

Minutes of the Board of Trustees

July 27, 2018

The Board of Trustees of the Teacher Retirement System of Texas met on July 27, 2018 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 V. Hollingsworth, Chair
Joe Colonna
David Corpus
John Elliott
Greg Gibson
Christopher Moss
James D. Nance
Dolores Ramirez
Nanette Sissney

Others present:

Brian Guthrie, TRS	Michael Bentrutt, Aetna
Ken Welch, TRS	Marcy Cann, TRTA
Don Green, TRS	Mary Ann Dolezal, TRTA
Carolina de Onís, TRS	Nancy Bell, TRTA
Jerry Albright, TRS	Laura Pinkard, Humana
Jase Auby, TRS	Mary Widmier, TRTA
Barbie Pearson, TRS	Leroy DeHaven, TRTA
Amy Barrett, TRS	Ann Fickel, TCTA
Heather Traeger, TRS	Avery Saxe, LBB
Katherine Farrell, TRS	Barbara Franklin, TSTA-R
Chet Henry, TRS	Nick Arnold, Humana
Steve Voss, Aon Hewitt	Ronnie Jung, TRTA
Michael McCormick, Aon Hewitt	Ted Raab, Texas AFT
Joe Newton, GRS	Bill Barnes, TRTA
Keith Brown, Investment Advisor	Tim Lee, TRTA
Steve Huff, Reinhart Boerner Van Deuren	Joni Lozano, Caremark
Michael Johnson, Bridgepoint	Sean Donovan, Caremark
	Robert H. Goper, TRTA
	Debbie Cogser, TRTA
	Karen Olgvion, TSEU
	S. Angela Khan, TSEU
	Christopher Boyle, TSEU
	Elaine Jones, AFT
	Pat Macias, TRTA
	Angie Lopez, TSEU
	Tom Kreneck, TSEU

Elaine Cummins, TSEU
Don Khan, TSEU
Gayle G. Sampley, ATPE
Dannie Hefner, TRTA
Brock Gregg, TRTA
Brad Keoun
Jeanne Hackett, TSEU-ROC
Rachel Wolf, TRTA
James Klein Texas Conference of the American
Assoc. Of University Professors
Beaman Floyd, Texas Association of School
Administrators
Judy Holloway, TSEU
Stephen Hunter, TRTA
John St Lawrence, TSEU
Tom Rogers, ARTA-TRTA
John Grey, TSTA
Mary Jane Williams, Toys R Us
Amanda Parrott, Toys R Us
Cheryl Anderson, AFT
Michael Schmidt, TSEU
Jeff Adair, Perspecta

Mr. Hollingsworth called the meeting to order at 8:35 a.m.

1. Call roll of Board members.

Ms. Farrell called the roll. A quorum was present.

2. Provide an opportunity for public comment.

Ms. Amanda Parrott and Ms. Mary Jane Williams, former employees of Toys R Us, addressed the Board regarding the liquidation of Toys R Us and assistance from those who profited to assist employees in crisis.

Mr. Tom Rogers, representing Austin Retired Teachers Association (ARTA) and Texas Retired Teachers Association (TRTA), addressed the Board regarding concerns over lowering the investment return assumption rate.

Ms. Cheryl Anderson, representing Texas American Federation of Teachers (TAFT), addressed the Board regarding the Texas Legislature increasing contributions to the pension fund and to raise state funding for retiree health care.

Mr. John St. Lawrence, representing Texas State Employees Union (TSEU), addressed the Board regarding concerns over lowering the investment return assumption rate.

Mr. James Klein, representing Texas Conference of the American Association of University Professors, addressed the Board regarding concern over lowering the investment return assumption rate.

Ms. Judy Holloway, representing TSEU, addressed the Board regarding concern over lowering the investment return assumption rate and request for cost of living increase for retirees.

Ms. Rachel Wolf, representing TRTA, addressed the Board regarding concern over lowering the investment return assumption rate.

Ms. Jeanne Hackett, representing TSEU, addressed the Board regarding concern over lowering the investment return assumption rate.

