

Minutes of the Board of Trustees

September 1, 2017

The Board of Trustees of the Teacher Retirement System of Texas met on September 1, 2017, in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River Street, Austin, Texas. The following Board members were present:

David Kelly, Chair
Karen Charleston
John Elliot
Greg Gibson
Christopher Moss
Dolores Ramirez

Others present:

Brian Guthrie, TRS
Ken Welch, TRS
Don Green, TRS
Carolina de Onís, TRS
Rebecca Merrill, TRS
Katrina Daniel, TRS
Jerry Albright, TRS
Jase Auby, TRS
Sylvia Bell, TRS
Heather Traeger, TRS
Katherine Farrell, TRS
Chet Henry, TRS
Steve Huff, Reinhart Boerner Van Deuren
Dan Pawlisch, Aon Hewitt
William Hickman, GRS
Amy Coehn, GRS

Howard Goldman
Brent Neese, NTSA
Ted Kennedy, AIG-VALIC
Eric Levy, AIG-VALIC
Tom Rogers, ARTA-TRTA
Shannon Meroney, AIG & Nat'l Life
Susan Jennings, National Life
Michael O'Neill, Global Atlantic
Phil Lynch, 1st American Pension
Jay Thompson, TALHI
David Lynch, 1st American Pension
Dick Nance, TRTA
Alfred Ayensu-Ghum, AXA
Fred Makonnen, AXA
John Osborn, The Pension Professional
Tim Lee, TRTA
Brock Gregg, TRTA
Mike Merony, TALHI
David Gonzales, Humana
Justin Mullins, Plan Member
Bogan Pollock, OOG
Joni Corano, Caremark
Ann Fickel, TCTA
Debroah Polan, AIG
Ted Melina Raab, Texas AFT
Danielle Lobsinger, NAIFA- Texas
Eddie Solis, AXA

Mr. Kelly called the meeting to order at 9:05 a.m.

1. Call roll of Board members.

Ms. Farrell called the roll. A quorum was present. Mr. Colonna and Mr. Corpus were absent.

2. Consider the following administrative items – David Kelly:

A. Approval of the proposed June 1-2, 2017 Board meeting minutes.

Mr. Kelly requested a moment of silence to be observed to recognize the people we've lost in Houston and those that are struggling in Houston.

On a motion by Dr. Gibson, seconded by Mr. Elliott, the Board unanimously voted to approve the proposed minutes of the July 13, 2017, Board meeting.

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

No changes to the future Board meetings schedule were addressed.
This item was not taken up.

3. Provide opportunity for public comment – David Kelly.

Ms. Ann Fickel representing the Texas Classroom Teachers Association (TCTA) addressed the Board regarding TRS-Care and proposed plan changes.

Mr. Tim Lee, Executive Director of the Texas Retired Teachers Association (TRTA), addressed the Board regarding return-to-work provisions and TRS-Care.

Mr. Brent Neese, Executive Director National Tax-Deferred Savings Association (NTSA) an affiliate of the American Retirement Association (ARA), addressed the Board regarding various concerns for the proposed 403(b) rules.

Mr. Fred Makonnen, Division Vice President with AXA, addressed the Board regarding concerns for the proposed 403(b) rules.

Mr. Michael O'Neill with Global Atlantic Financial Group addressed the Board regarding concerns for the proposed 403(b) rules.

Mr. Jay Thompson representing Texas Association of Life and Health Insurers (TALHI) addressed the Board regarding concerns for the proposed 403(b) rules.

Ms. Susan Jennings, Senior Counsel at National Life Group, addressed the Board regarding concerns for the proposed 403(b) rules.

Mr. Eric Levy, Executive Vice President for Variable Annuity Life Insurance Company (VALIC) whose parent company is American International Group (AIG), addressed the Board regarding concerns for the proposed 403(b) rules.

Mr. John Osborn with The Pension Professional and Houston Capital Partners, addressed the Board in support of the proposed 403(b) rules.

4. Recognize the service of Howard Goldman –

Mr. Kelly recognized the service of Howard Goldman. Mr. Kelly remarked that Mr. Goldman has been a fantastic steward of TRS public image and a fantastic ambassador to TRS' information. The Board offered words of appreciation for how Mr. Goldman has been a great asset to the agency.

