

Minutes of the Board of Trustees

June 1-2, 2017

The Board of Trustees of the Teacher Retirement System of Texas met on June 1-2, 2017, 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
Karen Charleston
Joe Colonna
David Corpus
John Elliott
Greg Gibson
Christopher Moss

Others present:

Brian Guthrie, TRS	Ann Fickle, TCTA
Ken Welch, TRS	Philip Mullins, TSEU
Don Green, TRS	Sabina Rahman-Garcia, Humana
Carolina de Onís, TRS	Gilbert Gonzales, Express Scripts
Katrina Daniel, TRS	Joni Lozano, CVSE
Jerry Albright, TRS	Brock Gregg, TRTA
Amy Barrett, TRS	Mark Wermes, Express Scripts
Rebecca Merrill, TRS	Roger Holland, Express Scripts
Howard Goldman, TRS	Victor Ferreira, DXC Technology
Katherine Farrell, TRS	Ernie Sandeis, DXC Technology
Heather Traeger, TRS	Trevor Simmon, LBB
Merita Zoga, TRS	Sandra Barsenas, ESI
Steve Huff, Reinhart Boerner Van Deuren	Michael Caputo, Election-America
Steve Voss, Aon Hewitt	Eric Gakomer, AXA
Mike Comstock, Aon Hewitt	Daniel Pawwlisch, Aon Hewitt
Dr. Keith Brown, Investment Advisor	Philip Reyna, TDI
Michael Johnson, Bridgepoint Consulting	

Mr. Kelly called the meeting to order at 9:12 a.m.

1. Call roll of Board members.

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

2. Consider the following administrative items – David Kelly:

A. Approval of the proposed April 6-7, 2017 Board meeting minutes.

On a motion by Mr. Moss, seconded by Dr. Gibson, the Board unanimously voted to approve the proposed minutes of the April 6-7, 2017, Board meeting.

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

This item was not taken up.

3. Provide opportunity for public comment – David Kelly.

No public comment was provided.

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

Mr. Brian Guthrie provided an update regarding the progress of the TEAM program. He said they are precisely 123 days away from “Go Live” for Phase One. He said things are trending in the right direction. He reported the user acceptance testing is going very well and has been under way now for about six weeks. He said the beta testing is progressing very well. Mr. Guthrie reviewed the transparency report. Mr. Chet Henry added that the number one thing from the project standpoint they were focused on was the schedule. Mr. Guthrie then reviewed the budget for the program. In response to Mr. Kelly’s inquiry, Mr. Guthrie said the projected budget is still \$122 million and the legislature had authorized \$127 million for the project.

Mr. Guthrie stated that they continue to work very closely with DXC, making sure all are working on the same page, all on the same team, all driving together to the completion date. Mr. Kelly stated he met with DXC representatives to reinforce the concern about the success of this program.

Mr. Guthrie reported while working on Phase One and driving toward a September rollout date they are also still working on Phase Two. He said they are still in the early stages of requirements gathering. He reported they are continuing to work on the health insurance and CRM development efforts. He said for the health insurance line of business work, an outside company called Catapult was engaged to assist on how to lay out the screens used for inputting data and implementing screens for the end-user experience.

Mr. Guthrie concluded reporting on the feature freeze. Mr. Henry stated in July no further changes will be accepted, things will continue to be fixed if emergency, but the ground rules are at that point Version 1 is done.

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

Mr. Michael Johnson provided an overview on how Bridgepoint Consulting scored the TEAM project. He noted the major difference in the program grading was a C for schedule. He said they feel good about where the program is. He said significant amount of progress was made from last year in terms of improvement in delivery and quality of the software and the processes. He said the organizational change management team continues to do a great job.

As to the schedule, Mr. Johnson said their concern is working on the two phases at the same time. He said some dates have been missed related to Phase Two. He also said quality was an issue leftover from lack of quality in the original requirements sessions. He noted with the overlap in

the phases the quality, if not enough resources are applied to Phase Two the quality may suffer. He said their view is the current assessment of Phase One is on track and are waiting to see how the “Go Live” impacts the Phase Two schedule.

6. Review and discuss the Executive Director's report on the following matters:– 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 on meetings attended by himself and Trustees. Mr. Guthrie noted a few upcoming conferences and meetings. Mr. Guthrie announced the Data Conditioning Business Team had won the shining Example Award and the London Team had won the Executive Director's Award of Excellence.

Mr. Guthrie reported a number of engagement questions were added to TRS' membership satisfaction survey this year. He said engagement is how attached members are and their level of trust. Mr. Guthrie reviewed the TRS' results from the membership survey. The results of the survey will be compared to other systems around the country and Australia by CEM. In response to Dr. Gibson's inquiry, Mr. Guthrie stated this is the first time TRS looked at engagement as opposed to member satisfaction.

Mr. Guthrie provided a brief legislative update thanking the team for a successful session. He then reviewed upcoming agendas for the July and August meetings.

7. Review and consider the role, performance and engagement of Board Investment Consultant, Dr. Keith Brown – Brian Guthrie.

Mr. Guthrie noted Dr. Brown's contract was up and no more renewals were available. Dr. Brown has served in the role as a TRS Board advisor since 1999. Mr. Guthrie recommended the continuance of his service.

On a motion by Mr. Corpus, and seconded by Mr. Elliott, the Board unanimously approved the following resolution.

Board Resolution Authorizing the Executive Director to Negotiate and Execute Investment Consultant Agreement

June 1, 2017

Resolved, That the Board of Trustees (the “Board”) of the Teacher Retirement System of Texas (“TRS”) hereby selects Keith C. Brown, Ph.D., CFA to provide investment consulting services and to serve as an investment consultant to TRS and the Board because, in the Board's judgment, engaging Dr. Brown represents the best overall value for TRS based on his qualifications, experience, proposed contract terms and conditions, proposed fees, and other relevant factors;

Resolved, That the Board hereby authorizes the Executive Director to negotiate, with the assistance and advice of legal counsel, an agreement with Dr. Brown, for an initial term not to exceed five (5) years in duration, with one or more options for extensions not to exceed a total of two (2) years, with terms and conditions that provide the best overall value to TRS; and

Resolved, That, if negotiations are deemed by the Executive Director, in his discretion to be successful, then the Executive Director is hereby authorized to execute a contract with Dr. Brown on such terms and conditions as the Executive Director may deem, in his discretion, to provide the best overall value to TRS, and further 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 such contract and deemed in the discretion of the Executive Director to be reasonably necessary or advisable with respect to such contract.