Mr. Tom Krennek, representing TSEU, addressed the Board regarding concern over lowering the investment return assumption rate.

Ms. Angie Lopez, representing TSEU, addressed the Board regarding concern over lowering the investment return assumption rate.

Mr. Michael Schmidt, representing TSEU, addressed the Board regarding concern over lowering the investment return assumption rate.

Ms. Judy Bryant, representing TRTA, addressed the Board regarding concern over lowering the investment return assumption rate.

Ms. Angie Khan, representing TSEU, addressed the Board regarding concern over lowering the investment return assumption rate.

Mr. Beaman Floyd, representing Texas Association of School Administrators (TASA), addressed the Board regarding concern over lowering the investment return assumption rate.

Ms. Ann Fickle, representing Texas Classroom Teachers Association (TCTA), addressed the Board regarding concern over lowering the investment return assumption rate.

Mr. Ted Raab, representing TAFT, addressed the Board regarding concern over lowering the investment return assumption rate and recommended an incremental reduction.

Mr. Monty Exter, Association of Texas Professional Educators, addressed the Board regarding concern over lowering the investment return assumption rate.

Mr. Tim Lee, representing TRTA, addressed the Board regarding concern over lowering the investment return assumption rate.

3. Consider the following administrative items – Jarvis V. Hollingsworth:

A. Approval of the proposed April 20, 2018 meeting minutes.

On a motion by Mr. Nance, seconded by Mr. Corpus, the Board voted to approve the proposed minutes of the April 20, 2018 Board meeting with Mr. Colonna and Mr. Moss abstaining.

B. Excusing Board member absences from the April 20, 2018 Board meeting.

On a motion by Dr. Gibson, seconded by Ms. Rameriz, the Board voted to excuse the absence of Mr. Joe Colonna from the April 20, 2018 Board meeting with Mr. Colonna abstaining.

4. Consider the TRS of Texas Experience Study Findings and Recommendations, including considering the Return Assumption – Brian Guthrie and Joe Newton, Gabriel, Roeder, Smith & Co.

Mr. Guthrie briefly reviewed the information that was presented at the previous February and April meetings. Mr. Joe Newton observed that Aon Hewitt's long term numbers now included 2018 data points, lowering their return assumption number from 7.34 to 7.27. As for short term numbers, he said the 7 to 10 year expectations for the S&P 500 was 6.4 percent. Mr. Newton noted at the beginning of these deliberations in February 7.5 was a reasonable option however with the new data it was no longer.

In response to Mr. Colonna's inquiry, Mr. Newton stated if the return assumption was left at 8 percent he would issue a qualified report. Mr. Colonna then inquired if there was an incremental move to 7.5 percent and Mr. Newton stated he would issue a qualified report. Mr. Ken Welch informed that if a qualified actuarial report was received it would impact the State of Texas bond ratings and even trickle down due to the liability for pensions is also a liability to our partners, the school districts.

Mr. Guthrie in response to Dr. Gibson's inquiry stated that if the return assumption is lowered, the funding period would be extended to well beyond the 31 year funding period the statute requires before a cost of living adjustment (COLA) could be granted by the legislature. However, he said, if the legislature provided a 1.82 percent increase in contributions it would lower the funding period to where a COLA could be considered.

Mr. Elliott moved to adopt the assumptions that were recommended by the actuarial consultant, including the rate of return assumption at 7.25 percent. Mr. Corpus seconded the motion. Mr. Colonna, Mr. Corpus, Mr. Elliott and Mr. Hollingsworth and Mr. Moss all voted in favor, with Dr. Gibson, Mr. Nance, Ms. Ramirez and Ms. Sissney voting in opposition. The motion passed by a majority.

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

Mr. Guthrie updated the Board on the completion of Phase 1 stabilization efforts. He noted the overall grade in the TEAM transparency report as a B, primarily due to completing Phase 1 in a satisfactory manner. Mr. Guthrie reviewed the main issues that were challenges during Phase 1: employer reporting, refunds, contact management, and call handling time. He said the schedule for Phase 2 was moved back from August 2019 to October 2019 and additional costs of \$1.8 million were incurred but still within the contingency amount.

