

Minutes of the Board of Trustees

April 20, 2018

The Board of Trustees of the Teacher Retirement System of Texas met on April 20, 2018, in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River, Austin, Texas. The following Board members were present:

Jarvis Hollingsworth, Chair
David Corpus
John Elliott
Greg Gibson
James D. Nance
Dolores Ramirez
Nanette Sissney

Christopher Moss attended via teleconference

Others present:

Brian Guthrie, TRS	Tim Lee, TRTA
Ken Welch, TRS	Ann Fickel, TRTA
Don Green, TRS	Nancy Byler, TRTA
Carolina de Onís, TRS	Ben Barnes, TRTA
Katrina Daniel, TRS	Taylor Jones, TSEU
Jerry Albright, TRS	C. Elaine Cummins, TRTA
Jase Auby, TRS	Tom Kreneck, TRTA & TSEU
Amy Barrett, TRS	Michael Schmidt, TSEU
Heather Traeger, TRS	Anne Lewis, TSEU
Chet Henry, TRS	S. Angela Khan, TSEU
Dan Junell, TRS	Angie Lopez, TSEU
Katherine Farrell, TRS	Judy Holloway, TSEU
Steve Huff, Reinhart Boerner Van Deuren	Lauren Goodley, TSEU
Steve Voss, Aon Hewitt	Tom Rogers, Austin RTA
Dr. Keith Brown, Investment Advisor	Dale D. Kaiser, TSTA & NEA
Michael Johnson, Bridgepoint Consulting	Monty Exter, Assoc. of TX Professional Educators
	Ted Raab, Texas AFT
	Becca Slezak, Aetna
	Mike Bentrrott, Aetna
	Marcy Cann, TRTA
	Leroy DeHaven, TRTA
	Linda DeHaven, TRTA
	Pat Macias, TRTA
	Johnny Macias, TRTA
	John Grey, TRTA

Diane Hastings, TRTA
Dr. Cloyd Hastings, TRTA
Kenny Herbold, PRB
Barbara Franklin, TSTA – R
Brock Gregg, TRTA
Doris Hill, TSTA
Avery Saxe, LBB
Nick Arnold, Humana
Joe Newton, GRS
Jane Scott, BrightLeaf Group
John Ide, JPMAM

Mr. Hollingsworth called the meeting to order at 8:30 a.m.

1. Call roll of Board members.

Ms. Farrell called the roll. A quorum was present, Mr. Colonna was absent.

2. Consider the following administrative items – Chair:

A. Approval of the proposed February 14-16, 2018 Board meeting minutes.

On a motion by Mr. Nance, seconded by Ms. Ramirez, the Board voted to approve the proposed minutes of the February 14 – 16, 2018 Board meeting.

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

Mr. Brian Guthrie reviewed the proposed scheduling changes. The proposal is to eliminate the June meeting and add a day to the July meeting, July 26-27, 2018. He said the September and December meetings would remain the same but eliminate the October meeting.

On a motion by Ms. Sissney, seconded by Mr. Elliott, the Board unanimously approved the dates as proposed for the remainder of 2018.

3. Provide opportunity for public comment – Chair.

Mr. Tom Kreneck, representing TRTA and Texas State Employees Union, expressed concerns regarding the premature experience study, the lowering of the state's assumption rate, and the concerted assault on defined benefits.

Ms. Dianne Hastings expressed concerns that the state is not living up to its promise of great health insurance and a pension that would provide a percent of working salary with cost of living raises.

Mr. LeRoy DeHaven, representing the Corpus Christi TRTA, expressed concern about increasing healthcare costs and lack of cost of living adjustments.

Mr. Michael Schmidt, representing TSEU, expressed concern about lowering the expected rate of return to 7 percent for it makes the pension fund appear to be declining, unnecessarily vulnerable.

Ms. Anne Lewis, representing TSEU, expressed concern about lowering the rate of return on TRS on the speculation of legislative response.

Ms. S. Angela Khan, representing TSEU, expressed concern about the proposal to lower the expected rate of return.

Ms. Angie Lopez, representing TSEU, expressed concern about lowering the current 8 percent investment return when the last five-year average rate of return was a whopping 9.12 percent.

Ms. Judy Holloway, representing TSEU, expressed concern that even though the TRS retirement fund has outperformed all previous expected returns, the prematurely terminated experience study recommends lowering the expected rate of return.