Mr. Kelly requested a resolution in recognition of Mr. Goldman be formally entered into the record:

**RESOLUTION OF THE BOARD OF TRUSTEES REGARDING THE SERVICE
OF Howard Goldman**

WHEREAS, Howard Goldman has 24 years of service to the State of Texas, including 21 at the Teacher Retirement System of Texas, joining in September 1996 as Information Services Coordinator and then Director of Communications; and

WHEREAS, as TRS' Public Information Officer, Howard responded to media inquiries and open records requests; developed news releases, and trained trustees and executives on the External Communication Policy he created; and

WHEREAS, Howard launched TRS' first website in 1997; enhanced the site in 2006; and launched a redesign in 2016 with improved navigation, content and accessibility; and

WHEREAS, during the Great Financial Crisis, Howard led statewide "Report Card Tour" meetings for trustees and executives to update members and retirees on the fund's status; and

WHEREAS, Howard oversaw TRS Trustee elections, procuring external election services, introducing redesigned ballots and internet voting, and preparing certification materials; and

WHEREAS, in 2010 with Howard's guidance, TRS began live board meeting webcasts and produced a services of interviews called "TRS Today," along with a number of instructional videos; and

WHEREAS, through is leadership, TRS improved online access to the website in 2011 through *MY TRS*, allowing members to securely access account information, and subscribe to publications; and

WHEREAS, Howard led the production of new publications such as the *TRS Benefits Hand-book* (with Spanish translation) and style guides in wiring, graphics and web content; and

WHEREAS, in 2012 Howard led activities observing TRS' 75th anniversary, including a video and online museum, an employee barbeque, and new branding materials including logos;

WHEREAS, Howard oversaw all aspects of customer satisfaction and related research projects serving as project manager for the biennial Member Satisfaction Survey; and

WHEREAS, in 2012 Howard guided TRS to premier its social media program and conducted TRS' first statewide student artwork contest, which attracted over 3,500 entries; and

WHEREAS, with TRS' core values in mind, Howard always offered constructive suggestions in a professional manner, treating others with courtesy and respect with his unique sense of humor; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees and staff of the Teacher Retirement System of Texas recognize the accomplishments and contributions of Howard Goldman at TRS during his highly successful career with the retirement system and express their sincere appreciation on behalf of TRS members both present and future,

AND BE IT FURTHER RESOLVED, that a copy of this resolution be presented to Howard Goldman and entered into the record of the Board for September 1, 2017.

Mr. Goldman stated it has been an honor to be working for the Board and TRS.

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

Mr. Guthrie discussed reaching an important milestone, the overall progress of the program and the challenges they faced as a result of the hurricane and weather down in the coastal and Houston area. He said over 300,000 members were identified as possibly being affected by the hurricane. He said most of the reporting entities down in the area are going to be closed at least through September 6th. He said at this point they did not know who was going to be able to report and who would not. He then reviewed the key timeline for Phase 1.

Mr. Guthrie reported they are identifying possible contingencies in the event the reporting entities would not be able to do year-end close and how that would affect moving forward with Phase 1. He said if all goes as planned though in a week the cutover process will start. He said going live with Phase 1 was just 31 days away. He noted there were scheduling risks for Phase 2 due to the prioritization of Phase 1.

Mr. Guthrie said the other issue they were monitoring was the tremendous progress on coordinating efforts with DXC and all of the other contractors working on TEAM to make sure scheduling and resources are available to get the job done.

6. Discuss the Executive Director's report on the following:

- A. Administrative operational matters, including updates on the Executive Director's goals; financial, audit, legal, staff services, investment, board administration, special projects, long-term space planning, strategic planning and legislative update.**
- B. Board operational matters, including a review of draft agendas for upcoming meetings.**
- C. 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 announced the Policy Committee was not meeting later that day and therefore he quickly reviewed the rules that were published previously under his authority.

Mr. Guthrie provided general updates on past conferences and meetings and listed upcoming ones. He also reviewed the proposed TRS Board Meeting dates for the 2018 calendar year.

Mr. Guthrie reviewed legislation that was proposed and passed during special session.

Mr. Guthrie reviewed the upcoming board meeting agendas for September 21-22, 2017 and October 27, 2017.

7. Consider certifying to the State Comptroller of Public Accounts the estimated amount of state contributions to be received by the retired school employees group health benefit fund for fiscal year 2018 – Don Green.

