

DECEMBER

GUIDING

## Policy Committee Meeting



**Teacher Retirement System of Texas**  
1000 Red River Street  
Austin, Texas  
78701-2698

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING  
BOARD OF TRUSTEES  
AND  
POLICY COMMITTEE**

*(Committee Chair and Members: Mr. Corpus, Chair; Mr. Colonna, Mr. Elliott, and Mr. Hollingsworth, Ms. Sissney)*

*All or part of the December 13, 2018, meeting of the TRS Policy Committee (Committee) and Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Committee intends to have a quorum and the presiding officer of the meeting physically present at the following location, which will be open to the public during the open portions of the meeting: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5<sup>th</sup> Floor, Boardroom.***

*The open portions of the meeting are being broadcast over the Internet. Access to the Internet broadcast is provided at [www.trs.texas.gov](http://www.trs.texas.gov).*

**AGENDA**

**December 13, 2018 – 10:00 a.m.  
TRS East Building, 5<sup>th</sup> Floor, Boardroom**

1. Call roll of Committee members.
2. Consider the approval of the proposed minutes of the September 2018 Committee meeting – Chair David Corpus.
3. Consider recommending to the Board adoption of proposed amendments to the Board Training Policy – Rebecca Merrill.
4. Consider recommending to the Board adoption of proposed amendments to the TRS Board of Trustees Bylaws – Rebecca Merrill.
5. Consider authorizing for publication in the *Texas Register* notice of a proposed new rule and rule amendments to TRS Rules in Title 34, Part 3 of the Texas Administrative Code - Carolina de Onís, Jessica Palvino and Kevin Wakley.
  - A. New § 25.11, relating to Employees of Foreign TRS Subsidiaries.
  - B. Amended § 51.1, relating to Advisory and Auxiliary Committees.
  - C. Amended § 51.2, relating to Vendor Protests, Dispute Resolution, and Hearing.
  - D. Amended § 51.11, relating to Historically Underutilized Businesses.
6. Consider recommending to the Board adoption of proposed Resolution Authorizing Executive Director to Designate Persons Authorized to Sign TRS Vouchers – Richard Scheel.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Policy Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

**TAB 3**



## Memorandum

**DATE:** December 13, 2018  
**TO:** TRS Policy Committee  
**FROM:** Rebecca Merrill, Chief Strategy Officer  
**Through:** Brian Guthrie, Executive Director  
**RE:** Board Training Policy

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Pursuant to the Policy Review Schedule (“Schedule”), the Board of Trustees Training Policy (“Policy”) is due for review at the December 2018 Board meeting.

This Policy was adopted by the Board of Trustees in December 2010 and provides a listing of the subjects relevant to the trustee’s fiduciary responsibilities and a listing of the training required by statute before a trustee takes office.

Staff proposes amending the Policy to incorporate the Pension Review Board (PRB’s) minimum education training topics within the plan administration topics to have a robust listing of possible training topics Trustees may pursue.

Included in your materials are a “marked” and a “clean” copy of the Policy. The “marked” copy shows the proposed changes from the last adoption of the Policy and the “clean” copy is the version staff is proposing for recommended adoption by the committee and final adoption by the Board.

I look forward to discussing this Policy with you at the meeting and answering any questions you may have.

**Board Training Policy**

Interpretation Contact: Executive Director

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***Purpose***

To ensure that TRS Trustees receive training required by rule, statute, and law and have opportunities to obtain education and training on current and evolving issues, related to the general administration and operation of TRS, on an ongoing basis.

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***References***

- Texas Government Code, § 551.005
  - Texas Government Code, § 552.012
  - Texas Government Code, § 801.211 and related rules at 40 TAC ch. 607
  - Texas Government Code, § 825.0041
  - Texas Government Code, § 825.113
  - Federal Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) (42 U.S.C. § 1320 et seq.) and related regulations at 45 CFR Parts 160, 162, and 164
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***Applies to***

All members of the TRS Board of Trustees

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***Policy***

Trustees have a duty to understand the issues involved in the administration of TRS. The executive director assists trustees with available educational opportunities. Trustees provide input to the executive director on training and educational interests they would like to see addressed at board meetings (including frequency intervals, *e.g.*, annually) and on role-related educational conferences they would like to attend.

Subjects relevant to a trustee’s responsibilities include, but are not limited to, the following:

- Fiduciary responsibility
  - Board governance
  - Investment management
  - Benefits administration
  - Actuarial process
  - Ethics, conflicts, disclosures, and standards of conduct
  - Open meetings and public information (open government; personal criminal liability)
  - Financial controls, risk management, and audits
  - Legislative process
  - Vendor selection process
-

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## ***Required Training***

Beginning January 1, 2015 all trustees and system administrators of Texas public retirement systems must receive minimum educational training. The Pension Review Board (PRB) will accredit systems that meet their Minimum Educational Training (MET) Program.

Required areas of content include topics that are core and non-core.

Core Content	Fiduciary Matters, Governance, Ethics, Investments, Actuarial Matters, Benefits Administration, Risk Management
Non-Core Content	Compliance, Legal and Regulatory Matters, Pension Accounting, Custodial Issues, Plan Administration, Texas Open Meetings Act, Texas Public Information Act

### **Newly Appointed Trustees**

State law requires a new trustee to complete at least 7 credit hours of training in all of the 7 core content areas within the first year of service.

Newly appointed trustees will complete new trustee orientation prior to voting, deliberating, or being counted as a member in attendance at a meeting of the board. TRS recommends that this orientation be completed before an appointee takes the oath of office. This orientation must provide the person with information regarding:

- The legislation that created the retirement system and the system's programs, functions, rules, and budget;
- The results of the most recent formal audit of the system;
- The requirements of laws relating to open meetings, public information, administrative procedure (such as rule making and contested cases), and conflicts of interest; and
- Any applicable ethics policies adopted by TRS or the Texas Ethics Commission.

An overview and any required training related to the requirements under the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) are also provided in the new trustee orientation.

A newly appointed TRS trustee must also complete an approved, one-hour educational course on the Open Meetings Act. This training must be completed within 90 days of taking the oath of office.

A new trustee must complete an approved, one-hour, educational course on the Public Information Act (Open Records) or designate the TRS public information coordinator to complete the open records training for him or her. TRS provides a form to designate the TRS public information coordinator.

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Within 90 days of the trustee taking the oath of office, the trustee must either complete the training or designate the coordinator to take the training on the trustee's behalf.

**All Trustees**

After the first year of service, all trustees shall complete at least 4 credit hours of continuing education every 2 years in either core or non-core content areas.

In addition to the statutory requirements referenced above, TRS provides the following required training annually:

- Qualifications and Standards of Conduct
  - Ethics, Conflicts, Disclosures
  - External Communication Policy
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***Plan Administration  
Training Topics***

Individual trustees identify role-related training needs on plan administration issues, including those commonly associated with public pension-fund administration and those specifically related to TRS. Plan administration topics are outlined below and provide a framework for identifying individual training priorities.

**Fiduciary Responsibility**

- Definition of a fiduciary
- Fiduciary responsibilities
- Standards of conduct
- Prohibited transactions and interests
- Fiduciary roles of pension professionals, including investment managers and custodians
- Duty of prudence (due care)
- Duty of loyalty (personal interests and interests of others subordinated)
- Prohibited transactions (no improper benefit)
- Duty to administer the plan in accordance with statutes, laws, and rules
- Delegating authority while retaining appropriate oversight, including delegation to the executive director and other staff
- Co-fiduciaries
- Requirements always to act in good faith and in a manner consistent with the purposes of the trust and the interests of the beneficiaries

**Board Governance**

- Roles and responsibilities of board
- Trustee appointments, terms, and qualification requirements
- Board function, processes, committee structure, and discretion
- Delegation of responsibilities while retaining appropriate oversight
- TRS structure and role of staff
- Roles and responsibilities of key service providers such as the actuary, investment consultants, fiduciary counsel and external auditors
- Laws and rules governing the system
- Board bylaws, policies, processes and procedures Best practices in public pension board governance
- Strategic planning

**Investments**

- Asset classes, their characteristics and types
- Investment objectives and strategies
- What is an investment policy, and why is it important to adopt one?
- Ethics in investment
- Due diligence in investment selection
- Due diligence in the investment consultant and manager selection process
- Managing investment expenses and fees
- Assessing risk tolerance
- Managing investment risk

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- Investment portfolio performance review
  - Specialized asset classes and investment techniques, such as private equity and securities lending
  - Risk/reward relationship, diversification, and risk management
  - Asset allocation principles—
    - Diversification
    - Inflation and deflation
    - Alpha
    - Liquidity
  - Asset liability modeling concepts
  - Investment performance calculation and reporting methods of staff and consultants
  - Active management and passive management roles in the investment portfolio
  - Investment decision-making process and investment strategy: roles of the Board versus staff, and the Board versus individual trustees

### **Benefits Administration**

- Plan design
- Tax qualified pension plan requirements
- TRS Pension Benefit Program
- TRS Health Benefit Programs, including TRS-Care, TRS-ActiveCare, and Long-Term Care Insurance
- Tax qualified pension plan requirements
- Role of the Retirees Advisory Committee
- Methods of communicating with members
- Contested cases and appeals that may require Board action
- TRS role in the 403(b) process

### **Actuarial Matters and Process**

- Key terms and definitions
- Actuarial assumptions
- Actuarial methodologies
- Role of the actuary and the role of the board
- Reading an actuarial valuation and other actuarial reports
- Differences and relationship between actuarial value and market value of assets and asset-smoothing process
- Impact of actuarial assumptions on system assets and liabilities
- Actuarial rate-of-return assumptions

### **Ethics, Conflicts, Disclosures, and Standards of Conduct**

- Applicable state laws and TRS policy regarding ethics, conflicts of interest, disclosures, and standards of conduct
- What is an ethics policy and why is it important to adopt one?
- What should be covered by an ethics policy?
- Duty to avoid participation in decisions affecting one's personal economic interests or the interests of certain third-party relations

- 
- Conflicts of interest issues, including examples: when and how conflicts of interests may arise; requesting ethics advice; how to report an existing conflict of interest; how to cure conflicts; duties relating to co-fiduciaries
  - Personal private investments: restrictions on private investments under ethics policies
  - Personal public investments: restrictions on investments in public securities under ethics policies
  - Maintaining confidentiality of information
  - Gifts and benefits including: benefits trustees may and may not accept from donors; special rules for benefits offered by registered lobbyists
  - Permissible and prohibited communications between trustees and TRS staff; detailing permissible communications
  - Required financial and disclosure reporting requirements

### **Open Meetings Act**

- Applicability of the Open Meetings Act
- Legal requirements for meetings, including teleconference meetings
- Meeting notice requirements
- Limitations on discussing a matter for which notice has not been given on a posted agenda; what constitutes a “meeting” under the law (deliberations or gathering)
- When communications outside of noticed meetings violate the Open Meetings Act
- Closed Session: announcements required before convening a closed session; what may and may not be discussed during a closed session; announcements required upon reconvening in open session
- Penalties for non-compliance

### **Public Information (Open Government; Personal Criminal Liability)**

- Applicability of the Public Information Act
- Legal requirements for handling requests for information
- Personal criminal liability and penalties for non-compliance
- Policies, procedures, and practices relating to external communications

### **Financial Controls, Risk Management, and Audits**

- Managing fiduciary liability
- Managing investment risk
- Risk assessment
- Internal controls and compliance
- Financial controls and reporting requirements applicable to vendors
- Record keeping
- Security of confidential information
- The respective roles of the chief financial officer, internal auditor, and outside auditors
- Comprehensive Annual Financial Report (CAFR)
- Risk assessments and the development of internal controls to mitigate risks

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- Responsibility for security of confidential information maintained by TRS
  - Application of financial controls and reporting requirements to key vendors in the administration of health benefits and investments

### **Legislative Process**

- Legislative Appropriations Request (LAR) process
- Legislative committee structure (pertinent to TRS), hearing processes, trustee confirmation, and protocol and etiquette when interacting with the Legislature
- Legislative process – how bills become law
- Current legislative issues, challenges, and opportunities related to TRS

### **Vendor Selection Process**

- Applicable state law and TRS policy regarding purchasing and contracting
- Request for proposal and vendor selection process, including roles of Board and staff

### **Compliance**

- State laws and regulations
- Federal laws and regulations
- Internal policies and procedures
- State reporting requirements

### **Legal and Regulatory Matters**

- Legal landscape
- Pension litigation
- Legislative issues and updates
- Regulatory oversight

### **Pension Accounting**

- Governmental Accounting Standards Board (GASB) requirements
- Assets and liabilities
- Reading plan financial statements
- Plan cost

### **Custodial Issues**

- Custodian selection process
- Executing trust agreements
- Applicable state law and plan requirements

### **Plan Administration**

- Contributions and distributions
- Plan design
- Reporting requirements
- Vesting
- Participation
- Communicating with members

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***Educational Interest Inventory***

Annually, the executive director will provide each trustee an educational interest inventory tool for self-reflection to assist them in identifying and prioritizing individual role-related educational interests for the upcoming year.

Trustees will have an opportunity to provide input to the executive director on training and educational interests they would like to see addressed at board meetings, and role-related educational conferences. The executive director (or his or her designees) will facilitate matching each trustee's role-related educational interests to relevant and available educational opportunities.

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***Related Policies***

- *Bylaws of the Board of Trustees of the Teacher Retirement System*
  - *Board of Trustees Ethics Policy*
  - *Trustee Position Description*
  - *Employee Ethics Policy*
  - *Code of Ethics for Contractors*
  - *External Communication Policy (including Media Relations, Contact with Governmental Officials, and Written Material)*
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***Date First Adopted***      **November 20, 2014**

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***Date Last Reviewed  
Comprehensively***      **December 14, 2018**

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***Date Last Modified***      **December 14, 2018**

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**Board Training Policy**

Interpretation Contact: Executive Director

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  - Legislative process
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### **All Trustees**

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In addition to the statutory requirements referenced above, ~~all trustees will complete a review or additional training in such intervals as may be required by relevant laws and Board policies, including requirements set forth in the *Trustee Ethics Policy*, the *External Communication Policy (including Media Relations, Contact with Governmental Officials, and Written Material)*, the *Pension Review Board's Minimum Educational Training Program*, and the *Bylaws of the Board of Trustees of the Teacher Retirement System*.~~ TRS provides the following required training annually:

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- Trustee appointments, terms, and qualification requirements
- Board function, processes, committee structure, and discretion
- Delegation of responsibilities ~~and oversight role~~ while retaining appropriate oversight
- TRS structure and role of staff
- Roles and responsibilities of key service providers such as the actuary, investment consultants, fiduciary counsel and external auditors
- Laws and rules governing the system
- ~~Board Bylaws~~ bylaws, policies, processes and procedures of the Board of Trustees
- Best practices in public pension board governance
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### **~~Investments~~ Management**

- Major ~~a~~ Asset classes, and their characteristics and types
- Investment objectives and strategies
- What is an investment policy, and why is it important to adopt one?
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- [Managing investment risk](#)
  - [Investment portfolio performance review](#)
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  - Risk/reward relationship, diversification, and risk management
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- Closed Session: announcements required before convening a closed session; what may and may not be discussed during a closed session; announcements required upon reconvening in open session
- What constitutes "public information" under the law and the circumstances under which information collected, assembled, or maintained by TRS must either be disclosed or withheld

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- Personal criminal liability and penalties for non-compliance
  - Policies, procedures, and practices relating to external communications

### **Financial Controls, Risk Management, and Audits**

- Managing fiduciary liability
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- Governmental Accounting Standards Board (GASB) requirements

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- *Code of Ethics for Contractors*
- *External Communication Policy (including Media Relations, Contact with Governmental Officials, and Written Material)*

***Date First Adopted***

~~December 10, 2010~~ November 20, 2014

***Date Last Reviewed  
Comprehensively***

~~November 20, 2014~~ December 14, 2018

***Date Last Modified***

December 14, 2018


**TAB 4**

## Potential Substantive Bylaw Changes

Proposed Process		
Timing	Milestone	Materials
September 21, 2018 Board meeting	Conceptual discussion of substantive amendments.	Two-page Matrix of Potential Substantive Bylaw Changes. Power point presentation summarizing the proposed changes.
Between September and December Board meetings, including the Executive Director’s Board tour.	Finalize substantive amendments and identify minor clean up amendments.  Clear final amendments with Executive Director, impacted departments, Legal and Compliance Department, and Board’s Fiduciary Counsel.	Update two-page Matrix. Develop redline of Bylaws incorporating all proposed changes to be shared with trustees in advance of the December meeting.
December 14, 2018 Board Meeting	Board adoption of final Bylaw amendments.	Redline and clean versions of the proposed Bylaw changes with an explanatory memo.

