

Minutes of the Board of Trustees

July 18, 2019

The Board of Trustees of the Teacher Retirement System of Texas met on July 18, 2019, in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River, Austin, Texas. The following Board members were present:

Jarvis Hollingsworth, Chair
Joe Colonna
David Corpus
John Elliott
Greg Gibson
Christopher Moss
Dolores Ramirez
James D. Nance

Others present:

Brian Guthrie, TRS	Leroy DeHaven, TRTA
Andrew Roth, TRS	Mary Cann, TRTA
Don Green, TRS	Patricia Macias, TRTA
Carolina de Onis, TRS	Bob Jordan, SMA
Katrina Daniel, TRS	Tiffany Calderon, Humana
Janet Bray, TRS	Nick Arnold, Humana
Barbie Pearson, TRS	Mike Bentrutt, Aetna
Jerry Albright, TRS	Sean Donovan, CVS
Jase Auby, TRS	
Amanda Jenami, TRS	
Rebecca Merrill, TRS	
Heather Traeger, TRS	
Katherine Farrell, TRS	
Kevin Johnson, Reinhart Boerner Van Deuren	
Steve Voss, Aon Hewitt	
Mike McCormick, Aon Hewitt	
Keith Ronbinson, Focus Consulting	

Mr. Jarvis V. Hollingsworth called the meeting to order at 8:00 a.m.

1. Call roll of Board members.

Ms. Katherine Farrell called the roll. A quorum was present, Ms. Sissney was absent.

2. Receive an update on the 86th Legislative Session – Brian Guthrie.

Mr. Brian Guthrie provided a review of the 86th Legislative Session and its impact on TRS. He noted the session was very successful listing the increased contributions to the pension fund to make it actuarially sound and provide a thirteenth check to TRS retirees. Mr. Guthrie thanked all the legislators and the legislative staff that provided support this session.

At 8:33 a.m. Mr. Hollingsworth, without objection, announced the Board would recess to take up the noticed committee meetings. He noted the Board would reconvene later in the day.

3. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive director, Chief Audit Executive, and Chief Investment Officer.

Mr. Hollingsworth reconvened the Board meeting.

Ms. Janet Bray introduced Mr. Keith Robinson from Focus Consulting. Mr. Robinson provided a brief overview of the process used for conducting the annual performance evaluations.

4. Receive an update regarding Executive Succession Planning including the Executive Director, Chief Investment Officer, Chief Audit Executive and the Executive Council.

At 4:22 p.m., Mr. Hollingsworth, without objection, announced the Board would go into executive session for agenda items 3, under Texas Gov't Code Section 551.074, to discuss Board personnel matters relating to the executive director, chief investment officer and chief audit executive, and agenda item 4, under Texas Gov't Code Section 551.074, to discuss Board personnel matters relating to executive succession planning, including executive director, chief investment officer, chief audit executive and the Executive council.

At 6:34 p.m., Mr. Hollingsworth reconvened the Board meeting in open session.

On a motion by Mr. Colonna, seconded by Mr. Moss, the Board unanimously voted to adopt the following resolution regarding the executive director:

**TEACHER RETIREMENT SYSTEM OF TEXAS
BOARD RESOLUTION**

July 18-19, 2019

Resolution Awarding a One-Time Merit Payment to the Executive Director

Whereas, Section 825.208 of the Texas Government Code provides that, notwithstanding any other law, the Board of Trustees ("Board") of the Teacher Retirement System of Texas ("TRS") shall approve the rate of compensation of all persons it employs;

Whereas, Subsection 1.7(d) of the Board's bylaws provides that the Board shall be responsible for the selection, job description, assignment of duties, performance evaluation, compensation, and discipline, including dismissal, of the Executive Director;

Whereas, Subsection 1.7(x) of the Board's bylaws provides that the Board shall set the not-to-exceed amounts in the exempt salary schedule in consultation with the Compensation Committee and the executive director;

Whereas, Subsection 1.7(l) of the Board's bylaws provides that the Board may consider or take any action otherwise specified to be taken or considered by a committee;

Whereas, The General Provisions of TRS' annual administrative operations budget adopted by the Board provide that the Board will set the salary rate for the Executive Director;

