

## **Minutes of the Board of Trustees**

**July 29, 2016**

The Board of Trustees of the Teacher Retirement System of Texas met on July 29, 2016, 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:

David Kelly, Chair  
Joe Colonna  
David Corpus  
John Elliott  
Greg Gibson  
Christopher Moss  
Anita Palmer  
Dolores Ramirez

### **Others present:**

Brian Guthrie, TRS	Ajay Dalal, Express Scripts
Ken Welch, TRS	Ernie Sanders, HPE
Don Green, TRS	Victor Ferreira, HPE
Carolina de Onís, TRS	Sabina Rahman-Garcia, Humana
Katrina Daniel, TRS	Tiffany Calderon, Humana
Jerry Albright, TRS	Tim Lee, TRTA
Amy Barrett, TRS	Andrew Clark, Speaker's Office
Toma Miller, TRS	David Flores, Nitya Capital
Chris Bailey, TRS	Joni Lozann, Caremark
Ashley Inman, TRS	Patricia Del Rio, Aetna
Meaghan Budean, TRS	Rose Pullen, Aetna
Katherine Farrell, TRS	Ann Fickel, TCTA
	Ted Melina Raab, Texas AFT

Mr. Kelly called the meeting to order at 9:10 a.m.

### **1. Call roll of Board members.**

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

### **2. Consider the following administrative items – David Kelly:**

#### **A. Approval of the proposed June 16-17, 2016 Board meeting minutes.**

On a motion by Dr. Gibson, seconded by Ms. Ramirez, the Board unanimously voted to approve the proposed minutes of the June 16 and 17, 2016, Board meeting.

#### **B. Excusing Board member absences from the June 16-17, 2016 Board meeting.**

On a motion by Mr. Moss, seconded by Dr. Gibson, the Board unanimously voted to excuse the absences of Dolores Ramirez from June 17, 2016, Board meeting and Joe Colonna and John Elliott from the June 16 - 17, 2016, Board meeting.

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

It was determined the scheduled October Board meeting will stand.

**3. Provide opportunity for public comment – David Kelly.**

Mr. Tim Lee, Executive Director of Texas Retired Teachers Association (TRTA), addressed the Board concerning TRS-Care. Mr. Lee expressed concern and frustration over the \$1 billion crisis and TRTA's desire as a stakeholder to work with TRS in finding a solution.

**4. Receive an update on the TEAM Program – Ken Welch.**

Mr. Ken Welch reported that the beginning of the user acceptance test for Phase 1B of the line of business project will not meet the July 18, 2016 milestone and that Phase 1 will not be deployed this September.

Mr. Welch noted that at the last Board meeting he reported that, if the Phase 1 rollout did not occur this September, the next two feasible rollout periods would be March-April 2017 and September 2017. After much analysis and weighing of various impacts, Mr. Welch reported that the TEAM advisory group was recommending the designation of September 2017 as the new rollout date for the Phase 1. Mr. Welch pointed out this adjustment did not mean there would be a 12-month delay in the TEAM project. He said it is fully anticipated that Phase 2 business requirements could begin within 90 days of the original start date for those individual scheduled items.

Mr. Welch informed the Board of the assignment of a full-time individual, Chet Henry, to manage this project. Mr. Henry joined TRS recently as the deputy chief investment officer (CIO).

Mr. Welch reported he and Mr. Guthrie had been in a series of ongoing communications with HPE to address issues that the project was facing. Mr. Guthrie noted the meetings with HPE, the TEAM line-of-business vendor, had been very productive, if uncomfortable at times, and he saw momentum moving forward.

Mr. Kelly asked if reporting entities would benefit more from a March-April 2017 rollout date. Mr. Welch reported that such a timeline would not be better for reporting entities and that the advisory group preferred to have a clean start with the new school year rather than a mid-year implementation.

Mr. Kelly announced without objection that the Board would next take up agenda items 8 and 10.

**8. Discuss the Executive Director's report on the following – Brian Guthrie:**

**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, and strategic planning.**

**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 provided general updates. He said the National Council on Teacher Retirement (NCTR) workshop for trustees was held in Berkeley, California, in which Ms. Palmer was TRS' trustee representative. Ms. Palmer reported it was a good conference and that cyber security was a hot topic. Mr. Guthrie noted a couple of other upcoming meetings.

Mr. Guthrie noted that the first joint budget hearing before the Legislative Budget Board (LBB) and Governor's Budget Division would be September 27, 2016.