8. Receive Legislative update – Merita Zoga.

Ms. Merita Zoga provided an overview of the 85th legislative session. She reviewed legislation that passed affecting TRS. Mr. Moss expressed appreciation for the assistance Ms. Zoga provided during his visit with the Nominations Committee.

9. Consider amendments to the Executive Performance Incentive Pay Plan for the plan year beginning July 1, 2017, including adopting performance categories, category weights, performance goals, and key performance indicators – Janet Bray.

Ms. Janet Bray provided an overview for the proposed plan changes for the Executive Performance Incentive Plan, scheduled to start July 1 and finish in 2018. She reviewed the proposed measures within the following categories: the leadership effectiveness, operational effectiveness, membership satisfaction and employee engagement.

Ms. Bray proposed adding another performance measure for this year, an investment management piece. She said the methodology for calculating this piece of the plan would be the same as that used for the IMD performance incentive plan. It will start October 1 and end in September, be calculated by State Street, using the same information as used for IMD. She said the maximum award opportunity for this portion would be 25 percent. In response to Mr. Kelly's inquiry, Ms.

Bray confirmed the recommended plan is a refinement of last year's measurements with the addition of the investment management component.

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

**BOARD RESOLUTION READOPTING
EXECUTIVE PERFORMANCE
INCENTIVE PAY PLAN
June 1, 2017**

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

Whereas, Subsection 1.7(i) of the Board's bylaws provides that the Board shall establish a system for the equitable and effective compensation of employees;

Whereas, To remain competitive in its efforts to attract and retain high caliber executives, the Board desires to offer a competitive compensation package that includes not only a competitive base salary but also an opportunity to earn additional rewards through an Executive Performance Incentive Pay Plan (the "Plan");

Whereas, Consistent with that desire, the Board adopted on November 19, 2015 the Plan, which rewards select executive management for performance on an initial seven month period ending June 30, 2016;

Whereas, The Board continued the Plan and readopted performance categories, category weights, performance goals, and key performance indicators beginning July 1, 2016 for an entire year ending June 30, 2017; now, therefore be it

Resolved, That effective June 1, 2017, the Board hereby readopts the Executive Performance Incentive Pay Plan, as presented by Staff including performance categories, category weights, performance goals, and key performance indicators. The Plan Performance Categories for the 2017 – 2018 Plan are:

- Membership satisfaction;
- Leadership Effectiveness
- Operational Effectiveness;
- Employee Engagement; and
- Investment Management Oversight.

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

10. Discuss the First Quarter 2017 Performance Review – Steve Voss and Mike Comstock.

Mr. Mike Comstock reported a very strong first quarter in aggregate. He said that equities were the primary driver of the very strong absolute returns.

Mr. Comstock noted the investment earnings for the first quarter alone were over \$6 billion which equates to a 5 percent return for the trust fund. Mr. Voss noted for the asset allocation detail the Treasury portfolio was underweighted relative to policy. He said the underweight is deliberate and has been favorable over the past year.

Mr. McCormick reported on the risk difference between the fund and its benchmark as well as compared to peers. Mr. McCormick said the returns have been higher than the benchmark at a similar level of volatility and relative to peers it seems that the returns are greater for the level of risk taken when compared to peers.

11. Receive the results of the TRS Board election – Howard Goldman and Michael Caputo Election-America

Mr. Howard Goldman provided a report on this year's Board election results. He said there were two elections held this year, one for the retiree position and the other was for the at-large position. He reported for the retiree position there were two candidates on the ballot and for the at-large election there were four candidates on the ballot. Mr. Goldman reviewed the election timeline over the past year. Mr. Michael Caputo reviewed the election process. He stated all together there was just short of 1.4 million voters total with a total of 50,000 plus ballots received. Mr. Caputo reported the following were the top three candidates for the at-large position: Nanette Sissney, Greg Poole and Karen Charleston. For the retiree position, Mr. Caputo reported Fran Plemmons and James Nance as the top candidates. Mr. Goldman said the certified results of the top candidates will be sent to the Governor's Office.

12. Evaluate the performance of Gabriel, Roeder, Smith & Company as the provider of pension fund actuary consulting and related services to TRS – Rebecca Merrill.

Ms. Rebecca Merrill provided the evaluation of Gabriel, Roeder, Smith and Company (GRS) as the pension fund actuaries and consultants. She stated they have had a productive working relationship with GRS. She said some of the services GRS provided were the valuations and mid-year valuation and conducted a number of impact statements based on legislation.

At 1:00 p.m., Mr. Kelly announced the Board would recess for the rest of the day in order to take up the noticed committee meetings.

The Board of Trustees of the Teacher Retirement System of Texas reconvened on June 2, 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
Joe Colonna
David Corpus
John Elliott
Greg Gibson
Christopher Moss

Others present:

Brian Guthrie, TRS	Ann Fickel, TCTA
Ken Welch, TRS	Amy Cohen, GRS
Don Green, TRS	Bill Hickman, GRS
Carolina de Onís, TRS	Kevin DeStefino, GRS
Katrina Daniel, TRS	Ted Melina Raab, TX AFT
Amy Barrett, TRS	Trevor M. Simmon, LBB
Howard Goldman, TRS	
Katherine Farrell, TRS	
Heather Traeger, TRS	
Yimei Zhao, TRS	

Mr. Kelly called the meeting to order at 9:41 a.m.