Impacted Provisions	Proposed Change	Reasoning	Proposed Language
<b>Adoption of the Strategic Plan</b>			
1.7(a) Responsibilities of the Board  3.1.6(c) Strategic Planning Committee	Add that the Board adopts the final strategic plan and include the role of the committee in that process.	Reflects the Board’s expanded role and interest in the agency’s strategic plan.	<p>1.7 Responsibilities of the Board. Board members are TRS fiduciaries and shall discharge their duties in the exclusive interest of members and annuitants for the purpose of providing authorized benefits to participants and their beneficiaries. The Board shall:</p> <p>(a) <del>adopt establish</del> and periodically review the TRS mission in light of the Board’s constitutional and statutory authority and <del>adopt strategic plan set clear</del> goals <del>and objectives</del> for its accomplishment;</p> <p>3.1.6 Strategic Planning Committee. The Board shall have a Strategic Planning Committee, which shall normally meet on a quarterly basis or at the call of the chairman of the committee. The purpose of the committee is to assist the Board in its oversight responsibilities relating to strategic planning, including related risks, opportunities, and major projects. The committee shall:</p>

			(c) review and make recommendations to the Board on the TRS mission and vision statements <u>and the strategic plan goals and objectives</u>
<b>Evaluation and Compensation of the Chief Investment Officer</b>			
1.7(v) Responsibilities of the Board  4.1.2 (c) Responsibilities of the Executive Director	Provide that the Board sets the compensation of the CIO while the Executive Director (ED) has the authority to evaluate the CIO in consultation with the Board.	Reflects current practice as it relates to the CIO's compensation. Creates clarity regarding the roles of the Board and the ED as it relates to the CIO.	<p>1.7 Responsibilities of the Board. Board members are TRS fiduciaries and shall discharge their duties in the exclusive interest of members and annuitants for the purpose of providing authorized benefits to participants and their beneficiaries. The Board shall:</p> <p>(v) select <u>and establish the compensation of</u> the chief investment officer, in consultation with the executive director;</p> <p>4.1.2 The executive director is the chief executive officer of TRS and is responsible to the Board for the general administration of TRS in accordance with relevant state laws and policies adopted by the Board. The executive director shall:</p> <p>(c) assume authority and responsibility for the selection, job description, assignment of duties, performance evaluation, promotion, compensation, and discipline, including dismissal of all TRS personnel except for:</p> <p>(1) the chief audit executive as provided in subsections 1.7 (u) and 3.1.1 of these Bylaws; and</p> <p>(2) the selection <u>and compensation</u> of the chief investment officer as provided in subsection 1.7 (v) of these Bylaws, but the executive director shall <u>evaluate the chief investment officer in consultation with the Board and</u> have full authority and responsibility for all other personnel matters, including the chief investment officer's assignment of duties, <del>evaluation, compensation,</del> and discipline.</p>

**Board Travel Allocation**

<p>1.8.3 Board Travel</p>	<p>Provide examples of travel that is official TRS business. Provide that the Board’s travel allocation is a single amount for use by all trustees rather than a one-ninth allocation of the budget for each trustee. Provide that the Executive Director and Chief Compliance Office are responsible for travel approval procedures.</p>	<p>Improve clarity for the trustee travel approval process by providing examples of travel for official TRS business and stating who is responsible for developing travel approval procedures. Additionally, not all trustees travel the same amount for TRS Board business. So, it improves administrative efficiency to have a single allocation of trustee travel dollars that is used by all trustees as needed rather than allocating one-ninth of the travel budget to each trustee.</p>	<p>1.8.1 Members of the Board shall be reimbursed for allowable travel expenses while on official TRS business as specified in state law and the “TRS Travel Rules and Guidelines.”</p> <p>1.8.2 Official TRS business is defined as travel while acting as a designated representative of the Board (<u>such as meeting with elected officials or Board consultants and advisors on behalf of the Board</u> whether within or outside the state), travel to and from meetings of the Board, meetings of Board committees, orientation meetings, or other travel <del>within the state</del> in the capacity of a member of the Board.</p> <p>1.8.3 In addition to travel on official TRS business as defined in subsection 1.<del>89</del>.2 of this section, it is anticipated that each Board member will receive <del>an allocation of one-ninth of an amount established through the budget process for</del> reimbursement <u>established through the budget process</u> of allowable <del>out-of-state</del> Board travel expenses to attend conferences and other activities meeting the following criteria:</p> <p>(a) The purpose of the expense is related to the business of TRS and the Board; and</p> <p>(b) Attendance at the function will benefit the Board or a Board member in the exercise of TRS responsibilities.</p> <p>1.8.4 Travel allocations are not compensation, nor are they in the nature of an allowance paid regardless of whether travel expenses are incurred. Any international travel must receive advance approval as required by law.</p> <p><u>1.8.5 The Executive Director in consultation with the Legal and Compliance Division shall be responsible for developing and administering procedures for travel under sections 1.8.2 and 1.8.3.</u></p>
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<b>Board Meeting Frequency</b>			
2.1.1 Board Meetings	Provide that the Board is to meet approximately five and at least four times per year instead of approximately eight and at least four times per year.	Reflects current practice. The current Board schedule is to meet five times per year (4 quarterly meetings and one educational session per year).	2.1.1 The Board shall meet approximately <del>five</del> <b>eight</b> , but at least four, times per fiscal year. The dates for regular meetings will be approved annually in advance by the Board at the first regular meeting of each fiscal year or as soon thereafter as practicable. When necessary, and in addition to the provisions of subsection 2.1.6 of this article, the Board may add or cancel a regular meeting or change the date, time, or location of a regular meeting by action of the Board.
<b>Evaluation of Chief Audit Executive</b>			
3.1.1 (d)(10) Audit Committee	Provide that the Board evaluates the Chief Audit Executive (CAE) with input and advice from the Audit, Compliance, and Ethics Committee rather than the committee evaluates the CAE and then recommends to the Board approval of the CAE's evaluation.	Current language is logistically difficult and inconsistent with the Board's desire to determine compensation of the CAE at the same time as the ED and CIO. The current provision requires the committee to convene and go into closed session to evaluate the CAE in addition to the Board going into closed session to evaluate the ED, CIO, and receive the evaluation of the CAE from the committee. A more efficient process would be for the Board to evaluate and determine the compensation of the CAE with input and advice from the Audit, Compliance, and Ethics Committee.	(d) Internal Audit Process  (10) <del>Provide input and advice to the Board annually in evaluating Evaluate</del> the performance of the chief audit executive <del>on an annual basis</del> in consultation with the executive director. <del>Recommend to the Board approval of the annual performance appraisal.</del>

<b>Investment Management Committee</b>			
3.1.4(a) Investment Management Committee (IMC)	Add “investment-related” actions to the IMC charge and strike the word “committee’s” as it relates to recommending investments to the Board	Reflects Board Chair’s desire for the committees to perform the bulk of substantive work and make recommendations to the Board. Currently, the language limits the IMC’s recommendations to only investments and only when the Investment Policy Statement (IPS) requires the committee’s recommendation. This would allow the committee to make recommendations on broader investment-related items such as asset allocation and risk and does not rely on IPS language to trigger that recommendation.	3.1.4 Investment Management Committee. The Board shall have an Investment Management Committee, which shall meet as necessary at the call of its chairman to:  (a) consider recommending individual investments <u>and investment-related actions</u> to the Board when the <del>committee’s</del> recommendation is required by the Board’s Investment Policy Statement or resolutions adopted by the Board;
<b>Executive Director’s Authority to Delegate and Commitment to Diversity, Inclusion, and Pay Equity</b>			
4.1.2 Responsibilities of the Executive Director (ED)	Provide that the ED or the ED’s designees are authorized to make recommendations to the Board on the selection of the actuary, custodian for securities, investment counsel to the Board, fiduciary counsel to the Board, chief investment officer, and chief audit executive.	Makes explicit the ED’s discretion to have agency subject-matter experts directly recommend to the Board certain Board-procured consultants and advisors.	4.1.2 The executive director is the chief executive officer of TRS and is responsible to the Board for the general administration of TRS in accordance with relevant state laws and policies adopted by the Board. The executive director shall:  (f) recommend to the Board <u>, either directly or through a designee,</u> the selection of the actuary, custodian for securities, investment counsel to the Board, fiduciary counsel to the Board, chief investment officer, and chief audit executive; <del>and</del>

	Add that the ED is charged with developing a culture of inclusion and diversity at TRS.	Makes explicit TRS' commitment to diversity, inclusion, and pay equity	<u>(h) develop programs designed to create a culture of diversity, inclusion, and equity at TRS, including in the organization's recruitment, retention, position, pay and procurement practices.</u>
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**Bylaws of the  
Board of Trustees of the  
Teacher Retirement System of Texas  
AMENDED December 14, 2018**

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**Bylaws of the Board of Trustees  
of the Teacher Retirement  
System of Texas  
AMENDED DECEMBER 14, 2018**

**ARTICLE 1  
Organization of the Board of Trustees**

**1.1 Authority.** The Teacher Retirement System of Texas (“TRS” or the “system”) has been established pursuant to Article 16, Section 67 of the Texas Constitution, which requires TRS to have a Board of Trustees (the “Board”) to administer TRS and invest its funds. The assets of the TRS pension fund are required by state and federal law to be held in trust for the exclusive benefit of plan participants and beneficiaries. (See Texas Constitution, Art. 16, Section 67(a); Texas Government Code Sections 825.506 and 825.101; United States Internal Revenue Code Section 401(a).) The Board of Trustees of TRS is the trustee of all plan assets, is responsible for the general administration and operation of TRS, and is authorized by law to adopt rules for the administration of TRS and the transaction of the business of the Board. (See Texas Government Code chapter 825.) All powers of trusteeship are held in the Board’s fiduciary capacity. The exercise or non-exercise of the Board’s powers are subject to the fundamental duties of prudence, loyalty, and impartiality (Restatement Third, Trust §§ 77-79); to a duty to respect the terms and purposes of the trust (Restatement Third, Trust § 76); and to other fiduciary duties of trusteeship. Although a trustee’s duties, like trustee powers, may be affected by the terms of the trust, the fiduciary duties of trusteeship are subject to minimum standards that require the trustee to act in good faith and in a manner consistent with the purposes of the trust and the interests of the beneficiaries. These fundamental standards of trusteeship are implicit in and normally essential to the trust relationship. (See Restatement Third, Trust §§ 70 and 86.) The Board has similar responsibilities for the health benefits programs under the Texas Public School Retired Employees Group Benefits Act and the Texas School Employees Uniform Group Health Coverage Act and other trusts or programs authorized by law to be administered by TRS.

**1.2 Composition.** The Board is composed of nine members, who serve for staggered terms of six years each, three of which expire on August 31 of each odd-numbered year. Trustees are appointed in accordance with statutory requirements (Texas Government Code Sections 825.001-.004).

A trustee whose term expires shall continue to perform the duties of the office until his or her successor shall be duly qualified. (Texas Constitution, Art. 16, Section 17; also see Government Code, Section 572.0211). Similarly, a trustee who tenders his or her resignation nonetheless holds over until his or her successor is duly qualified for the office. Limited exceptions may arise, one of which is the removal of an office holder in a quo warranto proceeding (Civ. Prac. & Rem. Code Section 66.001).

### **1.3 Chairman of the Board of Trustees.**

- 1.3.1 The Governor of the State of Texas designates a member of the Board as the presiding officer of the Board. (Texas Government Code Section 825.201.)
- 1.3.2 The chairman shall preside over meetings of the Board and perform such other duties as are assigned by statute, these Bylaws, or other action of the Board.
- 1.3.3 The chairman serves at the pleasure of the Governor.

### **1.4 Vice Chairman of the Board of Trustees.**

- 1.4.1 The Board shall elect a vice chairman who is a member of the Board.
- 1.4.2 In case of the absence, death, resignation, disability, removal, or disqualification of the chairman, the vice chairman shall perform the duties of the chairman until the chairman shall resume his or her office or a successor chairman has been appointed.
- 1.4.3 The vice chairman serves at the pleasure of the Board.

**1.5 Absence of Chairman and Vice Chairman.** In the case of the absence, death, resignation, disability, removal, or disqualification of both the chairman and vice chairman, the member of the Board with the longest service on the Board (considering all Board service), as certified by the executive director, shall exercise the duties of the chairman, as acting chairman, until the chairman or vice chairman shall resume his or her office or until a successor chairman has been appointed or a successor vice chairman has been elected. In the event there are two or more members with equal length of service, the executive director shall designate one of those members to serve as the acting chairman.

### **1.6 Elections.**

- 1.6.1 Elections for vice chairman and any other positions that require election by the Board shall be conducted annually on or before the Board's first regular meeting of the fiscal year or as soon thereafter as may be practicable.
- 1.6.2 When a position subject to Board election becomes vacant, a special election for the position shall be held as soon thereafter as practicable.
- 1.6.3 Subject to the proviso that such persons serve at the pleasure of the Board, persons elected to positions under this section serve for a term that expires with the next election for that position or upon resignation from the position by the person holding it.

**1.6.4** Nominations for the vice chairman of the Board and any other position that requires election by the Board will be made from the floor by Board members at a meeting of the Board or by special committee established for the purpose of making nominations. A Board member may self-nominate for any such position.

**1.6.5** Elections conducted in Board meetings shall be conducted in an open meeting by acclamation or by a roll-call vote pursuant to a motion that has been seconded. Unless a different number is required by law, a majority vote of a quorum is required to elect a nominee for each election required by these Bylaws.

**1.7 Responsibilities of the Board.** Board members are TRS fiduciaries and shall discharge their duties in the exclusive interest of members and annuitants for the purpose of providing authorized benefits to participants and their beneficiaries. The Board shall:

- (a) adopt and periodically review the TRS mission in light of the Board's constitutional and statutory authority and adopt strategic plan goals and objectives for its accomplishment;
- (b) adopt rules, regulations, and bylaws as deemed appropriate;
- (c) adopt and periodically review policies for the operation of the system;
- (d) be responsible for the selection, job description, assignment of duties, performance evaluation, compensation, and discipline, including dismissal, of the executive director;
- (e) provide oversight and direction to the executive director to ensure that effective management practices are followed in the organization;
- (f) approve the annual operating budget;
- (g) receive reports from the staff, investment counsel, and others regarding the investment portfolio;
- (h) review investment performance, asset mix, portfolio characteristics, cash flow, transactions, and monitor compliance with investment policies and guidelines;
- (i) ensure the establishment of a system for equitable and effective hiring, evaluation, compensation, and termination of employees;
- (j) monitor and evaluate the effectiveness of the system;
- (k) ensure an adequate working environment for staff members;
- (l) establish committees to make recommendations to the Board and help carry out the Board's responsibilities; however, such committees may not exercise authority required under these Bylaws or by state or federal law to be exercised by the Board as a whole, and the Board may consider or take any action otherwise specified to be taken or considered by a committee created pursuant to article 3 of these Bylaws;
- (m) delegate authority to the staff through the executive director;
- (n) consider appeals as provided in Board rules;
- (o) select and evaluate an actuary;

- (p) select one or more custodian banks to provide custodial services for TRS assets, provided that, for avoidance of doubt, this requirement does not apply to regulated brokerage, clearing, exchange, or similar accounts into which TRS is required to deposit assets or collateral;
- (q) select and evaluate investment counsel or other consultants to provide such expert advice and assistance to the Board as the Board deems necessary to exercise its investment and trust administration responsibilities;
- (r) select and evaluate fiduciary counsel;
- (s) appoint members of the Medical Board;
- (t) appoint members and officers of the Retirees Advisory Committee;
- (u) select, replace, dismiss, evaluate, and set the compensation of the chief audit executive in consultation with the Audit Committee and executive director;
- (v) select and establish the compensation of the chief investment officer, in consultation with the executive director; and
- (w) delegate to the executive director the responsibility for all administrative functions.
- (x) set not-to-exceed amounts in the exempt salary schedule in consultation with the Compensation Committee and executive director

## **1.8 Board Travel.**

- 1.8.1** Members of the Board shall be reimbursed for allowable travel expenses while on official TRS business as specified in state law and the “TRS Travel Rules and Guidelines.”
- 1.8.2** Official TRS business is defined as travel while acting as a designated representative of the Board (such as meeting with elected officials or Board consultants and advisors on behalf of the Board whether within or outside the state), travel to and from meetings of the Board, meetings of Board committees, orientation meetings, or other travel in the capacity of a member of the Board.
- 1.8.3** In addition to travel on official TRS business as defined in subsection 1.8.2 of this section, it is anticipated that each Board member will receive reimbursement established through the budget process of allowable Board travel expenses to attend conferences and other activities meeting the following criteria:
  - (a) The purpose of the expense is related to the business of TRS and the Board; and
  - (b) Attendance at the function will benefit the Board or a Board member in the exercise of TRS responsibilities.
- 1.8.4** Travel allocations are not compensation, nor are they in the nature of an allowance paid regardless of whether travel expenses are incurred. Any international travel must receive advance approval as required by law.