Mr. Guthrie updated the Board regarding emergency leave. The House General Investigating Committee held a hearing on the topic and did not invite TRS to testify. TRS has been cooperating with legislators and the State Auditor's Office in explaining how TRS has used emergency leave and providing related information.

Mr. Guthrie provided an update on the communications plan for the health benefit plan changes. He reported that TRS would be holding 60 to 80 seminars across the state on changes to the TRS-Care Medicare Advantage and Medicare Part D plans so that members would have an opportunity to get information and ask questions about changes to those plans, including the transition from Aetna to Humana as the new health-plan-administration-services vendor for Medicare Advantage. The vendor transition, he said, should be fairly seamless. Ms. Katrina Daniel added that, although the vendors were changing, the basic plan would remain the same. Mr. Guthrie noted the use of social media, Facebook and Twitter and other means of communicating with members to get the word out.

Regarding changes to prescription-drug benefits, Ms. Anita Palmer stated some local pharmacies had inquired about TRS members not being able to use them. Asked by Ms. Palmer to explain changes affecting local pharmacies, Ms. Daniel said that a change adopted by the Board emphasized the use of mail-order and select retail pharmacies to contain costs, and such change also reduced the size of the pharmacy network. Members, she said, could still use their local pharmacies by paying a bit more.

Mr. Guthrie stated that he Ms. Daniels would continue to update trustees on the status of changes to the health-benefits plans.

Mr. Guthrie concluded by updating the Board on a vendor's appeal of the Medicare Advantage contract award to Humana and a provider issue involving Aetna and covered members. He said the vendor's appeal had been resolved without any changes to the award, and the provider issue was nearing a resolution that would be satisfactory to the members involved.

**10. Consider the following statutory certifications of estimated state contributions – Don Green:**

Mr. Green explained the four certifications presented for the Board's consideration in agenda items 10A through 10D.

**A. 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 the fiscal year ending August 31, 2016.**

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

At its meeting on July 29, 2016, the Board of Trustees of the Teacher Retirement System, on a motion by Mr. Colonna, seconded by Ms. Palmer, voted to certify \$298,384,769 as the estimated amount of state contributions to be received by the retired school employees group insurance fund (TRS-Care) for the 2017 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 \$283,870,923 authorized in the General Appropriations Act (House Bill 1, 84th Legislature, Regular Session), plus an amount of \$14,513,846 due to fiscal year 2016 payroll costs being more than previously estimated. These contributions are based on 1.0 percent of the salary of each active public school employee.

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

**B. To the Legislative Budget Board and the Office of the Governor the estimate of state contributions to be received by the retired school employees group health benefit fund for fiscal years 2018 and 2019.**

On a motion by Dr. Gibson, seconded by Mr. Elliott, the Board unanimously approved the following certification to the Legislative Budget Board and the Budget Division of the Governor's Office:

At its meeting on July 29, 2016, the Board of Trustees of the Teacher Retirement System, on a motion by Dr. Gibson, seconded by Mr. Elliott, voted to certify the following estimated amounts as necessary to pay the state's contributions to the retired school employees' group insurance fund for the 2018–2019 biennium:

Fiscal Year 2018	Fiscal Year 2019
\$ 317,619,952	\$ 328,736,651

These estimates are required by Section 1575.208 of the Insurance Code and are based on the assumption that covered payroll will grow 3.5% per year and that the minimum statutory contribution rate of 1.0 percent will apply to both fiscal year 2018 and fiscal year 2019. Additionally, the agency will ask for an exceptional item in the Legislative Appropriations Request in the amount of \$1.35 billion to sustain the program through the end of FY2019 and will be working with the Joint Select Committee to address the issue.

**C. To the State Comptroller of Public Accounts the estimate of state contributions to the Pension Trust Fund for fiscal years 2018 and 2019.**

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 July 29, 2016, the Board of Trustees of the Teacher Retirement System, in compliance with Texas Government Code, Section 825.404 (b), on a motion by Mr. Moss, seconded by Ms. Ramirez, voted to certify the following estimated amounts as necessary to pay the state's contributions from General Revenue to the retirement system for the 2018–2019 biennium based on the appropriated contribution rate of 6.8% of the aggregate annual compensation of all members of the Teacher Retirement System to be:

Fiscal Year 2018	Fiscal Year 2019
\$ 1,891,490,692	\$ 1,955,281,240

These amounts are net of estimated funds to be received by the System for contributions based on compensation above the statutory minimum, other educational and general income, federal/private funding sources, and new member contributions. These estimates assume a covered payroll growth rate of 3.5% per year for public education and 2.5% per year for higher education.