6. Receive a presentation from the TEAM Program Independent Program Assessment (IPA) Vendor – Michael Johnson.

Mr. Michael Johnson provided an execution score from Bridgepoint's independent view. He said they too graded the score as a B. He noted quality continued to be a concern. He said there still

was a significant number of defects that are being cleaned up for Phase 1 but the overall service quality was improving.

7. 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. Discuss statutory divestment applicability and requirements.**
- 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 started his report by congratulating David Cook on his upcoming retirement and thanked him for his dedicated service, hard work and leadership not only for TEAM but the Project Management Office. Mr. Guthrie then provided the Board with general updates. He listed upcoming events for TRS and the Board and reviewed the proposed calendar year 2019 Board meeting dates. He noted there was a divestment issue he would like to discuss in executive session later due to the need for legal advice.

8. Receive the report of the Policy Committee on its July 26, 2018 meeting and consider the following: – Committee Chair

- A. Consider approving proposed amendments to the Policy on Negotiated Rulemaking and Alternative Dispute Resolution;**
- B. Consider approving proposed amendments to the Procurement Policy.**

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

The Policy Committee met on July 26, 2018. The committee approved the proposed minutes of the April 19, 2018 meeting. The committee conducted the required review of the procurement policy pursuant to the policy review schedule. The committee tabled consideration of recommendations to the Board regarding proposed amendments to the procurement policy.

The committee conducted the required review of the policy on negotiated rulemaking and alternative dispute resolution pursuant to the policy review schedule. The committee makes no recommendations to the Board for changes to the policy on negotiated rulemaking and alternative dispute resolution. Accordingly, no action on the policy on negotiated rulemaking and alternative dispute resolution is required by the Board.

The committee received an update on the rule review process. Finally, the committee authorized for publication in the Texas Register notice of proposed rule amendments to Chapter 25 of the TRS rules. Those rules will be brought back to the committee at a future meeting, September is anticipated, for recommendation to the Board and final adoption.

9. Receive the report of the Strategic Planning Committee on its July 26, 2018 meeting – Committee Chair.

Mr. Elliott, Committee Chair, provided the following report of the Strategic Planning Committee:

The Strategic Planning Committee met on Thursday, July 26, 2018. The committee approved the minutes of the April 19, 2018 meeting. Then Rebecca Merrill provided an overview of TRS's strategy framework and strategic planning process which included an overview of the Executive Council retreat, presentation of the final strategic plan as submitted to the state, and discussion for the proposed results forum process on a go-forward basis.

10. Receive the report of the Compensation Committee on its July 26, 2018 meeting and consider the adoption of the Executive Director's Performance Plan – Committee Chair.

Mr. Nance, Committee Chair, provided the following report of the Compensation Committee:

The Compensation Committee met on Thursday, July 26, 2018. The committee approved the minutes of the September 21, 2017 meeting. The committee reviewed and discussed the executive director's incentive performance pay plan for the 2018 and 2019 performance period. The committee determined to continue discussions regarding the executive director's incentive pay plan at the scheduled September meeting.

11. Receive the report of the Benefits Committee on its July 26, 2018 meeting and consider adoption or acceptance of the following:

- A. Consider the adoption of Long Term Care Contract;**
- B. Consider the appointment of Retiree Advisor Council Members;**
- C. Consider the appointment of the Medical Board Members;**
- D. Consider the Benefit Payments for March 2018 – May 2018; and**
- E. Accept the Medical Board Meeting Minutes.**

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

The Benefits Committee met on Thursday, July 26, 2018. The committee approved the minutes of the April 19, 2018 meeting. Ms. Katrina Daniel provided an update on the Retiree Advisory Committee, including the consideration of recommending to the Board appointments of four positions. The committee recommends to the Board the

appointment of Dr. Celeste Cardenas for the active teacher position, Marcy McNeill and Nancy Byler for the two retired teacher positions, and Dr. Bruce Gearing for the one active school administrator position.

