduct a study of the fund’s overall investment strategies, asset allocation, and philosophy in comparison with its peers.

Mr. Kelly announced that the board would take up agenda 2B per Mr. Guthrie’s request.

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

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

On a motion by Ms. Sissney, seconded by Mr. Corpus, the board unanimously approved the following resolution to set the date and location for the February 2016 meeting:

**Resolved**, That the Board of Trustees of the Teacher Retirement System of Texas (“board”) sets the following date and location for its February 2016 meeting: February 24 - 26, 2016 at the Region 10 Educational Service Center located at 400 E. Spring Valley Road, Richardson, Texas 75081, at convenient times to be determined by the board chairman and executive director.

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

**A. The most recent actuarial valuation of the TRS Pension Trust Fund.**

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

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

Mr. Guthrie announced that Ms. Barbie Pearson was selected to be the new Chief Benefit Officer (CBO). Ms. Pearson briefly remarked on her new position. Mr. Kelly expressed appreciation to Mr. Tom Guerin for serving as the interim CBO during the transition.

Mr. Guthrie gave a preview of the mid-year actuarial valuation. He stated that assumptions would be re-examined this summer through the experience study. He provided an update on the legislative session. He highlighted the bills concerning pension and health care benefits and related funding issues. He also summarized administrative issues addressed by the Omnibus Bill.

Mr. Guthrie highlighted agenda items planned for the May, June and July meetings.

Mr. Guthrie stated that the board would go into executive session to discuss a sensitive administrative matter.

Whereupon, Mr. Kelly announced that the board would go into executive session on agenda items 5B and 5C under section 551.071 of the Government Code to seek advice from legal counsel about board administrative and operational matters and related legal issues. He asked all members of the public and staff not needed for executive session to leave the meeting room and take their belongings with them.

Whereupon, the open session of the board meeting recessed at 11:17 a.m. to go into executive session.

At 11:50 a.m., Mr. Kelly announced that the board reconvened in open session and would recess to conduct committee meetings.

After a recess, the board meeting reconvened at 4:00 p.m. Mr. Kelly announced that the board would take up agenda item 6.

**6. Review the report of the Investment Management Committee on its March 26, 2015 meeting – Todd Barth.**

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

The Investment Management Committee met today, March 26, 2015. The first presentation given was a review of the internal public markets, which was presented by Chi Chai, Patrick Cosgrove and KJ Van Ackeren. Following that, there was a review of the trading management group presented by Bernie Bozzelli, Jaime Llano, Steve Peterson and Jared Morris.

**7. Review the report of the Risk Management Committee on its March 26, 2015 meeting – Karen Charleston.**

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

The Risk Management Committee met on March 26, 2015. A presentation was given on the review of the investment risk report, which was presented by Jase Auby.

**8. Review the report of the Policy Committee on its March 26, 2015 meeting, including adoption of a TRS Litigation Policy – Joe Colonna.**

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

The Policy Committee met on March 26, 2015. The committee adopted the minutes of the November 20, 2014 meeting and also recommended the board adoption of the proposed TRS Litigation Policy as presented. The committee discussed the development of the TRS Trustee Procurement Policy. Finally, the committee continued the required review of the TRS Code of Ethics for Contractors.

On a motion by Mr. Colonna, the board unanimously adopted the proposed TRS Litigation Policy as recommended by the Policy Committee.

**9. Review the report of the Audit Committee on its March 26, 2015 meeting – Christopher Moss.**

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

The Audit Committee met on Thursday, March 26, 2015, in the fifth floor Board Room. Internal Audit staff presented the results of the payables audit, a status report on the test results of investment controls, the quarterly investment testing, and the status of prior audit consulting recommendations. Internal Audit staff also presented routine administrative reports and the status of any new and outstanding complaints.