Mr. Don Green reviewed how TRS is required by statute to certify annually the estimate for TRS-Care. Mr. Green stated the estimated amount recommended for certification was \$795,729,797.

On a motion by Mr. Moss, seconded by Ms. Ramirez, the Board unanimously approved the following certification to the State Comptroller of Public Accounts:

At its meeting on August 25, 2017, the Board of Trustees of the Teacher Retirement System, on a motion by Mr. Moss, seconded by Ms. Ramirez, voted to certify \$795,729,797 as the estimated amount of state contributions to be received by the retired school employees group insurance fund (TRS Care) for the 2018 fiscal year under the appropriations authorized by Chapter 1575 of the Insurance Code, the Texas Public School Retired Employees Group Benefits Program. This amount includes \$401,129,797 to increase the state contribution rate to 1.25% of active public school employee payroll plus a supplemental amount of \$182,600,000 as authorized in the General Appropriations Act (Senate Bill 1, 85th Legislature, Regular Session). The total referenced above includes an additional \$212,000,000 that was appropriated via HB 21 during the first called session.

This estimate of state contributions is required by Section 1575.209 of the Insurance Code.

8. Receive a report on Historically Underutilized Businesses program (HUB) for fiscal year 2017 and consideration of related goals for fiscal year 2018 – Don Green.

Mr. Green introduced the topic and Ms. LaTressa Stroud, the new director of procurement and contracts. Ms. Stroud discussed TRS' HUB goals and outreach efforts.

On a motion by Dr. Gibson, seconded by Mr. Moss, the Board unanimously approved the following resolution:

Whereas, TRS staff developed proposed HUB goals for fiscal year 2018 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 2018; now, therefore, be it

Resolved, That the Board hereby adopts the following HUB expenditure goals for fiscal year 2018:

- **Commodities -40%**
- **Other Services -15%**
- **Professional Services -5%**
- **Special Trade -40%**

9. Review and consider adoption of premiums and plan design for TRS-Care, the retiree health benefits program, including the standard plan, the fully insured Medicare Advantage Plans and the Medicare Part D Plans. – Katrina Daniel; William Hickman and Amy Cohen, Gabriel, Roeder, Smith & Company.

Ms. Katrina Daniel discussed the two bills that were passed during the special session by the legislature that added \$212 million additional supplemental funds for TRS-Care for the coming biennium. Ms. Daniel reviewed the proposed reductions to the premium and plans designs, noting there was no change to the drug coverage. Mr. Guthrie stated during the interim, with these changes, the projected shortfall is between \$500-700 million.

Ms. Daniel reviewed the robust communication campaign that has been undertaken. She discussed a new website which is simpler and easier to find information, the revival of the Pulse e-newsletter and mailers that will go out regarding the decisions made today by the Board. She reported 88 sessions were scheduled over 40 days in towns all over the state. She said all of the vendors will be attending the sessions as well as TRS. She noted issues with the areas affected by the recent hurricane and said they were expanding the number of webinars held to help with this issue.

On a motion by Mr. Moss, seconded by Dr. Gibson, the Board unanimously adopted the following resolution:

**RESOLUTION ADJUSTING THE PLANS OFFERED
UNDER TRS-CARE AND APPROVING PREMIUM
RATES AND BENEFIT PLAN DESIGNS**

September 1, 2017

Whereas, Chapter 1575, Insurance Code, authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the uniform group health benefits program ("TRS-Care") under the Texas Public School Retired Employees Group Benefits Act, as described in the statute;

Whereas, in response to legislation passed during the Regular Session of the 85th Legislature, the TRS Board of Trustees ("Board") adopted a resolution on June 2, 2017 entitled "Resolution Adjusting the Plans Offered under TRS-Care and Approving Premium Rates and Benefit Plan Designs";

Whereas, in response to additional funding for TRS-Care provided by the 85th Legislature during a special session, TRS desires to replace in full the above noted resolution adopted on June 2, 2017;

Whereas, TRS-Care currently offers coverage in three standard plans (i.e., TRS-Care 1, TRS-Care 2, and TRS-Care 3), offers coverage in two fully insured Medicare Advantage plans (i.e., the TRS-Care 2 Medicare Advantage plan and the TRS-Care 3 Medicare Advantage plan), and offers coverage in two Medicare Prescription Drug plans (i.e., the TRS-Care 2 Medicare Prescription Drug plan and the TRS-Care 3 Medicare Prescription Drug plan);

