

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

AGENDA

May 1, 2015 – 10:00 a.m.

TRS East Building, 5th Floor, Boardroom

NOTE: The Board may take up in any order the items posted on the agenda during its meeting on Friday, May 1, 2015.

The open portions of the May 1, 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.

1. Call roll of Board members.
2. Consider the following Board administrative matters – David Kelly:
 - A. Approval of the March 26-27, 2015 Board meeting minutes.
 - B. Setting, rescheduling, or canceling future Board meetings.
3. Provide opportunity for public comments – David Kelly.
4. Receive an overview of and discuss the upcoming Pension Fund Experience Study – Joseph Newton, Gabriel, Roeder, Smith and Co.
5. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
 - A. Legislative Update.
 - B. Administrative operational matters, including updates on financial, audit, legal, staff services, board administration activities including nominating election matters, special projects, long-term space planning, and strategic planning.
 - C. Board operational matters, including a review of draft agendas for upcoming meetings.
 - D. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.

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

6. Budget and appropriation updates, including the cash report – Don Green.
7. Consider proposed amendments to the following key employee and signature authority resolutions – Don Green:
 - A. TRS Key Employee Determinations;
 - B. Designation of Persons Authorized To Sign TRS Vouchers; and
 - C. General Authority Resolutions.
8. 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.
9. 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

May 1, 2015

The Board of Trustees of the Teacher Retirement System of Texas met on May 1, 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
David Corpus
Dolores Ramirez

Others present:

Brian Guthrie, TRS	James Pinkard, TRS
Ken Welch, TRS	Rebecca Smith, TRS
Carolina de Onís, TRS	Heather Traeger, TRS
Chris Cutler, TRS	Steve Huff, Reinhart Boerner Van Deuren
Don Green, TRS	Joseph Newton, Gabriel Roeder Smith and Company
Howard Goldman, TRS	Lewis Ward, Gabriel Roeder Smith and Company
Rebecca Merrill, TRS	Ted Melina Raab, Texas American Federation of Teachers
Barbie Pearson, TRS	Barbara Franklin, Texas State Teachers Association
Ronnie Bounds, TRS	Philip Mullins, Texas Retired Teachers Association
Bob Jordan, TRS	Derly Rivera, Austin Retired Teachers Association
Janie Duarte, TRS	Bill Barnes, Texas Retired Teachers Association
Dan Herron, TRS	Adriana Salazar, Caremark
Katie Hoffman, TRS	Josh Sanderson, Association of Texas Professional Educators
Dan Junell, TRS	Tom Rogers, Austin Retired Teachers Association and Texas Retired Teachers Association
Lynn Lau, TRS	Charles Smith

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

1. Call roll of Board members.

Ms. Lau called the roll. A quorum was present. Mr. Colonna, Mr. Moss, and Ms. Palmer were absent. Ms. Charleston arrived at 11:30 a.m.

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

A. Approval of the March 26-27, 2015 Board meeting minutes.

On a motion by Mr. Barth, seconded by Ms. Ramirez, the board unanimously approved the March 26-27, 2015 board meeting minutes.

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

The board did not take up item 2.B.

3. Provide opportunity for public comments – David Kelly.

Mr. Ted Melina-Raab expressed his appreciation to TRS staff for their efforts on the current legislative session.

4. Receive an overview of and discuss the upcoming Pension Fund Experience Study – Joseph Newton, Gabriel, Roeder, Smith and Co.

Mr. Newton explained actuarial valuation and experience study processes, including methods, assumptions, purposes, and industrial standards. In response to a question from Mr. Kelly as to whether using wrong assumptions or wrong methods would be more detrimental to the overall health of the fund, Mr. Newton opined that methods should be given more attention. He explained that if the correct assumptions were applied incorrectly, it would lead to incorrect results. He noted that applying correct methods would put less pressure on having to be certain about assumptions. Responding to a question from Mr. Guthrie about the factors that will be used to revisit the investment return assumption, Mr. Newton stated that the timeframe to be used in setting assumptions related to the experience study would be different from that used for setting asset allocation. He explained how the investment return assumption was formed, how it compared with other funds' assumption, and how inflation affected it and other assumptions.

Mr. Newton discussed the recommendation of implementing a generational mortality methodology in setting the mortality assumption. He stated that the new methodology would reflect a gradual increase in longevity each year and avoid drastic adjustments to the assumption in future years. He noted that the new methodology would move the funding period back and add unfunded liability.

Mr. Newton concluded by stating that he would present assumption findings to the board in July and the final assumption in September for board approval.

After a recess at 11:30 a.m. the board reconvened at 12:00 p.m.

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

A. Legislative Update.

Mr. Guthrie provided a summary of bills related to TRS matters. He discussed bills concerning the status of TRS-Care and a cost of living adjustment (COLA) for retirees.