Ms. Lauren Goodley, representing TSEU, supported the previous statements made. She said the defined benefits pension is one of the most valuable benefits of her job.

Mr. Tom Rogers, representing Austin Retired Teachers Association, expressed concern that TRS should refocus attention on A, paying down the unfunded liability, so that the fund will become actuarially sound, and B, recognize that there has been a sea change into a high energy economy in just one and a quarter years.

Mr. Dale Kaiser, representing TSTA/National Education Association, expressed concern about TRS-ActiveCare. He said in the last eight years, his premiums have gone up 44 percent, and the benefits continue to go down.

Mr. Tim Lee, representing TRTA, expressed concern that whatever change is made regarding the experience study, it must be followed up with aggressive, purposeful, meaningful action to impress upon the legislature to come to the table. He concluded by saying his members know that the decision today is not a cut in their current benefits.

Ms. Ann Fickel, representing Texas Classroom Teachers Association, expressed concern about TRS-ActiveCare needing more funding from the legislature and concerns about the plan changes. She stated if a lower rate is chosen, she recommended a reducing the rate incrementally over a period of years.

Mr. Monty Exter, representing Association of Texas Professional Educators, expressed concern about lowering the return assumption based upon a snapshot. He said if action is taken, it should be incremental, supporting a drop down to 7.75 percentage rate.

Mr. Ted Raab, representing Texas American Federation of Teachers, expressed concern about the change to the rate of return assumption. His organization contracted with another actuary to look at the experience study. He said the actuary reported the study could as easily support a 7 ½ percent return assumption as much as a 7.25 percent return assumption.

4. Consider the TRS of Texas experience study findings and recommendations, including considering the return assumption – Brian Guthrie and Joe Newton, Gabriel, Roeder, Smith & Co.

Mr. Brian Guthrie provided background and rationale as to why now and what the options are regarding the experience study. Mr. Guthrie stated the outside consultants believe that 7.32 percent is probably a reasonable assumption over the 30 year period. Mr. Guthrie then reviewed how the order of returns matter. For the 10 year time frame, he said, the experts say we are going to earn closer to 7 over that time period.

Mr. Joe Newton pointed out that most funding policies used in the country, allows contributions to adapt to what is going on – if there is underperformance, contributions are automatically adjusted. He said those funds that do not have contribution discretion are significantly less healthy than those funds that do. TRS, even though the fund does not have contribution discretion, is not in that category due to investment performance and population growth. However, Mr. Newton said if either of those two slows, then it would have a negative impact. Mr. Guthrie stated the vast majority of systems around the country, when they made a change in one variable, can immediately impact the other. However, that is not how the governance system works here in Texas, particularly TRS. He said the legislature has to change the contribution factor.

Mr. Guthrie then went through the scenarios of an 8 percent, 7.25 percent, 7 percent and 7.5 percent return assumptions. In response to Dr. Gibson's inquiry, he said a 7.75 percent assumption would not be reasonable, similar to an 8 percent assumption. In response to Mr. Hollingsworth's inquiry, Mr. Newton said if the assumption rate is lowered and the investments outperform, then the funding period would come down faster than anticipated, making the fund actuarial sound and available for cost of living adjustments.

Mr. Newton said, based on the data that was presented in the report, he recommended the inflation assumption of 2.30 and investment return assumption from 8 to 7.25 percent.

On a motion by Mr. Nance, seconded by Dr. Gibson, the Board voted with Mr. Nance, Dr. Gibson, Ms. Ramirez and Ms. Sissney voting in support of the motion to readjust the return assumption to 7.5 percent. Mr. Corpus, Mr. Elliott, Mr. Hollingsworth and Mr. Moss voted against the motion to readjust the return assumption to 7.5 percent.

On a motion by Mr. Moss, seconded by Mr. Corpus, the Board voted with Mr. Corpus, Mr. Elliott, Mr. Hollingsworth and Mr. Moss voting in support of the motion to readjust the return assumption to 7.25 percent. Dr. Gibson, Mr. Nance, Ms. Ramirez and Ms. Sissney voted against the motion to readjust the return assumption to 7.25 percent.

Upon the failure of both motions, and without a motion from one of the four who voted against either motion, Mr. Hollingsworth thanked the Trustees for their heartfelt discussion.

Mr. Moss, who was attending via teleconference, left the meeting.