Whereas, due to the passage of recent legislation, TRS staff and the TRS health benefits consultant, Gabriel, Roeder, Smith & Company ("GRS") have recommended that the current Fiscal Year 2017 plan year of the existing TRS-Care standard plans be extended through December 31, 2017 and the TRS-Care standard plans themselves be continued through December 31, 2017, under their current premium rate structure and current benefit plan designs;

Whereas, due to the passage of recent legislation, TRS staff and GRS have recommended that the existing TRS-Care standard plans be discontinued at the end of Calendar Year 2017;

Whereas, due to the passage of recent legislation, TRS staff and GRS have recommended that the existing TRS-Care Medicare Advantage plans and the existing TRS-Care Medicare Prescription Drug plans be discontinued at the end of Calendar Year 2017;

Whereas, due to the passage of recent legislation, TRS staff and GRS have recommended that beginning January 1, 2018, TRS establish and make available a high deductible health plan for TRS-Care enrollees who are not eligible to enroll in Medicare, with the major benefit plan designs set out in Exhibit A, attached to this resolution and incorporated herein by reference;

Whereas, due to the passage of recent legislation, TRS staff and GRS have recommended that beginning January 1, 2018, TRS establish and make available a new Medicare Advantage plan and a new Medicare Prescription Drug plan (together, the “New Medicare Plans”) for TRS-Care enrollees who are eligible to enroll in Medicare, with the major benefit plan designs set out in Exhibit A;

Whereas, due to the passage of recent legislation, TRS staff and GRS have recommended that beginning January 1, 2018, TRS establish and make available a non-Medicare medical plan (the “Alternative Medical Plan”) and a non-Medicare prescription drug plan (the “Alternative Prescription Drug Plan”) (together, the “Alternative Plans”) that will only be available to TRS-Care enrollees who are eligible to enroll in Medicare, but would suffer a hardship, as determined by TRS, by being enrolled in the New Medicare Plans, with the major benefit plan designs set out in Exhibit A;

Whereas, TRS staff and GRS have recommended that for the Calendar Year 2018 plan year, beginning on January 1, 2018, premium rates in the high deductible health plan, in the New Medicare Plans, and in the Alternative Plans, be set at the amounts found in Exhibit B;

Whereas, TRS staff and GRS have recommended that the transition in enrollment from TRS-Care plans in existence as of December 31, 2017, to TRS-Care plans in existence as of January 1, 2018, shall take place on January 1, 2018, in accordance with enrollment criteria and enrollment procedures established by law or by TRS; and

Whereas, the Board desires to adopt the recommendations of TRS staff and GRS; now, therefore, be it

Resolved, That this resolution supersedes and replaces in full the resolution adopted by TRS on June 2, 2017 and contained in the June Board minutes adopted by the Board on July 13, 2017, entitled “Resolution Adjusting the Plans Offered under TRS-Care and Approving Premium Rates and Benefit Plan Designs”;

Resolved, That the Board hereby adopts and authorizes the extension of the current Fiscal Year 2017 plan year of the existing TRS-Care standard plans through December 31, 2017 and the continuation of TRS-Care standard plans themselves through December 31, 2017, under their current premium rate structure and current benefit plan designs;

Resolved, That the Board hereby adopts and authorizes staff to discontinue the existing TRS-Care standard plans at the end of Calendar Year 2017;

Resolved, That the Board hereby adopts and authorizes staff to discontinue the existing TRS-Care Medicare Advantage plans and the existing TRS-Care Medicare Prescription Drug plans at the end of Calendar Year 2017;

Resolved, That the Board hereby adopts and authorizes staff to establish and make available a high deductible health plan for TRS-Care enrollees who are not eligible to enroll in Medicare, beginning January 1, 2018 and until further action of the Board, with the major benefit plan designs set out in Exhibit A, attached to this resolution and incorporated herein by reference;

Resolved, That the Board hereby adopts and authorizes staff to establish and make available a new Medicare Advantage plan and a new Medicare Prescription Drug plan (together, the “New Medicare Plans”) for TRS-Care enrollees who are eligible to enroll in Medicare, beginning January 1, 2018 and until further action of the Board, with the major benefit plan designs set out in Exhibit A;