Whereas, The upper limit of the Executive Director's annual compensation is set out as a not-to-exceed amount in the Schedule of Exempt Positions in TRS' bill pattern in the current General Appropriations Act ("GAA"), and Rider 8 of TRS' GAA bill pattern provides that, notwithstanding the limitations on exempt positions contained in Article IX of the GAA, the Board may determine the salaries of the positions listed in TRS' Schedule of Exempt Positions without limitation; and

Whereas, The GAA not-to-exceed amount for the Executive Director is not sufficient for the Board to exercise its discretion in setting the compensation for that position, and the Board wishes to award the Executive Director a one-time merit payment; now, therefore be it

Resolved, That effective September 1, 2019, the Board hereby adopts the following GAA not-to-exceed amount for the Executive Director:

Executive Director: Increase the not-to-exceed amount listed in the GAA by 14.08%

Resolved, That the Board hereby authorizes a one-time merit payment as follows:

One-time merit payment to the Executive Director (the incumbent is Brian K. Guthrie):

Award a one-time merit payment effective September 1, 2019 in the amount of \$ 50,000;

Resolved, That nothing in the adoption of this resolution alters the at-will nature of employment that TRS has with any of its employees, creates a contract between TRS and any TRS employee, or confers on any TRS employee the right to continued employment with TRS, including the Executive Director or any other employee holding a position in the Schedule of Exempt Positions.

On a motion by Mr. Moss, seconded by Dr. Gibson, the Board unanimously voted to adopt the following resolution regarding the chief audit executive:

**TEACHER RETIREMENT SYSTEM OF TEXAS
BOARD RESOLUTION**

July 18-19, 2019

Resolution Awarding a One-Time Merit Payment to the Chief Audit Executive

Whereas, Section 825.208 of the Texas Government Code provides that, notwithstanding any other law, the Board of Trustees ("Board") of the Teacher Retirement System of Texas ("TRS") shall approve the rate of compensation of all persons it employs;

Whereas, Subsection 1.7(u) of the Board's bylaws provides that the Board shall be responsible for the selection, replacement, dismissal, performance evaluation, and compensation of the Chief Audit Executive in consultation with the Audit Committee and the Executive Director; and

Whereas, The Board wishes to amend the compensation of the Chief Audit Executive; now, therefore be it

Resolved, That the Board hereby authorizes a one-time merit payment as follows:

One-time merit payment to the Chief Audit Executive (the incumbent is Amanda Jenami):

Award a one-time merit payment effective September 1, 2019 in the amount of \$ 10,000; and

Resolved, That nothing in the adoption of this resolution alters the at-will nature of employment that TRS has with any of its employees, creates a contract between TRS and any TRS employee, or confers on any TRS employee the right to continued employment with TRS, including the Chief Audit Executive or any other employee.

At 6:38 p.m. Mr. Hollingsworth, without objection, announced the Board would recess until tomorrow at 8:00 a.m.

July 19, 2019

The Board of Trustees of the Teacher Retirement System of Texas met on July 19, 2019, in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River, Austin, Texas. The following Board members were present:

Jarvis Hollingsworth, Chair
Joe Colonna
David Corpus
Greg Gibson
Christopher Moss
Dolores Ramirez
James D. Nance

Others present:

Brian Guthrie, TRS	Mary Cann, TRTA
Ken Welch, TRS	Patricia Macias, TRTA
Don Green, TRS	Leroy DeHaven, TRTA
Carolina de Onís, TRS	Cherly Anderson Texas AFT
Katrina Daniel, TRS	Nick Arnold, Humana
Janet Bray, TRS	Scott McAfee, Perspecta
Jerry Albright, TRS	Mike Bentrrott, Aetna
Barbie Pearson, TRS	Ray McMurry, Texas AFT
Amy Barrett, TRS	Sean Donovan, CVS
Rebecca Merrill, TRS	
Heather Traeger, TRS	
Katherine Farrell, TRS	
Chet Henry, TRS	
Kevin Johnson, Reinhart Boerner Van Deuren	
Steve Voss, Aon Hewitt	
Mike McCormick, Aon Hewitt	
Joe Newton, Gabriel, Roeder, Smith & Company	
Dan Siblik, Gabriel, Roeder, Smith & Company	
Michael Johnson, Bridgepoint	

Mr. Jarvis V. Hollingsworth called the meeting to order at 8:00 a.m.