**1.8.5** The Executive Director in consultation with the Legal and Compliance Division shall be responsible for developing and administering procedures for travel under sections 1.8.2 and 1.8.3.

**1.9 Board Education.** Each Board member is encouraged to attend workshops and training sessions on such matters as fiduciary duties, actuarial valuations, investment issues, and benefits delivery, which may enable the Board member to better fulfill trustee responsibilities to the system.

## **ARTICLE 2**

### **Meetings of the Board**

#### **2.1 Meetings of the Board.**

**2.1.1** The Board shall meet approximately five, but at least four, times per fiscal year. The dates for regular meetings will be approved annually in advance by the Board at the first regular meeting of each fiscal year or as soon thereafter as practicable. When necessary, and in addition to the provisions of subsection 2.1.6 of this article, the Board may add or cancel a regular meeting or change the date, time, or location of a regular meeting by action of the Board.

**2.1.2** Special meetings of the Board may be held either upon the call of the chairman of the Board or the call of at least four members of the Board, or upon action of the Board. A call by the chairman or by other members of the Board must be communicated to the executive director within sufficient time to permit posting of the meeting as required by law. The call or action of the Board, as applicable, shall specify the date of each special meeting and may specify the time and place for each special meeting.

**2.1.3** Meetings shall be held at TRS headquarters, 1000 Red River Street, Austin, Texas, unless by call or action of the Board another location is specified.

**2.1.4** Regular and special meetings shall begin at a time designated by the chairman of the Board unless a time has been specified in the call or by action of the Board in setting a particular meeting.

**2.1.5** Emergency meetings may be called in the same manner as special meetings. The Board member who initiates the call for an emergency meeting shall provide the executive director with the reason for the emergency or urgent public necessity. An emergency meeting is one which cannot be posted within the seven day advance notice normally required by the Open Meetings Act (Texas Government Code Chapter 551, Section 551.044, or a successor statute) (the "Act"), but which is needed because of "imminent threats to public health and safety or reasonably unforeseeable situations requiring immediate action by the government body" or as otherwise defined by the Act, as amended, court decision, or other applicable law. Emergency meetings shall be posted in accordance with applicable law, including Texas

Government Code Section 551.045 (or its successor statute), requiring posting for at least two hours before the meeting is convened.

- 2.1.6** If a catastrophe prevents the Board from convening a properly posted meeting, the Board may, under Texas Government Code Section 551.0411, convene in a convenient location within 72 hours pursuant to Texas Government Code Section 551.045 by giving written notice of the date, hour, place, and agenda of the rescheduled and/or relocated meeting at least two hours before it begins. For the purposes of this subsection, the term “catastrophe” has the meaning assigned in Texas Government Code Section 551.0411. In consultation with the executive director, the chairman of the Board shall specify the date, hour, and place of a meeting rescheduled under this subsection to accommodate as many members of the public, board, and staff as possible.
- 2.1.7** In addition to the provisions of subsection 2.1.6 of this article, a special or emergency meeting of the Board may be canceled or rescheduled, or the location of the meeting changed, only by action of the Board or by a call of at least four members of the Board communicated to the executive director within sufficient time for TRS to comply with all posting requirements for the meeting. Unless a time has been specified in the call or action of the Board rescheduling the meeting, the chairman may set the time of a rescheduled meeting, though any such time must meet all posting requirements of applicable law.

## **2.2 Public Comment at Meetings.**

- 2.2.1** The Board will allow reasonable opportunity for public comment to the Board on any issue under the jurisdiction of the Board. The chairman may determine the total time to allot to public comments at a meeting of the Board.
- 2.2.2** Persons who desire to deliver oral comments at a Board meeting must complete the required sign-in form, preferably before the public comment agenda item is reached during the Board meeting. The chairman of the meeting will specify the length of time to be allowed for each person to speak. Persons wishing to speak before the Board shall provide the following information:
- (a) name and address;
  - (b) the name of the person or group, if any, the speaker is representing;
  - (c) the agenda item upon which the person wishes to speak, if any; and
  - (d) if the matter does not relate to an agenda item, a brief description of the nature of the matter to be addressed by the speaker.

If the chairman determines based on the information provided that public comment is made for the purpose of soliciting TRS business and the particular

solicitation is not specifically identified on the agenda, the chairman may deny the opportunity to deliver the comment.

### **2.3 Meeting Agendas.**

- 2.3.1** The agenda for each Board meeting shall be set by the chairman of the Board and when appropriate other Board members in consultation with the executive director. The executive director shall prepare and distribute to the Board the agenda and relevant written materials.
- 2.3.2** Items may be submitted for inclusion on the agenda of any Board meeting by any Board member or by the executive director prior to posting. The executive director shall determine the initial order of the agenda items prior to posting. Board members desiring to add an agenda item must submit it to the executive director by 5:00 p.m. not later than the tenth TRS business day before the meeting.
- 2.3.3** Agenda items may be added to a posted agenda by the chairman, by the executive director, or by written request of any Board member, provided that the proposed addition is submitted to the executive director in time to post the amendment to the agenda in compliance with the Open Meetings Act. If the item must be added as an emergency agenda item due to insufficient time to post it as a regular item, the request to add the item must include a valid reason for the emergency, as determined by the executive director in consultation with the general counsel.

**2.4 Notice of Meetings.** The executive director will cause meeting notices to be posted in compliance with these Bylaws and the Open Meetings Act.

**2.5 Auxiliary Aids or Services at Meetings.** Persons who do not speak English or persons with disabilities may request auxiliary aids or services to be provided at a meeting, such as language interpreters or interpreters for persons who are deaf or hearing impaired, or readers or large print or Braille texts for persons who are visually impaired. If the request is made to the executive director with adequate advance notice before the meeting, the executive director shall cause reasonable accommodations to be provided to persons with disabilities to the extent required by law and may exercise discretion to determine any other accommodations to be provided.

### **2.6 Procedure.**

- 2.6.1** A quorum of the Board is a majority of the number of members fixed by statute, unless otherwise defined by applicable law. A quorum is required for the board to conduct business. Unless otherwise provided by law, a majority vote of the board (i.e., a majority vote of the members present and voting at a meeting where a quorum is present) is required for action or decision by the

Board, and at least a majority of the minimum number of members needed to constitute a quorum must vote in favor of the action or decision for it to be approved by the Board. Abstentions are not counted in determining the outcome of a vote but are counted in determining a quorum. The most recent edition of *Robert's Rules of Order Newly Revised*, when not in conflict with other Board-adopted rules of procedure, these Bylaws, or applicable law, shall be the rules of parliamentary procedure and order for the Board and its committees. The TRS general counsel shall assist and advise the chairman of the Board or of a committee regarding interpretation and application of the rules of parliamentary procedure.

- 2.6.2** The minutes of the Board shall contain each subject of discussion and deliberation, all motions, seconds, if any, and the vote, if any, on such motions. Each Board member shall be given an opportunity to record in the minutes his or her vote on a motion and to have included in the minutes the reasons stated in the meeting for his or her vote.

### **ARTICLE 3**

#### **Committees**

**3.1 Standing Committees.** In accordance with section 1.7 of these Bylaws, the Board may establish standing committees by amendment of this article. A quorum of a standing committee shall be a majority of the members of the committee. Any committee may convene in joint session with any other committee.

**3.1.1 Audit, Compliance, and Ethics Committee.** The Board shall have an Audit, Compliance, and Ethics Committee, which shall normally meet on a quarterly basis or at the call of its chairman. The responsibilities of the Audit, Compliance, and Ethics Committee shall be as follows:

(a) Purpose

- (1) To assist the Board in fulfilling its fiduciary oversight responsibilities for
  - (aa) the financial reporting process,
  - (bb) the risk management and internal control system,
  - (cc) the internal audit process,
  - (dd) the external audit process,
  - (ee) the process for monitoring compliance with laws, regulations, and policies, and
  - (ff) reporting and other activities.
- (2) To coordinate and interface with the Board regarding Audit, Compliance, and Ethics Committee activities and other pertinent matters.

(b) Financial Reporting Process

- (1) Review and understand significant accounting and reporting matters requiring judgment (including those involving complex or unusual transactions), consider recent professional and regulatory

pronouncements, and understand the impact of such matters and pronouncements on financial statements.

- (2) Review with management and the external and internal auditors the results of audits, including any difficulties encountered.
- (3) Review all significant suggestions for improved financial reporting made by the external financial statement auditor and by the internal auditor.
- (4) Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- (5) Review with management and the auditors all matters required to be communicated to the committee under generally accepted auditing standards.

(c) Governance, Risk Management, and Internal Control Activities

- (1) Receive reports on and discuss the internal and external auditors' assessment of the effectiveness of the organization's governance, risk management, and internal control activities, including technology governance and fraud risk prevention activities.
- (2) Obtain reports from internal and external auditors and compliance staff on significant findings and recommendations relating to governance, risk management, and internal control activities, together with management's response, including receiving reports regarding any violation of portfolio risk management standards as required by the Investment Policy Statement of the Board for (1) any passive violation of prescribed portfolio policy limits as the result of changing market or credit conditions, and (2) any active violation of prescribed portfolio policy limits as a result of entering into an agreement or investment that breaches a policy limit at inception and the corrective action plan implemented to cure such violation.

(d) Internal Audit Process

- (1) Assure and maintain, through the organizational structure and by other means, the independence of the internal audit process. Ensure there are no unjustified restrictions or limitations on the internal audit function.
- (2) Ensure that internal auditors have access to all documents, information and systems in the organization that are reasonably needed to accomplish the purpose of the audit, unless any such information is subject to a legally applicable and properly asserted privilege.
- (3) Review with management and the chief audit executive the charter, plans, activities, budget, staffing, qualifications and organizational structure of the internal audit function. Recommend to the Board an internal audit charter or modifications to such charter.
- (4) Review and recommend audit plans for approval by the Board.

- (5) Receive and review all internal audit reports and management letters.
  - (6) Review the responsiveness and timeliness of management's follow-up actions pertaining to any reported audit recommendations.
  - (7) Receive periodic reports of advisory and consulting activities by internal auditors.
  - (8) Authorize audits or investigations into any matters within the committee's scope of responsibilities and provide appropriate reports to the Board.
  - (9) Recommend to the Board, in consultation with the executive director, the appointment, replacement, dismissal, and compensation of the chief audit executive.
  - (10) Provide input and advice to the Board annually in evaluating the performance of the chief audit executive in consultation with the executive director.
  - (11) Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and Texas Government Code Chapter 2102 (the Texas Internal Auditing Act).
  - (12) Designate the chief audit executive as the primary point of contact for handling audit-related matters pertaining to audits, examinations, investigations or inquiries of the State Auditor's Office, other appropriate state or federal agencies, and other external audit groups.
- (e) External Audit Process
- (1) Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
  - (2) Review the performance of the external auditors, and, upon request, recommend to the Board the appointment or discharge of the external auditors. Obtain input from management, the chief audit executive, and other parties as appropriate.
  - (3) Review the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the organization, including any non-audit services, and discussing the relationship with the auditors.
  - (4) Review the audited financial statements, associated management letters, attestations on the effectiveness of the internal control structure and procedures for financial reporting, and required communications.
  - (5) Receive and review all external audit reports and management letters.
  - (6) Review the responsiveness and timeliness of management's follow-up actions pertaining to any reported audit recommendations.

- (f) Compliance Process
  - (1) Access the effectiveness of the system for monitoring compliance with laws, regulations and policies, and the results of management's follow-up actions pertaining to any reported instances of noncompliance.
  - (2) Review the findings and recommendations of any examinations by oversight agencies and compliance and auditor observations.  
Obtain regular updates and reports from the chief compliance officer and, as appropriate, management regarding compliance matters.
- (g) Ethics Process
  - (1) Make recommendations, as deemed advisable, relating to reports regarding conflict of interest disclosures from the chief compliance officer or reports that are submitted directly to the chairman of the committee as prescribed in an applicable ethics policy;
  - (2) Make recommendations to the Board regarding waivers of any disclosed conflict of interest or a waiver of the prohibition against involvement in any matter affected by a disclosed conflict of interest, at a meeting held in compliance with the Open Meetings Act;
  - (3) Make recommendations to the Board or the executive director regarding the prudence of contracting on behalf of TRS with any entity or a controlled affiliate of such entity that employs or is represented by a former trustee or former employee;
  - (4) Make recommendations, as deemed advisable, regarding reports from the executive director of any approval given for outside employment by key employees, including the nature of the employment;
  - (5) Make recommendations to the Board regarding approval in advance of any outside employment by the executive director;
  - (6) Make recommendations, as deemed advisable, regarding reports from the executive director of any disciplinary action disclosed by key employees; and
  - (7) Make recommendations, as deemed advisable, regarding reports of violations of a TRS ethics policy and any resulting disciplinary actions.
- (h) Reporting and Other Activities
  - (1) At least quarterly report to the Board about committee activities, issues, and related recommendations.
  - (2) Provide an open avenue of communication among management, internal audit, external auditors, compliance, and the Board.
  - (3) Perform other activities related to the committee's responsibilities as requested by the Board.

- (4) Review and assess the adequacy of this subsection 3.1.1 at least every four years.

**3.1.2 Benefits Committee.** The Board shall have a Benefits Committee. The purpose of the committee is to assist the Board in carrying out its responsibility for delivery of benefits under programs administered by TRS. The Benefits Committee shall:

- (a) meet as necessary at the call of the chairman of the committee to review and make recommendations to the Board as needed related to programs within its oversight;
- (b) receive cost-benefit analyses and recommendations from the Retirees Advisory Committee regarding TRS-Care, and recommend related actions to the Board;
- (c) recommend to the Board persons to serve on the Retirees Advisory Committee;
- (d) establish performance standards for professional benefits consultants and participate in performance evaluations of those consultants;
- (e) recommend to the Board persons to serve on the Medical Board;
- (f) review periodic reports by TRS staff or consultants on benefit delivery services, benefit-related trends, and other significant benefit topics; and
- (g) receive reports and make recommendations regarding customer service standards and satisfaction.

**3.1.3 Budget Committee.** The Board shall have a Budget Committee, which shall meet as necessary at the call of its chairman to:

- (a) recommend budgets for approval by the Board;
- (b) recommend intra-budget transfers and budget amendments for approval by the Board; and
- (c) monitor implementation of the operating budgets of the pension trust and other programs.