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

Mr. Guthrie reported on the Phase 1 stabilization of service levels. He said there were areas that needed to be addressed before moving forward that the agency and vendors focused on. He stated for the past eight weeks they have made significant progress. He said internally, he and Ken met

with phone counselors and benefit processors who work with the system every day and received valuable feedback on what is working and what is not. As Ms. Pearson noted during the Benefits committee, they have met each month with the reporting partners working group that has helped prioritize what needs to be done and in what order. Mr. Guthrie reviewed the various service level components and where each stood such as call volume, contact management, refunds, and service credit purchase.

In response to Mr. Hollingsworth's inquiry, Mr. Guthrie stated when Phase 1 went live, a lot of the legacy functionality was turned off. He said for Phase 2 the plan is to keep the legacy system running concurrently for a number of months with the new system. Phase 2 is much more outward facing and can impact our members greater. Mr. Henry reported the time from to shut down the legacy system is August 2020.

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

Mr. Michael Johnson stated their focus is on the key risks associated with the program: schedule, quality, and cost. He said their score the TEAM transparency moved to a C – minus, up from a D in February. He said they are starting to see the same progress in terms of a return to normalized service levels with the program that were expressed by Mr. Guthrie. Mr. Johnson pointed to risks around the Phase 2 schedule. He expressed concern of the quality in terms of the release that went into production and the amount of stabilization that was caused. He said cost is a concern if there are delays, how are they paid for and the impact to the program's budget. In response to Mr. Hollingsworth's inquiry, Mr. Johnson said that the two biggest inputs in the transparency grade were the amount of time it has taken to stabilize Phase 1. The second was the member service that was impacted in that release.

Mr. Hollingsworth, without objection, announced taking up the committee reports next – agenda items 11, 12, 13, 14, 15 and 16.

11. Receive the report of the Benefit Committee on its April 19, 2018 meeting and consider adoption or acceptance of the following: – Committee Chair.

- a. Premiums and plan designs for TRS-ActiveCare preferred-provider organization (PPO) plan options;**
- b. Premiums and plan design for the TRS-ActiveCare HMO plan options;**
- c. Benefit Payments for December 2017 – February 2018; and**
- d. Medical Board Meeting Minutes.**

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

The Benefits Committee met on April 19, 2018. The committee approved the proposed minutes of its June 16, 2016 meeting. Ms. Katrina Daniel provided a review of premium and plan designs for both the TRS-ActiveCare preferred provider organization plan and the HMO plan. The committee approved recommending to the Board adoption of resolutions setting premiums and plan designs for TRS-ActiveCare HMO plan options.

Ms. Barbie Pearson provided updates on the following: proposed solicitations for two positions opening on the Medical Board, the Employer Advisory Group, and the benefits service operations. The committee approved recommending to the Board acceptance of the Medical Board meeting minutes for November 2017 and January 2018. The committee approved recommending to the Board the approval of the benefit payments for December 2017 through February 2018.

Ms. Sissney moved, and the Board unanimously voted to adopt the proposed resolutions for setting premium and plan designs for the TRS-ActiveCare preferred provider organization for plan options, as recommended by the committee.

**RESOLUTION APPROVING BENEFITS AND
PREMIUM RATES FOR TRS-ACTIVECARE 1-HD,
TRS-ACTIVECARE SELECT, AND TRS-ACTIVECARE 2
April 20, 2018**

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 2019 plan year commencing on September 1, 2018;

Whereas, TRS staff and GRS have recommended that for the Fiscal Year 2019 plan year commencing on September 1, 2018, 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;

Whereas, TRS staff and GRS have recommended that beginning with the Fiscal Year 2019 plan year commencing on September 1, 2018, enrollment in TRS-ActiveCare 2 should be closed to individuals who are not enrolled in TRS-ActiveCare 2 at the end of the Fiscal Year 2018 plan year; 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 2019 plan year commencing on September 1, 2018 and thereafter, until further action by the Board:

Plan Feature	2017-2018 Plan Year	2018-2019 Plan Year
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In-Network	\$2,500	\$2,750
Individual Deductible	\$5,000	\$5,500
Family Deductible	\$6,550	\$6,650
Individual Out-of-Pocket	\$13,100	\$13,300
Maximum	\$5,000	\$5,500
Family Out-of-Pocket	\$10,000	\$11,000
Maximum	\$13,100	\$13,300
Out-of-Network	\$26,200	\$26,600
Individual Deductible		
Family Deductible		
Individual Out-of-Pocket		
Maximum		
Family Out-of-Pocket		
Maximum		
Freestanding Emergency Room	20% after deductible	\$500 plus 20% after deductible
Non-Preferred Brand	20% after deductible	50% after deductible
Prescription Drugs		
Specialty Prescription Drugs	20% after deductible (Up to 90 day supply limit)	20% after deductible (31 day supply limit per fill)

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 2019 plan year commencing on September 1, 2018 and thereafter, until further action by the Board:

Plan Feature	2017-2018 Plan Year	2018-2019 Plan Year
In-Network	\$7,150	\$7,350
Individual Out-of-Pocket	\$14,300	\$14,700
Maximum		
Family Out-of-Pocket		
Maximum		
Specialist Office Visit	\$60 copay	\$70 copay
Hospital-Based Emergency Room	\$200 plus 20% after deductible	\$250 plus 20% after deductible
Freestanding Emergency Room	\$200 plus 20% after deductible	\$500 plus 20% after deductible
Diagnostic Lab at a Quest facility	0% coinsurance	20% after deductible
Specialty Prescription Drugs	20% after deductible (Up to 90 day supply limit)	20% after deductible (31 day supply limit per fill)

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 2019 plan year commencing on September 1, 2018 and thereafter, until further action by the Board:

Plan Feature	2017-2018 Plan Year	2018-2019 Plan Year
In-Network	\$7,150	\$7,350
Individual Out-of-Pocket	\$14,300	\$14,700
Maximum	\$14,300	\$14,700
	\$28,600	\$29,400

Family Out-of-Pocket Maximum		
Out-of-Network Individual Out-of-Pocket Maximum		
Family Out-of-Pocket Maximum		
Specialist Office Visit	\$50 copay	\$70 copay
Hospital-Based Emergency Room	\$200 plus 20% after deductible	\$250 plus 20% after deductible
Freestanding Emergency Room	\$200 plus 20% after deductible	\$500 plus 20% after deductible
Diagnostic Lab at a Quest facility	0% coinsurance	20% after deductible
Non-Preferred Brand Prescription Drugs Retail (up to 31 day supply)	\$65 copay	50% after deductible (min \$65; max \$130)
Retail Maintenance (after 1 st fill; up to a 31 day supply)	\$90 copay	50% after deductible (min \$90; max \$180)
Mail Order & Retail Plus (up to a 90 day supply)	\$180 copay	50% after deductible (min \$180; max \$360)
Specialty Prescription Drugs 1 – 31 days supply	\$200 copay	20% coinsurance (min \$200, max \$900)
32 – 90 days supply	\$400 copay	Not available

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 2019 plan year commencing on September 1, 2018 and thereafter, until further action by the Board;

Resolved, That beginning with the Fiscal Year 2019 plan year commencing on September 1, 2018, and for all plan years thereafter until further action by the Board, enrollment in TRS-ActiveCare 2 shall be closed to individuals who are not enrolled in TRS-ActiveCare 2 at the end of the Fiscal Year 2018 plan year; 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 structures and premium rates, as adopted or authorized herein, to implement the closing of enrollment in TRS-ActiveCare 2 as authorized herein, and to take any actions that are necessary or advisable to otherwise implement, administer, and continue the TRS-ActiveCare program, until further action by the Board.

Ms. Sissney moved, and the Board unanimously voted to adopt the resolutions for setting premium and plan designs for TRS-ActiveCare premiums and plan design for TRS-ActiveCare HMO plan options, as recommended by the committee.

**PREMIUM RATES AND SERVICE AREAS
FOR HMOs ASSOCIATED WITH
THE TRS-ACTIVECARE PROGRAM**

April 20, 2018

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, Blue Cross and Blue Shield of Texas, a division of Health Care Service Corporation, a Mutual Legal Reserve Company (“BCBSTX”), SHA, L.L.C. d/b/a FirstCare Health Plans, and Scott and White Health Plan, which contracts allow these entities to offer benefits to participants in TRS-ActiveCare who reside or work in the respective service areas of each health maintenance organization (“HMO”) that have previously been approved by the TRS Board of Trustees (the “Board”);