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

Mr. Guthrie announced that Mr. Corpus, Ms. Ramirez, and Mr. Colonna would be approved for board seats by the Senate Nominations Committee in absentia. He also provided an update on the

election for Ms. Sissney's board seat.

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

Mr. Guthrie provided an overview of the June and July board and committee meeting agendas.

D. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.

The board did not take up agenda item 5. D.

6. Budget and appropriation updates, including the cash report – Don Green.

Mr. Green provided a report of pension fund cash disbursements as of March 2015.

Mr. Green provided an update on the legislative appropriation request. He confirmed for Mr. Barth that the shortfall in the higher education retirement appropriation would be accounted for with the surplus in the public education retirement appropriation. He confirmed for Mr. Kelly that payroll growth was aggregate of amount and head count growth. Mr. Green provided a summary of major cost drivers, including membership growth, phone calls answered, office visits, and benefits processed. He also provided an update on the cost of full-time equivalent (FTE) positions. He recapped the FY 2015 budget by fund and division.

Mr. Green described the FY 2016-2017 appropriations for administrative operations, TEAM funding, and FTEs, and the two new riders requested for appropriation transfer authority for TRS-Care and for the implementation of Governmental Accounting Standards Board (GASB) statements 68, 69, and 72. Mr. Green provided a report of the capital budgets for FY 2016-2017. He also provided a detailed report of TRS-Care funding appropriations, sources, and current status and projection as of December 2014. He concluded with a timeline for completing the FY 2016 operating budget. Responding to a question from Mr. Kelly regarding the smaller proportion of certain revenue sources, Mr. Green stated that the smaller proportion reflects significant investment returns received in FY 2014.

7. Consider proposed amendments to the following key employee and signature authority resolutions – Don Green:

A. TRS Key Employee Determinations;

B. Designation of Persons Authorized To Sign TRS Vouchers; and

C. General Authority Resolutions.

Mr. Green stated that proposed changes to certain position titles mentioned in the Key Employee, Designation of Persons Authorized to Sign TRS Vouchers, and General Authority resolutions were needed to conform to current official titles.

On a motion by Mr. Barth, seconded by Ms. Sissney, the board unanimously adopted proposed changes updating certain employee position titles in the Key Employee, Voucher Authority, and General Authority resolutions, as presented by staff and attached to these minutes.

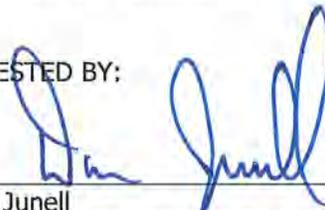
8. **Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Investment Officer, or Chief Audit Executive – David Kelly.**
9. **Consult with the Board's attorney(s) in Executive Session 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 8 and 9.

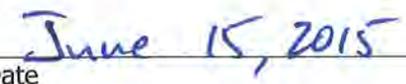
The meeting was adjourned at 12:55 p.m.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 11TH DAY OF JUNE, 2015.

ATTESTED BY:



Dan Junell
Secretary to the TRS Board of Trustees



Date

Teacher Retirement System of Texas
Board of Trustees
Resolution Adopting Revised TRS Key Employee Determinations
May 1, 2015

Whereas, In accordance with Government Code Section 825.212 and the Employee Ethics Policy, as revised from time to time, the Board of Trustees of the Teacher Retirement System of Texas (the “Board”) has authority to determine employees who exercise significant fiduciary authority (“key employees”); and

Whereas, The Board desires to adopt the following determinations of key employees; now, therefore be it

Resolved, That the following positions are determined to be key employees and their current and future incumbents subject to all applicable requirements for key employees:

Title
Executive Director
Deputy Director
Chief Investment Officer
Deputy Chief Investment Officer
Chief Benefit Officer
Chief Financial Officer
General Counsel
Chief Audit Executive
Chief Information Officer
Deputy Chief Information Officer
Chief Healthcare Officer
Director of Strategic Initiatives
Director of General Accounting & Budget
Director of Investment Accounting

Further resolved, That all employees who hold a voting position on the Internal Investment Committee at any time during a reporting period are determined to be key employees subject to all applicable requirements for key employees;

Further resolved, That all Investment Management Division employees who hold the working title of Director or higher during a reporting period are determined to be key employees and subject to all applicable requirements for key employees;

Further resolved, That all employees who have authority to approve or execute securities trades in the TRS order management system during a reporting period are determined to be key employees and subject to all applicable requirements for key employees;

Further resolved, That all employees who hold authority during a reporting period under the Board’s General Authority Resolution either through direct delegation from the Board or otherwise are determined to be key employees and subject to all applicable requirements for key employees;

Further resolved, That the Executive Director is authorized to designate, upon notice to the General Counsel, an employee not identified above to be a supplemental key employee if the Executive Director determines that it would be prudent for TRS to have the employee subject to the key employee requirements because of the influence the employee exercises, the nature of the employee’s job, the

information to which the employee has access, or another appropriate reason; at the next meeting of the Board after any supplemental key employee designations, the Executive Director shall notify the Board of the designations for the Board to consider ratification of the designations;

Further resolved, That the foregoing resolutions and all applicable key employee requirements, including submitting enhanced disclosures required by the Employee Ethics Policy, are effective for the 2014 reporting year and shall remain effective until modified by the Board.