**3.1.4 Investment Management Committee.** The Board shall have an Investment Management Committee, which shall meet as necessary at the call of its chairman to:

- (a) consider recommending individual investments and investment-related actions to the Board when the recommendation is required by the Board's Investment Policy Statement or resolutions adopted by the Board;
- (b) consider recommending to the Board overarching strategies for all TRS investments, including without limitation Private Equity, Real Assets, External Public Markets (including external managers and hedge funds), strategic partnerships, internally managed portfolios, and any other large tactical strategy that may arise from time to time and to monitor those strategies;
- (c) consider recommending to the Board or an applicable committee investment objectives, the establishment of performance and risk measurement and attribution standards for plan assets, each asset class

- and component portfolios, and risk parameters and controls, and to monitor those that the Board approves;
- (d) monitor the retirement system's investment processes and consider recommending to the Board or an applicable committee proposed changes to the system's investment processes;
  - (e) monitor the investment performance of the overall fund, receive investment reports, and recommend to the Board or an applicable committee policies for appropriate reporting and communication mechanisms to keep the committee and the Board appropriately informed about TRS investments;
  - (f) receive reports from staff regarding compliance with portfolio risk management standards as required by the Investment Policy Statement of the Board, including without limitation reports pertaining to (1) aggregate asset allocation percentages and ranges, (2) risk measurement and exposure limits, (3) general portfolio liquidity risk characteristics, (4) trade errors, (5) costs associated with overdraft activity, and (6) unsettled trade activity by counterparty and instrument type;
  - (g) recommend Board approval of action plans submitted by staff to cure passive violations of prescribed policy limits when it is necessary to extend the cure period beyond the time allowed by policy for staff to cure such violation;
  - (h) review proposed new or amended investment policies and make recommendations relating to any investment policy, including reporting and communication requirements, to the Policy Committee
  - (i) consider recommending to the Board or the staff, as applicable, that TRS engage professional independent service providers, advisors, or consultants to review internal investment operations and render advice as appropriate. The committee may review responsive proposals and recommend engagement of one or more firms to the Board or the staff, as applicable; and
  - (j) act as an advisory committee to the Board with respect to TRS investments.

**3.1.5 Policy Committee.** The Board shall have a Policy Committee, which shall meet at the call of its chairman. The purpose of the Policy Committee is to assist the Board in fulfilling its policy-making responsibilities, in accordance with Texas Government Code Section 825.113. The Policy Committee shall:

- (a) make or review policy proposals, including those made by staff through procedures established by the executive director, and recommend new written Board policies and modifications to existing written policies as needed;
- (b) recommend new rules and rule amendments as needed and review existing rules periodically as required by law;
- (c) adopt and follow a plan of review for each fiscal year to ensure that all written TRS Board policies are reviewed periodically; and

- (d) ensure that proposed Board policies or policy changes have been appropriately reviewed, including by staff pursuant to procedures established by the executive director or by consultants as necessary.

**3.1.6 Strategic Planning Committee.** The Board shall have a Strategic Planning Committee, which shall normally meet on a quarterly basis or at the call of the chairman of the committee. The purpose of the committee is to assist the Board in its oversight responsibilities relating to strategic planning, including related risks, opportunities, and major projects. The committee shall:

- (a) receive reports from staff regarding the development and execution of strategic planning, including regular updates on TRS' medium and long-term initiatives, the TRS Strategic Plan, key performance indicators, and the identification and mitigation of strategic plan risks and vulnerabilities.
- (b) provide input and guidance regarding:
  - (1) assessment of the internal and external forces and variables that impact TRS' strategic planning;
  - (2) formulation and execution of strategic goals and objectives; and
  - (3) alignment of the organization behind the agency's strategic goals and objectives, including alignment with major projects, resource allocation, and the executive director's goals and objectives;
- (c) review and make recommendations to the Board on the TRS mission and vision statements and the strategic plan goals and objectives;
- (d) provide enterprise risk oversight by discussing and considering matters relating to the identification, prioritization, management, and monitoring of critical risks;
- (e) receive reports from staff regarding the identification, evaluation, and management of risk across the enterprise;
- (f) receive reports from staff regarding major project development and execution;
- (g) provide input and guidance to TRS staff on the development and execution of major projects;
- (h) make such other recommendations to the Board as the committee deems necessary pertaining to any matters regarding enterprise risk mitigation, tolerance levels, and reduction strategies; and
- (i) act as an advisory committee to the Board, based in each case on a specific referral by the Board at a called meeting.

**3.1.7 Compensation Committee.** The Board shall have a Compensation Committee, which shall meet as necessary at the call of the committee chair. The committee shall:

- (a) review the Performance Incentive Pay Plan and when needed make recommendations concerning it to the Board;
- (b) provide direction to the executive director and make recommendations to the Board on the compensation of TRS staff and other compensation

matters referred to the Compensation Committee by the Board chair;  
and

- (c) recommend to the Board adoption of not-to-exceed amounts in the exempt salary schedule in consultation with the executive director.

**3.2 Special Committees.** Special committees other than standing committees established in section 3.1 may be created by action of the Board, which shall establish the purpose and responsibilities of the committee and may establish the term for which it shall exist.

**3.3 Composition of Committees.** A committee will be composed of five members of the Board unless otherwise provided by action of the Board or these Bylaws. The chairman of the Board annually shall appoint committee members subject to the consent of the Board on or before the Board's first regular meeting of the fiscal year or as soon thereafter as may be practicable. The chairman of the Board shall designate the chairman of each committee. Committee chairmen serve as chairmen at the pleasure of the chairman of the Board. The term of a committee member expires on the earlier to occur of the date of the Board's consent to the appointment of a successor committee member to fill the member's position or the date on which the member's term as a Board member has expired according to law and the person is no longer holding over and serving as a member of the Board. The chairman of the Board may appoint an interim successor to the committee for a member whose Board term has expired, who is holding over as a Board member, but who has resigned his or her committee position. Any such interim successor member of a committee may serve until the meeting of the Board at which the Board votes to consent to the appointment of committee members.

**3.4 Advisory and Auxiliary Committees.** If authorized or required by state law or Board policy, the Board shall appoint advisory or auxiliary committees of non-board members to assist TRS. These committees may be composed of volunteers, independent contractors, or employees. Such committees include the Medical Board and the Retirees Advisory Committee for TRS-Care. The terms, qualifications, and methods of appointment of these committees shall be governed by relevant state law or Board policy. The Board shall designate the chairman and vice chairman, if any, of each such committee.

**3.5 Committee Agendas.** The agenda for each committee meeting shall be set in a manner similar to a Board meeting agenda, but with the committee chairman and members having the same authority with regard to the committee agenda of committee meetings that the Board chairman and members have with regard to the Board agenda of Board meetings.

**3.6 Committee Attendance.** Any member of the Board may attend a meeting of a committee of which he or she is not a member but shall not vote. Because the attendance of five or more trustees at a Board committee meeting constitutes a quorum of the full Board, public notice of a committee meeting is also posted as a Board meeting under the Open Meetings Act (Texas Government Code Chapter 551) in anticipation of a quorum of the full Board possibly attending the meeting. Also in compliance with the Open Meetings Act, a record is kept of the attendance of a quorum of the full Board at a Board committee meeting. The attendance of a quorum of the full Board at a Board committee meeting is not a regular, special, or emergency Board meeting under Article 2 of these Bylaws, relating to meetings of the Board. In addition, the attendance of a quorum of the full Board at a

Board committee meeting is not a regularly scheduled Board meeting under Texas Government Code Section 825.010(a)(5), relating to grounds for removal of a trustee because of absence from Board meetings.

## **ARTICLE 4**

### **Executive Director**

**4.1 Responsibilities of Executive Director.** The Board shall employ an executive director as required by law, with such duties as may be required by law of the chief executive officer and chief administrative employee of TRS and with such other duties as may be established by the Board in its policies, resolutions, and other actions. In these Bylaws, the term “executive director” means the person appointed by the Board pursuant to Texas Government Code Section 825.202 (or a successor statute) and these Bylaws.

**4.1.1** With respect to the operations of the Board itself the executive director shall:

- (a) make preparations, including trustee travel arrangements, for all meetings of the Board and its committees;
- (b) under the direction of the chairman of the Board or a relevant committee, prepare and distribute the agendas and appropriate documentation for all meetings of the Board and its committees;
- (c) under the direction of the chairman of the Board or of a relevant committee, post notices of all meetings and the subject matter thereof as may be required by law;
- (d) cause the secretary to the Board to record, prepare, and index the official minutes of the Board and its committees;
- (e) file and preserve all official documents, correspondence, and proceedings of the Board and its committees;
- (f) ensure proper custody of the TRS official seal and any counterparts and designate in writing those employees, in addition to and not in lieu of the secretary to the Board and the assistant secretary to the Board, who may have custody of counterparts of the TRS seal and authority to affix the seal to attest or authenticate a document signed by or on behalf of TRS, the Board, or a Board committee when affixing the seal is necessary or desirable to authenticate a document;
- (g) maintain the official copy of these Bylaws;
- (h) as directed by the Board, establish routine reporting mechanisms and procedures to the Board and prepare special reports to the Board; and
- (i) carry out other policies adopted by the Board.

**4.1.2** The executive director is the chief executive officer of TRS and is responsible to the Board for the general administration of TRS in accordance with relevant state laws and policies adopted by the Board. The executive director shall: (a) manage the daily operations of TRS as its chief executive officer;

- (b) assume managerial responsibility and leadership for the planning, operation, supervision, and evaluation of programs and services;
- (c) assume authority and responsibility for the selection, job description, assignment of duties, performance evaluation, promotion,

compensation, and discipline, including dismissal of all TRS personnel except for:

- (1) the chief audit executive as provided in subsections 1.7 (u) and 3.1.1 of these Bylaws; and
  - (2) the selection and compensation of the chief investment officer as provided in subsection 1.7 (v) of these Bylaws, but the executive director shall evaluate the chief investment officer in consultation with the Board and have full authority and responsibility for all other personnel matters, including the chief investment officer's assignment of duties and discipline.
- (d) prepare and submit an annual operating budget for consideration by the Board;
  - (e) prepare recommendations for policies to be considered by the Board and oversee the implementation of adopted policies;
  - (f) recommend to the Board, either directly or through a designee, the selection of the actuary, custodian for securities, investment counsel to the Board, fiduciary counsel to the Board, chief investment officer, and chief audit executive;
  - (g) organize TRS to accommodate its mission; and
  - (h) develop programs designed to create a culture of diversity, inclusion, and equity at TRS, including in the organization's recruitment, retention, position, pay and procurement practices.

## **4.2 Miscellaneous Duties.**

- 4.2.1** The executive director shall annually provide to members of the Board information regarding their qualification for office, including Texas Government Code Sections 825.002, -.003, -.0032, and -.010, and their responsibilities under applicable laws relating to standards of conduct for state officers including Texas Government Code Sections 553.002, 572.005, 572.051, 572.056, 572.058, 825.0032, 825.210-.212, and 2254.032, and Texas Penal Code Sections 32.43, 32.45, 36.02, 36.08, 36.10, 39.01, and 39.03, and any amended, new, or successor statutes.
- 4.2.2** The executive director shall annually provide to TRS employees information regarding their qualification for employment, including Texas Government Code Sections 573.001-.084 and 825.0032 and their responsibilities under applicable laws relating to standards of conduct for state employees including Texas Government Code Sections 553.002, 572.051, 572.005, 825.0032, 825.210-.212, and 2254.032, and Texas Penal Code Sections 32.43, 32.45, 36.02, 36.08, 36.10, 39.01, and 39.03, and any amended, new, or successor statutes.
- 4.2.3** In accordance with Texas Government Code Section 825.010(c), the executive director shall notify the chairman of the Board if he has knowledge that a potential ground for removal of a trustee exists. The chairman shall then notify the appropriate appointing officer or body that a potential ground for removal exists.

**4.3 Absence of Executive Director.** If the executive director will be away from the TRS headquarters for a brief period, as contemplated by section 4.4 of this article, the executive director may designate the deputy director to act in his or her stead generally or for a particular purpose. If the deputy director is also unavailable, the executive director may designate the chief financial officer to act for the executive director. In the absence of the executive director due to incapacity or otherwise when the duration of the absence is unknown and the absence may be extended or permanent, the deputy director shall perform such duties as are necessary to the administration of the system and shall have the responsibility and authority of the executive director until the Board designates the person succeeding to the responsibilities and authority of the executive director. In the absence of the executive director and the deputy director, the chief financial officer shall perform such duties as are necessary to the administration of the system and shall have the responsibility and authority of the executive director and the deputy director until the earlier of the following events: the executive director or the deputy director has resumed his or her duties; or the Board has designated the person succeeding to the responsibilities and authority of the executive director or the deputy director. For no longer than the duration of an emergency situation, the chairman of the Board shall designate the person succeeding to the responsibilities and authority of the executive director pending approval by the Board of Trustees. A designee under this section shall have the responsibility and authority of the executive director. The chairman of the Board or the deputy director shall notify the Texas Ethics Commission whenever there is a change in the person named to the position of executive director. A member of the Board is not eligible for temporary designation or permanent appointment to serve in the capacity of the executive director under Texas law.

**4.4 Delegating Responsibilities.** The executive director shall designate an employee of TRS to serve as secretary to the Board to assist in the execution of duties enumerated in subsection 4.1.1 of this article and may assign other employees of TRS as necessary to assist in carrying out these and other duties.

## **ARTICLE 5**

### **Miscellaneous Organizational Provisions**

**5.1 Administration of TRS.** The administration of TRS is governed by these Bylaws, Board policies, and applicable state law. In the event of a conflict between these Bylaws and applicable state law, the applicable state law shall govern to the extent necessary to resolve the conflict.

**5.2 Investments of TRS.** TRS investments are authorized to be made only in accordance with policies adopted by the Board and applicable state, federal, and foreign law.

**5.3 Custody of TRS Assets.** TRS trust assets shall be entrusted to one or more custodians only in accordance with policies and other actions of the Board and applicable state law. The Board shall select the custodian or custodians to hold TRS assets.

**5.4 Budgets and Fiscal Year.** The budgets of the pension trust fund and any other trust funds administered by TRS are adopted by the Board and may be amended by the Board in subsequent meetings. The TRS fiscal year shall begin September 1 and shall end the following August 31.

**5.5 Title to and Ownership of Assets.** Accounts or assets of TRS may be held in the name of TRS, a nominee, or other agent in accordance with state law. The assets of TRS shall not be considered at any time to be assets of the state or any employer of TRS members but are to be held in trust for the exclusive benefit of TRS members, annuitants, beneficiaries, or other trust participants.

**5.6 Authority to Act for TRS.** The Board delegates authority for the following matters:

- (a) investment decisions, in accordance with actions of the Board, including investment policies and applicable state law;
- (b) contracts for the purchase of goods and services, to the executive director or his designee in accordance with the budget, subject to applicable actions of the Board;
- (c) release of assets held in the name of TRS, its nominees, or other agents, in accordance with actions of the Board;
- (d) approval of retirement, death, and survivor benefit payments and refunds to the executive director and his or her designees, in accordance with actions of the Board and applicable state law;
- (e) execution of vouchers for payment of TRS funds, in accordance with actions of the Board; and
- (f) initiation, defense, and settlement of lawsuits and other claims, to the executive director or his designee, subject to applicable actions of the Board.

**5.7 TRS Rules.** The executive director is authorized to draft and submit proposed rules for TRS to the Texas Secretary of State to be considered by the Board for adoption in accordance with state law.

**5.8 Personnel Policies.** TRS personnel policies shall be issued and disseminated to all employees by the executive director and revised from time to time, in compliance with Board policies and state law. TRS is an at-will employer.

**5.9 Official Seal of TRS.** The form of the official seal of TRS shall consist of a five-point star surrounded by a pair of branches and two concentric circles with the name "Teacher Retirement System of Texas" displayed in the space between the two circles. The seal may be either embossed or stamped. The executive director may designate in writing those TRS employees, in addition to and not in lieu of the secretary to the Board, who are authorized to use and affix the seal to TRS documents when the secretary is absent, incapacitated, or otherwise unavailable. Such a designated employee is authorized, in the capacity of an assistant secretary to the Board, to attest, to affix the seal, or to certify as to any matter as to which the secretary to the Board could attest, affix the seal, or certify. Purchase and use of identical counterparts of the seal is authorized when each counterpart is held by an authorized designee of the executive director. Affixing the TRS seal is not necessary to authenticate or attest a TRS document unless the seal is required by applicable law.

**ARTICLE 6**  
**Amendment of Bylaws**

**6.1 Amendment of Bylaws.** These Bylaws may be amended only by a majority vote of the Board at any duly posted meeting of the Board for which notice of consideration of the proposed amendment has been properly given under the Open Meetings Act.