Whereas, TRS Staff and TRS health benefits consultant, Gabriel, Roeder, Smith & Company (“GRS”) have recommended that during Fiscal Year 2019, BCBSTX, SHA, L.L.C. d/b/a FirstCare Health Plans, and Scott and White Health Plan be allowed to provide health care services to TRS-ActiveCare participants in their respective service areas, as approved by the Board, under the same respective plan design that each HMO offered in Fiscal Year 2018, with only those changes in benefits noted hereafter, along with any minor benefit changes that may be reflected in the TRS-ActiveCare Enrollment Guide and the Evidence of Coverage issued by each respective HMO;

Whereas, Staff and GRS have recommended that for Fiscal Year 2019, 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 2019 by each of the three HMOs, with the respective changes in benefits (including changes as noted hereafter) proposed by BCBSTX, SHA, L.L.C. d/b/a FirstCare Health Plans, and Scott and White Health Plan, and to approve the gross premium rates offered for Fiscal Year 2019 by each of the three HMOs as recommended by Staff and GRS; now, therefore, be it

Resolved, the Board hereby approves the proposal for BCBSTX to offer to TRS-ActiveCare participants during Fiscal Year 2019 the same plan design it offered in Fiscal Year 2018, with no major benefit changes, along with any minor benefit changes that may be reflected in the TRS-ActiveCare Enrollment Guide and the Evidence of Coverage issued by BCBSTX, and approves and adopts the following gross monthly premium rates for enrollment in this HMO during Fiscal Year 2019 according to coverage tier:

BCBSTX Gross Premium Changes Coverage Tier	FY 2018 Premiums	FY 2019 Premiums	Percent Change
Employee Only	\$ 460.50	\$ 474.02	+ 2.94%

Employee & Spouse	\$ 1,113.72	\$ 1,146.83	+ 2.97%
Employee & Child(ren)	\$ 720.86	\$ 742.19	+ 2.96%
Employee & Family	\$ 1,181.28	\$ 1,216.42	+ 2.97%

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 2019 the same plan design it offered in Fiscal Year 2018, with the following proposed major benefit changes, along with any minor benefit changes that may be reflected in the TRS-ActiveCare Enrollment Guide and the Evidence of Coverage issued by SHA, L.L.C. d/b/a FirstCare Health Plans, and approves and adopts the following gross monthly premium rates for enrollment in this HMO during Fiscal Year 2019 according to coverage tier:

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

Benefit	FY 2018 Plan Year	FY 2019 Plan Year
Maximum Out of Pocket	Individual -- \$ 6,000.00 Family -- \$ 12,000.00	Individual -- \$ 7,350.00 Family -- \$ 14,700.00

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

Coverage Tier	FY 2018 Premiums	FY 2019 Premiums	Percent Change
Employee Only	\$ 514.82	\$ 534.04	+ 3.73%
Employee & Spouse	\$ 1,287.60	\$ 1,348.92	+ 4.76%
Employee & Child(ren)	\$ 816.07	\$ 849.76	+ 4.13%
Employee & Family	\$ 1,298.52	\$ 1,385.36	+ 6.69%

Resolved, that the Board hereby approves the proposal for Scott and White Health Plan to offer to TRS-ActiveCare participants during Fiscal Year 2019 the same plan design it offered in Fiscal Year 2018, with the following proposed major benefit changes, along with any minor benefit changes that may be reflected in the TRS-ActiveCare Enrollment Guide and the Evidence of Coverage issued by Scott and White Health Plan, and approves and adopts the following gross monthly premium rates for enrollment in this HMO during Fiscal Year 2019, according to coverage tier:

Scott and White Health Plan Major Benefit Change Highlights

Benefit	FY 2018 Plan Year	FY 2019 Plan Year
Out-of-Pocket Maximum	Individual -- \$ 6,550.00 Family -- \$13,100.00	Individual -- \$ 7,000.00 Family -- \$14,000.00
Copays	PCP -- \$ 20.00 Specialist -- \$ 50.00 Urgent Care -- \$ 55.00 Emergency -- \$150.00 plus 20%	PCP -- \$ 15.00 Specialist -- \$ 70.00 Urgent Care -- \$ 50.00 Emergency -- \$250.00 plus 20%
Pharmacy	Specialty Rx -- 20% after Ded	Specialty Rx Tier 1 & 2 -- 15% after Ded

Specialty Rx Tier 3 -- 25%
after Ded

Scott and White Health Plan Gross Premium Changes Coverage Tier	FY 2018 Premiums	FY 2019 Premiums	Percent Change
Employee Only	\$ 561.04	\$ 578.36	+ 3.09%
Employee & Spouse	\$ 1,263.08	\$ 1,353.40	+ 7.15%
Employee & Child(ren)	\$ 888.42	\$ 908.06	+ 2.21%
Employee & Family	\$ 1,400.98	\$ 1,509.56	+ 7.75%

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, 2018, 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, 2018.