The committee received an update on Health and Insurance Benefits Services operations from Ms. Daniel. The committee adopted the proposed resolution to recommend to the Board approving the extension of the contract with Genworth Life Insurance Company.

Next, Ms. Barbie Pearson provided an update on the Medical Board. The committee recommends to the Board reappointment of Dr. Alice Cox for a term of 36 months, effective September 1, 2018, and appointment of Dr. David Rothschild for a term of 20 months, effective January 1, 2019 to the Medical Board. The committee recommends to the Board acceptance of the Medical Board minutes for March and May 2018 meetings.

Ms. Sissney concluded her report with five motions. She moved that the Board appoint to the Retiree Advisory Committee: Dr. Celeste Cardenas for the active teacher position; Marcy McNeill and Nancy Byler for the two retired teacher positions; and Dr. Bruce Gearing for the one active school administrator position, as recommended by the Benefits Committee. The Board voted to appoint the members of the Retiree Advisory Committee as recommended by the Benefits Committee.

Ms. Sissney moved, and the Board voted to adopt the proposed resolution approving the extension of the contract with Genworth Life Insurance Company, as recommended by the Benefits Committee.

**RESOLUTION APPROVING THE EXTENSION
OF CONTRACT WITH
GENWORTH LIFE INSURANCE COMPANY
July 26 - 27, 2018**

Whereas, Chapter 1576 of the Insurance Code, authorizes the Teacher Retirement System of Texas (TRS), as trustee, to establish a group long-term care insurance program (the “Program”) to provide long-term care insurance coverage for eligible active employees and retirees, and their eligible family members;

Whereas, Chapter 1576, Insurance Code, also provides that TRS may contract with a carrier authorized to provide long-term care insurance;

Whereas, TRS currently has a contract, (the “Contract”) with Genworth Life Insurance Company (“Genworth”), a carrier authorized to provide long-term care insurance, to underwrite the Program and, thereby, to offer benefits to participants in this Program;

Whereas, The current contract expires August 31, 2018 and TRS staff recommends that the Contract be extended for an additional two (2) year period, effective from September 1, 2018 through August 31, 2020;

Resolved, That the Board, pursuant to Chapter 1576 of the Insurance Code, hereby authorizes a two-year extension of the Contract with Genworth, beginning on September 1, 2018 through August 31, 2020, unless sooner terminated, subject to negotiation and execution of an extension agreement;

Resolved, That the Board finds that the requested two-year extension of the Contract continues to provide the best overall value to TRS and serves the best interests of TRS; and

Resolved, That the Board hereby authorizes the Executive Director or his designees to expend funds and to take all actions deemed necessary or advisable to implement this resolution and to negotiate, with the assistance and advice of legal counsel, a two (2) year extension, effective from September 1, 2018 through August 31, 2020, of the Contract with Genworth to underwrite the Program and, thereby, to offer benefits to participants in the Program; and, if negotiations are deemed by the Executive Director, in his discretion to be successful, then the Executive Director is hereby authorized to execute the two (2) year extension of the Contract with Genworth on such terms and conditions as the Executive Director deems, in his discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents that the Executive Director may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to incur, approve and pay any budgeted expenses or costs reasonably necessary or advisable with respect to such contract extension, it being understood that the Board's approval of a contract extension pursuant to this resolution shall not be construed as a binding agreement or obligation to extend the Contract, and there shall be no binding agreement among the parties until a full and final written contract extension is negotiated and signed by both parties.

Ms. Sissney moved, and the Board voted to appoint to the Medical Board Dr. David Rothschild and reappoint Dr. Alice Cox, as recommended by the Benefits Committee.

Ms. Sissney moved, and the Board voted to accept the Medical Board minutes from the March and May 2018 meetings, as recommended by the Benefits Committee.

Ms. Sissney moved, and the Board voted to approve the benefit payments for March through May 2018, as recommended by the Benefits Committee.