**RESOLUTION
DESIGNATING PERSONS AUTHORIZED TO SIGN TRS VOUCHERS**

May 1, 2015

WHEREAS, In accordance with section 825.104 of the Texas Government Code, the Board of Trustees (the "Board") of the Teacher Retirement System of Texas ("TRS") has previously granted authority to certain persons to approve and sign vouchers for payment from accounts of TRS; and

WHEREAS, The Board desires to re-designate those persons to whom this authority has been granted and to update certain position titles; now, therefore, be it

RESOLVED, That the Board designates the following persons to approve and sign vouchers for payment from accounts of TRS from and after May 1, 2015, and until the designated person separates from employment with TRS, is no longer employed in any capacity for which authority is granted under this resolution, or is not re-designated by the Board, whichever occurs first:

Brian K. Guthrie	Executive Director
Ken Welch	Deputy Director
Don Green	Chief Financial Officer
Jamie Pierce	Director of General Accounting & Budget
Scot Leith	Director of Investment Accounting
Janie Duarte	Assistant Director of General Accounting & Budget
Cindy Haley	Manager of Financial Reporting
Arlene Caballero	Manager of Employee Payroll & Benefits
Vicki Garcia	Team Leader of Investment Accounting

General Authority Resolutions Adopted May 1, 2015

Investment Group

Resolved, That Investment Division employees holding the following TRS working titles are members of the “Investment Group”:

**Chief Investment Officer
Senior Managing Director
Senior Director
Senior Investment Manager**

**Deputy Chief Investment Officer
Managing Director
Director**

Resolved further, That the Executive Director is authorized and directed to designate in writing those individual members of the **Investment Group** who are authorized within the investment areas designated by the Executive Director, in addition to the Chief Investment Officer and the Deputy Chief Investment Officer, to take any one or more of the following actions authorized below in accordance with these resolutions until the authority is revoked.

Resolved further, That the Executive Director is authorized and directed to designate in writing, by investment area and category or item designation, the specific authorities granted to each authorized member of the **Investment Group**, until the authority is revoked.

A. General Authority for Investment Matters other than Derivatives

Resolved further, That the Chief Investment Officer, Deputy Chief Investment Officer, and any other member of the **Investment Group** designated by the Executive Director as having such authority, in addition to any other authority expressly designated by the Executive Director under these resolutions, may act on behalf of TRS to:

- A.1** Buy, sell, or give orders or instructions for transactions in currencies and securities, and any amendments or modifications of such orders or instructions.
- A.2** Direct Investment Operations personnel to deliver, pay, expend, or receive cash, currencies, monies, securities (including restricted or Rule 144A securities) in connection with a contract to buy or sell securities.
- A.3** Give directions and instructions to members of the **Trading Group** or external managers relating to execution, brokerage, clearing or settlement of securities transactions.
- A.4** Direct Investment Operations personnel to fund subscribed investment funds or capital called by investment funds; transfer funds or assets between custodial accounts, including external manager separate accounts; transfer funds to pay fees under an investment contract; and to instruct other cash movements, including movements of cash to and from custodial accounts held by the Comptroller of Public Accounts and transfers of assets in kind for investment under an investment contract.

Notwithstanding any provision of this Section A, authority granted under this Section A does not extend to transactions in derivatives, which are governed exclusively by Section C of these resolutions.

B. Investment Contracting Authority other than Derivatives

Resolved further, That the Chief Investment Officer, Deputy Chief Investment Officer, and any other member of the **Investment Group** designated by the Executive Director as having such authority, in addition to any other authority expressly designated by the Executive Director under these resolutions, may act on behalf of TRS to:

- B.1** Make, execute, deliver, waive, modify, amend, renew, extend, assign, terminate, or transfer, in each case in writing, investment-related documents, including without limitation, written contracts, investment management agreements, subscription agreements, capital commitments, account agreements, consents, certificates, powers of attorney, notes, deeds, security agreements, pledges, mortgages, endorsements, directions and instructions to amend, modify, fix, and execute written investment guidelines in investment management agreements with external managers and fund managers, and any and all documents necessary or proper to effectuate the authority granted in this Section B.1.
- B.2** Jointly with a member of the **Financial Group** or the **Executive Group**, execute investment fund redemption and withdrawal notices and instructions for the transfer or delivery by wire or physical transfer of cash or securities to a TRS account by a third-party fund, external manager, account, debtor, except that an authorized member of the **Investment Group** may be the sole TRS signatory on subscription agreements, side letter agreements, or other investment-related documents executed by TRS in connection with a new investment, and any amendments or modifications to such documents and agreements other than redemption and withdrawal notices and corresponding instructions for the transfer or delivery by wire or physical transfer of cash or securities.