Bylaws of the  
Board of Trustees of the  
Teacher Retirement System of Texas  
AMENDED ~~December~~February 14, 2018

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# Bylaws of the Board of Trustees of the Teacher Retirement System of Texas

AMENDED DECEMBER 14, 2018~~JUNE 12, 2015~~

## ARTICLE 1

### Organization of the Board of Trustees

**1.1 Authority.** The Teacher Retirement System of Texas (“TRS” or the “system”) has been established pursuant to Article 16, Section 67 of the Texas Constitution, which requires TRS to have a Board of Trustees (the “Board”) to administer TRS and invest its funds. The assets of the TRS pension fund are required by state and federal law to be held in trust for the exclusive benefit of plan participants and beneficiaries. (See Texas Constitution, Art. 16, Section 67(a); Texas Government Code Sections 825.506 and 825.101; United States Internal Revenue Code Section 401(a).) The Board of Trustees of TRS is the trustee of all plan assets, is responsible for the general administration and operation of TRS, and is authorized by law to adopt rules for the administration of TRS and the transaction of the business of the Board. (See Texas Government Code chapter 825.) All powers of trusteeship are held in the Board’s fiduciary capacity. The exercise or non-exercise of the Board’s powers are subject to the fundamental duties of prudence, loyalty, and impartiality (Restatement Third, Trust §§ 77-79); to a duty to respect the terms and purposes of the trust (Restatement Third, Trust § 76); and to other fiduciary duties of trusteeship. Although a trustee’s duties, like trustee powers, may be affected by the terms of the trust, the fiduciary duties of trusteeship are subject to minimum standards that require the trustee to act in good faith and in a manner consistent with the purposes of the trust and the interests of the beneficiaries. These fundamental standards of trusteeship are implicit in and normally essential to the trust relationship. (See Restatement Third, Trust §§ 70 and 86.) The Board has similar responsibilities for the health benefits programs under the Texas Public School Retired Employees Group Benefits Act and the Texas School Employees Uniform Group Health Coverage Act and other trusts or programs authorized by law to be administered by TRS.

**1.2 Composition.** The Board is composed of nine members, who serve for staggered terms of six years each, three of which expire on August 31 of each odd-numbered year. Trustees are appointed in accordance with statutory requirements (Texas Government Code Sections 825.001-.004).

A trustee whose term expires shall continue to perform the duties of the office until his or her successor shall be duly qualified. (Texas Constitution, Art. 16, Section 17; also see Government Code, Section 572.0211). Similarly, a trustee who tenders his or her resignation nonetheless holds over until his or her successor is duly qualified for the office. Limited exceptions may arise, one of which is the removal of an office holder in a quo warranto proceeding (Civ. Prac. & Rem. Code Section 66.001).

### **1.3 Chairman of the Board of Trustees.**

- 1.3.1 The Governor of the State of Texas designates a member of the Board as the presiding officer of the Board. (Texas Government Code Section 825.201.)
- 1.3.2 The chairman shall preside over meetings of the Board and perform such other duties as are assigned by statute, these Bylaws, or other action of the Board.
- 1.3.3 The chairman serves at the pleasure of the Governor.

### **1.4 Vice Chairman of the Board of Trustees.**

- 1.4.1 The Board shall elect a vice chairman who is a member of the Board.
- 1.4.2 In case of the absence, death, resignation, disability, removal, or disqualification of the chairman, the vice chairman shall perform the duties of the chairman until the chairman shall resume his or her office or a successor chairman has been appointed.
- 1.4.3 The vice chairman serves at the pleasure of the Board.

**1.5 Absence of Chairman and Vice Chairman.** In the case of the absence, death, resignation, disability, removal, or disqualification of both the chairman and vice chairman, the member of the Board with the longest service on the Board (considering all Board service), as certified by the executive director, shall exercise the duties of the chairman, as acting chairman, until the chairman or vice chairman shall resume his or her office or until a successor chairman has been appointed or a successor vice chairman has been elected. In the event there are two or more members with equal length of service, the executive director shall designate one of those members to serve as the acting chairman.

### **1.6 Elections.**

- 1.6.1 Elections for vice chairman and any other positions that require election by the Board shall be conducted annually on or before the Board's first regular meeting of the fiscal year or as soon thereafter as may be practicable.
- 1.6.2 When a position subject to Board election becomes vacant, a special election for the position shall be held as soon thereafter as practicable.
- 1.6.3 Subject to the proviso that such persons serve at the pleasure of the Board, persons elected to positions under this section serve for a term that expires with the next election for that position or upon resignation from the position by the person holding it.

**1.6.4** Nominations for the vice chairman of the Board and any other position that requires election by the Board will be made from the floor by Board members at a meeting of the Board or by special committee established for the purpose of making nominations. A Board member may self-nominate for any such position.

**1.6.5** Elections conducted in Board meetings shall be conducted in an open meeting by acclamation or by a roll-call vote pursuant to a motion that has been seconded. Unless a different number is required by law, a majority vote of a quorum is required to elect a nominee for each election required by these Bylaws.

**1.7 Responsibilities of the Board.** Board members are TRS fiduciaries and shall discharge their duties in the exclusive interest of members and annuitants for the purpose of providing authorized benefits to participants and their beneficiaries. The Board shall:

- (a) ~~adopt establish~~ and periodically review the TRS mission in light of the Board's constitutional and statutory authority and adopt strategic plan set clear goals and objectives for its accomplishment;;
- (b) adopt rules, regulations, and bylaws as deemed appropriate;
- (c) adopt and periodically review policies for the operation of the system;
- (d) be responsible for the selection, job description, assignment of duties, performance evaluation, compensation, and discipline, including dismissal, of the executive director;
- (e) provide oversight and direction to the executive director to ensure that effective management practices are followed in the organization;
- (f) approve the annual operating budget;
- (g) receive reports from the staff, investment counsel, and others regarding the investment portfolio;
- (h) review investment performance, asset mix, portfolio characteristics, cash flow, transactions, and monitor compliance with investment policies and guidelines;
- (i) ensure the establishment of a system for equitable and effective hiring, evaluation, compensation, and termination of employees;
- (j) monitor and evaluate the effectiveness of the system;
- (k) ensure an adequate working environment for staff members;
- (l) establish committees to make recommendations to the Board and help carry out the Board's responsibilities; however, such committees may not exercise authority required under these Bylaws or by state or federal law to be exercised by the Board as a whole, and the Board may consider or take any action otherwise specified to be taken or considered by a committee created pursuant to article 3 of these Bylaws;
- (m) delegate authority to the staff through the executive director;
- (n) consider appeals as provided in Board rules;
- (o) select and evaluate an actuary;

- (p) select one or more custodian banks to provide custodial services for TRS assets, provided that, for avoidance of doubt, this requirement does not apply to regulated brokerage, clearing, exchange, or similar accounts into which TRS is required to deposit assets or collateral;
- (q) select and evaluate investment counsel or other consultants to provide such expert advice and assistance to the Board as the Board deems necessary to exercise its investment and trust administration responsibilities;
- (r) select and evaluate fiduciary counsel;
- (s) appoint members of the Medical Board;
- (t) appoint members and officers of the Retirees Advisory Committee;
- (u) select, replace, dismiss, evaluate, and set the compensation of the chief audit executive in consultation with the Audit Committee and executive director;
- (v) select and establish the compensation of the chief investment officer, in consultation with the executive director; and
- (w) delegate to the executive director the responsibility for all administrative functions.
- (x) set not-to-exceed amounts in the exempt salary schedule in consultation with the Compensation Committee and executive director

## 1.8 Board Travel.

- 1.8.1 Members of the Board shall be reimbursed for allowable travel expenses while on official TRS business as specified in state law and the “TRS Travel Rules and Guidelines.”
- 1.8.2 Official TRS business is defined as travel while acting as a designated representative of the Board (such as meeting with elected officials or Board consultants and advisors on behalf of the Board whether within or outside the state), travel to and from meetings of the Board, meetings of Board committees, orientation meetings, or other travel ~~within the state~~ in the capacity of a member of the Board.
- 1.8.3 In addition to travel on official TRS business as defined in subsection 1.8.2 of this section, it is anticipated that each Board member will receive ~~an allocation of one-ninth of an amount established through the budget process for~~ reimbursement established through the budget process of allowable ~~out-of-state~~ Board travel expenses to attend conferences and other activities meeting the following criteria:
  - (a) The purpose of the expense is related to the business of TRS and the Board; and
  - (b) Attendance at the function will benefit the Board or a Board member in the exercise of TRS responsibilities.

**1.8.4** Travel allocations are not compensation, nor are they in the nature of an allowance paid regardless of whether travel expenses are incurred. Any international travel must receive advance approval as required by law.

1.8.5 The Executive Director in consultation with the Legal and Compliance Division shall be responsible for developing and administering procedures for travel approvals under sections 1.8.2 and 1.8.3.

**1.9 Board Education.** Each Board member is encouraged to attend workshops and training sessions on such matters as fiduciary duties, actuarial valuations, investment issues, and benefits delivery, which may enable the Board member to better fulfill trustee responsibilities to the system.

## **ARTICLE 2**

### **Meetings of the Board**

#### **2.1 Meetings of the Board.**

**2.1.1** The Board shall meet approximately five eight, but at least four, times per fiscal year. The dates for regular meetings will be approved annually in advance by the Board at the first regular meeting of each fiscal year or as soon thereafter as practicable. When necessary, and in addition to the provisions of subsection 2.1.6 of this article, the Board may add or cancel a regular meeting or change the date, time, or location of a regular meeting by action of the Board.

**2.1.2** Special meetings of the Board may be held either upon the call of the chairman of the Board or the call of at least four members of the Board, or upon action of the Board. A call by the chairman or by other members of the Board must be communicated to the executive director within sufficient time to permit posting of the meeting as required by law. The call or action of the Board, as applicable, shall specify the date of each special meeting and may specify the time and place for each special meeting.

**2.1.3** Meetings shall be held at TRS headquarters, 1000 Red River Street, Austin, Texas, unless by call or action of the Board another location is specified.

**2.1.4** Regular and special meetings shall begin at a time designated by the chairman of the Board unless a time has been specified in the call or by action of the Board in setting a particular meeting.

**2.1.5** Emergency meetings may be called in the same manner as special meetings. The Board member who initiates the call for an emergency meeting shall provide the executive director with the reason for the emergency or urgent public necessity. An emergency meeting is one which cannot be posted within the seven day advance notice normally required by the Open Meetings Act (Texas Government Code Chapter 551, Section 551.044, or a successor

statute) (the “Act”), but which is needed because of “imminent threats to public health and safety or reasonably unforeseeable situations requiring immediate action by the government body” or as otherwise defined by the Act, as amended, court decision, or other applicable law. Emergency meetings shall be posted in accordance with applicable law, including Texas Government Code Section 551.045 (or its successor statute), requiring posting for at least two hours before the meeting is convened.

- 2.1.6** If a catastrophe prevents the Board from convening a properly posted meeting, the Board may, under Texas Government Code Section 551.0411, convene in a convenient location within 72 hours pursuant to Texas Government Code Section 551.045 by giving written notice of the date, hour, place, and agenda of the rescheduled and/or relocated meeting at least two hours before it begins. For the purposes of this subsection, the term “catastrophe” has the meaning assigned in Texas Government Code Section 551.0411. In consultation with the executive director, the chairman of the Board shall specify the date, hour, and place of a meeting rescheduled under this subsection to accommodate as many members of the public, board, and staff as possible.
- 2.1.7** In addition to the provisions of subsection 2.1.6 of this article, a special or emergency meeting of the Board may be canceled or rescheduled, or the location of the meeting changed, only by action of the Board or by a call of at least four members of the Board communicated to the executive director within sufficient time for TRS to comply with all posting requirements for the meeting. Unless a time has been specified in the call or action of the Board rescheduling the meeting, the chairman may set the time of a rescheduled meeting, though any such time must meet all posting requirements of applicable law.

## **2.2 Public Comment at Meetings.**

- 2.2.1** The Board will allow reasonable opportunity for public comment to the Board on any issue under the jurisdiction of the Board. The chairman may determine the total time to allot to public comments at a meeting of the Board.
- 2.2.2** Persons who desire to deliver oral comments at a Board meeting must complete the required sign-in form, preferably before the public comment agenda item is reached during the Board meeting. The chairman of the meeting will specify the length of time to be allowed for each person to speak. Persons wishing to speak before the Board shall provide the following information:
- (a) name and address;
  - (b) the name of the person or group, if any, the speaker is representing;
  - (c) the agenda item upon which the person wishes to speak, if any; and
  - (d) if the matter does not relate to an agenda item, a brief description of the nature of the matter to be addressed by the speaker.

If the chairman determines based on the information provided that public comment is made for the purpose of soliciting TRS business and the particular

solicitation is not specifically identified on the agenda, the chairman may deny the opportunity to deliver the comment.

### **2.3 Meeting Agendas.**

**2.3.1** The agenda for each Board meeting shall be set by the chairman of the Board and when appropriate other Board members in consultation with the executive director. The executive director shall prepare and distribute to the Board the agenda and relevant written materials.

**2.3.2** Items may be submitted for inclusion on the agenda of any Board meeting by any Board member or by the executive director prior to posting. The executive director shall determine the initial order of the agenda items prior to posting. Board members desiring to add an agenda item must submit it to the executive director by 5:00 p.m. not later than the tenth TRS business day before the meeting.

**2.3.3** Agenda items may be added to a posted agenda by the chairman, by the executive director, or by written request of any Board member, provided that the proposed addition is submitted to the executive director in time to post the amendment to the agenda in compliance with the Open Meetings Act. If the item must be added as an emergency agenda item due to insufficient time to post it as a regular item, the request to add the item must include a valid reason for the emergency, as determined by the executive director in consultation with the general counsel.

**2.4 Notice of Meetings.** The executive director will cause meeting notices to be posted in compliance with these Bylaws and the Open Meetings Act.

**2.5 Auxiliary Aids or Services at Meetings.** Persons who do not speak English or persons with disabilities may request auxiliary aids or services to be provided at a meeting, such as language interpreters or interpreters for persons who are deaf or hearing impaired, or readers or large print or Braille texts for persons who are visually impaired. If the request is made to the executive director with adequate advance notice before the meeting, the executive director shall cause reasonable accommodations to be provided to persons with disabilities to the extent required by law and may exercise discretion to determine any other accommodations to be provided.

### **2.6 Procedure.**

**2.6.1** A quorum of the Board is a majority of the number of members fixed by statute, unless otherwise defined by applicable law. A quorum is required for the board to conduct business. Unless otherwise provided by law, a majority vote of the board (i.e., a majority vote of the members present and voting at a meeting where a quorum is present) is required for action or decision by the

Board, and at least a majority of the minimum number of members needed to constitute a quorum must vote in favor of the action or decision for it to be approved by the Board. Abstentions are not counted in determining the outcome of a vote but are counted in determining a quorum. The most recent edition of *Robert's Rules of Order Newly Revised*, when not in conflict with other Board-adopted rules of procedure, these Bylaws, or applicable law, shall be the rules of parliamentary procedure and order for the Board and its committees. The TRS general counsel shall assist and advise the chairman of the Board or of a committee regarding interpretation and application of the rules of parliamentary procedure.

- 2.6.2** The minutes of the Board shall contain each subject of discussion and deliberation, all motions, seconds, if any, and the vote, if any, on such motions. Each Board member shall be given an opportunity to record in the minutes his or her vote on a motion and to have included in the minutes the reasons stated in the meeting for his or her vote.

### **ARTICLE 3**

#### **Committees**

**3.1 Standing Committees.** In accordance with section 1.7 of these Bylaws, the Board may establish standing committees by amendment of this article. A quorum of a standing committee shall be a majority of the members of the committee. Any committee may convene in joint session with any other committee.

**3.1.1 Audit, Compliance, and Ethics Committee.** The Board shall have an Audit, Compliance, and Ethics Committee, which shall normally meet on a quarterly basis or at the call of its chairman. The responsibilities of the Audit, Compliance, and Ethics Committee shall be as follows:

(a) Purpose

- (1) To assist the Board in fulfilling its fiduciary oversight responsibilities for
  - (aa) the financial reporting process,
  - (bb) the risk management and internal control system,
  - (cc) the internal audit process,
  - (dd) the external audit process,
  - (ee) the process for monitoring compliance with laws, regulations, and policies, and
  - (ff) reporting and other activities.
- (2) To coordinate and interface with the Board regarding Audit, Compliance, and Ethics Committee activities and other pertinent matters.

(b) Financial Reporting Process

- (1) Review and understand significant accounting and reporting matters requiring judgment (including those involving complex or unusual transactions), consider recent professional and regulatory

pronouncements, and understand the impact of such matters and pronouncements on financial statements.