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

Mr. Welch highlighted some operational matters. He shared with the board the passing of Carol Kolb of Accounts Payable in February. He expressed his condolences to Ms. Kolb's family and recognized her 20 years of service at TRS and contribution to the system. Mr. Welch noted matters relating to member services, including hold-time for callers to the Telephone Counseling Center. He also highlighted new developments in the IT area, including switching the agency mobile phones from BlackBerry to iPhone and promoting Kyle Weigum to be the new Director of Network Infrastructure and Support. He provided a brief update on the audit of pension liability required by the new accounting standards issued by the Governmental Accounting Standards Board (GASB). He also reported on the board nominating elections, which were still ongoing.

Per Mr. Welch's request, the board took up agenda item 12 to provide context for the independent program assessment presentation to be given in item 11.

**12. Receive a quarterly review of the TEAM Program, including a discussion of data management and an update on the Line of Business Project. – Adam Fambrough; Barbie Pearson; David Cook; and Jay Masci, Provaliant.**

Mr. Welch and Mr. Masci provided a general update on the TEAM program. Mr. Welch highlighted the re-baselining process and the need for change requests. Mr. Masci noted that the business rules project would be removed from the schedule and a new project for testing and quality assurance of all TEAM projects would be added.

Mr. Fambrough provided an updated project timeline, which reflected the eight-month delay due to the process improvement phase (PIP). He also contrasted change requests that enhanced functionality with refinements to original commitments by with Hewlett-Packard (HP). Mr. Cook estimated that the change requests would cost about \$3.9 million and extend the schedule by about 4½ months. Mr. Fambrough confirmed for Ms. Sissney that the 4½ months had been included in the eight-month delay and represented the total impact to the schedule caused by the 26 change requests.

Mr. Masci provided an update on the milestones. He stated that the board would receive updated schedules for milestone completion and project interdependency at the June board meeting. Responding to a question from Mr. Kelly regarding quality assurance, Mr. Masci stated that both TRS and HP provided regular reports evaluating project performance and improvement through the PIP process.

Mr. Cook provided a budget update. He stated that, although the project cost had increased by approximately \$4.7 million because of delay and change requests, it remained within the \$7.2 million project-budget contingency.

Ms. Pearson discussed the progress of the data conditioning project. She laid out in detail the process of updating and correcting old data in the legacy system and creating data in the new TRUST system.

Mr. Welch provided an update on the financial system replacement project. He stated that staff was currently evaluating information for the procurement related to the project.

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

Mr. Johnson provided an update on the scorecard and observations for the Independent Program Assessment (IPA). He noted that the process improvement phase and detail level requirements both had significant impacts on the quality of the deliverables. He expressed concern about the extent of delay occurring this early in the project. He recommended tightening the project management controls, making timely decisions and holding vendors responsible for quality deliverables. He stated that the effectiveness of the corrective action would be known in the next six months. Responding to Mr. Johnson's recommendation, Mr. Cook stated that staff had implemented or developed solutions to improve timely decision-making, quality review and tracking the completion of deliverables. He said the schedules would be updated in accordance with the re-baselined timetable. Mr. Johnson also observed that adequate resources must be properly allocated to the tasks scheduled for the next 12 months so TRS may test the system and prepare it for deployment to the reporting entities. Mr. Cook said that staff agreed with the recommendations and would bring back updated information to the board in June.

**13. Mid-year budget review for FY 2015 – Don Green.**

Mr. Green provided a mid-year report of expenditures. He said that, because of TEAM, TRS had spent about \$4 million in administrative expenditures over what it had spent year-to-date by this same time in FY 2014. He explained that the spike in costs for January was due to the payment of \$6 million in incentive compensation. He provided details of the FY 2015 budget by fund, division and expense. Mr. Green also described for Mr. Corpus the budgeting process for facility maintenance.

**14. Review the report of the Chief Benefit Officer and consider the following related matters – Tom Guerin:**

**A. Approve members qualified for retirement.**

Mr. Guerin presented the list of members and beneficiaries receiving initial benefit payments during the periods from September 2014 through November 2014 and December 2014 through February 2015.

