

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

AGENDA

November 20, 2014 – 8:30 a.m.

November 21, 2014 – 9:30 a.m.

TRS East Building, 5th Floor, Boardroom

NOTE: The Board may take up any item posted on the agenda during its meeting on Thursday, November 20, 2014 or during the meeting on the following day beginning at the time and place specified on this agenda.

The open portions of the November 20-21, 2014 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.state.tx.us.

1. Call roll of Board members.
2. Consider Board administrative matters, including the following – Nanette Sissney:
 - A. Approval of the October 17, 2014 meeting minutes.
 - B. Excusing Board member absences from the October 17, 2014 Board meeting.
 - C. Setting, rescheduling, or canceling future Board meetings.
3. Recognize the service of Marianne Woods Wiley – Nanette Sissney
4. Provide opportunity for public comments – Nanette Sissney.
5. Review the TRS Pension Trust Fund Actuarial Valuation as of August 31, 2014 and consider adoption of adjusted mortality assumption – Joseph Newton, Gabriel, Roeder, Smith & Company.
6. Review the TRS-Care Actuarial Valuation and Other Post Employment Benefit (OPEB) reports as of August 31, 2014 and receive an overview and update on TRS-Care and TRS-ActiveCare – Joseph Newton; Amy Cohen; and William Hickman, Gabriel, Roeder, Smith & Company.
7. Discuss the following investment matters :
 - A. Performance Review: Third Quarter 2014 – Brady O’Connell and Steve Voss, Hewitt EnnisKnupp.
 - B. Receive an update on the Strategic Partnership Network – David Veal

8. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
 - A. Administrative operational matters, including updates on financial, audit, legal, staff services, board administration activities, special projects, long-term space planning, and strategic planning.
 - B. Board operational matters, including a review of draft agendas for upcoming meetings.

***NOTE:** The Board meeting likely will recess after the last item above for a lunch break and to conduct committee meetings. The Board will resume upon adjournment of the committee meetings to take up the items listed below.*

9. Review the Comprehensive Annual Financial Report for fiscal year 2014 – Jamie Pierce and Cindy Haley.
10. Review the reports of the Chief Financial Officer, including a report of expenditures that exceed the amount of operating expenses appropriated from the general revenue fund and are required to perform the fiduciary duties of the Board – Don Green.
11. Review the report of the Investment Management Committee on its November 20, 2014 meeting – Todd Barth.
12. Review the report of the Policy Committee on its November 20, 2014 meeting, and consider committee recommendations on the following related matters – Joe Colonna:
 - A. Adoption of proposed amendments to the Resolution Designating Persons Authorized to Sign TRS Vouchers.
 - B. Adoption of proposed amendments to the TRS Board of Trustees Training Policy.
 - C. Adoption of the four-year statutory rule review of TRS rules in Chapters 21-51 of Title 34 of the Texas Administrative Code, including the readoption of rules in those chapters with or without changes, and the adoption of proposed amended rules in the following chapters:
 - i. Chapter 25 (Membership Credit);
 - ii. Chapter 27 (Termination of Membership and Refunds);
 - iii. Chapter 29 (Benefits);
 - iv. Chapter 31 (Employment After Retirement);
 - v. Chapter 39 (Proof of Age);

- vi. Chapter 41 (Health Care and Insurance Programs);
 - vii. Chapter 47 (Qualified Domestic Relations Orders); and
 - viii. Chapter 51 (General Administration).
13. Review the report of the Risk Management Committee on its November 20, 2014 meeting – Karen Charleston.

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

14. Provide opportunity for public comments – Nanette Sissney.
15. Receive an update on the TEAM Program, including an update on the process improvement plan – Adam Fambrough; Barbie Pearson; David Cook; Ernie Sanders, and Jay Masci, Provaliant.
16. Receive a presentation from the TEAM Program Independent Program Assessment (IPA) Vendor – Michael Johnson, Bridgepoint Consulting.
17. Review the report of the Audit Committee on its November 21, 2014 – Christopher Moss.
18. Review Deputy Director’s Report, including matters related to administrative, financial, and staff services operations – Ken Welch
19. 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.
20. 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 – Nanette Sissney.
21. 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) – Nanette Sissney.

