TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES

AGENDA

May 13, 2016 – 9:00 a.m.

TRS East Building, 5th Floor, Boardroom

All or part of the May 13, 2016 meeting of the TRS Board of Trustees may be held by telephone conference call as authorized under Section 551.130 of Texas Government Code. The Board intends to have a quorum physically present at the following location: ***1000 Red River Austin, Texas 78701 in the TRS East Building, 5th Floor, Boardroom.***

NOTE: The Board may take up any item posted on the agenda during its meeting on Friday, May 13, 2016. The open portions of the May 2016, Board meeting are being broadcast over the Internet. Access to the Internet broadcast of the Board meeting is provided on TRS' website at www.trs.texas.gov.

1. Call roll of Board members.

2. Consider the following administrative matters – David Kelly:

   A. Welcome new trustees, as applicable.

   B. Excuse Board member absences from the April 7, 2016 Board meeting.

   C. Consider approval of the April 7, 2016 proposed meeting minutes.

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

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

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

   G. Recognize the service of outgoing trustees, as applicable.

3. Provide opportunity for public comments – David Kelly.

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

   A. Administrative operational matters, including updates on the Executive Director's goals, financial, audit, legal, staff services, investment matters, board administration, special projects, long-term space planning, strategic planning matters, the 2016 CEM Global Pension Administration Conference, and procurements associated with the Financial System Replacement Project.

B. The financial awareness video series, including viewing a video from the series.

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.

5. Discuss the TRS health benefits programs and receive an update on the following matters – Katrina Daniel and William Hickman and Amy Cohen, Gabriel, Roeder, Smith & Company:

A. Premium and plan design alternatives 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 alternatives for TRS-ActiveCare, the active member health benefits program, including the preferred-provider organization (PPO) plan options.

6. Discuss and receive an update on the Joint Legislative Committee's proceedings on TRS Health Benefits Plans – Brian Guthrie and Katrina Daniel.

7. Discuss and receive a financial update on the following matters – Don Green:

A. Receive an overview of proposed the administrative operations budget for fiscal year 2017.

B. Discuss development of TRS' Legislative Appropriations Request (LAR) for the 2018-2019 biennium.

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 13, 2016

The Board of Trustees of the Teacher Retirement System of Texas met on May 13, 2016 in the boardroom 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
John Elliott
Dr. Greg Gibson
Christopher Moss
Dolores Ramirez

Others present:

Brian Guthrie, TRS	Dan Herron, TRS
Ken Welch, TRS	Heather Traeger, TRS
Carolina de Onís, TRS	Yimei Zhao, TRS
Chris Cutler, TRS	Rebecca Smith, TRS
Katrina Daniel, TRS	Steve Huff, Reinhart Boerner Van Deuren
Don Green, TRS	Bill Hickman, Gabriel Roeder Smith and Company
Britt Harris, TRS	Amy Cohen, Gabriel Roeder Smith and Company
Jerry Albright, TRS	Eric St. Pierre, Gabriel Roeder Smith and Company
Howard Goldman, TRS	Philip Mullins, Texas Retired Teachers Association
Amy Barrett, TRS	Ted Melina Raab, Texas American Federation of Teachers
Jan Engler, TRS	Ann Fickel, Texas Classroom Teachers Association
Rebecca Merrill, TRS	Josh Sanderson, Association of Texas Professional Educators
Ray Spivey, TRS	Tim Lee, Texas Retired Teachers Association
Cassi Lamb, TRS	Tom Rogers, Austin Retired Teachers Association
Lynn Lau, TRS	John Grey, Texas State Teachers Association
Katy Hoffman, TRS	Mark Quinn, Aetna
Dan Junell, TRS	Richard Edwards, CVS Heath
Clarke Howard, TRS	Cindy Walsh, Humana
Jamie Pierce, TRS	John Hryhorchuk, Office of the Governor
Jim Pinkard, TRS	Erin Hornaday, Senator Huffman's Office
Rhonda Price, TRS	Trevor Simmons, Legislative Budget Board

Mr. Kelly called the meeting to order at 9:15 a.m.

1. Call roll of Board members.

Ms. Lau called the roll. A quorum was present. Mr. Colonnetta and Ms. Palmer were absent.

2. Consider the following administrative matters – David Kelly:

A. Welcome new trustees, as applicable.

The board members welcomed new trustees, Mr. John Elliott and Dr. Greg Gibson. Mr. Elliott and Dr. Gibson gave a brief remark on their appointment to the board.

Mr. Kelly took up agenda item 3.

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

Mr. Tom Rogers of Austin Retired Teachers Association read his testimony in response to the comments by Dr. Josh McGee, the chair of the Texas Pension Review Board, concerning defined benefit plans. He commented on the benefits of defined benefit plans and the potential negative outcome of switching from a defined benefit plan to a defined contribution plan. He also highlighted the soundness and efficiency of the TRS fund.

Mr. Tim Lee of Texas Retired Teachers Association (TRTA) welcomed Mr. Elliott and Dr. Gibson. He profiled TRTA, including its membership and operation. He also highlighted the strengths of TRS and the important role and fiduciary duties of the board in making decisions and serving the members. He expressed his appreciation to the board for their work and stated that TRTA would continue partnering with TRS and help serve the members as much as they can.