- (2) Review with management and the external and internal auditors the results of audits, including any difficulties encountered.
- (3) Review all significant suggestions for improved financial reporting made by the external financial statement auditor and by the internal auditor.
- (4) Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- (5) Review with management and the auditors all matters required to be communicated to the committee under generally accepted auditing standards.

(c) Governance, Risk Management, and Internal Control Activities

- (1) Receive reports on and discuss the internal and external auditors' assessment of the effectiveness of the organization's governance, risk management, and internal control activities, including technology governance and fraud risk prevention activities.
- (2) Obtain reports from internal and external auditors and compliance staff on significant findings and recommendations relating to governance, risk management, and internal control activities, together with management's response, including receiving reports regarding any violation of portfolio risk management standards as required by the Investment Policy Statement of the Board for (1) any passive violation of prescribed portfolio policy limits as the result of changing market or credit conditions, and (2) any active violation of prescribed portfolio policy limits as a result of entering into an agreement or investment that breaches a policy limit at inception and the corrective action plan implemented to cure such violation.

(d) Internal Audit Process

- (1) Assure and maintain, through the organizational structure and by other means, the independence of the internal audit process. Ensure there are no unjustified restrictions or limitations on the internal audit function.
- (2) Ensure that internal auditors have access to all documents, information and systems in the organization that are reasonably needed to accomplish the purpose of the audit, unless any such information is subject to a legally applicable and properly asserted privilege.
- (3) Review with management and the chief audit executive the charter, plans, activities, budget, staffing, qualifications and organizational structure of the internal audit function. Recommend to the Board an internal audit charter or modifications to such charter.

- (4) Review and recommend audit plans for approval by the Board.
  - (5) Receive and review all internal audit reports and management letters.
  - (6) Review the responsiveness and timeliness of management's follow-up actions pertaining to any reported audit recommendations.
  - (7) Receive periodic reports of advisory and consulting activities by internal auditors.
  - (8) Authorize audits or investigations into any matters within the committee's scope of responsibilities and provide appropriate reports to the Board.
  - (9) Recommend to the Board, in consultation with the executive director, the appointment, replacement, dismissal, and compensation of the chief audit executive.
  - (10) Provide input and advice to the Board annually in evaluating ~~Evaluate~~ the performance of the chief audit executive ~~on an annual basis~~ in consultation with the executive director. ~~Recommend to the Board approval of the annual performance appraisal.~~
  - (11) Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and Texas Government Code Chapter 2102 (the Texas Internal Auditing Act).
  - (12) Designate the chief audit executive as the primary point of contact for handling audit-related matters pertaining to audits, examinations, investigations or inquiries of the State Auditor's Office, other appropriate state or federal agencies, and other external audit groups.
- (e) External Audit Process
- (1) Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
  - (2) Review the performance of the external auditors, and, upon request, recommend to the Board the appointment or discharge of the external auditors. Obtain input from management, the chief audit executive, and other parties as appropriate.
  - (3) Review the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the organization, including any non-audit services, and discussing the relationship with the auditors.
  - (4) Review the audited financial statements, associated management letters, attestations on the effectiveness of the internal control structure and procedures for financial reporting, and required communications.
  - (5) Receive and review all external audit reports and management letters.

- (6) Review the responsiveness and timeliness of management's follow-up actions pertaining to any reported audit recommendations.
- (f) Compliance Process
- (1) Assess the effectiveness of the system for monitoring compliance with laws, regulations and policies, and the results of management's follow-up actions pertaining to any reported instances of noncompliance.
  - (2) Review the findings and recommendations of any examinations by oversight agencies and compliance and auditor observations.  
Obtain regular updates and reports from the chief compliance officer and, as appropriate, management regarding compliance matters.
- (g) Ethics Process
- (1) Make recommendations, as deemed advisable, relating to reports regarding conflict of interest disclosures from the chief compliance officer or reports that are submitted directly to the chairman of the committee as prescribed in an applicable ethics policy;
  - (2) Make recommendations to the Board regarding waivers of any disclosed conflict of interest or a waiver of the prohibition against involvement in any matter affected by a disclosed conflict of interest, at a meeting held in compliance with the Open Meetings Act;
  - (3) Make recommendations to the Board or the executive director regarding the prudence of contracting on behalf of TRS with any entity or a controlled affiliate of such entity that employs or is represented by a former trustee or former employee;
  - (4) Make recommendations, as deemed advisable, regarding reports from the executive director of any approval given for outside employment by key employees, including the nature of the employment;
  - (5) Make recommendations to the Board regarding approval in advance of any outside employment by the executive director;
  - (6) Make recommendations, as deemed advisable, regarding reports from the executive director of any disciplinary action disclosed by key employees; and
  - (7) Make recommendations, as deemed advisable, regarding reports of violations of a TRS ethics policy and any resulting disciplinary actions.
- (h) Reporting and Other Activities
- (1) At least quarterly report to the Board about committee activities, issues, and related recommendations.
  - (2) Provide an open avenue of communication among management, internal audit, external auditors, compliance, and the Board.
  - (3) Perform other activities related to the committee's

responsibilities as requested by the Board.

- (4) Review and assess the adequacy of this subsection 3.1.1 at least every four years.

**3.1.2 Benefits Committee.** The Board shall have a Benefits Committee. The purpose of the committee is to assist the Board in carrying out its responsibility for delivery of benefits under programs administered by TRS. The Benefits Committee shall:

- (a) meet as necessary at the call of the chairman of the committee to review and make recommendations to the Board as needed related to programs within its oversight;
- (b) receive cost-benefit analyses and recommendations from the Retirees Advisory Committee regarding TRS-Care, and recommend related actions to the Board;
- (c) recommend to the Board persons to serve on the Retirees Advisory Committee;
- (d) establish performance standards for professional benefits consultants and participate in performance evaluations of those consultants;
- (e) recommend to the Board persons to serve on the Medical Board;
- (f) review periodic reports by TRS staff or consultants on benefit delivery services, benefit-related trends, and other significant benefit topics; and
- (g) receive reports and make recommendations regarding customer service standards and satisfaction.

**3.1.3 Budget Committee.** The Board shall have a Budget Committee, which shall meet as necessary at the call of its chairman to:

- (a) recommend budgets for approval by the Board;
- (b) recommend intra-budget transfers and budget amendments for approval by the Board; and
- (c) monitor implementation of the operating budgets of the pension trust and other programs.

**3.1.4 Investment Management Committee.** The Board shall have an Investment Management Committee, which shall meet as necessary at the call of its chairman to:

- (a) consider recommending individual investments and investment-related actions to the Board when the ~~committee's~~ recommendation is required by the Board's Investment Policy Statement or resolutions adopted by the Board;
- (b) consider recommending to the Board overarching strategies for all TRS investments, including without limitation Private Equity, Real Assets, External Public Markets (including external managers and hedge funds), strategic partnerships, internally managed portfolios, and any other large tactical strategy that may arise from time to time and to monitor those strategies;
- (c) consider recommending to the Board or an applicable committee investment objectives, the establishment of performance and risk measurement and attribution standards for plan assets, each asset class and component portfolios, and risk parameters and controls, and to monitor those that the Board approves;
- (d) monitor the retirement system's investment processes and consider recommending to the Board or an applicable committee proposed changes to the system's investment processes;
- (e) monitor the investment performance of the overall fund, receive investment reports, and recommend to the Board or an applicable committee policies for appropriate reporting and communication mechanisms to keep the committee and the Board appropriately informed about TRS investments;
- (f) receive reports from staff regarding compliance with portfolio risk management standards as required by the Investment Policy Statement of the Board, including without limitation reports pertaining to (1) aggregate asset allocation percentages and ranges, (2) risk measurement and exposure limits, (3) general portfolio liquidity risk characteristics, (4) trade errors, (5) costs associated with overdraft activity, and (6) unsettled trade activity by counterparty and instrument type;
- (g) recommend Board approval of action plans submitted by staff to cure passive violations of prescribed policy limits when it is necessary to extend the cure period beyond the time allowed by policy for staff to cure such violation;
- (h) review proposed new or amended investment policies and make recommendations relating to any investment policy, including reporting and communication requirements, to the Policy Committee
- (i) consider recommending to the Board or the staff, as applicable, that TRS engage professional independent service providers, advisors, or consultants to review internal investment operations and render advice as appropriate. The committee may review responsive proposals and recommend engagement of one or more firms to the Board or the staff, as applicable; and

- (j) act as an advisory committee to the Board with respect to TRS investments.

**3.1.5 Policy Committee.** The Board shall have a Policy Committee, which shall meet at the call of its chairman. The purpose of the Policy Committee is to assist the Board in fulfilling its policy-making responsibilities, in accordance with Texas Government Code Section 825.113. The Policy Committee shall:

- (a) make or review policy proposals, including those made by staff through procedures established by the executive director, and recommend new written Board policies and modifications to existing written policies as needed;
- (b) recommend new rules and rule amendments as needed and review existing rules periodically as required by law;
- (c) adopt and follow a plan of review for each fiscal year to ensure that all written TRS Board policies are reviewed periodically; and
- (d) ensure that proposed Board policies or policy changes have been appropriately reviewed, including by staff pursuant to procedures established by the executive director or by consultants as necessary.

**3.1.6 Strategic Planning Committee.** The Board shall have a Strategic Planning Committee, which shall normally meet on a quarterly basis or at the call of the chairman of the committee. The purpose of the committee is to assist the Board in its oversight responsibilities relating to strategic planning, including related risks, opportunities, and major projects. The committee shall:

- (a) receive reports from staff regarding the development and execution of strategic planning, including regular updates on TRS' medium and long-term initiatives, the TRS Strategic Plan, key performance indicators, and the identification and mitigation of strategic plan risks and vulnerabilities

- (b) provide input and guidance regarding:
  - (1) assessment of the internal and external forces and variables that impact TRS' strategic planning;
  - (2) formulation and execution of strategic goals and objectives; and
  - (3) alignment of the organization behind the agency's strategic goals and objectives, including alignment with major projects, resource allocation, and the Executive Director's goals and objectives;
- (c) review and make recommendations to the Board on the TRS mission and vision statements and the strategic plan goals and objectives;
- (d) provide enterprise risk oversight by discussing and considering matters relating to the identification, prioritization, management, and monitoring of critical risks;
- (e) receive reports from staff regarding the identification, evaluation, and management of risk across the enterprise;
- (f) receive reports from staff regarding major project development and execution;
- (g) provide input and guidance to TRS staff on the development and execution of major projects;
- (h) make such other recommendations to the Board as the committee deems necessary pertaining to any matters regarding enterprise risk mitigation, tolerance levels, and reduction strategies; and
- (i) act as an advisory committee to the Board, based in each case on a specific referral by the Board at a called meeting.

**3.1.7 Compensation Committee.** The Board shall have a Compensation Committee, which shall meet as necessary at the call of the committee chair. The committee shall:

- (a) review the Performance Incentive Pay Plan and when needed make recommendations concerning it to the Board;
- (b) provide direction to the executive director and make recommendations to the Board on the compensation of TRS staff and other compensation matters referred to the Compensation Committee by the Board chair; and
- (c) recommend to the Board adoption of not-to-exceed amounts in the exempt salary schedule in consultation with the executive director.

**3.2 Special Committees.** Special committees other than standing committees established in section 3.1 may be created by action of the Board, which shall establish the purpose and responsibilities of the committee and may establish the term for which it shall exist.

**3.3 Composition of Committees.** A committee will be composed of five members of the Board unless otherwise provided by action of the Board or these Bylaws. The chairman of the Board annually shall appoint committee members subject to the consent of the Board on or before the Board's first regular meeting of the fiscal year or as soon thereafter as may be practicable. The chairman of the Board shall designate the chairman

of each committee. Committee chairmen serve as chairmen at the pleasure of the chairman of the Board. The term of a committee member expires on the earlier to occur of the date of the Board's consent to the appointment of a successor committee member to fill the member's position or the date on which the member's term as a Board member has expired according to law and the person is no longer holding over and serving as a member of the Board. The chairman of the Board may appoint an interim successor to the committee for a member whose Board term has expired, who is holding over as a Board member, but who has resigned his or her committee position. Any such interim successor member of a committee may serve until the meeting of the Board at which the Board votes to consent to the appointment of committee members.

**3.4 Advisory and Auxiliary Committees.** If authorized or required by state law or Board policy, the Board shall appoint advisory or auxiliary committees of non-board members to assist TRS. These committees may be composed of volunteers, independent contractors, or employees. Such committees include the Medical Board and the Retirees Advisory Committee for TRS-Care. The terms, qualifications, and methods of appointment of these committees shall be governed by relevant state law or Board policy. The Board shall designate the chairman and vice chairman, if any, of each such committee.

**3.5 Committee Agendas.** The agenda for each committee meeting shall be set in a manner similar to a Board meeting agenda, but with the committee chairman and members having the same authority with regard to the committee agenda of committee meetings that the Board chairman and members have with regard to the Board agenda of Board meetings.

**3.6 Committee Attendance.** Any member of the Board may attend a meeting of a committee of which he or she is not a member but shall not vote. Because the attendance of five or more trustees at a Board committee meeting constitutes a quorum of the full Board, public notice of a committee meeting is also posted as a Board meeting under the Open Meetings Act (Texas Government Code Chapter 551) in anticipation of a quorum of the full Board possibly attending the meeting. Also in compliance with the Open Meetings Act, a record is kept of the attendance of a quorum of the full Board at a Board committee meeting. The attendance of a quorum of the full Board at a Board committee meeting is not a regular, special, or emergency Board meeting under Article 2 of these Bylaws, relating to meetings of the Board. In addition, the attendance of a quorum of the full Board at a Board committee meeting is not a regularly scheduled Board meeting under Texas Government Code Section 825.010(a)(5), relating to grounds for removal of a trustee because of absence from Board meetings.

## **ARTICLE 4**

### **Executive Director**

**4.1 Responsibilities of Executive Director.** The Board shall employ an executive director as required by law, with such duties as may be required by law of the chief executive officer and chief administrative employee of TRS and with such other duties as may be established by the Board in its policies, resolutions, and other actions. In these Bylaws, the term "executive director" means the person appointed by the Board pursuant to Texas Government Code Section 825.202 (or a successor statute) and these Bylaws.

- 4.1.1** With respect to the operations of the Board itself the executive director shall:
- (a) make preparations, including trustee travel arrangements, for all meetings of the Board and its committees;
  - (b) under the direction of the chairman of the Board or a relevant committee, prepare and distribute the agendas and appropriate documentation for all meetings of the Board and its committees;
  - (c) under the direction of the chairman of the Board or of a relevant committee, post notices of all meetings and the subject matter thereof as may be required by law;
  - (d) cause the secretary to the Board to record, prepare, and index the official minutes of the Board and its committees;
  - (e) file and preserve all official documents, correspondence, and proceedings of the Board and its committees;
  - (f) ensure proper custody of the TRS official seal and any counterparts and designate in writing those employees, in addition to and not in lieu of the secretary to the Board and the assistant secretary to the Board, who may have custody of counterparts of the TRS seal and authority to affix the seal to attest or authenticate a document signed by or on behalf of TRS, the Board, or a Board committee when affixing the seal is necessary or desirable to authenticate a document;
  - (g) maintain the official copy of these Bylaws;
  - (h) as directed by the Board, establish routine reporting mechanisms and procedures to the Board and prepare special reports to the Board; and
  - (i) carry out other policies adopted by the Board.
- 4.1.2** The executive director is the chief executive officer of TRS and is responsible to the Board for the general administration of TRS in accordance with relevant state laws and policies adopted by the Board. The executive director shall:
- (a) manage the daily operations of TRS as its chief executive officer;
  - (b) assume managerial responsibility and leadership for the planning, operation, supervision, and evaluation of programs and services;
  - (c) assume authority and responsibility for the selection, job description, assignment of duties, performance evaluation, promotion, compensation, and discipline, including dismissal of all TRS personnel except for:
    - (1) the chief audit executive as provided in subsections 1.7 (u) and 3.1.1 of these Bylaws; and
    - (2) the selection and compensation of the chief investment officer as provided in subsection 1.7 (v) of these Bylaws, but the executive director shall evaluate the chief investment officer in consultation with the Board and have full authority and responsibility for all other personnel matters, including the chief investment officer's assignment of duties, ~~evaluation, compensation,~~ and discipline.
  - (d) prepare and submit an annual operating budget for consideration by the Board;

- (e) prepare recommendations for policies to be considered by the Board and oversee the implementation of adopted policies;
- (f) recommend to the Board, either directly or through a designee, the selection of the actuary, custodian for securities, investment counsel to the Board, fiduciary counsel to the Board, chief investment officer, and chief audit executive; ~~and~~
- (g) organize TRS to accommodate its mission; and
- (h) develop programs designed to create a culture of diversity, inclusion, and equity at TRS, including in the organization's recruitment, retention, position, pay and procurement practices.