5. Call roll Board members

Ms. Farrell called the roll. A quorum was present, Ms. Sissney and Mr. Elliott were absent.

6. Provide an opportunity for public comment – Jarvis V. Hollingsworth.

Ms. Patricia R. Macias, state president of the Texas Retired Teachers Association, expressed appreciation for TRS staff's hard work. She thanked Legislators for making teachers a priority this past session.

7. Consider the following administrative matters – Jarvis V. Hollingsworth:**A. Approval of the April 2019 proposed meeting minutes.**

On a motion by Mr. Corpus, seconded by Mr. Moss, the Board voted unanimously to approve the April 2019 meeting minutes as presented.

B. Excusing Board member absences from the April 2019 meeting.

On a motion by Dr. Gibson, seconded by Mr. Colonna, the Board voted unanimously to excuse member absences from the April 2019 meeting.

C. Recognize the past service of TRS Fiduciary Counsel Steve Huff.

Mr. Hollingsworth stated he had the honor and pleasure to recognize the service of Mr. Steve Huff as the Board's fiduciary counsel for many years. Mr. Hollingsworth presented the following resolution to Mr. Johnson who accepted it on behalf of Mr. Huff's family:

RESOLUTION

WHEREAS, Steven D. Huff (Steve) spent his entire legal career working with the law firm of Reinhart Boerner Van Deuren and was co-chair of the firm's Employee Benefits Practice prior to his passing on May 22, 2019 in Mequon, Wisconsin; and

WHEREAS, he provided exceptional legal counsel to the Teacher Retirement System of Texas (TRS) and worked closely with staff on behalf of TRS to develop and update board policies relating to investments, ethics and procurement; and

WHEREAS, Steve was a deeply trusted advisor to the agency for almost 10 years on issues involving the design, implementation and best practices of retirement and health plans; and

WHEREAS, over his decades of practice, Steve developed valuable ongoing relationships with everyone he worked with; and

WHEREAS, during his extensive career, Steve helped many clients understand fiduciary principles and best practices to comply with their duties; and

WHEREAS, he devoted time to counsel board chairs and trustees regarding board matters, obligations and conflicts of interest; and

WHEREAS, he was a prolific speaker, mentor and a recognized authority on employee benefits law, and was highly regarded by his clients and peers alike; and

WHEREAS, Steve was deservedly awarded honors by *Best Lawyers in America*, *Chambers USA*, *The Legal 500*, and *Wisconsin Super Lawyers*; and

WHEREAS, he inspired trust and confidence and always sought to achieve the highest ethical integrity and practicality in his counsel and advice;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees and staff of the Teacher Retirement System of Texas recognize the accomplishments and contributions of Steve Huff through his quiet and measured style, affable nature and strong work ethic, and express appreciation on behalf of TRS members both present and future,

AND BE IT FURTHER RESOLVED, that a copy of this resolution be presented to his family and entered into the record of the Board for July 19, 2019.

8. Receive the report of the Strategic Planning Committee on its July 18, 2019 meeting – Committee Chair.

Mr. Nance, on behalf of Mr. Elliott, provided the following report of the Strategic Planning Committee:

The Strategic Planning Committee met on July 18, 2019. The executive director discussed his areas of focus and the status of those initiatives. The chief strategy officer, chief health benefits officer and chief financial officer discussed and reviewed the results forum information for the 2019-2023 TRS strategic plan objectives. The objectives included improving communication efforts regarding the impact of changing pension plan design, pension and health care funding needs, increasing the value of health care benefits, improving the health of TRS members, and increasing number of historically underutilized businesses, otherwise known as HUBs.

9. Receive the report of the Benefit Committee on its July 18, 2019 meeting and consider adoption or acceptance of the following– Committee Chair:

- A. Accept the Medical Board Meeting Minutes for November 2018, March 2019 and May 2019;**
- B. Consider the appointment of Chair and member of the Medical Board including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person;**
- C. Consider approval of the Benefit Payments for March 2019 – May 2019;**
- D. Consider adoption of a resolution directing staff to prepare for and issue the supplemental payment consistent with the provisions of Senate Bill 12 as passed by the 86th Texas Legislature.**

Ms. Ramirez, acting Committee Chair, provided the following report of the Benefits Committee:

The Benefits Committee met Thursday, July 18. The first item of business was approval of the minutes of the April 2019 Benefits Committee meeting.