1. Call roll of Board members.

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

13. Provide an opportunity for public comment – David Kelly.

Mr. Tim Lee from TRTA began by thanking TRS staff for the work they did during legislative session. He requested Humana be encouraged to add additional working hours over the weekend and into the evening. He asked about what communication was planned to say what the change was from session such as what prescription drug coverage was added. He asked for TRS to provide some educational materials for members who are on TRS Medicare Advantage to allow them to educate their doctor's office.

14. Review Deputy Director's report, including matters related to administrative, financial and staff services operations – Ken Welch.

Mr. Ken Welch provided a brief update on operational items. He reported for the telephone counseling center for the month of May there was a 22 second hold time, the target is 80 percent

of calls within three minutes. He said in large part this is because of the additional staff that was granted at the beginning of the fiscal year. Mr. Welch reported over 6500 requests for assistance has come from email, which was rolled out in November. Mr. Welch said for the calls routed to the outside vendor, the hold time was 3.4 seconds. He said there are 42 vacancies, with four retirements that have already been submitted. Mr. Welch said that the intern program that was exempted from the Governor's hiring freeze will have 38 student interns have been hired for the summer. Mr. Welch shared the sendoff they had for Sgt. Roxanne Quintero who is on her third deployment of active duty.

15. Review the report of the Investment Management Committee on its June 1, 2017 meeting – Joe Colonna.

Mr. Joe Colonna provided the following report:

The Investment Management Committee met yesterday on June 1st. The first item of business was the approval of the minutes from the April 6th Investment Management Committee meeting, which were approved.

The first presentation was an overview of external private markets led by Eric Lang. Next there was a presentation given by Neil Randall with a review of the private markets, following Grant Walker who provided a review of the real estate assets portfolio.

The final private markets presentation was given by Carolyn Hansard, reviewing energy, natural resources, and infrastructure. Also, Mike Pia and Courtney Villalta then provided an update to the private SPN. The final presentation was given by Eric Lang with a report on the private markets Super 5 priorities.

16. Review the report of the Risk Management Committee on its June 1, 2017 meeting – Karen Charleston.

Ms. Karen Charleston provided the following report:

The Risk Management Committee met Thursday, June 1, 2017. The first item of business was approval of the minutes of the April 6, 2017 Risk Management Committee meeting. Risk management and strategic planning staff provided a report on the enterprise risk management function, which included an update on the spotlight report and related enterprise risk management activities.

17. Review the report of the Policy Committee on its June 1, 2017 meeting – David Corpus.

Mr. David Corpus provided the following report:

The Policy Committee met on June 1, 2017. The committee approved the proposed minutes of the April 7, 2017 meeting. The meeting authorized public comment publication in the *Texas Register* of proposed rule amendments to the 403(b) rules of Chapter 53, Title 34 of the Texas Administrative Code.

In August staff will update the Board of the public comments received regarding the proposed rule amendments. Staff will then bring the final proposed rule amendments for adopt at the September Board meeting.

18. Review the report of the Budget Committee on its June 1, 2017 meeting – Greg Gibson

Dr. Greg Gibson provided the following report:

The Budget Committee met Thursday, June 1, 2017. The first item of business was approval of the minutes of the April 6, 2017 Budget Committee meeting. Mr. Green presented a high-level overview of the proposed administrative operating budget of \$177.3 million for fiscal year 2018 and the associated general provisions.

Fiscal year 2018 budget requests represents a 4.1 percent increase over fiscal year 17 budget, largely due to the addition of 21 legislatively approved full-time equivalent positions and related benefits as well as the associated operating costs. A portion of the budget for the pension trust fund totals \$139.9 million, including \$18.2 million for TEAM.

Also noted was the capital budget for non-TEAM projects totals \$7.5 million. No action is required by the Board until the July meeting where the fiscal year 18 budget will be presented for adoption.

19. Review the report of the Audit Committee on its June 2, 2017 meeting – Chris Moss

Mr. Chris Moss provided the following report:

The audit Committee met at 8 a.m. on Friday, June 2, 2017, in the Board room. TRS compliance officer presented routine compliance reports and Internal Audit staff presented the results of the quarterly investment compliance testing. Staff from Myers & Stauffer presented their results of the non-TRS workers onboarding and offboarding processes audit.

TRS Internal Audit and Protiviti staff presented the results of the Health Insurance Portability and Accountability Act co-sourced audit. Internal Audit staff presented the status of outstanding audit recommendations, including the results of the follow-up audit of TRS-Care enrollment. Internal Audit staff presented the internal audit strategic plan for 2017 to 2021, other administrative reports, and staff accomplishments.

20. Discuss and consider selecting a health benefit consultant and actuary including considering a finding that deliberating or conferring on the selection of the consultant or

actuary in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Katrina Daniel.

Ms. Katrina Daniel provided an overview of the services provided by the health care consultant and actuarial firm to assist in the management and oversight of the two health plans, TRS-Care and ActiveCare. She said in January 2017, a request for proposal seeking health care consulting and actuarial services was issued. She listed the qualifications staff reviewed in selecting a firm to recommend. She said three responses were received by the March 10, 2017 deadline. Ms. Daniel stated after scoring each proposal on the evaluation criteria, the clear frontrunner was Gabriel, Roeder and Smith. On a motion by Mr. Colonneta, seconded by Ms. Charleston, the Board unanimously approved the following resolution:

**RESOLUTION SELECTING THE HEALTH CARE
CONSULTANT AND ACTUARY FOR
THE TRS-ACTIVECARE AND TRS-CARE PROGRAMS**

June 1 - 2, 2017

Whereas, Chapter 1575, Texas Insurance Code, governs the Texas Public School Retired Employees Group Benefits Program (the “TRS-Care program”) and authorizes the Teacher Retirement System of Texas (“TRS”), as trustee, to implement the group coverage program described in the statute;

Whereas, Chapter 1579, Texas Insurance Code, governs the Texas School Employees Uniform Group Health Coverage Program (the “TRS-ActiveCare program”) and authorizes the Teacher Retirement System of Texas (“TRS”), as trustee, to implement the group coverage program described in the statute;