## 4.2 Miscellaneous Duties.

**4.2.1** The executive director shall annually provide to members of the Board information regarding their qualification for office, including Texas Government Code Sections 825.002, -.003, -.0032, and -.010, and their responsibilities under applicable laws relating to standards of conduct for state officers including Texas Government Code Sections 553.002, 572.005, 572.051, 572.056, 572.058, 825.0032, 825.210-.212, and 2254.032, and Texas Penal Code Sections 32.43, 32.45, 36.02, 36.08, 36.10, 39.01, and 39.03, and any amended, new, or successor statutes.

**4.2.2** The executive director shall annually provide to TRS employees information regarding their qualification for employment, including Texas Government Code Sections 573.001-.084 and 825.0032 and their responsibilities under applicable laws relating to standards of conduct for state employees including Texas Government Code Sections 553.002, 572.051, 572.005, 825.0032, 825.210-.212, and 2254.032, and Texas Penal Code Sections 32.43, 32.45, 36.02, 36.08, 36.10, 39.01, and 39.03, and any amended, new, or successor statutes.

**4.2.3** In accordance with Texas Government Code Section 825.010(c), the executive director shall notify the chairman of the Board if he has knowledge that a potential ground for removal of a trustee exists. The chairman shall then notify the appropriate appointing officer or body that a potential ground for removal exists.

**4.3 Absence of Executive Director.** If the executive director will be away from the TRS headquarters for a brief period, as contemplated by section 4.4 of this article, the executive director may designate the deputy director to act in his or her stead generally or for a particular purpose. If the deputy director is also unavailable, the executive director may designate the chief financial officer to act for the executive director. In the absence of the executive director due to incapacity or otherwise when the duration of the absence is unknown and the absence may be extended or permanent, the deputy director shall perform such duties as are necessary to the administration of the system and shall have the responsibility and authority of the executive director until the Board designates the person succeeding to the responsibilities and authority of the executive director. In the absence of the executive director and the deputy director, the chief financial officer shall perform such

duties as are necessary to the administration of the system and shall have the responsibility and authority of the executive director and the deputy director until the earlier of the following events: the executive director or the deputy director has resumed his or her duties; or the Board has designated the person succeeding to the responsibilities and authority of the executive director or the deputy director. For no longer than the duration of an emergency situation, the chairman of the Board shall designate the person succeeding to the responsibilities and authority of the executive director pending approval by the Board of Trustees. A designee under this section shall have the responsibility and authority of the executive director. The chairman of the Board or the deputy director shall notify the Texas Ethics Commission whenever there is a change in the person named to the position of executive director. A member of the Board is not eligible for temporary designation or permanent appointment to serve in the capacity of the executive director under Texas law.

**4.4 Delegating Responsibilities.** The executive director shall designate an employee of TRS to serve as secretary to the Board to assist in the execution of duties enumerated in subsection 4.1.1 of this article and may assign other employees of TRS as necessary to assist in carrying out these and other duties.

## **ARTICLE 5**

### **Miscellaneous Organizational Provisions**

**5.1 Administration of TRS.** The administration of TRS is governed by these Bylaws, Board policies, and applicable state law. In the event of a conflict between these Bylaws and applicable state law, the applicable state law shall govern to the extent necessary to resolve the conflict.

**5.2 Investments of TRS.** TRS investments are authorized to be made only in accordance with policies adopted by the Board and applicable state, federal, and foreign law.

**5.3 Custody of TRS Assets.** TRS trust assets shall be entrusted to one or more custodians only in accordance with policies and other actions of the Board and applicable state law. The Board shall select the custodian or custodians to hold TRS assets.

**5.4 Budgets and Fiscal Year.** The budgets of the pension trust fund and any other trust funds administered by TRS are adopted by the Board and may be amended by the Board in subsequent meetings. The TRS fiscal year shall begin September 1 and shall end the following August 31.

**5.5 Title to and Ownership of Assets.** Accounts or assets of TRS may be held in the name of TRS, a nominee, or other agent in accordance with state law. The assets of TRS shall not be considered at any time to be assets of the state or any employer of TRS members but are to be held in trust for the exclusive benefit of TRS members, annuitants, beneficiaries, or other trust participants.

**5.6 Authority to Act for TRS.** The Board delegates authority for the following matters:

- (a) investment decisions, in accordance with actions of the Board, including investment policies and applicable state law;
- (b) contracts for the purchase of goods and services, to the executive director or his designee in accordance with the budget, subject to applicable actions of the Board;
- (c) release of assets held in the name of TRS, its nominees, or other agents, in accordance with actions of the Board;
- (d) approval of retirement, death, and survivor benefit payments and refunds to the executive director and his or her designees, in accordance with actions of the Board and applicable state law;
- (e) execution of vouchers for payment of TRS funds, in accordance with actions of the Board; and
- (f) initiation, defense, and settlement of lawsuits and other claims, to the executive director or his designee, subject to applicable actions of the Board.

**5.7 TRS Rules.** The executive director is authorized to draft and submit proposed rules for TRS to the Texas Secretary of State to be considered by the Board for adoption in accordance with state law.

**5.8 Personnel Policies.** TRS personnel policies shall be issued and disseminated to all employees by the executive director and revised from time to time, in compliance with Board policies and state law. TRS is an at-will employer.

**5.9 Official Seal of TRS.** The form of the official seal of TRS shall consist of a five-point star surrounded by a pair of branches and two concentric circles with the name “Teacher Retirement System of Texas” displayed in the space between the two circles. The seal may be either embossed or stamped. The executive director may designate in writing those TRS employees, in addition to and not in lieu of the secretary to the Board, who are authorized to use and affix the seal to TRS documents when the secretary is absent, incapacitated, or otherwise unavailable. Such a designated employee is authorized, in the capacity of an assistant secretary to the Board, to attest, to affix the seal, or to certify as to any matter as to which the secretary to the Board could attest, affix the seal, or certify. Purchase and use of identical counterparts of the seal is authorized when each counterpart is held by an authorized designee of the executive director. Affixing the TRS seal is not necessary to authenticate or attest a TRS document unless the seal is required by applicable law.

**ARTICLE 6**  
**Amendment of Bylaws**

**6.1 Amendment of Bylaws.** These Bylaws may be amended only by a majority vote of the Board at any duly posted meeting of the Board for which notice of consideration of the proposed amendment has been properly given under the Open Meetings Act.

**TAB 5**



Proposed New Rule 25.11 and Proposed Amended Rules: Chapter 51  
Carolina de Onís, General Counsel  
December 13, 2018



# Proposed Rule 25.11 Employees of Foreign TRS Subsidiaries

- The rule provides that employees of a subsidiary of TRS that has its principal office located outside the United States is not eligible for TRS membership.
  - Tex. Gov't Code § 825.102: The Board of Trustees has the authority to adopt administrative rules for eligibility for membership.
  - Rule will provide clarity that employees of TRICOT are not eligible for membership with TRS.

# Proposed Rules: Chapter 51

- The amendments to Rules 51.1, 51.2, and 51.11 are non-substantive.

Proposed Amendments	
51.1	Updates the expiration date for TRS advisory and auxiliary committees to the next stated sunset review of TRS
51.2 and 51.11	Update three out-of-date references to other Texas Administrative Code provisions



Legal & Compliance

## Memorandum

**DATE:** December 13, 2018

**TO:** Policy Committee of the Board of Trustees (“Policy Committee”)

**FROM:** Carolina de Onís, General Counsel

**COPY:** Brian Guthrie, Executive Director

**RE:** Proposed New Rule: TRS Rule 25.11 Employees of Foreign TRS Subsidiaries

---

### **Requested Action**

TRS Staff asks the Policy Committee to authorize publication in the *Texas Register* of proposed new TRS Rule 25.11.

### **Background and Reasons for Proposed New Rule**

Pursuant to Section 825.102 of the Texas Government Code, the TRS Board of Trustees is authorized to adopt rules establishing eligibility for membership in TRS. Staff proposes new Rule 25.11 to address the membership status of an employee of a TRS subsidiary that has its principal office located outside the jurisdiction of the United States.

Currently, the Teacher Retirement Investment Company of Texas (TRICOT), a subsidiary of TRS which operates in London, has no employees. The TRICOT office is staffed by TRS employees who are seconded, or temporarily transferred, to that office. The seconded TRS employees are members of TRS and will continue to be members of TRS. The new rule will not impact those employees who are currently employees of TRS and participating in TRS. The new rule clarifies that anyone hired directly by TRICOT as an employee will not be eligible to participate in TRS. A redlined draft of the proposed new rule is attached as Attachment 1 and a clean version is attached as Attachment 2.

### **Conclusion**

If the Policy Committee authorizes publication, the proposed new rule will be published in the *Texas Register* for public comment for at least 30 days before presentation to the Policy Committee and Board of Trustees for final adoption.

**ATTACHMENT 1**

<u>TITLE 34</u>	<u>PUBLIC FINANCE</u>
<u>PART 3</u>	<u>TEACHER RETIREMENT SYSTEM OF TEXAS</u>
<u>CHAPTER 25</u>	<u>MEMBERSHIP CREDIT</u>
<u>SUBCHAPTER A</u>	<u>SERVICE ELIGIBLE FOR MEMBERSHIP</u>
<u>34 TAC §25.11</u>	<u>Employees of Foreign TRS Subsidiaries</u>

---

(a) A person is not eligible for membership, service credit, or compensation credit based on employment by a subsidiary of the Teacher Retirement System of Texas (TRS) that has its principal office located in a jurisdiction other than the United States.

**ATTACHMENT 2**

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 25	MEMBERSHIP CREDIT
SUBCHAPTER A	SERVICE ELIGIBLE FOR MEMBERSHIP
34 TAC §25.11	Employees of Foreign TRS Subsidiaries

---

(a) A person is not eligible for membership, service credit, or compensation credit based on employment by a subsidiary of the Teacher Retirement System of Texas (TRS) that has its principal office located in a jurisdiction other than the United States.



Legal & Compliance

## Memorandum

**DATE:** December 13, 2018

**TO:** Policy Committee of the Board of Trustees (“Policy Committee”)

**FROM:** Carolina de Onís, General Counsel

**COPY:** Brian Guthrie, Executive Director

**RE:** Proposed Amended Rules:  
TRS Rules 51.1 Advisory and Auxiliary Committees, 51.2 Vendor Protests, Dispute Resolution, and Hearing; and 51.11 Historically Underutilized Businesses

---

### **Requested Action**

TRS Staff asks the Policy Committee to authorize publication in the *Texas Register* of proposed amendments to TRS Rules 51.1, 51.2, and 51.11.

### **Background and Reasons for Proposed Amended Rules**

TRS Staff proposes non-substantive amendments to §§51.1, 51.2, and 51.11 concerning the general administration of TRS.

The proposed amendment to §51.1 updates the expiration date for TRS advisory and auxiliary committees. Under the rule, the expiration date for the committees is tied to the next sunset review of TRS. The proposed amendment simply updates the stated sunset review date to 2025 pursuant to Tex. Gov't Code §825.006.

The proposed amendments to §51.2 update two out-of-date references to other Texas Administrative Code provisions. This is not a substantive change to the rule, but rather just corrects the citation of the cross-referenced provisions.

Similarly, the proposed amendment to §51.11 updates one out-of-date reference to another Administrative Code provision. This is not a substantive change to the rule, but rather just corrects the citation of the cross-referenced provision.

Redlined drafts of the proposed changes to the rules are attached as Attachment 1 and clean versions are attached as Attachment 2.

**Conclusion**

If the Policy Committee authorizes publication, the proposed amendments will be published in the *Texas Register* for public comment for at least 30 days before presentation to the Policy Committee and Board of Trustees for final adoption.

**ATTACHMENT 1**

TITLE 34  
PART 3  
CHAPTER 51  
34 TAC §51.1

PUBLIC FINANCE  
TEACHER RETIREMENT SYSTEM OF TEXAS  
GENERAL ADMINISTRATION  
Advisory and Auxiliary Committee

---

(a) The following committees are created for a period which will expire at the end of the next sunset review for the Teacher Retirement System of Texas (TRS) which is September 1, ~~2019~~2025, unless continued by the outcome of the sunset process, to advise or otherwise serve the retirement system and are deemed necessary to assist the Board of Trustees in performing its duties:

(1) a Medical Board, composed of three licensed physicians as provided by §825.204, Government Code; and

(2) a Retirees Advisory Committee for the health benefits program under the Texas Public School Retired Employees Group Benefits Act (TRS-Care), composed as provided by Subchapter I of Chapter 1575, Insurance Code.

(b) The duties of a committee under this section are established by applicable statute or policies of the Board of Trustees.

(c) The members of the Medical Board shall be paid, as independent contractors, fees and expenses in accordance with contracts negotiated by the executive director or his designee subject to the applicable resolutions, policies, and annual budget adopted by the Board of Trustees. To the extent advisory committees are composed of independent contractors they are to be considered consultants employed by the retirement system under the authority recognized by §2254.024, Government Code.

(d) Members of the Retirees Advisory Committee for TRS-Care do not serve as independent contractors and are entitled only to reimbursement for actual and reasonable expenses incurred in performing functions as members of the committee.

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 51	GENERAL ADMINISTRATION
34 TAC §51.2	Vendor Protests, Dispute Resolution, and Hearing

---

(a) The purpose of this section is to provide a procedure for vendors to protest purchases made by the Teacher Retirement System of Texas (TRS). Protests of purchases made by the Texas Facilities Commission (facilities commission) on behalf of TRS are addressed in 1 Texas Administrative Code Chapter 111, Subchapter C (relating to Complaints and Dispute Resolution). Protests of purchases made by the Department of Information Resources (DIR) on behalf of TRS are addressed in 1 Texas Administrative Code Chapter 201, ~~§201.1~~~~§201.2~~ (relating to Procedures for ~~Complaints~~, Vendor Protests and the Negotiation and Mediation of Certain Contract Disputes and Bid Submission, Opening and Tabulation Procedures). Protests of purchases made by Texas Procurement and Support Services of the Comptroller of Public Accounts (comptroller's office) on behalf of TRS are addressed in 34 Texas Administrative Code Chapter 20, ~~Subchapter F, Division 3~~~~§20.384~~ (relating to Protests ~~and Appeals~~). The rules of the facilities commission, DIR, and the comptroller's office are in the Texas Administrative Code, which is on the Internet website of the Office of the Secretary of State, Texas Register Division at: [www.sos.state.tx.us/tac/index.shtml](http://www.sos.state.tx.us/tac/index.shtml).

(b) Any actual or prospective bidder, offeror, or contractor who is aggrieved in connection with the solicitation, evaluation, or award of a contract may formally protest to TRS. Such protests must be in writing and received in the office of the chief officer in whose area the action is (was) being processed within ten working days after such aggrieved person knows, or should have known, of the occurrence of the action which is protested. Formal protests must conform to the requirements set forth in subsection (c) of this section. Copies of the protest must be mailed or delivered by the protesting party to all vendors who have submitted bids or proposals for the contract involved.

(c) A formal protest must be sworn and contain:

- (1) a specific identification of the statutory provision(s) that the action complained of is alleged to have violated;
- (2) a specific description of each act alleged to have violated the statutory provision(s) identified in paragraph (1) of this subsection;
- (3) a precise statement of the relevant facts;
- (4) an identification of the issue or issues to be resolved;
- (5) argument and authorities in support of the protest; and
- (6) a statement that copies of the protest have been mailed or delivered to other identifiable interested parties.

(d) The chief officer shall have the authority, prior to appeal to the executive director or his designee, to settle and resolve the dispute concerning the solicitation or award of a contract. The chief officer may solicit written responses to the protest from other interested parties.

(e) If the protest is not resolved by mutual agreement, the chief officer will issue a written determination on the protest.

(1) If the chief officer determines that no violation of rules or statutes has occurred, he or she shall so inform the protesting party and interested parties by letter which sets forth the reasons for the determination.