**D. To the State Comptroller of Public Accounts the estimated amount of state contributions necessary to pay the state's contributions for those individuals participating in the Optional Retirement Program Fiscal Years 2018 and 2019.**

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

At its meeting on July 29, 2016, the Board of Trustees of the Teacher Retirement System (TRS), in compliance with Texas Government Code, Section 830.201(h), on a motion by Ms. Palmer, seconded by Mr. Moss, voted to certify the following estimated amounts as necessary to pay the state's contributions from General Revenue to the optional retirement system for the 2018–2019 biennium:

Fiscal Year 2018	Fiscal Year 2019
\$ 138,675,010	\$ 143,780,526

To the best of the Board's knowledge and belief, these amounts are based on the existing state contribution rate and account for contribution changes as stipulated in Government Code, Section 830.201(g). The analysis supporting these amounts was a joint effort between staff of TRS and the Texas Higher Education Coordinating Board (THECB) based on data collected by THECB and reviewed by TRS staff for reasonableness.

Mr. Kelly announced without objection that the Board would next take up agenda item 5.

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

Mr. Keith Robinson provided an overview of the process that was used in evaluating the chief audit executive, the chief investment officer and the executive director.

Mr. Kelly announced without objection that the Board meeting would recess to allow the Audit and Budget Committees to meet and would reconvene after they met. Whereupon, at 10:20 a.m., the Board meeting recessed, to reconvene that same day, Friday, July 29, 2016, following conclusion of the Audit Committee and Budget Committee meetings.

After the meetings of the Audit and Budget Committees, Mr. Kelly reconvened the Board meeting at 2:25 p.m. He announced without objection that the Board would take further public comment under agenda item 3.

**3. Provide opportunity for public comment – David Kelly.**

Mr. Ted Melina Raab with Texas AFT addressed the Board concerning premium sharing for active school employees. Mr. Melina Raab asked that the administrator's statement in TRS' legislative appropriation request include a request to increase the State's contribution to premium sharing for active school employees.

**6. Receive the report of the Audit Committee on its July 29, 2016 meeting, and consider approval of the following items – Chris Moss:**

**A. The proposed evaluation of the Chief Audit Executive for Fiscal Year 2016.**

**B. The selection of Grant Thornton as the auditor of the Teacher Retirement Investment Company of Texas Ltd. (TRICOT) and the State Auditor's Office as the auditor for a financial audit of the TRS Comprehensive Annual Financial Report for fiscal year 2016**

Mr. Moss, Committee Chair, provided the following committee report:

The Audit Committee meet on Friday, July 29 in the 5th Floor Boardroom. The Audit Committee discussed and approved the financial auditors of the Teacher Retirement Investment Company of Texas, TRICOT, and the TRS Comprehensive Annual Financial Report.

The Audit Committee received a status report on the readiness review of TRS-ActiveCare enrollment and billing and a report on the results of testing of the executive performance incentive pay calculation. The Audit Committee discussed and approved the recommendation to the Board of Trustees regarding the annual performance appraisal for the chief audit executive. The Audit Committee deferred consideration of any salary increase to the Board of Trustees.

On a motion by Mr. Moss, seconded by Mr. Corpus, the Board unanimously approved Grant Thornton as the auditors for TRICOT and the State Auditor's Office as the auditors for the TRS CAFR.

On a motion by Mr. Moss, seconded by Mr. Corpus, the Board unanimously approved the annual performance appraisal of the chief audit executive for fiscal year 2016.

- 7. Discuss or consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of an employee or public officer, including a trustee, the Executive Director, Chief Investment Officer, or Chief Audit Executive – David Kelly:**
  - A. Discuss and consider the compensation of the Chief Audit Executive.**
  - B. Discuss and consider the evaluation, compensation, and duties of the Chief Investment Officer and provide input to the Executive Director.**
  - C. Discuss and consider the evaluation, compensation, and duties of the Executive Director.**
  - D. Discuss the 2017 trustee nominating elections for the retiree position and the new at-large position, the transition from the current incumbent higher education position to the at-large position, and related matters.**

At 2:29 p.m., Mr. Kelly announced without objection that Board meeting would recess to go into executive session under Sections 551.074 and 551.071 of the Government Code to deliberate agenda items 7A through 7D, and as needed, to seek advice of legal counsel.

At 4:30 p.m., Ms. Palmer and Mr. Corpus departed the meeting.

At 4:59 p.m., Mr. Kelly reconvened the Board meeting in open session. After a brief discussion, Mr. Kelly asked for a motion concerning the chief audit executive's compensation.