Ms. Barbie Pearson presented the Medical Board minutes from the November 2018, March 2019, and May 2019 meetings. The committee recommends to the Board acceptance of the Medical Board minutes for November 2018, March 2019 and May 2019.

Ms. Pearson also presented for the committee's consideration to recommend to the Board the appointment of Dr. Brian Buck as a member and appoint Dr. David

Rothschild as chair of the Medical Board. The committee recommends to the Board the appointment of Dr. Buck and Dr. Rothschild.

Ms. Pearson presented for the committee's consideration to recommend to the Board the approval of the benefit payments for March 2019 through May 2019. The committee recommends to the Board approval of the presented benefit payments.

Ms. Pearson presented for the committee's consideration to recommend to the Board a resolution directing staff to prepare for and issue the supplemental payment consistent with the provisions of Senate Bill 12 as passed by the 86th Texas Legislature. The committee wholeheartedly recommends to the Board adoption of the proposed resolution.

The Committee received an update on Benefit Services operations from Ms. Pearson.

Next, the committee received an update from Ms. Katrina Daniel on Health and Insurance Benefits and quarterly accomplishments. Ms. Daniel noted that with additional staffing approved by the Board, the customer service levels have reached 98 percent on average for the previous quarter. She also noted that the HIB Division released an RFP for all three medical administration contracts. Also, 2018 medical costs are trending at 1.6 percent while similar groups in the Texas market are trending at 4.4 percent.

Looking forward, Ms. Daniel noted the HIB Division would enhance benefits for members by waiving the deductible for primary care visits in the Medicare Advantage plan, as well as expanding Telemedicine in both ActiveCare and Care. Ms. Daniel also updated the Board on engagement activities across the state, both the districts participating in ActiveCare as well as retirees in TRS-Care. Regarding options, Ms. Daniel presented the Board with an update to the EQIPT project which applies process improvement and re-engineering for 22 process flows, automating 70 manual steps and adding in more performance metrics.

Ms. Ramirez, on behalf of the Benefits Committee, made the following four motions. She moved that the Board accept the Medical Board minutes from the November 2018, March 2019 and May 2019 meetings, as recommended by the Benefits Committee; that the Board appoint Dr. Brian Buck and Dr. Rothschild as the chair of the Medical Board; that the Board approve the benefits payments for March 2019 through May 2019; and, that the Board adopt the proposed resolution directing staff to prepare for and issue the supplemental payment consistent with the provisions of Senate Bill 12, as passed by the 86th Texas Legislature.

The Board unanimously voted in favor of all four motions presented by Ms. Ramirez on behalf of the Benefits Committee.

10. **Receive the report of the Budget Committee on its July 18, 2019 meeting and consider adoption of the following – Committee Chair:**
- A. **Consider the adoption of the proposed fiscal year 2020 pension trust fund administrative operations budget, general provisions, and resolution authorizing transfer of pension trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2020 budget.**
 - B. **Consider the adoption of the proposed fiscal year 2020 administrative operations budgets and general provisions for the TRS health benefits funds (retired and active plans), including the optional long-term care insurance program.**
 - C. **Consider adoption of Historically Underutilized Businesses program (HUB) goals for fiscal year 2020.**
 - D. **Consider the statutory certification of estimated state contributions to the State Comptroller of Public Accounts to be received by the retired school employees group health benefit fund for the fiscal year ending August 31, 2020.**

Dr. Gibson, Committee Chair, provided the following report of the Budget Committee:

The Budget Committee met Thursday, July 18th. The first item of business was approval of the minutes of the April 25th, 2019 Budget Committee meeting.

Mr. Don Green presented a high-level overview of the proposed administrative operating budget of \$223.8 million for FY 2020 and the associated general provisions. The FY 2020 requested budget is approximately 6.6% over the FY 2019 budget largely due to the additional staff added for customer service and IMD initiatives. Mr. Green introduced an amendment to the general provisions to include a section on travel expenses.