Minutes of the Board of Trustees

November 20-21, 2014

The Board of Trustees of the Teacher Retirement System of Texas met on November 20, 2014 in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River Street, Austin, Texas. The following board members were present:

Nanette Sissney, Presiding Chair
Todd Barth
Karen Charleston
Joe Colonna
David Corpus
Christopher Moss
Anita Palmer

Others present:

Brian Guthrie, TRS	Dan Junell, TRS
Carolina de Onís, TRS	Lynn Lau, TRS
Amy Barrett, TRS	Don Stanley, TRS
Janet Bray, TRS	Teresa Lwin, TRS
Don Green, TRS	Dr. Jingshan Fu, TRS
Howard Goldman, TRS	Eric McDonald, Former Board Trustee
T. Britton Harris IV, TRS	Dr. Keith Brown, Investment Advisor
Jerry Albright, TRS	Steve Huff, Reinhart Boerner Van Deuren
Jase Auby, TRS	Steve Voss, Hewitt EnnisKnupp
Michael Aluko, TRS	Bill Hickman, Gabriel Roeder Smith & Company
Dr. Mohan Balachandran, TRS	Joe Newton, Gabriel Roeder Smith & Company
Ronnie Bounds, TRS	Amy Cohen, Gabriel Roeder Smith & Company
Robert Dunn, TRS	Ronnie Jung, Texas Retired Teachers Association
Tom Guerin, TRS	Patti Featherston, Legislative Budget Board
Mike Pia, TRS	Diana Hodges, Senator Huffman
Jamie Pierce, TRS	Fran Plemmons, Texas Retired Teachers Association
Dale West, TRS	Bill Barnes, Texas Retired Teachers Association
Lane Arnold, TRS	Tim Lee, Texas Retired Teachers Association
Chris Cutler, TRS	Josh Sanderson, Association of Texas Professional Educators
Susan White, TRS	Philip Mullins, Texas State Employees Union
Bob Jordan, TRS	Patricia Del Rio, Aetna
Cindy Haley, TRS	Adriana S. Garza, Caremark
David Veal, TRS	John Grey, Texas State Teachers Association
Yimei Zhao, TRS	Ted Melina Raab, Texas American Federation of Teachers
Hugh Ohn, TRS	Ann Fickel, Texas Classroom Teachers Association
Edward Esquivel, TRS	Meredyth Fowler, Speaker of the Texas House of Representatives
Sylvia Bell, TRS	Carole Buchanan, Texas Retired Teachers Association
Kendall Courtney, TRS	Tom Rogers, Austin Retired Teachers Association & Texas
Sunitha Downing, TRS	Retired Teachers Association
Solomon Gold, TRS	

Ms. Sissney called the meeting to order at 8:45 a.m.

1. Call roll of Board members.

Ms. Lau called the roll. A quorum was present. Ms. Ramirez and Mr. Kelly were absent.

2. Consider Board administrative matters, including the following – Nanette Sissney:

A. Approval of the October 17, 2014 meeting minutes.

On a motion by Mr. Moss, seconded by Ms. Palmer, the board unanimously adopted the minutes of the October 17, 2014 meeting, as presented.

B. Excusing Board member absences from the October 17, 2014 Board meeting.

On a motion by Mr. Barth, seconded by Mr. Corpus, the board unanimously excused the absence of Mr. Colonna from the October 17, 2014 meeting.

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

The board did not take up agenda item 2.C.