Whereas, TRS issued a Request for Proposals (“RFP”) to interested entities for health care consulting and actuarial services for the TRS-ActiveCare and TRS-Care programs;

Whereas, TRS received and evaluated responsive proposals to provide health care consulting and actuarial services for the TRS-ActiveCare and TRS-Care programs;

Whereas, TRS staff has provided relevant information to the TRS Board of Trustees (the “Board”), discussed the proposals with the Board, and presented an evaluation to the Board concerning the selection of a health care consultant and actuary for the TRSActiveCare and TRS-Care programs;

Whereas, The Board has considered the evaluation made by TRS staff; now, therefore, be it

Resolved, That the Board hereby selects Gabriel, Roeder and Smith (“GRS”) to be the health care consultant and actuary for the TRS-ActiveCare and TRS-Care programs, subject to successful negotiation and execution of a final agreement for the implementation and provision of health care consulting and actuarial services for the TRS-ActiveCare and TRS-Care programs, for a two-year term to commence on September 1, 2017, with four optional one-year renewals;

Resolved, That the Board authorizes the Executive Director to expend funds and to take all actions deemed by him to be necessary or advisable to implement the Board's selection of GRS, to negotiate and finalize a contract with GRS on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of the TRS-ActiveCare and TRS-Care programs, and from time to time to amend, modify, or extend the contract as deemed by the Executive Director to be in the best interest of the TRS-ActiveCare and TRS-Care programs, it being understood that the Board's selection of GRS pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until a full and final written contract is successfully negotiated and executed by both parties.

21. Discuss and consider selecting a pharmacy benefit administrator (PBM) for TRS-Care Standard, TRS-Care Part D, and TRS-ActiveCare, including considering a finding that deliberating or conferring on the selection of the PBM in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person - Katrina Daniel, Yimei Zhao; and William Hickman, Amy Cohen and Kevin DeStefino, Gabriel, Roeder, Smith & Company.

Ms. Daniel described the different approach staff took regarding the PBM procurement. She noted the pharmacy benefit management environment is largely a volume and numbers game. She said staff proposed procuring the ActiveCare contract, the standard plan contract on the Care side and the Part D prescription drug contract all at once instead of individually in order to benefit from the combined volume.

Mr. Kevin DeStefino discussed what was driving the costs for members and how PBMs could help control costs today and help develop initiatives to help in the future. He provided the example of Express Scripts restrictive formulary philosophy regarding the breakthrough drug for Hepatitis C to control specialty costs. He provided other examples where PBMs are developing cutting edge approaches to manage costs.

Ms. Daniels noted there are three contracts. The ActiveCare contract would be effective September 1, 2017. The Care standard contract would be effective September 1, 2017 and the Part D program contract would be effective January 1, 2018. Ms. Daniels discussed the high level requirements the companies needed in order to qualify to bid on the contracts.

On a motion by Dr. Gibson, seconded by Ms. Charleston, the Board unanimously voted to find that deliberating or conferring in an open meeting about the selection of pharmacy benefit administrator for TRS-ActiveCare and TRS-Care standard and Medicare Part D plans would have a detrimental effect on TRS' position in negotiating with a third party.

At 10:50a.m., after having the required finding, the Board went into Executive Session on Agenda Item 21 under Section 825.115(e) of the Texas Government Code.

At 11:36 a.m., the Board meeting reconvened in open meeting.

Ms. Daniel stated there were three competitors that met the minimum requirements. She said for the pharmacy benefit manager for TRS-Care standard plan, staff recommended the selection of CVS Caremark as the PBM service provider.

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

**RESOLUTION SELECTING THE PHARMACY BENEFIT
MANAGER FOR THE STANDARD PLANS
IN THE TRS-CARE PROGRAM**

June 1 - 2, 2017

Whereas, Chapter 1575, Texas Insurance Code, governs the Texas Public School Retired Employees Group Benefits Program (the “TRS-Care program”) and authorizes the Teacher Retirement System of Texas (“TRS”), as trustee, to implement the group coverage program described in the statute;

Whereas, TRS issued a Request for Proposals (“RFP”) to interested entities for pharmacy benefit management services for the standard plans (*i.e.*, the non-Medicare plans) in the TRS-Care program;

Whereas, TRS received and evaluated responsive proposals to provide pharmacy benefit management services for the standard plans in the TRS-Care program;

Whereas, TRS staff and the TRS healthcare consultant, Gabriel, Roeder, Smith & Company (“GRS”), have provided relevant information to the TRS Board of Trustees (the “Board”), discussed the proposals with the Board, and presented an evaluation to the Board concerning the selection of a pharmacy benefit manager for the standard plans in the TRS-Care program;

Whereas, The Board has considered the evaluation made by TRS staff and GRS; now, therefore, be it

Resolved, That the Board hereby selects CaremarkPCS Health, L.L.C. to be the pharmacy benefit manager for the standard plans (*i.e.*, the non-Medicare plans) in the TRS-Care program, subject to successful negotiation and execution of a final agreement for the implementation and provision of pharmacy benefit management services for the standard plans in the TRS-Care program, for a two-year four-month term to commence on September 1, 2017, with four optional one-year renewals;

Resolved, That the Board authorizes the Executive Director to expend funds and to take all actions deemed by him to be necessary or advisable to implement the Board’s selection of CaremarkPCS Health, L.L.C. and to negotiate and finalize a contract with CaremarkPCS Health, L.L.C. on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of the TRS-Care program, and from time to time to amend, modify, or extend the contract as deemed by the Executive Director to be in the best interest of the TRS-Care program, it being understood that the Board’s selection of CaremarkPCS Health, L.L.C. pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until a full and final written contract is successfully negotiated and executed by both parties.

Ms. Daniel recommended for the pharmacy benefit manager for the TRS-Care Medicare Part D plan to select CVS Caremark as the PBM service provider.