Resolved, That the Board hereby adopts and authorizes staff to establish and make available a non-Medicare medical plan (the “Alternative Medical Plan”) and a non-Medicare prescription drug plan (the “Alternative Prescription Drug Plan”) (together, the “Alternative Plans”) that will only be available to TRS-Care enrollees who are eligible to enroll in Medicare, but would suffer a hardship, as determined by TRS, by being enrolled in the New Medicare Plans, beginning January 1, 2018 and until further action of the Board, with the major benefit plan designs set out in Exhibit A;

Resolved, That beginning on January 1, 2018, and until further action of the Board, the Board hereby adopts and authorizes the premium rates in the high deductible health plan, in the New Medicare Plans, and in the Alternative Plans, set at the amounts found in Exhibit B;

Resolved, That the Board authorizes and directs the transition in enrollment from TRS-Care plans in existence as of December 31, 2017, to TRS-Care plans in existence as of January 1, 2018, shall take place on January 1, 2018, in accordance with enrollment criteria and enrollment procedures established by law or by TRS;

Resolved, That the Board finds that, considering the actions taken in the resolutions above, TRS-Care is projected to remain financially solvent during the currently funded biennium; and

Resolved, That until further action by the Board, the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution, and to otherwise implement, administer, and continue the TRS-Care program until further action by the Board.

Exhibit A

TO THE RESOLUTION ADJUSTING THE PLANS OFFERED UNDER TRS-CARE AND APPROVING PREMIUM RATES AND BENEFIT PLAN DESIGNS

Major Benefit Plan Designs

High Deductible Health Plan

The Board hereby approves and adopts the following major benefit plan design elements for the High Deductible Health Plan, subject to all other plan requirements and restrictions, beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Benefits	For the Calendar Year 2018 Plan Year
In-Network	
Individual Deductible	\$1,500
Family Deductible	\$3,000
Individual Out-of-Pocket Maximum	\$5,650
Family Out-of-Pocket Maximum	\$11,300

Coinsurance	80% / 20%
Out-of-Network	
Individual Deductible	\$3,000
Family Deductible	\$6,000
Individual Out-of-Pocket Maximum	\$11,300
Family Out-of-Pocket Maximum	\$22,600
Coinsurance	60% / 40%
Retail Pharmacy	80% / 20%
Retail Pharmacy Maintenance Drugs	80% / 20% (\$0 copay for certain generic preventive maintenance medications)
Mail Order / Retail 90 Pharmacy	80% / 20% (\$0 copay for certain generic preventive maintenance medications)

New Medicare Advantage Plan

The Board hereby approves and adopts the following major benefit plan design elements for the New Medicare Advantage Plan, subject to all other plan requirements and restrictions, beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Benefits	For the Calendar Year 2018 Plan Year
Individual Deductible	\$500
Individual Out-of-pocket maximum	\$3,500
Coinsurance	95% / 5%
In Patient Hospital Copay per Stay	\$500
Out Patient Hospital Copay per Visit	\$250
ER Copay	\$65
Urgent Care Copay	\$35
Primary Care Physician Office Visit Copay	\$5
Specialist Office Visit Copay	\$10
Preventive Services Copay	\$0

New Medicare Prescription Drug Plan

The Board hereby approves and adopts the following major benefit plan design elements for the New Medicare Prescription Drug Plan, subject to all other plan requirements and restrictions, beginning in

the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Benefits	For the Calendar Year 2018 Plan Year
Retail Pharmacy Copay	
Generic	\$5
Preferred Brand	\$25
Non-Preferred Brand	\$50
Specialty	\$50
Mail Order Pharmacy Copay	
Generic	\$15
Preferred Brand	\$70
Non-Preferred Brand	\$125
Specialty	\$125

Alternative Medical Plan

The Board hereby approves and adopts the following major benefit plan design elements for the medical benefits under the Alternative Medical Plan, subject to all other plan requirements and restrictions, beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Medicare Status	Benefits	For the Calendar Year 2018 Plan Year
Enrolled in Medicare Parts A and B	Individual Deductible	\$1,300
	Family Deductible	\$2,600
	Individual Out-of-pocket maximum	\$7,150
	Family Out-of-pocket maximum	\$14,300
	In-Network Coinsurance	80%/20% after Medicare
	Out-of-Network Coinsurance	60%/40% after Medicare
	Preventive Services Copay	\$0
All other Medicare eligible participants ¹	Individual Deductible	\$1,300
	Family Deductible	\$2,600
	Individual Out-of-pocket maximum	\$7,150
	Family Out-of-pocket maximum	\$14,300
	In-Network Coinsurance	80%/20%
	Out-of-Network Coinsurance	60%/40%
	Inpatient Hospital Stay	\$500 copay
	Outpatient Hospital Visit	\$250 copay
	Urgent Care Facility Visit	\$35 copay
	ER Visit	\$65 copay
	Physician Office Visit Copay	\$35
	Preventive Services Copay	\$0

¹ Medicare Part B enrollment is assumed for claims adjudication purposes.