Mr. Green presented a report on the HUB goals for FY 2019 as well as the proposed HUB board goals for FY 2020. The committee recommends to the Board the following HUB FY2020 expenditure goals:

Commodities – 40%
Other Services – 25%
Professional Services – 10%
Special Trade – 40%

Mr. Green then presented the required state contribution certification for the retired school employees group health benefit fund for the 2020 fiscal year. The certification amount totals \$661 million, which includes \$430 million to meet the statutorily required state contribution rate of 1.25% of public education payroll and

\$230 million to maintain plan year 2019 TRS Care premiums and benefits for 2020-21 biennium.

Dr. Gibson, on behalf of the Budget Committee, made the following four motions. He moved the Board adopts the fiscal year 2020 administrative operations budgets for the pension trust fund, and the TRS health benefits funds (retired and active plans) including the optional long-term care insurance program as recommended by the Budget Committee and that the Board adopt the general provisions as recommended by the Budget Committee.

Dr. Gibson moved for the Board adopt the resolution authorizing staff to transfer pension trust funds to the TRS expense account for pension administrative operations expenses under the approved fiscal year 2020 budget, as recommended by the Budget Committee.

Dr. Gibson moved for the Board adopt the fiscal year 2020 HUB goals, as recommended by the Budget Committee.

Dr. Gibson moved for the Board adopt the state contribution certifications for TRS-Care in fiscal year 2020, as recommended by the Budget Committee.

The Board unanimously voted in favor of all four motions presented by Dr. Gibson on behalf of the Budget Committee.

11. **Receive the report of the Policy Committee on its July 18, 2019 meeting and consider adoption of proposed amendments to the following TRS Rules in Chapters 25, 29, 41, and 47 of Title 34, Part 3 of the Texas Administrative Code – Committee Chair:**
 - A. **Amended § 25.162, relating to State Personal or Sick Leave Credit;**
 - B. **Amended § 25.302, relating to Calculation of Actuarial Costs of Service Credit;**
 - C. **Amended § 25.303, relating to Calculation of Actuarial Cost for Purchase of Compensation Credit;**
 - D. **Amended § 29.11, relating to Actuarial Tables;**
 - E. **Amended § 29.21, relating to Beneficiary Tables;**
 - F. **Amended § 29.71, relating to Tables;**
 - G. **Amended § 41.1, relating to Initial Enrollment Periods for the Health Benefit Program under the Texas Public School Retired Employees Group Benefits Act (TRS-Care);**
 - H. **Amended § 41.2, relating to Additional Enrollment Opportunities;**
 - I. **Amended § 41.3, relating to Retirees Advisory Committee;**
 - J. **Amended § 41.4, relating to Employer Health Benefit Surcharge;**
 - K. **Amended § 41.7, relating to Effective Date of Coverage;**
 - L. **Amended § 41.8, relating to Eligible Bidders;**
 - M. **Amended § 41.9, relating to Bid Procedure;**
 - N. **Amended § 41.11, relating to Years of Service Credit Used to Determine Premiums**

- O. Amended § 41.15, relating to Requirements to Bid on Insurance for School District Employees and Retirees Under Chapter 1576 of the Insurance Code;**
- P. Amended § 41.31, relating to Eligible Bidders;**
- Q. Amended § 41.32, relating to Bid Procedure;**
- R. Amended § 41.34, relating to Eligibility for Coverage under the Texas School Employees Uniform Group Health Coverage Program;**
- S. Amended § 41.39, relating to Coverage for Individuals Changing Employers;**
- T. Amended § 41.41, relating to Premium Payments;**
- U. Amended § 41.50, relating to Appeals Relating to Claims or Other Benefits;**
- V. Amended § 47.17, relating to Calculation for Alternate Payee Benefits Before a Member's Benefit Begins.**

Mr. Corpus, Committee Chair, provided the following report of the Policy Committee:

The Policy Committee met on July 18, 2019. The committee approved the proposed minutes of the April 2019 meeting.

The committee authorized publication in the Texas Register of the proposed repeal of the TRS rules, as listed in the agenda, Chapter 53 of Title 34, Part 3 of the Texas Administrative Code.

The committee authorized for publication in the Texas Register the proposed new TRS rules, as listed in the agenda, in Chapter 51 of Title 34, Part 3 of the Administrative Code.