3. Recognize the service of Marianne Woods Wiley – Nanette Sissney.

On behalf of the board, Ms. Sissney recognized the service of Ms. Marianne Woods Wiley and read the following resolution into record:

Whereas, Marianne Woods Wiley joined the Teacher Retirement System of Texas (TRS) in July 1998, as the manager of Benefit Processing; and

Whereas, In recognition to her leadership and significant contributions to TRS, she was named chief benefit officer for the Benefit Services Division in December 1998; and

Whereas, She was an active member of the Executive Council, who provided strategic technical direction for TRS; and

Whereas, As a member of the Executive Steering Committee, she was a driving force for the current application modernization effort for the TRS Enterprise Application Modernization (TEAM) Program often sharing information with other retirement entities about lessons learned and best practices; and

Whereas, She professionally represented TRS with peer retirement organizations as president of the State and Local Government Benefits Association (SALGBA) and held the SALGBA Lifetime Certified Government Benefits Administrator designation; and

Whereas, Throughout her years of leadership to the retirement system, Ms. Woods Wiley has been devoted to providing exemplary customer service to TRS members; and

Whereas, Her approach to employment has embodied a fiduciary's duties of loyalty and care, always placing the retirement system and its participants first, ahead of any personal concerns; and

Whereas, She has exhibited the highest level of integrity, providing insights, analyses, and advice that have been proven over time to be accurate and well thought out; and

Whereas, TRS recognized Ms. Woods Wiley with a TRS Golden Apple Award in 2000 in part for her demonstrated ability to handle complex matters, maintain infinite attention to detail, meet challenging deadlines and deal successfully with high-pressure and high-profile situations; and

Whereas, She has demonstrated quiet courage and persistence in delivering sometimes unpopular advice and always handling challenging matters with grace, dignity and courtesy; and

Whereas, She has maintained the highest standards of professionalism and played an invaluable role to TRS and its beneficiaries; and

Whereas, She provided critical leadership during a time when the retirement system grew from approximately 883,000 to more than 1.3 million members and annuitants; surpassed \$130 billion in its investment portfolio by the time of her retirement; developed and implemented a statewide active member health benefits program; strengthened management controls; implemented electronic imaging to enhance business processes; introduced enhancements to better serve members and retirees in understanding and accessing their TRS benefits; implemented benefit delivery systems support for several cost-of-living adjustments for annuitants; and

Whereas, Marianne Woods Wiley is retiring from TRS after serving the retirement system for 16 years, and 27 years of public service beginning with her work providing benefit advice to employees at Texas A&M University, mindful of her duty to those who teach or otherwise serve our state's children and thereby shape its future; 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 Marianne Woods Wiley during her 16-year highly successful career with the retirement system 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 Marianne Woods Wiley and entered into the record of the board for Nov. 20, 2014.

On a motion by Mr. Moss, seconded by Mr. Colonna, the board unanimously approved the resolution.

Whereupon the board took a brief recess for staff to resolve technical issues.

4. Provide opportunity for public comments – Nanette Sissney.

Mr. Tim Lee of Texas Retired Teachers Association (TRTA) expressed his appreciation to the TRS board and staff for improving the fund's actuarial condition. He also introduced Fran Plemmons, TRTA State Association President.

Ms. Ann Fickel of Texas Classroom Teachers Association addressed the impact that statutory changes standardizing the school year to September through August had on members' retirement benefit calculation. She stated that some districts still maintained an August-through-July pay cycle and that the statutory changes resulted in one paycheck from their employees' annual salary not being counted towards calculation of their employees' future annuities. She stated that the issue can be resolved if those districts change their pay cycle to September through August. She stated that she hoped that staff could come up with solutions to resolve the issue. Ms. Smith explained the issue and the challenges. Mr. Guthrie stated that staff would try to present solutions for the board's consideration in February 2015.

5. Review the TRS Pension Trust Fund Actuarial Valuation as of August 31, 2014 and consider adoption of adjusted mortality assumption – Joseph Newton, Gabriel, Roeder, Smith & Company.