On a motion by Mr. Moss, seconded by Mr. Colonna, the Board unanimously approved the following resolution concerning the chief audit executive's compensation:

**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 increase the base salary of the Chief Audit Executive; now, therefore be it

**Resolved,** That the Board hereby increases the base salary of the Chief Audit Executive as follows:

*Chief Audit Executive's base salary (the incumbent is Amy L. Barrett):*

Increase the base salary amount effective September 1, 2016 by 5%; 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.

After a brief discussion, Mr. Kelly asked for a motion concerning the chief investment officer's compensation.

On a motion by Ms. Ramirez, seconded by Dr. Gibson, the Board unanimously approved the resolution as presented regarding the chief investment officer's salary range:

**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 4.1.2(c)(2) of the Board's Bylaws delegates to the Executive Director full authority and responsibility for the Chief Investment Officer's compensation;

**Whereas,** The upper limit of the Chief Investment Officer's base salary 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;

**Whereas,** The General Provisions of TRS' annual administrative operations budget adopted by the Board grants the Executive Director discretion in setting the Chief Investment Officer's base salary within the not-to-exceed amounts set out in the GAA or any amended limits adopted by the Board;

**Whereas,** The GAA not-to-exceed amount for the Chief Investment Officer's salary is not sufficient for the Executive Director to exercise his discretion in setting the salary for that position; and

**Whereas,** For the purpose of allowing the Executive Director to exercise his discretion in setting the Chief Investment Officer's salary under Bylaw subsection 4.1.2(c)(2) and the General Provisions of TRS' administrative operations budget, the Board wishes to adopt an adjusted not-to-exceed amount for the Chief Investment Officer's base salary; now, therefore be it



**Resolved,** That the board hereby adopts the following not-to-exceed amount for the annual base salary of the Chief Investment Officer:

*Chief Investment Officer's not-to-exceed amount for annual base salary (the incumbent is Thomas B. Harris):*

Increase the not-to-exceed amount effective September 1, 2016 to \$551,250; 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 Investment Officer or any other employee holding a position in the Schedule of Exempt Positions.

- 9. Receive the report of the Budget Committee on its July 29, 2016 meeting, and consider the approval of the following items – Anita Palmer:**
- A. The proposed fiscal year 2017 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 2017 budget.**
  - B. The proposed fiscal year 2017 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. The proposed fiscal year 2017 administrative operations budget and general provisions for the 403(b) company certification and investment product registration program.**

Mr. Kelly called upon Dr. Gibson to provide the Budget Committee report in the absence of Ms. Palmer.

Dr. Gibson provided the committee report as follows:

The Budget Committee met today, Friday, July 29. The first item of business was approval of the minutes of the June 16, 2016 Budget Committee meeting. Mr. Green presented a high level overview of the proposed administrative operating budget of \$164.5 million for fiscal year 2017 and the associated general provisions. The FY2017 requested budget is approximately 3.4 percent over the FY16 budget. Mr. Green presented the findings of the 2016 IMD salary study that are underway. The committee discussed the preliminary results and proposed adjustments to fund the salary actions. The Budget Committee also discussed the TEAM report. The total operating and capital expenses budget is \$21.4 million.

Mr. Green reviewed the legislative appropriations request, or LAR, for the next biennium. He highlighted that the pension fund salary growth assumptions are 3.5 percent for public education and 2.5 percent in higher

education. He discussed issues related to the funding and long-term sustainability of TRS-Care. TRS will be requesting \$1.3 billion and an exceptional item for TRS-Care solvency. He discussed funding for additional staffing, compensation, and facilities as they relate to the LAR.

The committee recommended that the Board adopt the FY2017 operating budgets and recommended that the Board adopt a resolution transferring pension trust funds from the interest account to the expense account.

On a motion by Dr. Gibson, seconded by Mr. Colonna, the Board unanimously adopted the fiscal year 2017 administration operations budget for the pension trust fund, the TRS health benefits funds for the retired and active plans, including the long-term insurance program and the 403(b) certification program, as presented by staff, and the general provisions as presented by staff and recommended by the committee.

On a motion by Dr. Gibson, seconded by Mr. Moss, and the Board unanimously adopted the resolution authorizing staff to transfer pension trust funds to the TRS expense account for pension administrative operations expenses under the approved fiscal year 2017 budget.

**11. Consider authorizing a one-year extension of the contract between TRS and Genworth Life Insurance Company, the carrier authorized by TRS to provide group long-term care insurance under Chapter 1576 of the Texas Insurance Code – Katrina Daniel.**

Ms. Katrina Daniel brought forth the request to extend the long-term care contract with Genworth for one more year. Ms. Daniel explained Genworth is the only carrier that is in the group long-term care market. Ms. Daniel reported terms for the new year is being negotiated right now.