The committee recommended to the Board adoption of the proposed amended TRS rules, as listed in the agenda, in Chapters 25, 29, 41 and 47 of Title 34, Part 3 of the Texas Administrative Code.

On behalf of the Policy Committee, Mr. Corpus moved, and the Board unanimously voted to adopt the proposed amended TRS rules, as listed in the agenda in Chapters 25, 29, 41, and 47 of Title 34, Part 3 of the Texas Administrative Code.

- 12. Receive the report of the Investment Management Committee on its July 18, 2019 meeting and consider adoption of the Strategic Asset Allocation Proposal – Committee Chair.**

Mr. Colonna, Committee Chair, provided the following report of the Investment Management Committee:

The Investment Management Committee met on July 18, 2019. The first item of business was approval of the minutes of the April 2019 Investment Management Committee.

Jerry Albright began with his CIO Update. The First Quarter 2019 Performance Review was then reviewed by Steve Voss, Mike McCormick and Mike Comstock with Aon Hewitt.

Eric Lang followed with an annual update on External Private Markets. Carolyn Hansard, then presented her update for Energy, Natural Resources & Infrastructure, Neil Randall proceeded for Private Equity, and Grant Walker concluded the Private Markets update with Real Assets.

Next, the committee received an update for the adoption of the Strategic Asset Allocation proposal. A review of Asset-Liability Study Results was presented by Steve Voss and Mike McCormick with Aon Hewitt. Mohan Balachandran, James Nield and Matt Talbert presented the Strategic Asset Allocation Study.

Following, Katy Hoffman and James Nield reviewed the Proposed Modifications to the Investment Policy.

On behalf of the Investment Management Committee, Mr. Colonna moved, and the Board unanimously voted to adopt the proposed resolution approving the strategic asset allocation plan.

Resolution of Board of Trustees July 19, 2019

Relating to the Strategic Asset Allocation

WHEREAS, pursuant to Section 825.103 of the Texas Government Code, the Board of Trustees ("Board") of the Teacher Retirement System of Texas ("TRS"), is the trustee of all assets of the retirement system;

WHEREAS, Pursuant to Section 825.301 of the Texas Government Code, the Board shall develop written investment objectives for the investment of the assets of the Trust to address desired rates of return, risks involved, investment time frames, and any other relevant considerations;

WHEREAS, Pursuant to section 1.6 of the TRS Investment Policy Statement (IPS): The Investment Management Division (IMD) assists the Board in engaging in a strategic asset allocation (SAA) study at least once every five (5) years to review asset classes, return-risk assumptions, and the correlation of returns with applicable benchmarks and across asset classes;

WHEREAS, The Fund objectives, as set forth in Section 1.4 of the IPS, require that the Board control risk through diversification and long-term risk and return expectation and achieve long-term returns that exceed the actuarial assumed rate of return adopted by the Board, the rate of inflation by an annualized 5%, and exceeds the Fund Policy Benchmark;

WHEREAS, The previous SAA study conducted by IMD was approved by the Board in 2014 and incorporated into the current IPS;

WHEREAS, The current SAA study used the same process to set the SAA in 2009 and 2014 and was presented to the Board by IMD over the last four Board meetings in coordination with TRS' investment and actuarial advisors and other strategic partners;

WHEREAS, IMD conducted the SAA study in consultation with TRS' investment consultant, Aon, and utilized Aon's strategic asset review allocation best practice steps, as set forth in the Aon and IMD presentation to the Board at the February 2019 Board meeting; and

WHEREAS, The SAA study conducted by TRS followed a prudent process designed to address applicable fiduciary obligations of the Board; and Now therefore, be it

RESOLVED, That the Board hereby approves the strategic asset allocation plan set forth in Exhibit A, and hereby authorizes and directs the IMD to revise the strategic asset allocation plan in the IPS to reflect the revisions approved in the foregoing paragraph, and to present the revised IPS for Board consideration at the Board's next regular meeting, with a targeted effective date of October 1, 2019; and

RESOLVED, That the Board hereby authorizes IMD to take all actions necessary to begin the transition to implement the revised strategic asset allocation plan as of October 1, 2019 in accordance with the duties and responsibilities set forth in the IPS as well as in accordance with all other IMD policies and procedures.