On a motion by Mr. Corpus, seconded by Mr. Moss, the Board voted unanimously the following resolution.

**RESOLUTION SELECTING THE PHARMACY BENEFIT
MANAGER FOR THE MEDICARE PART D PLAN
IN THE TRS-CARE PROGRAM**

June 1 - 2, 2017

Whereas, Chapter 1575, Texas Insurance Code, governs the Texas Public School Retired Employees Group Benefits Program (the “TRS-Care program”) and authorizes the Teacher Retirement System of Texas (“TRS”), as trustee, to implement the group coverage program described in the statute;

Whereas, TRS issued a Request for Proposals (“RFP”) to interested entities for pharmacy benefit management services for the Medicare Part D plan in the TRS-Care program;

Whereas, TRS received and evaluated responsive proposals to provide pharmacy benefit management services for the Medicare Part D plan in the TRS-Care program;

Whereas, TRS staff and the TRS healthcare consultant, Gabriel, Roeder, Smith & Company (“GRS”), have provided relevant information to the TRS Board of Trustees (the “Board”), discussed the proposals with the Board, and presented an evaluation to the Board concerning the selection of a pharmacy benefit manager for the Medicare Part D plan in the TRS-Care program;

Whereas, The Board has considered the evaluation made by TRS staff and GRS; now, therefore, be it

Resolved, That the Board hereby selects CaremarkPCS Health, L.L.C., by and through its affiliate SilverScript Insurance Company, to be the pharmacy benefit manager for the Medicare Part D plan in the TRS-Care program, subject to successful negotiation and execution of a final agreement for the implementation and provision of pharmacy benefit management services for the Medicare Part D plan in the TRS-Care program, for a two-year term to commence on January 1, 2018, with four optional one-year renewals;

Resolved, That the Board authorizes the Executive Director to expend funds and to take all actions deemed by him to be necessary or advisable to implement the Board’s selection of CaremarkPCS Health, L.L.C., by and through its affiliate SilverScript Insurance Company, and to negotiate and finalize a contract with CaremarkPCS Health, L.L.C., by and through its affiliate SilverScript Insurance Company, on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of the TRS-Care program, and from time to time to amend, modify, or extend the contract as deemed by the Executive Director to be in the best interest of the TRS-Care program, it being understood that the Board’s selection of CaremarkPCS Health, L.L.C., by and through its affiliate SilverScript Insurance Company, pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until a full and final written contract is successfully negotiated and executed by both parties.

Ms. Daniel for the TRS-ActiveCare program recommended the selection of CVS Caremark as the PBM service provider.

On a motion by Dr. Gibson, seconded by Mr. Elliott, the Board unanimously voted to adopt the following resolution.

**RESOLUTION SELECTING THE PHARMACY BENEFIT
MANAGER FOR THE TRS-ACTIVECARE PROGRAM**

June 1 - 2, 2017

Whereas, Chapter 1579, Texas Insurance Code, governs the Texas School Employees Uniform Group Health Coverage Program (the “TRS-ActiveCare program”) and authorizes the Teacher Retirement System of Texas (“TRS”), as trustee, to implement the group coverage program described in the statute;

Whereas, TRS issued a Request for Proposals (“RFP”) to interested entities for pharmacy benefit management services for the TRS-ActiveCare program;

Whereas, TRS received and evaluated responsive proposals to provide pharmacy benefit management services for the TRS-ActiveCare program;

Whereas, TRS staff and the TRS healthcare consultant, Gabriel, Roeder, Smith & Company (“GRS”), have provided relevant information to the TRS Board of Trustees (the “Board”), discussed the proposals with the Board, and presented an evaluation to the Board concerning the selection of a pharmacy benefit manager for the TRS-ActiveCare program;

Whereas, The Board has considered the evaluation made by TRS staff and GRS; now, therefore, be it

Resolved, That the Board hereby selects CaremarkPCS Health, L.L.C. to be the pharmacy benefit manager for the TRS-ActiveCare program, subject to successful negotiation and execution of a final agreement for the implementation and provision of pharmacy benefit management services for the TRS-ActiveCare program, for a two-year term to commence on September 1, 2017, with four optional one-year renewals;

Resolved, That the Board authorizes the Executive Director to expend funds and to take all actions deemed by him to be necessary or advisable to implement the Board’s selection of CaremarkPCS Health, L.L.C. and to negotiate and finalize a contract with CaremarkPCS Health, L.L.C. on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of the TRS-ActiveCare program, and from time to time to amend, modify, or extend the contract as deemed by the Executive Director to be in the best interest of the TRS-ActiveCare program, it being understood that the Board’s selection of CaremarkPCS Health, L.L.C. pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until a full and final written contract is successfully negotiated and executed by both parties.

22. Review and consider adoption of the following related to the TRS health benefits programs– Katrina Daniel; William Hickman and Amy Cohen, Gabriel, Roeder, Smith & Company.

A. 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.

Ms. Daniel stated there are three items all related to rates and benefits of the health plans TRS administers. She said the TRS-Care changes are the product of legislative and funding decisions resulting from the 85th legislative session. She noted two bills really affected the program, House Bill 3976 was the substantive bill that made a lot of the structural changes and then Senate Bill 1 which provided critical funding that keeps TRS-Care moving. Ms. Daniel reviewed the legislative changes to the program. Based upon the legislative changes, Ms. Daniel recommended shifting the TRS-Care standard plan from a September 1 basis plan year to a calendar year basis. In making this shift she recommend having a longer plan year. She also recommended moving from TRS-Care 1, 2 and 3 to a single TRS standard plan that is effectively a high deductible health plan.

Ms. Daniel for the Medicare Advantage program recommended placing all of those who have Medicare Part A and Part B into Medicare Advantage. She said the structure of Medicare Advantage and Part D program is very similar to the current Medicare Advantage 2 plan.

Ms. Daniel reviewed the proposed premiums for the plans staff proposed for adoption.