On a motion by Mr. Moss, seconded by Ms. Sissney, the board unanimously approved the list of members and beneficiaries who qualified for retirement, disability, DROP, PLSO, survivor, or death benefits initiated during the reporting period.

**B. Approve minutes of Medical Board meetings.**

Mr. Guerin presented the minutes of the July 8, 2014, September 9, 2014, November 17, 2014, and January 13, 2015 Medical Board meetings. On a motion by Ms. Palmer, seconded by Ms.

Sissney, the board approved the minutes of the Medical Board meetings as presented, thereby ratifying the actions of the Medical Board reflected in those minutes.

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

Ms. de Onís said she had nothing to add to the written litigation report unless the board had questions. The board members had no questions about the report.

- 16. 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.**

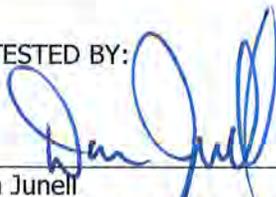
- 17. Consult with the Board's attorney(s) in Executive Session on any item listed above on this meeting agenda as authorized by Section 551.071 of the Texas Open Meetings Act (Chapter 551 of the Texas Government Code) – David Kelly.**

The board took up no further business under agenda items 16 and 17.

The meeting was adjourned at 5:15 p.m.

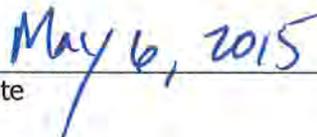
APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 1ST DAY OF MAY, 2015.

ATTESTED BY:



Dan Junell  
Secretary to the TRS Board of Trustees

Date



## RESOLUTION

**WHEREAS**, Melinda Nink joined the Teacher Retirement System of Texas (TRS) in October 1984 as an administrative secretary in the service retirement area; and

**WHEREAS**, in April 1985 she was transferred to the executive director's office where she began a career in executive and board trustee support, responsible for coordinating board member travel and board meeting material collection and distribution, and managing the annual convention registration operation for the National Council on Teacher Retirement (NCTR) for many years; and

**WHEREAS**, in July 1998 she became the assistant to the executive director and served in that capacity for two executive directors – Charles Dunlap and Ronnie Jung – for a total of 16 years, meeting challenging deadlines and successfully dealing with high-pressure and high-profile situations; and

**WHEREAS**, in September 2011 she became the assistant to the TRS Board of Trustees, acting as liaison between TRS staff and trustees, responsible for all preparations and logistics related to board meetings; and

**WHEREAS**, during her years with TRS, in addition to her regular duties, Melinda has volunteered for numerous agency committees and project teams, including serving on the Holiday, SECC and Golden Apple Selection committees, and facilitating the SECC drive; and

**WHEREAS**, TRS recognized Melinda with a TRS Golden Apple Award in 2009 in part for her demonstrated ability to excel in all assignments, remain an invaluable resource to the executive office and the board of trustees, and help TRS capitalize on its positive history; and

**WHEREAS**, Melinda has developed her institutional knowledge to the point of serving as a one-stop source for information, guidance and action, not only in her areas of responsibility, but also in TRS' history, staff organization and member services; and

**WHEREAS**, Melinda has continually been a cheerful and helpful presence at TRS; she is known for her professionalism, dependability, loyalty, compassion, competency, and patience and is deserving of recognition for a job *beyond* well done; and

**WHEREAS**, Melinda currently has 37 years of service to the State of Texas, having previously worked for the Texas Department of Health and Texas Department of Public Safety; and

**WHEREAS**, Melinda has proven to be the glue that holds the TRS Executive Division together and is an invaluable resource to the current executive director, Brian Guthrie, and all other members of the Executive Council; and

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Trustees and staff of the Teacher Retirement System of Texas recognize the accomplishments and contributions of Melinda Nink at TRS during her career with the retirement system and express their sincere appreciation on behalf of TRS members both present and future,

**AND BE IT FURTHER RESOLVED**, that a copy of this resolution be presented to Melinda Nink and entered into the record of the board for March 26, 2015.