On a motion by Ms. Ramirez, seconded by Mr. Colonna, the Board unanimously approved the following resolution extending the Genworth contract for one year:

**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**, TRS staff recommends that the Contract be extended for an additional one (1) year period, effective from September 1, 2016 through August 31, 2017, with changes to the Contract that include, but are not limited to, the terms presented to the TRS Board of Trustees ("Board");

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

**Resolved,** That the Board, pursuant to Chapter 1576 of the Insurance Code, hereby authorizes a one-year extension of the Contract with Genworth, with changes to the Contract that include, but are not limited to, the terms presented to the Board, beginning on September 1, 2016 through August 31, 2017, unless sooner terminated, subject to negotiation and execution of an extension agreement;

**Resolved,** That the Board finds that the requested one-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 negotiate, with the assistance and advice of legal counsel, a one (1) year extension, effective from September 1, 2016 through August 31, 2017, 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 one (1) 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.

## **12. Consider an investment in Akard Street platform — Eric Lang and Grant Walker.**

Mr. Eric Lang explained that staff was bringing the proposed private-market investment to the Board for consideration because it would involve replacing an existing manager with a newly formed entity owned by the existing management team. Under the proposed deal, the newly formed entity would manage more than 0.5 percent of the Total Fund value and, therefore, it required Board approval. In response to Mr. Kelly's questions, Mr. Lang and Mr. Colonna provided additional background on the management and financial arrangements that led to the proposed investment opportunity for TRS. In response to Mr. Colonna's questions, Mr. Lang outlined the terms of TRS' proposed capital commitment to the private investment fund, TRS' purchase of an existing investor's position and unfunded commitments, and why the opportunity was a good one for TRS.

On a motion by Mr. Colonna, seconded by Mr. Elliott, the Board unanimously voted to adopt the following resolution regarding an allocation to the Akard Street platform:

**Whereas,** The Investment Policy Statement (“IPS”) section 1.3(c) established the Internal Investment Committee to review, consider, and authorize investments for the Private Markets Portfolio;

**Whereas,** IPS Appendix B limits the amount that may be initially be allocated or committed to a single manager organization, and requires prior TRS Board of Trustees (“Board”) authorization to exceed that limit;

**Whereas,** The Investment Division acting through the Internal Investment Committee has recommended that, consistent with the provisions of IPS Sections 1.3(c) and Appendix B, the Board authorize the Chief Investment Officer (“CIO”) to allocate an amount of up to \$958 million (plus returned capital) (the “Allocation”) to acquire certain interests in, to maintain capital commitments to, and to make further investments in existing or new limited partnerships comprising the Akard Street program that is entirely managed by a single organization(collectively, “Akard Street”); now, therefore be it

**Resolved,** That the CIO or his designee be and hereby is authorized to negotiate the requisite legal agreements for the Allocation to Akard Street on substantially the same, or better, terms and conditions than those presented to the Board, and, if negotiations are deemed by the CIO or his designee, in its discretion, to be successful, then the CIO or his designee is hereby authorized to execute such definitive documents on such terms and conditions as the CIO may deem, in his discretion, to be in the best interest of TRS, and to execute and deliver all such other documents and agreements that the CIO or his designee 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 agreements, and to incur, approve and pay any budgeted expenses or costs associated with such documents and agreements, and deemed in the discretion of the Executive Director and CIO to be reasonably necessary or advisable with respect to such documents and agreements; and

**Resolved,** That the Board hereby expressly authorizes the initial allocation or commitment with respect to the Allocation contemplated hereby, consistent with the requirement of IPS Appendix B that any such allocations or commitments in excess of 0.5% of the total fund value require prior authorization of the Board; and

**Resolved,** That the investments approved hereby and the authority granted in these resolutions to implement the approved investments does not supersede, waive, or otherwise affect the investment allocations set forth in the table in IPS Section 1.6. All investments shall be considered for purposes of the 6% Total Manager Organization limit in the IPS Appendix B.

**13. 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.**

Ms. de Onís said there were no legal matters she needed to discuss with the Board at this time.

At 5:20 p.m., Ms. Ramirez moved, Dr. Gibson seconded, and the Board unanimously approved adjournment.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM  
ON THE 22<sup>ND</sup> DAY OF September, 2016.

ATTESTED BY:

Katherine H Farrell

Katherine H. Farrell

Secretary to the Board of Trustees

Sept. 28, 2016

Date