Mr. Newton presented the pension trust fund actuarial valuation as of August 31, 2014. He introduced the new pension accounting standards adopted by the Governmental Accounting Standards Board (GASB), GASB 67. He highlighted key evaluation results, including the projected Unfunded Actuarial Accrued Liability (UAAL) and funding ratio, and current industry trends that might impact the pension plan. He noted that the system had a funding period of 30 years (29.8 years) and was projected to have an increasing funded status going forward. He stated that the net deferred investment gains may generate a better funded ratio next year. He stated that the mortality rates from 2005 to 2010 had increased faster than expected and would require a margin in the mortality assumption for its expected further improvement. He confirmed for Ms. Sissney that the recommended review cycle for mortality assumptions was three to five years. Mr. Guthrie stated that the review cycle would be kept at four years after the experience study next year. Based on the findings of the recent mortality trends, Mr. Newton stated that GRS recommended that the assumption on the mortality rates be increased by 0.7 years or 7 percent margin to create a reasonable assumption for future improvement.

On a motion by Mr. Moss, seconded by Mr. Barth, the board unanimously approved the adjusted mortality assumption, as presented by staff and the board's actuary.

Mr. Newton confirmed for Mr. Harris that the current mortality improvement was the fastest growth of life expectancy. Mr. Newton explained its impact on a defined benefit plan. Ms. Sissney stated that the system needs to address and prepare for the impact. Mr. Newton noted that the mortality assumptions affect how benefits are determined. He noted that the current mortality improvement affects pension plans across both public and private sectors and more so the private sector because of its longer delay in adjusting its assumption set. Responding to a question from Mr. Guthrie, he explained the basis for using the 30-year amortization period.

6. Review the TRS-Care Actuarial Valuation and Other Post Employment Benefit (OPEB) reports as of August 31, 2014 and receive an overview and update on TRS-Care and TRS-ActiveCare – Joseph Newton; Amy Cohen; and William Hickman, Gabriel, Roeder, Smith & Company.

Mr. Guthrie opened by noting that TRS would continue to use data from the health care study with the Legislature until updated information became available in March per the request of the Legislature.

Mr. Newton presented the report on Other Post-Employment Benefits (OPEB) based on GASB Statements No. 43 and No. 45. He presented the actuarial valuation report as of August 31, 2014, and highlighted key changes to the OPEB, including updating the mortality assumption to match the pension fund valuation. He also laid out the cost drivers and funding sources of the plan. He stated that the current total contribution from active employees, local employers, and state was 2.2 percent of payroll and that it would require 6.42 percent (or about \$1.36 billion) to reach sustainability.

Mr. Hickman profiled the TRS-Care plans, including their coverage, plan designs, participations and membership status, savings, claim costs, funding sources, and historical expenditures. Responding to a question from Ms. Palmer regarding the drastic increase of the administrative costs in 2014, Mr. Hickman stated that it was mainly associated with internally managing the Medicare Part D plan. He confirmed for Ms. Sissney that the gap between costs and revenue was projected to widen and changes would need to be made to sustain the plans. Mr. Guthrie suggested producing comparative data to show how TRS-Care plan cost drivers compare with other state-wide and nationwide plans.

Mr. Hickman profiled the TRS-ActiveCare plan, including plan design changes, their impact on reducing claim costs, funding sources, and cost drivers. He also discussed the impact of public exchanges on the plan.

After a recess at 10:55 a.m., the meeting reconvened at 11:14 a.m.

7. Discuss the following investment matters :

A. Performance Review: Third Quarter 2014 – Brady O’Connell and Steve Voss, Hewitt EnnisKnupp.

Mr. Voss presented the trust fund performance review for the third quarter of 2014. Dr. Brown asked if future reports could reflect the attribution of internal versus external management to the total value added. Mr. Voss stated that the current report did not track the difference, but could in the future. Mr. Harris stated that staff did track the difference. He clarified that external managers were given more latitude for risk taking because a higher return was expected of them compared with internal managers. He stated that the two had the same target ratio of risk taking. Mr. Voss noted the exceptional results in the three- and five-year excess returns relative to benchmark and attributed the results to more diversification of the program that generated a lower risk level.