12. Receive the report of the Budget Committee on its July 26, 2018 meeting and consider adoption of the following: – Committee Chair.

- A. Consider the adoption of the proposed fiscal year 2019 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 2019 budget.**
- B. Consider the adoption of the proposed fiscal year 2019 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 the adoption of the proposed fiscal year 2019 administrative operations budget and general provisions for the 403(b) company certification and investment product registration program.**
- D. Consider adoption of Historically Underutilized Businesses program (HUB) goals for fiscal year 2019.**
- E. Consider the statutory certifications of estimated state contributions.**

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

The Budget Committee met on Thursday, July 26, 2018. The first item of business was approval of the minutes for the April 19, 2018 meeting. Mr. Guthrie provided an overview of the resource needs for fiscal year 2018 through 2021. He also presented the reporting mechanism of the associated metrics. Mr. Green presented a high level overview of the proposed administrative operating budget of \$202.6 million for FY 2019 and the associated general provisions. FY 2019 requested budget is approximately 12.2 percent over the FY 2018 budget, largely due to the additional staff added for customer service and IMD initiatives as laid out by Mr. Guthrie.

Mr. Green and Ms. Stroud presented a report on HUB goals for FY 2018 as well as the proposed HUB Board goals for FY 2019. The committee recommends to the Board the following HUB goals for FY 2019 expenditure goals: commodities 40 percent, other services 25 percent, professional services 10, special trade 40 percent.

Mr. Green then reviewed the legislative appropriations request, LAR, for the FY 20-21 biennium. He highlighted the base request as well as two exceptional items, one for the pension funding one for TRS-Care solvency.

Mr. Green then presented the three required state contribution certifications. The committee recommends that the Board adopt the following: TRS-Care certification for FY 2019 as required by Insurance Code 1575.209, and it was presented at \$413.9 million; the TRS-Care certification for the following biennium including \$411.8 million for FY 2020 and \$424.2 million for FY 2021; the pension fund trust fund certification for the following biennium including \$2.0 billion for FY 2020 and \$2.1 billion for FY 2021.

Dr. Gibson moved, and the Board voted to adopt the fiscal year 2019 administrative operations budget for the pension trust fund, the TRS health benefits fund, retired and active plans, and the 403(b) certification program, and that the Board adopt the general provisions, as recommended by the Budget Committee.

Dr. Gibson moved, and the Board voted to adopt the resolution authorizing staff to transfer pension trust funds to the TRS expense account for pension administrative operation expenses under the approved fiscal year 2019 budget, as recommended by the Budget Committee.

Resolution Authorizing Expenditure and Transfer of Trust Funds

**For Pension Trust Fund Administrative Operations
July 27, 2018**

Whereas, Section 825.312 of the Government Code provides that the retirement system shall pay from the expense account of the retirement system account for the pension trust fund all administrative expenses of the retirement system that are required to perform the fiduciary duties of the board;

Whereas, Section 825.313(d) of the Government Code provides that the TRS Board of Trustees (board) may authorize transferring from the interest account to the expense account of the retirement system an amount necessary to cover TRS' operating expenses for the fiscal year that are required to perform the fiduciary duties of the board;

Whereas, Rider 17, "Contingent Appropriation of Pension Trust Funds for GASB Statement Implementation," of the TRS bill pattern in the State General Appropriations Act, 85th Legislature provides that upon a finding of fact by the TRS board that additional resources are necessary to implement accounting guidelines related to Governmental Accounting Standards Board statements and pronouncements, the TRS is appropriated additional funds from the Pension Trust Fund (960) for fiscal year 2019; now, therefore be it;

Resolved, That the board finds the expenditure of pension trust funds for operating expenses in Fiscal Year 2019 is required to perform the fiduciary duties of the board in administering the retirement system in the amount of \$148,163,836, as approved today in the Fiscal Year 2019 Budget and General Provisions for the Pension Trust Fund Administrative Operations, plus such additional amounts as may be necessary for the following expenditures:

- To pay the actual amount of performance incentive compensation payable in Fiscal Year 2019, if any; and
- To pay expenses incurred for the TEAM Program in Fiscal Year 2019 with any unexpended TEAM Program capital budget funds reappropriated in accordance with Section 14.03 of Article IX of the General Appropriations Act for the 2018-2019; and
- To achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by such General Provisions adopted by the board; and to implement GASB statements; and

Resolved, That the staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the retirement system under the approved budget for Fiscal Year 2019, but not to exceed the amount of \$148,163,836 plus, any additional amounts necessary to pay performance incentive compensation payable in Fiscal Year 2019 and, as applicable, to achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by the General Provisions adopted by the board.

Dr. Gibson moved, and the Board voted to adopt the fiscal year 2019 HUB goals, as recommended by the Budget Committee.

Resolution
Underutilized Businesses (HUB) Program Goals for FY 2019
July 27, 2018

Whereas, TRS staff developed proposed HUB goals for fiscal year 2019 for the Board to consider; and

Whereas, The Board has received and discussed the proposed HUB goals, and the Board desires to adopt TRS' HUB goals for fiscal year 2019; now, therefore, be it

Resolved, That the Board hereby adopts the following HUB expenditure goals for fiscal year 2019:

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

Dr. Gibson moved, and the Board voted to adopt the state contribution certifications for TRS-Care in fiscal year 2019, the fiscal year 2020-2021 biennium, as well as the pension trust fund for the fiscal year 2020-2021 biennium, as recommended by the Budget Committee.

13. Receive the report of the Investment Management Committee on its July 26, 2018 meeting and consider approval of a Resolution selecting an Advisor consistent with 1.3 of the Investment Policy Statement; and consideration of a finding that deliberating or conferring on the selection of the Board Advisor in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person– Committee Chair.

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

The Investment Management Committee met on Thursday, July 26, 2018. The first presentation conducted was by Jerry Albright with his CIO update. Following, guest speaker, Dan Pickering from Tudor, Pickering, Holt, provided a presentation on the state of the energy markets.

The first quarter 2018 performance review was then reviewed by Steve Voss and Mike McCormick with Aon Hewitt. Eric Lang followed with an annual update on external private markets. Neil Randall then presented his update for private equity, Grant Walker for real assets, and Carolyn Hansard concluded the private markets update with energy, natural resources and infrastructure.

Next, Katy Hoffman and James Nield reviewed proposed modifications to the investment policy. Jerry Albright then provided an update on the London satellite office

and discussions of a potential office in Asia. Concluding the Investment Management Committee, Katy Hoffman presented a review of the Board advisors role and recommended to the Board the adoption of a resolution selecting one or more advisors.

Mr. Colonna moved and the Board voted to adopt the resolution selecting the recommended advisors as required by Section 1.3 of the investment policy statement, as recommended by the committee.

Resolution
July 26 – 27, 2018

Whereas, Section 1.3(a) of the Board's Investment Policy Statement states that the Board selects a Board Investment Advisor to provide investment advice and related services primarily to the Board and, in aid of the services provided to the Board, to the Investment Management Division;

Whereas, Section 1.3(e) of the Board's Investment Policy Statement requires that the Board approve the engagement of Advisors, as defined in the Investment Policy Statement, to provide investment advisory and consulting services to the Board and the Investment Management Division;

Whereas, The Investment Management Division has performed procedures and due diligence relating to the Board Investment Advisor using an internal assessment procedure as permitted by the Board's Procurement Policy, and is recommending that the Committee recommend to the Board the engagement of Aon Hewitt Investment Consulting, Inc.; and

Whereas, The Investment Management Division has performed procedures and due diligence relating to the engagement of one or more firms to provide investment advisory and consulting services to the private markets and external public markets portfolios using an internal assessment procedure as permitted by TRS policies, and is recommending that the Committee recommend to the Board engagement of Albourne America LLC;
Now therefore, be it:

Resolved, That the Investment Management Committee hereby recommends that the Board of Trustees (the "Board") of the Teacher Retirement System of Texas adopt the following resolutions:

Resolved, That the Board hereby determines that the selection of Aon Hewitt Investment Consulting, Inc. represents the best overall value for TRS and authorizes the Executive Director and his designees to negotiate, with the assistance and advice of legal counsel, an agreement with Aon Hewitt Investment Consulting, Inc. to serve as the Board Investment Advisor under the Investment Policy Statement for an initial term not to exceed five (5) years beginning with fiscal year 2019, with one or more options to extend for up to two additional years, on substantially the terms discussed with the Board; and

Resolved, That the Board hereby determines that the selection of Albourne America, LLC represents the best overall value for TRS and hereby authorizes the Executive Director and his designees to negotiate, with the assistance and advice of legal counsel,

agreements and statements of work with Albourne America, LLC to provide private markets and external public markets investment advisory and consulting services, including but not limited to serving as an Advisor under the Investment Policy Statement as required or as requested, each for an initial term not to exceed five (5) years beginning with fiscal year 2019, with one or more options to extend for up to two additional years, on substantially the terms discussed with the Board; and

Resolved, That if the negotiations with Aon Hewitt Investment Consulting, Inc. and Albourne America, LLC, respectively, are deemed by the Executive Director in his discretion to be successful, then the Executive Director is hereby authorized to execute agreements with each firm on such terms and conditions as the Executive Director may deem in his discretion to provide the best overall value to TRS, and to execute and deliver all such other documents that the Executive Director and legal counsel may deem necessary or appropriate to implement this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to incur, approve, and pay any budgeted expenses or costs associated with each of such agreements and deemed in the discretion of the Executive Director to be reasonably necessary or advisable with respect to each agreement.

14. Receive the report of the Audit Committee on its July 26, 2018 meeting and consider the appointment, replacement and compensation of the chief audit executive - Committee Chair.

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

The Audit, Compliance and Ethics Committee met on Thursday, July 26, 2018. The chief compliance officer presented routine compliance reports, including the complaint summary and compliance violation summary. Internal Audit staff presented the results of projects, including reports on TRS compliance testing, TRS Investment Company of Texas, TRICOT, cost-benefit audit, TRS-ActiveCare eligibility, enrollment and billing system pre-implementation audit, vendor procurement audit, and employer data analysis testing. Internal Audit staff also presented the status of outstanding audit and consulting recommendations and various administrative reports. The committee went into executive session to discuss personnel matters concerning the CAE.

15. Receive an update from the Deputy Director – Ken Welch.

Mr. Welch reviewed the diversity initiative. He noted diversity does not stop with recruitment, but continues with treating people equitably, and through promotion and retention.

Mr. Welch then announced this years Shining Example Award winner was the Health Insurance Benefits team. He announced the Hedge Fund team as winning the Executive Director's Award of Excellence. Mr. Welch concluded by reviewing retirements that have or will occur during this summer, noting his own upcoming retirement.

16. Receive a presentation from Focus Consulting on the evaluation of the Executive Director and the Chief Investment Officer – Keith Robinson, Focus Consulting.

Mr. Keith Robinson provided a brief overview walking through the steps in the evaluation process.

17. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, or Chief Investment Officer – Jarvis V. Hollingsworth.

A. Discuss and consider the evaluation, compensation, and duties of the Executive Director.

B. Discuss and consider the compensation and duties of the Chief Investment Officer.

At 12:52 p.m. Mr. Hollingsworth, without objection, announced the Board would go into an executive session for agenda items 7(b) and 17 under section 551.071 and 551.074 of the Texas Government Code.

At 3:40 p.m., Mr. Hollingsworth reconvened the Board meeting.

18. 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.

This agenda item was not taken up.

At 3:40 p.m., Mr. Hollingsworth announced the adjournment of the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 21st DAY OF SEPTEMBER, 2018.

ATTESTED BY:

Katherine H Farrell

Katherine H. Farrell

Secretary to the TRS Board of Trustees

9/24/18
Date