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.

Ms. Sissney moved, and the Board unanimously voted to accept the Medical Board meeting minutes as recommended by the committee.

Ms. Sissney moved, and the Board unanimously voted to approve the benefit payments for December 2017 through February 2018 as recommended by the committee.

12. Receive the report of the Budget Committee on its April 19, 2018 meeting and consider proposed amendments to FY 2018 Budget for Commission Credits and TRS-Care – Committee Chair.

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

The Budget Committee met on April 19. The first item of business as approval of the minutes of the June 1, 2017 Budget Committee meeting.

Mr. Green then presented a review of the fiscal year 2018 budget by fund, division and expense category. There was a discussion of extraordinary customer service costs

experienced and the estimate of how much funding will remain unspent. The budget amendment was adopted by the committee for recommendation to the full Board. The amendment would add \$500,000 for TRS-Care for extraordinary customer service expenses and would add \$1,933,333 to commission credits in previously earned but unspent credits.

A discussion for the legislative appropriations request, or LAR, occurred, including a timeline for the submission and the components of that request. An update on the Centralized Accounting and Payroll and Personnel Systems, or CAPPs, was provided as well.

Mr. Green, Mr. Albright, Ms. Pearson and Ms. Daniel then presented an overview of resource planning for FY 2019 and beyond, including additional full-time equivalents, or FTEs, that were requested, the basis for the requested FTEs, along with their potential impact on the agency performance was discussed, along with options for space planning.

Dr. Gibson made a motion, and the Board unanimously voted to adopt the budget resolution amending the fiscal year 2018 TRS-Care administrative operations budget and commission credits program budget as recommended by the committee.

13. Receive the report of the Strategic Planning Committee on its April 19, 2018 meeting – Committee Chair.

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

The Strategic Planning Committee met on April 19, 2018. The committee approved the proposed minutes of the Risk Management Committee when that committee had met on December 14, 2017.

Ms. Rebecca Merrill provided an update on the TRS strategic plan and an overview of the planning process. At the next committee meeting, Ms. Merrill will bring back the updated 2017-2023 strategic plan, along with proposals for regular plan reporting and better integrating enterprise risk management. After Ms. Merrill's presentation, Ms. Carolyn Perez provided an update on the development of the TRS strategic communications plan.

14. Receive the report of the Policy Committee on its April 19, 2018 meeting and consider the following: – Committee Chair

- a. Approving proposed amendments to the Litigation Policy;**
- b. TRS Key Employee Determinations;**
- c. Trustee Ethics Policy and Position Description;**
- d. Employee Ethics Policy, Conflict of Interest Disclosure Statement; and**
- e. Disciplinary Action Disclosure Statement.**

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

The Policy Committee met on April 19, 2018. The committee approved the proposed minutes of the December 14, 2017 meeting.

The committee recommends to the Board adoption of proposed amendments to the litigation policy. The committee modified the staff recommendation to include the Board chair in the review of proposed settlement offers, along with the executive director and the general counsel. The Board chair and the executive director at their discretion can refer the settlement offers to the full Board for consideration at a meeting. The recommended changes to the litigation policy, as modified by the committee, have been distributed to trustees.

The committee reviewed the resolution for TRS key employee determinations pursuant to the policy review schedule. The committee makes no recommendations to the Board for changes to the key employee resolution.

Pursuant to the policy review schedule, the committee also reviewed the trustees ethics policy and position description, employee ethics policy, conflict of interest disclosure statement, and the disciplinary action disclosure statement. The committee recommends that the Board adopt nonsubstantive to those ethics policies and related forms, as proposed by staff and shown in your board materials.

Finally, the committee received an update on the rule review process. Under his authority in the bylaws, the executive director will submit for publication in the Texas Register a rule review plan and notice propose rule review for Chapters 21 through 51 of TRS's rules.

Mr. Corpus moved, the Board unanimously voted to adopt the proposed amendments to the litigation policy as recommended by the committee.