Alternative Prescription Drug Plan

The Board hereby approves and adopts the following major benefit plan design elements for the drug benefits under the Alternative Prescription Drug Plan, subject to all other plan requirements and restrictions, beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Benefits	For the Calendar Year 2018 Plan Year
Retail Pharmacy Copay*	
Generic	\$13
Preferred Brand	\$40
Non-Preferred Brand	\$65
Mail Order Pharmacy Copay	
Generic	\$25
Preferred Brand	\$100
Non-Preferred Brand	\$165
*For maintenance medications filled at a retail pharmacy, there will be a \$10 convenience fee added to the copay on the second and subsequent refills.	

Exhibit B

TO THE RESOLUTION ADJUSTING THE PLANS OFFERED UNDER TRS-CARE AND APPROVING PREMIUM RATES AND BENEFIT PLAN DESIGNS

Monthly Premium Rates

High Deductible Health Plan

The Board hereby approves and adopts the following monthly premium rates* for the High Deductible Health Plan beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Coverage Tier	Non-Medicare Retiree Premiums	Non-Medicare Disability Retiree Premiums*	Non-Medicare Retiree with Disabled Child(ren) Premiums**
Retiree Only	\$200	\$0	N/A
Surviving Spouse Only	\$200	N/A	N/A
Retiree and Spouse	\$689	\$489	N/A
Retiree and Child(ren)	\$408	\$208	\$208

Surviving Spouse and Children	\$408	N/A	\$208
Retiree and Family	\$999	\$799	\$799
Surviving Child(ren)	\$208	N/A	\$8

- * No monthly premium is due for a retiree himself or herself who has taken a disability retirement under the TRS pension on or before January 1, 2017, is receiving disability retirement benefits from the TRS pension, and is not eligible to enroll in Medicare.
- ** To qualify for this premium, the Retiree or Surviving Spouse must have an enrolled child with a mental disability or a physical incapacity, as determined by TRS.

New Medicare Plans and Alternative Plans

The Board hereby approves and adopts the following monthly premium rates for the New Medicare Plans and the Alternative Plans beginning in the Calendar Year 2018 plan year commencing on January 1, 2018 and for all plan years thereafter, until further action by the Board:

Coverage Tier	Medicare Retiree Premiums	Medicare Retiree with Disabled Child(ren) Premiums*
Retiree / Surviving Spouse Only	\$135	N/A
Retiree and Spouse	\$529	N/A
Retiree / Surviving Spouse and Child(ren)	\$468	\$268
Retiree and Family	\$1,020	\$820
Surviving Child(ren)	\$208	\$8

- * To qualify for this premium, the Retiree or Surviving Spouse must have an enrolled child with a mental disability or a physical incapacity, as determined by TRS.

10. Discuss and consider the selection of the Board Proxy Advisor including considering a finding that deliberating or conferring on the selection of the proxy advisor in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person— Sylvia Bell.

Ms. Sylvia Bell reviewed the purpose of the TRS proxy program and how in April 2017, as part of the proxy policy update it was determined that the Board select the independent proxy services advisor. She stated there were three RFP submissions and two finalists, Glass Lewis and ISS. The two finalists made presentations to the Board.

Mr. Jeffrey Thompson, SVP of Sales and Marketing, provided a presentation to the Board regarding the services of Glass Lewis.

Ms. Lorraine Kelly, Head of Proxy Business, provided a presentation to the Board regarding the services of ISS.

Ms. Bell stated Staff recommended that TRS continue with ISS as the proxy service provider and provided supporting reasons for the recommendation.