B. Receive an update on the Strategic Partnership Network – David Veal

Mr. Veal provided an update on the Strategic Partnership Network, including its performance and positioning. He also highlighted strategic priorities for the team and the research projects completed during the first half of 2014. Per Dr. Brown’s request, he provided details on the research project completed by KKR and Apollo based on their individual funding financial model. Per Mr. Barth’s request, Mr. Harris provided a brief overview of a study conducted on the fund’s top private equity, real assets, and special relationships. He stated that he would present the findings to the board in February. Per Mr. Colonna’s request, Mr. Harris also provided his projections and analysis on next year’s US macro environment and the outlook for the global equity market.

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

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

Mr. Guthrie referred trustees to copies of the GRS valuation report, the Comprehensive Annual Financial Report (CAFR), and the health care study for reference. He stated that the publications would be available online.

Mr. Guthrie provided an update on several operational matters. He stated that the reclassification of misclassified employees had been completed. He also stated that a pilot program had been launched for staff to work remotely from home one day a week. Depending on the initial test results, he said, the program might be expanded. Mr. Guthrie provided an update on the upcoming board election for trustees. He also explained the election process and requirements. Mr. Guthrie announced that TRS had been named a top workplace in Austin for the third year in a row. He also showed a feature video. Mr. Guthrie announced that Chris Cutler had been selected to be the new Chief Information Officer. Mr. Cutler provided a brief remark on his new position. Mr. Guthrie also announced that Tom Guerin would serve as an acting Chief Benefit Officer (CBO). Mr. Guerin provided his remarks on his new position. Mr. Guthrie stated that the goal was to fill the CBO position by May 2015. Mr. Guthrie introduced the 2014 Golden Apple winners: Beverly Grass of Investment Accounting, Carol Kolb of General Accounting, Russel Firestone of Benefit Processing, Sunitha Downing of Project Management, Susan White of General Accounting, and Cindy Yarborough of Human Resources. He also showed a video featuring agency events, including the agency award ceremony and the charitable campaign. He stated that staff would present a new video for the TRS value brochure in February.

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

Mr. Guthrie highlighted major agenda items planned for the February meeting.

Whereupon a recess was taken at 12:35 p.m. for a lunch break and to conduct committee meetings.

The meeting reconvened at 2:54 p.m.

9. Review the Comprehensive Annual Financial Report for fiscal year 2014 – Jamie Pierce and Cindy Haley.

Ms. Pierce and Ms. Haley presented the Comprehensive Annual Financial Report for fiscal year ending August 31, 2014. Ms. Pierce recognized staff from various divisions for their contribution to the project.

- 10. Review the reports of the Chief Financial Officer, including a report of expenditures that exceed the amount of operating expenses appropriated from the general revenue fund and are required to perform the fiduciary duties of the Board – Don Green.**

Mr. Green presented a report of expenditures paid for the fourth quarter as of August 31, 2014.

- 11. Review the report of the Investment Management Committee on its November 20, 2014 meeting – Todd Barth.**

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

The Investment Management Committee met today, November 20th. The first presentation given was a review of the Asset Allocation Group which was presented by Mohan Balachandran and Mark Albert. Following there was a review of the risk management and strategies presented by Jase Auby and James Nield.