(2) If the chief officer determines that a violation of the rules or statutes has occurred in a case where a contract has not been awarded, he or she shall so inform the protesting party and other interested parties by letter which sets forth the reasons for the determination and any appropriate remedial action.

(3) If the chief officer determines that a violation of the rules or statutes has occurred in a case where a contract has been awarded, he or she shall so inform the protesting party and other interested parties by letter which sets forth the reasons for the determination and any appropriate remedial action. Such remedial action may include, but is not limited to, declaring the purchase void; reversing the award; and re-advertising the purchase using revised specifications.

(f) The chief officer's determination on a protest may be appealed by an interested party to the executive director or his designee. An appeal of the chief officer's determination must be in writing and must be received in the office of the executive director or his designee no later than ten working days after the date of the chief officer's determination. The appeal shall be limited to review of the chief officer's determination. Copies of the appeal must be mailed or delivered by the appealing party to other interested parties and must contain an affidavit that such copies have been provided.

(g) The general counsel shall review the protest, chief officer's determination, and the appeal and prepare a written opinion with recommendation to the executive director or his designee. The executive director or his designee may, in his or her discretion, refer the matter to the Board of Trustees at a regularly scheduled open meeting or issue a final written determination.

(h) When a protest has been appealed to the executive director or his designee under subsection (f) of this section and has been referred to the Board of Trustees by the executive director or his designee under subsection (g) of this section, the following requirements shall apply:

(1) Copies of the appeal, responses of interested parties, if any, and general counsel recommendation shall be mailed to the Board members and interested parties. Copies of the general counsel's recommendation and responses of interested parties shall be mailed to the appealing party.

(2) All interested parties who wish to make an oral presentation at the open meeting are requested to notify the office of the executive director or his designee at least 48 hours in advance of the open meeting.

(3) The Board of Trustees may consider oral presentations and written documents presented by staff, the appealing party, and interested parties. The chairman shall set the order and amount of time allowed for presentations.

(4) The Board of Trustees' determination of the appeal shall be by duly adopted resolution reflected in the minutes of the open meeting and shall be final.

(i) Unless good cause for delay is shown or the executive director or his designee determines that a protest or appeal raises issues significant to procurement practices or procedures, a protest or appeal that is not filed timely will not be considered.

(j) In the event of a timely protest or appeal under this section, a protestor or appellant may request in writing that TRS not proceed further with the solicitation or with the award of the contract. In support of the request, the protestor or appellant is required to show why a stay is necessary and that harm to TRS will not result from the stay. If the executive director determines that it is in the interests of TRS not to proceed with the contract, the executive director may make such a determination in writing and partially or fully suspend contract activity.

(k) A decision issued either by the Board of Trustees in open meeting, or in writing by the executive director or his designee, shall be the final administrative action of TRS.

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 51	GENERAL ADMINISTRATION
34 TAC §51.11	Historically Underutilized Businesses

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For the purpose of making purchases with funds appropriated to it, the Teacher Retirement System of Texas (TRS) adopts by reference the rules of the Comptroller of Public Accounts (comptroller's office) in 34 Texas Administrative Code Chapter 20, Subchapter D, Division 1~~[B]~~ (relating to the Historically Underutilized Business Program). The rules of the comptroller's office are in the Texas Administrative Code, which is on the Internet website of the Office of the Secretary of State, Texas Register Division at: [www.sos.state.tx.us/tac/index.shtml](http://www.sos.state.tx.us/tac/index.shtml).

**ATTACHMENT 2**

TITLE 34  
PART 3  
CHAPTER 51  
34 TAC §51.1

PUBLIC FINANCE  
TEACHER RETIREMENT SYSTEM OF TEXAS  
GENERAL ADMINISTRATION  
Advisory and Auxiliary Committee

---

(a) The following committees are created for a period which will expire at the end of the next sunset review for the Teacher Retirement System of Texas (TRS) which is September 1, 2025, unless continued by the outcome of the sunset process, to advise or otherwise serve the retirement system and are deemed necessary to assist the Board of Trustees in performing its duties:

(1) a Medical Board, composed of three licensed physicians as provided by §825.204, Government Code; and

(2) a Retirees Advisory Committee for the health benefits program under the Texas Public School Retired Employees Group Benefits Act (TRS-Care), composed as provided by Subchapter I of Chapter 1575, Insurance Code.

(b) The duties of a committee under this section are established by applicable statute or policies of the Board of Trustees.

(c) The members of the Medical Board shall be paid, as independent contractors, fees and expenses in accordance with contracts negotiated by the executive director or his designee subject to the applicable resolutions, policies, and annual budget adopted by the Board of Trustees. To the extent advisory committees are composed of independent contractors they are to be considered consultants employed by the retirement system under the authority recognized by §2254.024, Government Code.

(d) Members of the Retirees Advisory Committee for TRS-Care do not serve as independent contractors and are entitled only to reimbursement for actual and reasonable expenses incurred in performing functions as members of the committee.

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 51	GENERAL ADMINISTRATION
34 TAC §51.2	Vendor Protests, Dispute Resolution, and Hearing

---

(a) The purpose of this section is to provide a procedure for vendors to protest purchases made by the Teacher Retirement System of Texas (TRS). Protests of purchases made by the Texas Facilities Commission (facilities commission) on behalf of TRS are addressed in 1 Texas Administrative Code Chapter 111, Subchapter C (relating to Complaints and Dispute Resolution). Protests of purchases made by the Department of Information Resources (DIR) on behalf of TRS are addressed in 1 Texas Administrative Code Chapter 201, §201.1 (relating to Procedures for Vendor Protests and the Negotiation and Mediation of Certain Contract Disputes and Bid Submission, Opening and Tabulation Procedures). Protests of purchases made by Texas Procurement and Support Services of the Comptroller of Public Accounts (comptroller's office) on behalf of TRS are addressed in 34 Texas Administrative Code Chapter 20, Subchapter F, Division 3 (relating to Protests and Appeals). The rules of the facilities commission, DIR, and the comptroller's office are in the Texas Administrative Code, which is on the Internet website of the Office of the Secretary of State, Texas Register Division at: [www.sos.state.tx.us/tac/index.shtml](http://www.sos.state.tx.us/tac/index.shtml).

(b) Any actual or prospective bidder, offeror, or contractor who is aggrieved in connection with the solicitation, evaluation, or award of a contract may formally protest to TRS. Such protests must be in writing and received in the office of the chief officer in whose area the action is (was) being processed within ten working days after such aggrieved person knows, or should have known, of the occurrence of the action which is protested. Formal protests must conform to the requirements set forth in subsection (c) of this section. Copies of the protest must be mailed or delivered by the protesting party to all vendors who have submitted bids or proposals for the contract involved.

(c) A formal protest must be sworn and contain:

(1) a specific identification of the statutory provision(s) that the action complained of is alleged to have violated;

(2) a specific description of each act alleged to have violated the statutory provision(s) identified in paragraph (1) of this subsection;

(3) a precise statement of the relevant facts;

(4) an identification of the issue or issues to be resolved;

(5) argument and authorities in support of the protest; and

(6) a statement that copies of the protest have been mailed or delivered to other identifiable interested parties.

(d) The chief officer shall have the authority, prior to appeal to the executive director or his designee, to settle and resolve the dispute concerning the solicitation or award of a contract. The chief officer may solicit written responses to the protest from other interested parties.

(e) If the protest is not resolved by mutual agreement, the chief officer will issue a written determination on the protest.

(1) If the chief officer determines that no violation of rules or statutes has occurred, he or she shall so inform the protesting party and interested parties by letter which sets forth the reasons for the determination.

(2) If the chief officer determines that a violation of the rules or statutes has occurred in a case where a contract has not been awarded, he or she shall so inform the protesting party and other interested parties by letter which sets forth the reasons for the determination and any appropriate remedial action.

(3) If the chief officer determines that a violation of the rules or statutes has occurred in a case where a contract has been awarded, he or she shall so inform the protesting party and other interested parties by letter which sets forth the reasons for the determination and any appropriate remedial action. Such remedial action may include, but is not limited to, declaring the purchase void; reversing the award; and re-advertising the purchase using revised specifications.

(f) The chief officer's determination on a protest may be appealed by an interested party to the executive director or his designee. An appeal of the chief officer's determination must be in writing and must be received in the office of the executive director or his designee no later than ten working days after the date of the chief officer's determination. The appeal shall be limited to review of the chief officer's determination. Copies of the appeal must be mailed or delivered by the appealing party to other interested parties and must contain an affidavit that such copies have been provided.

(g) The general counsel shall review the protest, chief officer's determination, and the appeal and prepare a written opinion with recommendation to the executive director or his designee. The executive director or his designee may, in his or her discretion, refer the matter to the Board of Trustees at a regularly scheduled open meeting or issue a final written determination.

(h) When a protest has been appealed to the executive director or his designee under subsection (f) of this section and has been referred to the Board of Trustees by the executive director or his designee under subsection (g) of this section, the following requirements shall apply:

(1) Copies of the appeal, responses of interested parties, if any, and general counsel recommendation shall be mailed to the Board members and interested parties. Copies of the general counsel's recommendation and responses of interested parties shall be mailed to the appealing party.

(2) All interested parties who wish to make an oral presentation at the open meeting are requested to notify the office of the executive director or his designee at least 48 hours in advance of the open meeting.

(3) The Board of Trustees may consider oral presentations and written documents presented by staff, the appealing party, and interested parties. The chairman shall set the order and amount of time allowed for presentations.

(4) The Board of Trustees' determination of the appeal shall be by duly adopted resolution reflected in the minutes of the open meeting and shall be final.

(i) Unless good cause for delay is shown or the executive director or his designee determines that a protest or appeal raises issues significant to procurement practices or procedures, a protest or appeal that is not filed timely will not be considered.

(j) In the event of a timely protest or appeal under this section, a protestor or appellant may request in writing that TRS not proceed further with the solicitation or with the award of the contract. In support of the request, the protestor or appellant is required to show why a stay is necessary and that harm to TRS will not result from the stay. If the executive director determines that it is in the interests of TRS not to proceed with the contract, the executive director may make such a determination in writing and partially or fully suspend contract activity.

(k) A decision issued either by the Board of Trustees in open meeting, or in writing by the executive director or his designee, shall be the final administrative action of TRS.

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 51	GENERAL ADMINISTRATION
34 TAC §51.11	Historically Underutilized Businesses

---

For the purpose of making purchases with funds appropriated to it, the Teacher Retirement System of Texas (TRS) adopts by reference the rules of the Comptroller of Public Accounts (comptroller's office) in 34 Texas Administrative Code Chapter 20, Subchapter D, Division 1 (relating to the Historically Underutilized Business Program). The rules of the comptroller's office are in the Texas Administrative Code, which is on the Internet website of the Office of the Secretary of State, Texas Register Division at: [www.sos.state.tx.us/tac/index.shtml](http://www.sos.state.tx.us/tac/index.shtml).

**TAB 6**



## Memorandum

**DATE:** 12/12/18

**TO:** Policy Committee

**FROM:** Richard L Scheel, Controller

**Through:** Brian Guthrie, Executive Director

**RE:** Resolution Authorizing Executive Director to Designate Persons Authorized to  
Sign TRS Vouchers

---

The accompanying RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO DESIGNATE PERSONS AUTHORIZED TO SIGN TRS VOUCHERS is a delegation of administrative authority of the Board to the Executive Director prompted by changes in the form of transaction approvals within the Agency. CAPPs, building on the existing Benefits processing automated vouchering, expanded technological security and risk management functions such that meaningful Accounts Payable reviews and authorizations to pay occur prior to receipt by the Comptroller systems' payment and processing applications. The nature of this authorization addresses the required manual release within CPA systems of payments previously approved and authorized within TRS systems and processes.

This new resolution allows TRS an opportunity to flexibly address technological and staffing changes while thoughtfully anticipating and responding to those changes. This authorization is in line with the responsibility held by ED's at State Agencies to address this administrative responsibility. Previously, a memo would be submitted to the Board for review with each change in staff authorized to release payments. This memo, as written, will not need to renewal due to individual changes in composition of the Board or the holder of the ED position.

Statutory authority and procedural rules are presented below.

**Statutory authority:**

Texas Government Code Section 825.104: DESIGNATION OF AUTHORITY TO SIGN VOUCHERS. (a) The board of trustees shall file with the comptroller of public accounts an attested copy of a board resolution that designates the persons authorized to sign vouchers for payment from accounts of the retirement system. (b) A filed copy of the resolution required by Subsection (a) evidences the comptroller's authority to issue warrants for payment from funds of the retirement system.

**Rule:**

Comptroller's Rule, 34 Texas Administrative Code Section 5.61(h)(1), allows a governing body to authorize an individual to designate other individuals to approve payments.

*In order to do this, the Board needs to vote to approve designating the Executive Director to authorize TRS employees to sign TRS vouchers. Then TRS sends a letter and a resolution to CPA (see procedures below).*

**Bylaws/Policy:**

"Authorization to Approve and Sign Vouchers" is a board policy on the Policy Committee's policy review schedule.

*The last resolution was approved by the Board on October 27, 2017, The next comprehensive review of the policy is April 2019.*

- TRS Board of Trustees Bylaws, 5.6 Authority to Act for TRS.
  - The Board delegates authority for the following matters:
    - (a) investment decisions, in accordance with actions of the Board, including investment policies and applicable state law;
    - (b) contracts for the purchase of goods and services, to the executive director or his designee in accordance with the budget, subject to applicable actions of the Board;
    - (c) release of assets held in the name of TRS, its nominees, or other agents, in accordance with actions of the Board;
    - (d) approval of retirement, death, and survivor benefit payments and refunds to the executive director and his or her designees, in accordance with actions of the Board and applicable state law;
    - (e) execution of vouchers for payment of TRS funds, in accordance with actions of the Board; and
    - (f) initiation, defense, and settlement of lawsuits and other claims, to the executive director or his designee, subject to applicable actions of the Board.

**Applicable CPA Procedure:**

CPA Financial Policies and Procedure ([FPP B.007](#)): Procedures for Establishing and Removing Authority and Security to Approve Expenditures:

**If the agency is headed by a governing body**

The governing body as a whole may make changes to the agency's voucher signature cards.

The governing body may also authorize its presiding officer and/or the agency's executive director to make changes to the agency's voucher signature cards. The authorization can be given for the position or for the individual who currently occupies the position. If the governing body decides to allow its presiding officer or executive director to change the agency's voucher signature cards, the Comptroller must be notified in writing of that fact before the officer or the director may make changes to the cards.

The written notice must:

- state in substance that the governing body has authorized the presiding officer or executive director, as applicable, to designate individuals to approve the agency's payment and USPS or SPRS documents; and
- state an effective date for the authorization.

The notice must take the form of:

- a certified copy of the minutes of the meeting of the governing body during which it made the authorization, or
- a letter, memorandum, or other writing.

If the notice consists of a copy of the minutes, the copy must be certified and signed by the presiding officer of the governing body or the member of the governing body who is responsible for keeping those minutes.

If the notice is in the form of a letter, memorandum, or other writing, it must be signed by the presiding officer of the governing body.

**RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO DESIGNATE PERSONS  
AUTHORIZED TO SIGN TRS VOUCHERS**

December 14, 2018

**WHEREAS**, In accordance with section 825.104 of the Texas Government Code and Section 5.6 of the Bylaws of the Board of Trustees ("Board") of the Teacher Retirement System of Texas ("TRS"); and

**WHEREAS**, In addition to designating certain TRS officers and employees, pursuant to Section 2103.061 of the Texas Government Code, the Board may also authorize the TRS Executive Director to designate one or more TRS officers or employees to approve vouchers for TRS; now, therefore, be it

**RESOLVED**, That the Board authorizes the TRS Executive Director to designate one or more TRS employees to approve and sign vouchers for payment from accounts of TRS on or after December 14, 2018, and until the designation is revoked or until the designated person separates from employment with TRS, is no longer employed in any capacity for which authority is granted, or is not re-designated by the Executive Director, whichever occurs first.

ATTESTED:

Signed: \_\_\_\_\_  
Jarvis V. Hollingsworth, Chairman

Date: \_\_\_\_\_

Signed: \_\_\_\_\_  
Brian K. Guthrie, Executive Director

Date: \_\_\_\_\_