On a motion by Mr. Moss, seconded by Ms. Ramirez, the Board unanimously voted to adopt the following resolution:

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

September 1, 2017

**RESOLUTION CONCERNING THE SELECTION AND ENGAGEMENT OF
PROVIDER OF PROXY ADVISORY SERVICES**

Resolved, That the Board of Trustees (the "Board") of the Teacher Retirement System of Texas ("TRS") hereby selects ISS as the provider of independent proxy advisory services ("Proxy Advisor") to the Board and TRS, having determined that engaging the firm represents the best overall value for TRS;

Resolved, That the Executive Director or a designee, with the assistance of legal counsel, is authorized to negotiate and to execute a contract with the selected Proxy Advisor that is consistent with the best interests of TRS for an initial term not to exceed five (5) years in duration beginning on September 1, 2017 or as soon thereafter as practicable, with one or more options for extensions not to exceed a total of two (2) years; and

Resolved, That the Executive Director or a designee, in implementing this resolution in the best interests of TRS, may execute contract amendments and other ancillary instruments that the Executive Director may deem necessary or appropriate and to incur, approve, and pay reasonable and necessary budgeted expenses or costs associated with the executed contract and any amendment.

11. Review the report of the Policy Committee on its September 1, 2017 meeting.

This item was not taken up.

12. Receive an update on the 403(b) proposed rulemaking – Rebecca Merrill.

Ms. Rebecca Merrill provided the background and history of the 403(b) program. In response to Mr. Kelly's question, Ms. Merrill stated the Board was given authority to set fees but was not given a fee schedule to implement. Ms. Merrill reviewed the proposed rule and discussed the issues identified by interested parties. She said the issue receiving the most comments was adjusting allowable maximum fees, costs and penalties. She said they have also heard issues identified with the Product Registration System and the difficulty to register products especially for platform companies. Other issues raised she said were timing of implementation and grandfathering and then suspension and revocation.

Mr. Dan Pawlisch discussed feedback received by commenters. He then reviewed how the fee caps were arrived at in the proposed rule. He stated a weighted average represented the way that participants and investors allocated capital, and therefore was an appropriate way to look at how to set expense ratios on a going forward basis. He said they also examined if the 125 basis points was an appropriate fee for product administration cost. He said they conducted a benchmark survey of 20 schools and one charter school. Through this survey they reviewed approximately 300 funds with assets totaling \$77 million. He said on average they found the administrative expenses to be 111 basis points but staff decided to maintain the current 125 basis points. Next, Mr. Pawlisch discussed the erosive effect the fees have on investment returns.

Ms. Merrill discussed alternatives to the current proposed rules. She discussed the possible implementation dates of October 2018 or April 2019 rather than the current proposed date of April 2018. Ms. Merrill stated there was no vote today but was seeking feedback from the Board about noticing the alternative options discussed. She said they would withdraw the current proposed rules, re-notice the proposed rules under the Executive Director's authority and bring the rules back for adoption at the October Board meeting.

13. Discuss and consider organizational structure including personnel matters, appointments, employment, evaluation, reassignment, duties, discipline dismissal and other personnel matters involving compensation, of a public officer or employee, and succession planning for the Executive Council members – Brian Guthrie and Jerry Albright.

Mr. Guthrie discussed TRS organizational changes. He reviewed changes such as the Health Insurance Benefits and Benefit Services divisions report directly to the Executive Director regarding policy issues and will continue to report to the Deputy Director regarding operational issues. He noted this change will have the three programmatic functions reporting directly to him. He noted the rebranding of the Department of Strategic Initiatives to the Chief Strategy Office, moving communications into this division. The other rebranding was in regards to HR, changing it to Talent Management and Cultural Excellence recognizing the wide arching responsibilities of that division that go beyond the traditional HR functions. Mr. Guthrie discussed the organizational structure post TEAM such as the need to maintain the project management office.

Mr. Jerry Albright reviewed the organizational changes within the Investment Management Division.

14. Consult with the Board's attorney(s) in Executive Session on any item listed above on this meeting agenda as authorized by Section 551.071 of the Texas Open Meetings Act (Chapter 551 of the Texas Government Code) – David Kelly.

This agenda item was not taken up.

At 4:43 p.m., on a motion by Ms. Ramirez, seconded by Dr. Gibson, the Board unanimously voted to adjourn.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM
ON THE 21st DAY OF September, 2017.

ATTESTED BY:

Katherine H Farrell

Katherine H. Farrell
Secretary of the TRS Board of Trustees

9/25/17
Date