13. Receive the report of the Audit, Compliance and Ethics Committee on its July 18, 2019 meeting - Committee Chair.

Mr. Moss, Committee Chair, provided the following report of the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met at 2:30 on Thursday, July 18, in the 5th Floor Boardroom.

The Audit, Compliance and Ethics Committee approved the minutes of the April 25, 2019 meeting.

The chief compliance officer presented routine compliance reports. Internal Audit staff presented the results of projects, including reports on TRS compliance testing, derivatives audit, review of active directory organization units, employer testing, and employer data analysis testing. Internal Audit staff also presented an update on outstanding audit and consulting recommendations and various administrative reports. The meeting ended at 4:01.

Mr Hollingsworth, without objection, announced taking up Agenda Item 15 next.

15. Consider the engagement of a provider of fiduciary counsel and related services including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Carolina de Onis.

Ms. Carolina de Onis announced there were five candidates who would present to the Board. She said they would be presented to the Trustees in alphabetical order.

Ms. Suzanne Dugan and Luke Bierman presented on behalf of Cohen, Milstein, Sellers, and Toll PLLC.

Mr. John Nixon and Mr. Alex Gonzales presented on behalf of Duane Morris LLP.

Ms. Ashley Dunning and Ms. Jody Rudmna presented on behalf of Nossaman LLP.

Mr. Harvey Leiderman and Ms. Peggy Heeg presented on behalf of Reed Smith LLP.

Ms. Tiffany Reeves, Mr. Keith Johnson, Ms. Jessica Culotti, and Ms. Stacy Kalmer, presented on behalf of Reinhardt Boerner Van Deuren s.c.

On a motion by Dr. Gibson, seconded by Mr. Nance, the Board found that deliberating or conferring on the procurement on the possible lease for TRICOT and on the engagement of fiduciary counsel in open meeting would have a detrimental effect on the position of the system in negotiations with a third person.

At 10:25 a.m., Mr. Hollingsworth, without objection, announced the Board would go into executive session for agenda items 14 under Texas Gov't Code sections 825.115(e), 551.072, 551.071 and for item 15 Texas Gov't Code Sections 825.115(e), and 551.071.

At 11:40 a.m., Mr. Hollingsworth reconvened the Board meeting in open session.

14. **Consider possible lease for TRICOT including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person– Jerry Albright.**

On a motion by Dr. Gibson, seconded by Mr. Nance, the Board unanimously adopted the following resolution related to the lease with the Teacher Retirement Investment Company in London England:

Resolution of Board of Trustees July 19, 2019

Relating to Office Lease for Teacher Retirement Investment Company of Texas Ltd. in London, England

WHEREAS, The Teacher Retirement System of Texas (“TRS”) is the sole shareholder of Teacher Retirement Investment Company of Texas Ltd., a company limited by shares and registered in England and Wales, United Kingdom (“Tricot”);

WHEREAS, Tricot, as TRS’s subsidiary, provides investment advice and related services, and identifies investment opportunities in Europe and elsewhere for referral to TRS, and operates out of leased office premises in London, England;

WHEREAS, The TRS Chief Investment Officer serves as the sole director of Tricot, and also holds the executive title of Managing Director of Tricot;

WHEREAS, The existing Tricot office lease in London, England expires on or about September 12, 2019 and TRS employees, representing TRS as parent, and personnel assigned to Tricot have performed due diligence to identify new offices that will accommodate Tricot’s existing and future space needs, including strategic location;

WHEREAS, TRS is the sole source of funding for Tricot’s operations; and

WHEREAS, The London office market is highly competitive and it is necessary to act quickly to secure the best leasing prospects as opportunities are presented;

WHEREAS, TRS and Tricot personnel have identified an office space leasing prospect that will fulfill Tricot's space needs for an initial lease term of 5 to 10 years, and have recommended that TRS authorize Tricot to negotiate and execute a lease with the prospective landlord of that space in London, England; and