- 12. Review the report of the Policy Committee on its November 20, 2014 meeting, and consider committee recommendations on the following related matters – Joe Colonna:**

- A. Adoption of proposed amendments to the Resolution Designating Persons Authorized to Sign TRS Vouchers.**
- B. Adoption of proposed amendments to the TRS Board of Trustees Training Policy.**
- C. Adoption of the four-year statutory rule review of TRS rules in Chapters 21-51 of Title 34 of the Texas Administrative Code, including the readoption of rules in those chapters with or without changes, and the adoption of proposed amended rules in the following chapters:**
 - i. Chapter 25 (Membership Credit);**
 - ii. Chapter 27 (Termination of Membership and Refunds);**
 - iii. Chapter 29 (Benefits);**
 - iv. Chapter 31 (Employment After Retirement);**
 - v. Chapter 39 (Proof of Age);**
 - vi. Chapter 41 (Health Care and Insurance Programs);**
 - vii. Chapter 47 (Qualified Domestic Relations Orders); and**
 - viii. Chapter 51 (General Administration).**

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

The Policy Committee met today, November 20th. The committee adopted the minutes of the September 18th meeting. The Committee recommended adoption of amendments to the Resolution Designating Persons Authorized to Sign TRS Vouchers. The committee also conducted the required review of the Board Training Policy and recommended amendments to the board. The committee recommended to the board adoption of a proposed order, completing the four-year statutory rule review of **Chapters 21 through 51 of TRS'** rules and adopting proposed rule amendments in Chapters 25 through 51. The committee authorized public comment publication and proposed amendments to TRS Rule Section 25.26.

On a motion by Mr. Colonna as the committee chair, the board unanimously adopted the revised Resolution Designating Persons Authorized to Sign TRS Vouchers, as recommended by the Policy Committee.

On a motion by Mr. Colonna as the committee chair, the board unanimously adopted the revised Board Training Policy, as recommended by the Policy Committee.

On a motion by Mr. Colonna as the committee chair, the board unanimously adopted the order completing the four-year statutory rule review of Chapters 21 through 51 of TRS rules and adopting the proposed rule amendments in Chapters 25 through 51, as recommended by the Policy Committee.

13. Review the report of the Risk Management Committee on its November 20, 2014 meeting – Karen Charleston.

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

Risk Management and Strategic Planning provided a report on the Enterprise Risk Management function, which included an update on the spotlight report and related Enterprise Risk Management activities.

Whereupon, the board meeting recessed at 3:29 p.m.

The Board of Trustees of the Teacher Retirement System of Texas reconvened on November 21, 2014 in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River Street, Austin, Texas. The following board members were present:

Nanette Sissney, Presiding Chair
Todd Barth
Karen Charleston
Joe Colonna
David Corpus
Christopher Moss
Anita Palmer

Others present:

Brian Guthrie, TRS	T. A. Miller, TRS
Ken Welch, TRS	Karen Morris, TRS
Amy Barrett, TRS	Jamie Pierce, TRS

Janet Bray, TRS
Chris Cutler, TRS
Carolina de Onís, TRS
Don Green, TRS
Tom Guerin, TRS
Robert Dunn, TRS
Michelle Bertram, TRS
Dan Junell, TRS
Lynn Lau, TRS
Adam Fambrough, TRS

Barbie Pearson, TRS
David Cook, TRS
Beckie Smith, TRS
Jay Masci, Provaliant
Steve Huff, Reinhart Boerner Van Deuren
Michael Johnson, Bridgepoint Consulting
Ann Fickel, Texas Classroom Teachers Association
Victor Ferrero, HP
Ernie Sanders, HP
Philip Mullins, Texas State Employees Union

Ms. Sissney called the meeting to order at 2:30 p.m.

1. Call roll of Board members.

Ms. Lau called the roll. A quorum was present. Mr. Kelly and Ms. Ramirez were absent.

14. Provide opportunity for public comments – Nanette Sissney.

Ms. Sissney called for public comments. No public comments were received.

15. Receive an update on the TEAM Program, including an update on the process improvement plan – Adam Fambrough; Barbie Pearson; David Cook; Ernie Sanders, and Jay Masci, Provaliant.