Ms. Daniel discussed the difference of the Medicare Advantage network from the Medicare Advantage products out in the commercial market. Ms. Daniel stated there will be a member education campaign because of the upcoming benefit changes. She said they have brought on a vendor who has significant experience working with school districts around health plan communication. She said they are working on messaging and outreach strategies that would better prepare members to understand the coming changes, understand their benefits and how to use them for both Care and ActiveCare. She said they are working on a very robust in-person, online, and paper communication campaign.

On a motion by Mr. Colonneta, seconded by Mr. Elliott, the Board unanimously voted to adopt the following resolutions.

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

June 1 - 2, 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, 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 TRS Board of Trustees (“Board”) desires to adopt the recommendations of TRS staff and GRS; now, therefore, be it

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	\$3,000
Family Deductible	\$6,000
Individual Out-of-Pocket Maximum	\$6,650
Family Out-of-Pocket Maximum	\$13,300
Coinsurance	80% / 20%
Out-of-Network	
Individual Deductible	\$6,000
Family Deductible	\$12,000
Individual Out-of-Pocket Maximum	\$13,300
Family Out-of-Pocket Maximum	\$26,600
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
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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 participants	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:

	Non-Medicare Retiree Premiums	*Non-Medicare Disability Retiree Premiums
Employee / Surviving Spouse Only	\$200	\$0
Employee and Spouse	\$739	\$539
Employee and Child(ren)	\$433	\$233
Employee and Family	\$1,074	\$874
Surviving Child(ren)	\$233	\$33

* No monthly premium is due for a retiree himself for 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.

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:

Employee / Surviving Spouse Only	\$146
Employee and Spouse	\$590
Employee and Child(ren)	\$504
Employee and Family	\$1,106
Surviving Child(ren)	\$233

B. Premiums and plan design for TRS-ActiveCare, the active member health benefits program, including the preferred provider organization (PPO) plan.

Ms. Daniel then discussed TRS-ActiveCare. She stated ActiveCare is self-funded so it is primarily funded by premium contributions. She said a lot of the same issues seen in Care are present in Active-Care. She said Active-Care because it is self-funded is ran differently, it targets to have at least a month's worth of claims in the bank at the end of the year. She said currently, if no changes are made at the end of 2018 there would be a nearly billion dollar deficit. Ms. Daniel reported though that with the changes adopted today with the PBM recommendation

that changed from needing to make a rate increase of 13.5 percent down to 10 percent rate increase.

Ms. Daniel recommended the continuance of ActiveCare 2 but with some modifications. However, she said, over time the continuance of this plan design, ActiveCare 2, would need to be revisited. For ActiveCare 2 and for ActiveCare 1HD, she recommended putting in place a separate out-of-network deductible and out-of-network maximum out-of-pocket. She said if there is an emergency and end up seeing an out-of-network provider that will be treated as an in-network visit, at the in-network rate and it will count toward your in-network deductible and maximum out-of-pocket. Ms. Daniel reported with the recommended benefit changes the rate increase went down to 8 percent on average.

On a motion by Dr. Gibson, seconded by Mr. Colonna, the Board unanimously voted to adopt the following resolution.

**RESOLUTION APPROVING BENEFITS AND
PREMIUM RATES FOR TRS-ACTIVECARE 1-HD,
TRS-ACTIVECARE SELECT, AND TRS-ACTIVECARE 2**

June 1 - 2, 2017

Whereas, Chapter 1579, Insurance Code, authorizes the Teacher Retirement System of Texas (TRS), as trustee, to implement and administer the uniform group health benefits program (TRS-ActiveCare) under the Texas School Employees Uniform Group Health Coverage Act, as described in the statute;

Whereas, TRS staff and the TRS health benefits consultant, Gabriel, Roeder, Smith & Company (“GRS”), have recommended that benefit changes, as indicated below, be made to TRS-ActiveCare 1-HD, TRS-ActiveCare Select, and TRS-ActiveCare 2 for the Fiscal Year 2018 plan year commencing on September 1, 2017;

Whereas, TRS staff and GRS have recommended that for the Fiscal Year 2018 plan year commencing on September 1, 2017, premium rates at all levels of coverage in TRS-ActiveCare 1-HD, TRS-ActiveCare Select, and TRS-ActiveCare 2 be set at the gross premium amounts set out in Exhibit A, attached to this resolution and incorporated herein by reference; and

Whereas, The TRS Board of Trustees (“Board”) desires to adopt the recommendations of TRS staff and GRS; now, therefore, be it

Resolved, That the Board hereby adopts and authorizes the following benefit changes, subject to all other plan requirements and restrictions, for TRS-ActiveCare 1-HD, beginning in the Fiscal Year 2018 plan year commencing on September 1, 2017 and thereafter, until further action by the Board:

Plan Feature	2016-2017 Plan Year	2017-2018 Plan Year
In-Network Individual Deductible	\$2,500	\$2,500

Family Deductible	\$5,000	\$5,000
Individual Out-of-Pocket Maximum	\$6,550	\$6,550
Family Out-of-Pocket Maximum	\$13,100	\$13,100
Out-of-Network	Included in the	\$5,000
Individual Deductible	in-network	\$10,000
Family Deductible	deductible	
Individual Out-of-Pocket Maximum	Included in the	\$13,100
Family Out-of-Pocket Maximum	in-network	\$26,200
	maximum	

Resolved, That the Board hereby adopts and authorizes the following benefit changes, subject to all other plan requirements and restrictions, for TRS-ActiveCare Select, beginning in the Fiscal Year 2018 plan year commencing on September 1, 2017 and thereafter, until further action by the Board:

Plan Feature	2016-2017 Plan Year	2017-2018 Plan Year
In-Network		
Individual Out-of-Pocket Maximum	\$6,850	\$7,150
Family Out-of-Pocket Maximum	\$13,700	\$14,300
Emergency Room Copay	\$150 + 20% after deductible	\$200 + 20% after deductible

Resolved, That the Board hereby adopts and authorizes the following benefit changes, subject to all other plan requirements and restrictions, for TRS-ActiveCare 2, beginning in the Fiscal Year 2018 plan year commencing on September 1, 2017 and thereafter, until further action by the Board:

Plan Feature	2016-2017 Plan Year	2017-2018 Plan Year
In-Network		
Individual Deductible	\$1,000	\$1,000
Family Deductible	\$3,000	\$3,000
Individual Out-of-Pocket Maximum	\$6,850	\$7,150
Family Out-of-Pocket Maximum	\$13,700	\$14,300
Out-of-Network	Included in the	
Individual Deductible	in-network	\$2,000
Family Deductible	deductible	\$6,000
Individual Out-of-Pocket Maximum	Included in the	\$14,300
Family Out-of-Pocket Maximum	in-network	\$28,600
	maximum	
Emergency Room Copay	\$150 + 20% after deductible	\$200 + 20% after deductible

Resolved, That the Board hereby adopts and authorizes the gross premium rates for TRS-ActiveCare 1-HD, TRS-ActiveCare Select, and TRS-ActiveCare 2 contained in Exhibit A, for the Fiscal Year 2018 plan year commencing on September 1, 2017 and thereafter, until further action by the Board; and

Resolved, That the Board authorizes the Executive Director or his designees to take any actions that are necessary or advisable to implement the benefit structure and premium rates, as adopted or authorized herein, and to continue the existing approved plans of coverage for TRS-ActiveCare 1-HD, TRS-ActiveCare Select, and TRS-ActiveCare 2, until further action by the Board.

Exhibit A

TO THE RESOLUTION APPROVING BENEFITS AND

PREMIUM RATES FOR TRS-ACTIVECARE 1-HD,

TRS-ACTIVECARE SELECT, AND TRS-ACTIVECARE 2

Summary of Proposed FY 2018 Monthly Premium Rates

	Current FY 2017 Rate	Proposed FY 2018 Rate	Percent Change
TRS-ActiveCare 1-HD			
Employee Only	\$341.00	\$351.00	2.9%
Employee and Spouse	\$914.00	\$991.00	8.4%
Employee and Child(ren)	\$615.00	\$671.00	9.1%
Employee and Family	\$1,231.00	\$1,316.00	6.9%
TRS-ActiveCare Select			
Employee Only	\$484.00	\$514.00	6.2%
Employee and Spouse	\$1,147.00	\$1,264.00	10.2%
Employee and Child(ren)	\$779.00	\$834.00	7.1%
Employee and Family	\$1,361.00	\$1,589.00	16.8%
TRS-ActiveCare 2			
Employee Only	\$645.00	\$714.00	10.7%
Employee and Spouse	\$1,552.00	\$1,694.00	9.1%
Employee and Child(ren)	\$1,042.00	\$1,062.00	1.9%
Employee and Family	\$1,597.00	\$2,004.00	25.5%

C. Premiums, plan design, and services areas for the TRS-ActiveCare health maintenance organization (HMO) plan.

Ms. Daniel noted that there are three HMOs that participate in ActiveCare. The range of increase proposed are from 2.5 percent to 9.1 percent.

On a motion by Mr. Corpus, seconded by Ms. Charleston, the Board unanimously voted to adopt the following resolution.

**RESOLUTION APPROVING BENEFITS,
PREMIUM RATES AND SERVICE AREAS
FOR HMOs ASSOCIATED WITH
THE TRS-ACTIVECARE PROGRAM**

June 1 - 2, 2017

Whereas, Chapter 1579, Insurance Code, establishes the Texas School Employees Uniform Group Health Coverage Program ("TRS-ActiveCare"), a uniform group health benefits program;

Whereas, under Chapter 1579, Insurance Code, the Teacher Retirement System of Texas ("TRS"), as trustee, is authorized to implement and administer TRS-ActiveCare;

Whereas, TRS currently has contracts with three health maintenance organizations, SHA, L.L.C. d/b/a FirstCare Health Plans, Scott & White Health Plan, and Blue Cross and Blue Shield of Texas, a division of Health Care Service Corporation, a Mutual Legal Reserve Company ("BCBSTX"), to offer benefits to participants in TRS-ActiveCare who reside or work in the respective service areas of each health maintenance organization ("HMO");

Whereas, TRS Staff and TRS health benefits consultant, Gabriel, Roeder, Smith & Company ("GRS") have recommended that during Fiscal Year 2018, SHA, L.L.C. d/b/a FirstCare Health Plans and Scott & White Health Plan be allowed to provide health care services to TRS-ActiveCare participants in their respective service areas under the same respective plan design that each HMO offered in Fiscal Year 2017, with only those changes in benefits noted hereafter, along with other minor benefit changes that may be reflected in the TRS-ActiveCare Enrollment Guide and the Evidence of Coverage issued by each respective HMO;

Whereas, Because the plan being proposed by BCBSTX for Fiscal Year 2018 has no major changes in plan design or service area when compared to the plan design and service area offered by Allegian during Fiscal Year 2017, TRS Staff and GRS have recommended that during Fiscal Year 2018, BCBSTX be allowed to provide health care services to TRS-ActiveCare participants in the service area and under the plan design that are more fully described in the materials provided to TRS by BCBSTX on or about May 5, 2017;

Whereas, Staff and GRS have recommended that for Fiscal Year 2018, the Board approve the gross premium rates noted herein, which premium rates include a monthly administration fee of \$10.00 per employee enrolled in an HMO, to cover fees and other administrative expenses incurred by the TRS-ActiveCare program; and

Whereas, The Board desires to approve the recommendations, including the respective, proposed plan design being offered in Fiscal Year 2018 by each of the three HMOs, with the respective changes in benefits (including changes as noted hereafter) proposed by SHA, L.L.C. d/b/a FirstCare Health Plans and Scott & White Health Plan, and to approve the gross premium rates offered for Fiscal Year 2018 by each of the three HMOs as recommended by Staff and GRS; now, therefore, be it