Notwithstanding any provision of this Section B, the authority granted under this Section B does not extend to transactions in derivatives, which are governed exclusively by Section C of these resolutions.

C. Derivatives Authority

Resolved further, That the Chief Investment Officer or the Deputy Chief Investment Officer and any member of the **Investment Group** who is designated by the Executive Director as a member of the derivatives team, in addition to any authority expressly designated by the Executive Director under these resolutions is authorized may act on behalf of TRS to:

- C.1** Negotiate, make, fix, execute, waive, amend, modify, renew, extend, transfer, assign, endorse, or terminate, in each case in writing, documents related to derivatives transactions, including without limitation, master agreements, schedules, credit support annexes, collateral-management agreements, transaction confirmations, account agreements, and clearing agreements, and deliverables relating to such documents and agreements.
- C.2** Make, execute, waive, amend, modify, renew, extend, transfer, assign, endorse, or terminate, in each case in writing, disclosures, questionnaires, elections, certifications, or other administrative documents and deliverables related to derivatives accounts or transactions.
- C.3** Jointly with a member of the **Financial Group** or the **Executive Group**, execute, amend, modify, or terminate documents, directions, and instructions to deliver and pay cash, currencies, monies, or securities, to margin, collateralize, or settle derivatives transactions.
- C.4** Direct Investment Operations personnel to receive cash, currencies, monies, or securities, to margin, collateralize, or settle derivatives transactions.

- C.5 Buy, sell, or give orders or instructions for transactions in derivatives, and any amendments or modifications of such orders or instructions.
- C.6 Give directions and instructions to members of the **Trading Group** or external managers relating to execution, brokerage, clearing or settlement of derivatives transactions.

Financial Group

Resolved further, That the “**Financial Group**” comprises employees holding the following TRS working titles:

Chief Financial Officer
Director of General Accounting and Budget
Manager of Financial Reporting

Director of Investment Accounting
Team Leader of Investment Accounting
Assistant Director of General Accounting and Budget

Resolved further, That each member of the **Financial Group** is authorized and empowered on behalf of TRS, jointly with an authorized member of the **Investment Group** or the **Executive Group**, to execute redemption and withdrawal notices and instructions for the transfer or delivery by wire or physical transfer of cash, collateral, margin, or securities to a TRS account by a third-party fund, account, debtor, or derivatives counterparty, except that an authorized member of the **Investment Group** may be the sole TRS signatory on subscription agreements and side letter agreements and any amendments to subscription agreements or side letter agreements.

Resolved further, That each member of the **Financial Group** is authorized and empowered on behalf of TRS, to execute authorizations to fund subscribed investment funds or capital called by investment funds; transfer funds or assets between custodial accounts, including external manager separate accounts; transfer funds to pay fees under an investment contract; instruct other cash movements, including movements of assets to and from custodial accounts held by the Comptroller of Public Accounts and transfers of assets in kind for investment under an investment contract.

Resolved further, That each member of the **Financial Group** is authorized and empowered on behalf of TRS to authorize and direct members of the Investment Accounting team to verify or confirm to a custodian or prime broker any order for the transfer or delivery of currencies, monies, securities, or contracts to any other person.

Executive Group

Resolved further, That the “**Executive Group**” comprises employees holding the TRS working titles of Executive Director and Deputy Director, and each member of the **Executive Group** is authorized and empowered to perform, with respect to a particular matter or transaction, any and all of the acts that any and all employees in the **Investment Group** or the **Financial Group** are authorized to perform, except that when joint action by a member of the **Investment Group** and a member of the **Financial Group** is required, only one member of the **Executive Group** may act jointly with a member of either of the **Investment Group** or the **Financial Group**.

Trading Group

Resolved further, That the “**Trading Group**” comprises the employees holding the following TRS working titles: Director – Trading Center, and Trader. Each member of the **Trading Group** is authorized and empowered on behalf of TRS to take the following actions: to place orders or agree with brokers, dealers and market-makers to purchase or sell securities, derivatives, forward contracts, or currency; to monitor and supervise execution and settlement of such orders or agreements; and to negotiate, fix, and vary the

commissions, spreads, or discounts for individual orders or agreements to purchase or sell securities, derivatives, forward contracts, or currency.