Mr. Masci provided a status report as of November 5, 2014, including program progress and milestones. He highlighted the reporting entity outreach (REO) project which involved districts in their testing and certification process. Mr. Masci also provided an update on interdependencies. Per Ms. Sissney's request, future reports would include both old and new dates for interdependencies for comparison purposes. Mr. Cook provided an update on the budget summary. Mr. Fambrough and Mr. Sanders of HP provided an overview of the activities and accomplishments completed during the eight-week Process Improvement Phase (PIP) within the line of business (LOB) project. Mr. Fambrough provided an update on the contact and workflow management project. He stated that, based on staff's reassessment of the project and evaluation of two vendors, the E5 workflow vendor and Microsoft Dynamic CRM, staff decided to continue to use Microsoft Dynamics. He confirmed for Ms. Sissney that the decision from the reassessment was made about a month and half ago. Mr. Masci confirmed that he and staff were comfortable with the current process. Mr. Cook confirmed for Ms. Sissney that the reengagement of the current vendor would not have an impact on the overall schedule. Mr. Miller provided an overview of the project to decommission the legacy system. He explained two components of the project that involved decommissioning applications and bridging data between the new and legacy systems. He further explained data bridging for Ms. Sissney. In response to a question from Ms. Sissney, Mr. Miller stated that the current plan was to bridge the new and legacy data daily, a process which could be done more frequently, if needed.

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

Mr. Johnson of Bridgepoint Consulting provided an overview of observations and current status

for this period. He highlighted the recommendation on integrating the internal control evaluation into the overall project plans. He stated that the process was monitored by subject matter experts and Internal Audit. Mr. Cook provided an update on the co-location of TRS and HP project team members in functional groups. Per Mr. Moss' request, the subject matter experts would share their experience from the TEAM project with the board in February. Responding to a question from Mr. Moss about reporting timing, Mr. Johnson laid out the timeline of reporting schedule updates, completed activities, outputs from the Process Improvement Phase (PIP), and key risks to the board in February and March. Ms. Sissney asked what Mr. Johnson's biggest concerns were for the TEAM project. Mr. Johnson stated that it would be the quality of deliverables from the process, which was the reason why the PIP came into play.

17. Review the report of the Audit Committee on its November 21, 2014 – Christopher Moss.

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

The Audit Committee met at 8 a.m. on Friday, November 21st, 2014, in the fifth floor boardroom. The State Auditor's Office staff discussed results of the audit of the TRS comprehensive annual financial report for fiscal year (FY) 2014. Internal Audit staff presented a status report on activities regarding TRS employers, quarterly investment testing for FY 2014 Internal Audit annual report, and the status of prior auditing and consulting recommendations in audit administrative matters. Myers and Stauffer LLC presented information of the technology risks. The TRS manager of network infrastructure and support, along with Myers and Stauffer, represented and provided updates on TRS initiatives regarding colocation, mobile device, and cloud computing projects. The following agenda items were discussed in closed session: Internal Audit, TRS management, and Myers and Stauffer represented and discussed the results of the information security follow-up audit, Enterprise Risk Management (ERM) internal audit, and information technology. Staff discussed the related ERM and information security program initiatives. Internal Audit staff presented the annual report, follow-up activity, and routine administrative reports. The Audit Committee concluded at 10:02 a.m.

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

Mr. Guthrie presented the item on behalf of Mr. Welch during the first day of this meeting.

19. 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.

The board members had no questions about the litigation report.

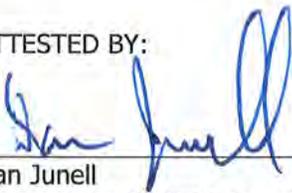
20. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Investment Officer, or Chief Audit Executive – Nanette Sissney.
21. Consult with the Board's attorney(s) in Executive Session 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) – Nanette Sissney.

The board took up no further business under agenda items 20 and 21.

The meeting was adjourned at 11:25 a.m.

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

ATTESTED BY:



Dan Junell
Secretary to the TRS Board of Trustees

Feb. 17, 2015

Date