Resolved, that the Board hereby approves the proposal for SHA, L.L.C. d/b/a FirstCare Health Plans to offer to TRS-ActiveCare participants during Fiscal Year 2018 the same plan design it offered in Fiscal Year 2017, with the following proposed major benefit changes, and approves and adopts the following gross monthly premium rates for enrollment in this HMO during Fiscal Year 2018 according to coverage tier:

SHA, L.L.C. d/b/a FirstCare Health Plan Major Benefit Change Highlights

Benefit	FY 2017 Plan Year	FY 2018 Plan Year
Deductible	Individual -- \$ 500.00	Individual -- \$ 750.00
	Family -- \$ 1,500.00	Family -- \$ 2,250.00

SHA, L.L.C. d/b/a FirstCare Health Plans Gross Premium Changes

Coverage Tier	FY 2017 Premiums	FY 2018 Premiums	Percent Change
Employee Only	\$ 472.50	\$ 514.82	+ 8.96%
Employee & Spouse	\$ 1,180.50	\$ 1,287.60	+ 9.07%
Employee & Child(ren)	\$ 748.50	\$ 816.07	+ 9.03%
Employee & Family	\$ 1,190.50	\$ 1,298.52	+ 9.07%

Resolved, that the Board hereby approves the proposal for Scott & White Health Plan to offer to TRS-ActiveCare participants during Fiscal Year 2018 the same plan design it offered in Fiscal Year 2017, with the following proposed major benefit changes, and approves and adopts the following gross monthly premium rates for enrollment in this HMO during Fiscal Year 2018, according to coverage tier:

Scott & White Health Plan Major Benefit Change Highlights

Benefit	FY 2017 Plan Year	FY 2018 Plan Year
Out-of-Pocket Maximum	Individual -- \$ 5,000.00	Individual -- \$ 6,550.00
	Family -- \$10,000.00	Family -- \$13,100.00
Pharmacy Benefits	Deductible -- \$ 100.00	Deductible -- \$ 150.00
	Generic Retail Copay -- \$3.00	Generic Retail Copay -- \$6.00

	Generic Maintenance -- \$5.00	Generic Maintenance -- \$10.00
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Scott & White Health Plan Gross Premium Changes

Coverage Tier	FY 2017 Premiums	FY 2018 Premiums	Percent Change
Employee Only	\$ 530.16	\$ 561.04	+ 5.82%
Employee & Spouse	\$ 1,192.82	\$ 1,263.08	+ 5.89%
Employee & Child(ren)	\$ 839.16	\$ 888.42	+ 5.87%
Employee & Family	\$ 1,322.98	\$ 1,400.98	+ 5.90%

Resolved, that in light of the fact that the plan being proposed by BCBSTX for Fiscal Year 2018 has no major changes in plan design or service area when compared to the plan design and service area offered by Allegian during Fiscal Year 2017, the Board hereby approves the proposed service area described in the materials provided to TRS by BCBSTX on or about May 5, 2017 and the proposal for BCBSTX to offer to TRS-ActiveCare participants during Fiscal Year 2018 the plan design that is more fully described in the materials provided to TRS by BCBSTX on or about May 5, 2017, and approves and adopts the following gross monthly premium rates for enrollment in this HMO during Fiscal Year 2018, according to coverage tier:

BCBSTX Gross Premium Changes

Coverage Tier	FY 2017 Allegian Premiums	FY 2018 BCBSTX Premiums	Percent Change
Employee Only	\$ 449.08	\$ 460.50	+ 2.54%
Employee & Spouse	\$ 1,085.74	\$ 1,113.72	+ 2.58%
Employee & Child(ren)	\$ 702.84	\$ 720.86	+ 2.56%
Employee & Family	\$ 1,151.60	\$ 1,181.28	+ 2.58%

Resolved, that the approved plans of coverage offered by each HMO to participants in TRS-ActiveCare who reside or work in the respective service areas of each HMO, each of which commences on September 1, 2017, shall remain unchanged until further action by the Board.

Resolved, that the approved service area of each HMO shall remain unchanged until further action by the Board;

Resolved, that with prior written approval from the Executive Director or his designee, each HMO may offer to participants in TRS-ActiveCare who reside or work in the respective service areas of each HMO, lower premiums than those herein approved, each of which commences on September 1, 2017.

Resolved, that the Board authorizes the Executive Director or his designees to take any actions, including the expenditure of funds and the execution of all documents, deemed by him or such designee to be necessary or advisable to implement this resolution and to administer the TRS-ActiveCare contracts with the HMOs in the best interests of the TRS-ActiveCare program.

23. 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 insurance under Chapter 1576 of the Texas Insurance Code – Katrina Daniel.

Ms. Daniel provided an overview of the long-term care benefits offered to TRS members. She said the contract with Genworth has been in place since December 2008. She said Genworth did not propose any rate increases or benefit reductions.

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

**RESOLUTION APPROVING THE EXTENSION
OF THE CONTRACT WITH
GENWORTH LIFE INSURANCE COMPANY**

June 1 - 2, 2017

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, 2017 through August 31, 2018;

Whereas, The TRS Board of Trustees (“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, beginning on September 1, 2017 through August 31, 2018, 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 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 one (1) year extension, effective from September 1, 2017 through August 31, 2018, 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.

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

This agenda item was not taken up.

25. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Investment Officer, or Chief Audit Executive – David Kelly.

This agenda item was not taken up.

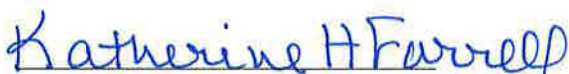
26. Consult with the Board's attorney(s) in Executive Session on any item listed above on this meeting agenda as authorized by Section 551.071 of the Texas Open Meetings Act (Chapter 551 of the Texas Government Code) – David Kelly.

This agenda item was not taken up.

At 1:37 p.m., on motion by Dr. Gibson, seconded by Mr. Corpus, the Board unanimously voted to adjourn.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 13th DAY OF JULY 2017.

ATTESTED BY:



Katherine H. Farrell

Secretary to the TRS Board of Trustees


Date