WHEREAS, The Board Procurement Policy states that the Board may determine the procedures required and may consider all real property leases having a term longer than 3 years; Now therefore, be it RESOLVED, That the TRS Board, acting on behalf of TRS as the sole shareholder of Tricot, hereby authorizes and instructs Tricot's director (the "Director"), with the assistance of TRS employees and Tricot personnel, to negotiate a new lease of office space for Tricot, and is further hereby authorized and directed to take all actions, do all things, and execute and deliver any and all security deposits, resolutions, agreements, and documents necessary or desirable to negotiate, secure and execute a new office space lease for the proposed space in London, England for an initial term of 5 to 10 years, on substantially the same or similar terms presented to the board, as the Director determines in his sole discretion to be in the best interest of Tricot; and

RESOLVED, That if the actions authorized in the foregoing paragraph are not, in the sole discretion of the Director, deemed to be successful, the Director be and hereby is authorized to negotiate, execute, and deliver a new lease of other premises identified by TRS and Tricot personnel after due diligence in London, England on substantially the same or similar the terms and conditions set forth in the foregoing paragraph as the Director determines in his sole discretion to be in the best interest of Tricot; and

RESOLVED, That the Executive Director, acting on behalf of TRS as its shareholder representative, is hereby authorized and directed to take all actions, do all things, and execute and deliver any and all Tricot shareholder resolutions, agreements, funding authorizations or funds transfers, budget amendments, and other Tricot documents as the Executive Director, in his sole discretion, deems necessary or desirable to effect the purposes of the foregoing resolutions, including without limitation the funding of moving expenses and the acquisition of furniture, fixtures, utilities, communications and internet services, and equipment not otherwise provided through the lease but which are reasonably necessary for Tricot to continue its operations in the leased office space without undue delay as the Executive Director, as TRS's shareholder representative, determines in his sole discretion to be in the best interest of Tricot.

16. Discuss development of a funding policy for the TRS pension fund – Rebecca Merrill and Joe Newton, GRS.

Mr. Guthrie stated with the passage of House Bill 2224, all pension systems are required to adopt a funding policy by the end of the calendar year.

Mr. Joe Newton reviewed what the funding policy would cover for TRS the funding policy is limited due to the legislature setting the contribution rates. Mr. Newton recommended establishing guidelines for the legislature to consider when reviewing the funding rates for TRS. He stated the policy should address if in the future could lowering contributions be considered. He recommended the policy stance should be there is no situation where reducing contributions to the plan is optimal due to the cost of living adjustment (COLA) pressure.

17. Receive an update on the TEAM Program – Brian Guthrie and Chet Henry.

Mr. Guthrie provided a brief status update on the TEAM Program. He reported they signed a contract that extends the scope of the work through May 2020 providing a new timeline to rolling out Phase 2. He said there was concern when they learned that one of program's chief architects, an executive who has been running the program for the past two years from Perspecta, left the project. Mr. Scott McAfee, Perspecta's Vice President for State and Local, stated he acknowledged the loss of a good resource but has potential candidates lined up to meet with TRS. He committed to continue and committed towards hitting the dates and quality.

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

Mr. David Roe presented on behalf of Bridgepoint Consulting. He provided a brief update on the independent program assessment of TEAM.

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

- A. Review administrative operational matters, including updates on legislative, financial, audit, legal, staff services, special projects, long-term space planning, investment matters, strategic planning and personnel matters.**
- B. Sunset Review Update.**
- C. Board operational matters, including a review of draft agendas for upcoming meetings.**
- D. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.**

Mr. Guthrie reviewed past and upcoming meetings and conferences. He introduced the office visit counseling group as this year's winner of the Shining Example Award. He reviewed possible policy issues identified for Sunset Review. He provided an update on the Trustee Election. Mr. Guthrie concluded by reviewing draft agendas for the upcoming Board meetings.

20. Receive an update from the COAO including discussion on shared services, long term facilities planning, Diversity Equity and Inclusion Director and Classification and Compensation Review– Andrew Roth.

Mr. Andrew Roth provided an overview of his focus on shared services, primarily on procurement. He said they are not only examining processes and procedures but also managing risk. He discussed the timeline for the long term facilities planning. He announced they will identify a candidate in the next week or two for the Diversity, Equity and Inclusion director.

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

No discussion on this item

At 12:50 p.m., Mr. Hollinsworth adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM
OF TEXAS ON THE 20th DAY OF SEPTEMBER 2019.

ATTESTED BY:

Katherine H Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

Sept. 23, 2019

Date