2. Consider the following administrative matters – David Kelly:

C. Consider approval of the April 7, 2016 proposed meeting minutes.

On a motion by Mr. Moss, seconded by Ms. Charleston, the Board unanimously voted to approve the proposed minutes of the April 7, 2016 board meeting.

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

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

Mr. Kelly announced that the board would defer items D and E to the next Board meeting.

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

G. Recognize the service of outgoing trustees, as applicable.

The Board did not take up agenda items 2F and 2G.

B. Excuse Board member absences from the April 7, 2016 Board meeting.

On a motion by Ms. Ramirez, seconded by Mr. Corpus, the Board unanimously voted to excuse Mr. Colonnetta's absence from the April 7, 2016 Board meeting.

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

A. Administrative operational matters, including updates on the Executive Director's goals, financial, audit, legal, staff services, investment matters, board administration, special projects, long-term space planning, strategic planning matters, the 2016 CEM Global Pension Administration Conference, and procurements associated with the Financial System Replacement Project.

B. The financial awareness video series, including viewing a video from the series.

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.

Mr. Guthrie provided an update on performance goals for FY 2016. He highlighted communication and technology as two of the main challenges facing the system in light of the increasing demand and usage in both areas. He also highlighted the goal of improving the records management process, recruiting and retaining highly competent staff, improving work environment, and increasing national profile. Mr. Guthrie then introduced the financial awareness video series prepared for members. Mr. Guthrie stated that two out of fourteen videos in the series had been produced.

Whereupon the two videos were shown.

Mr. Guthrie then discussed the goal of finding solutions for the sustainability of the healthcare programs.

Mr. Guthrie next provided a general update on the CEM conference and NCTR trustee training program. He next informed the board that Ms. Lau had transferred to the Information Technology Division. He expressed his appreciation to Ms. Lau for serving as the assistant secretary to the board. He noted that Mr. Junell would continue to serve as the secretary to the Board. He stated that a more concrete plan for the board administration and operation would be presented to the board in the summer.

Mr. Guthrie provided an overview of the upcoming board meeting agendas.

Mr. Guthrie referred the board to the materials that include staff's findings on Leonard Green's use of a private plane, letters from the state leadership on zero-based budget planning and budget drivers, and an update on contracts authorized by the board. Responding to a question from Mr. Kelly, Mr. Guthrie stated that the board would discuss investment consulting contracts in June.

Mr. Kelly announced that the board would go into executive session on agenda item 4A and 8 under §§551.071 and 551.074 of the Government Code to consult with legal counsel and to discuss personnel matters, including the executive director's duties regarding the financial system replacement project. 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 10:13 a.m. to go into executive session.

The board meeting reconvened in open session at 11:10 a.m.

5. Discuss the TRS health benefits programs and receive an update on the following matters – Katrina Daniel and William Hickman and Amy Cohen, Gabriel, Roeder, Smith & Company:

A. Premium and plan design alternatives 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 alternatives for TRS-ActiveCare, the active member health benefits program, including the preferred-provider organization (PPO) plan options.

6. Discuss and receive an update on the Joint Legislative Committee's proceedings on TRS Health Benefits Plans – Brian Guthrie and Katrina Daniel.

Mr. Guthrie provided an update on the funding of TRS-Care. He stated that staff found that the TRS-Care fund may potentially have a negative balance before it returned to a positive balance by the end of fiscal year. Given the fact that there was no guarantee for additional supplemental funding from the legislature through an emergency appropriation, he said, staff would present options to the board to help mitigate or offset the potential negative balance. He confirmed for Mr. Kelly that the current data were projections and subject to change. He also confirmed that the health care programs had experienced negative balances for a period of time in the past.

Ms. Daniel discussed strategies for generating revenue and reducing cost for TRS-Care and TRS-ActiveCare. Mr. Kelly suggested that many different scenarios be incorporated into the study models. Further discussion followed regarding the strategies and options. Ms. Daniel stated that staff would give the same presentation at the Retiree Advisory Committee (RAC) for input and would report back to the board after the RAC meeting.

7. Discuss and receive a financial update on the following matters – Don Green:

A. Receive an overview of proposed the administrative operations budget for fiscal year 2017.

B. Discuss development of TRS' Legislative Appropriations Request (LAR) for the 2018-2019 biennium.

Mr. Green provided a cash disbursement report for fiscal year 2016. He recapped the FY 2016 budget by fund, division, and expense.

Mr. Green recapped the FY 2016-2017 legislative appropriations request (LAR). He also highlighted the key points of the LAR for the 2018-2019 biennium.

Mr. Green provided an overview of the major cost drivers for administrative operations. He also highlighted the capital projects and budget. He concluded his presentation with the timeline for budget updates and appropriations requests in the summer.

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 item 9.

The meeting was adjourned at 12:52 p.m.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 13TH DAY OF MAY, 2016.

ATTESTED BY:

Dan Junell
Secretary to the TRS Board of Trustees

June 22, 2016
Date