Mr. Corpus moved, and the Board unanimously voted to adopt the proposed amendments to the trustee ethics and position description, employee ethics policy, conflict of interest disclosure statement and disciplinary action disclosure statement as recommended by the committee.

15. Receive the report of the Audit Committee on its April 19, 2018 meeting – Committee Chair.

Dr. Gibson, the acting committee chair, provided the following report for the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met at 1:15 p.m. on Thursday, April 19, 2018, in the 5th Floor Boardroom of the Teacher Retirement System of Texas.

The chief compliance officer presented routine compliance reports, including the complaint summary, compliance charter, and compliance violations summary.

Internal Audit staff presented the results of projects, including reports on the TRS compliance testing, testing of incentive compensation for plan year ending September 30, 2017, and the investment performance calculation audit. Internal Audit staff also

presented the status of outstanding audit and consulting recommendations, the new self-audit program for reporting partners, and various administrative reports.

16. Receive the report of the Investment Management Committee on its April 19, 2018 meeting and consider adopting a Resolution selecting an Advisor consistent with 1.3 of the Investment Policy Statement; and consideration of a finding that deliberating or conferring on the selection of the Board Advisor in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Committee Chair.

Mr. Corpus, the acting committee chair, provided the following report for the Investment Management Committee:

The Investment Management Committee met on April 19, 2018. The committee approved the proposed minute for the Investment Management Committee, December 14, 2017 meeting.

The first presentation was conducted by guest speaker, Sandy Rattrap from Man Group, an investment manager for TRS, discussing hedge fund challenges and opportunities.

The fourth quarter 2017 performance review was then reviewed by Steve Voss, Mike McCormick, and Mike Comstock, with Aon Hewitt. Following, James Nield provided the semiannual risk report. The fourth presentation given was an overview of public equity markets, presented by Dale West. Brad Gilbert then provided an annual update of hedge funds.

Jerry Albright provided a review of the Board advisor roles. The committee, upon finding that deliberating or conferring on the section of the Board advisor in open meeting would have a detrimental effect on the position of the Retirement System in negotiations with a third person, and convened in executive session to consider recommended to the Board approval of a resolution selecting an advisor consistent with 1.3 of the Investment Policy Statement.

Mr. Corpus moved, and the Board voted to adopt the resolution selecting an advisor, consistent with 1.3 of the Investment Policy Statement, as recommended by the Investment Management Committee.

**Resolution Regarding Engagement of Perella Weinberg Partners
April 20, 2018**

Whereas, Pursuant to that certain Resolution regarding Engagement of Tudor Pickering Holt & Co. as Investment Advisors to the Board of Trustees attached hereto as Exhibit A, the Board resolved on March 27, 2014 to authorize the engagement of Tudor Pickering Holt & Co. as consultant to assist and advise the Investment Management Division (“Investment Division”) with respect to the Energy and Natural Resources Portfolio (the “Engagement Resolution”);

Whereas, Pursuant to and in accordance with such Engagement Resolution, the Executive Director’s authorized designee duly executed all documents on September 21, 2015 (“Investment Counseling and

Advisory Services Agreement”) to engage TPH Asset Management LLC, a subsidiary of Tudor Pickering Holt & Co. (“TPH”) as Advisor to the Investment Division with respect to the Energy and Natural Resources Portfolio, including the provision of prudence or recommendation letters, and took all actions deemed necessary or advisable to implement the Engagement Resolution;

Whereas, In November 2016, Tudor Pickering Holt & Co. entered into a merger transaction agreement with Perella Weinberg Partners to combine the two companies;

Whereas, the Investment Division acting through the Internal Investment Committee has recommended that the Board of Trustees approve the transfer of the Investment Counseling and Advisory Services Agreement to Perella Weinberg Partners Capital Management LP, a subsidiary of Perella Weinberg Partners (“PWP”);

Whereas, TPH remained the Advisor to TRS under the Investment Counseling and Advisory Services Agreement until March 31, 2018;

Whereas, Pursuant to Section 1.3(e) of the Investment Policy Statement, the Investment Division is authorized to engage Advisors to assist the Investment Division with respect to investment opportunities and the Board of Trustees must approve each Advisor prior to engagement; now therefore, be it

Resolved, That the Board of Trustees hereby approves and authorizes the engagement of PWP as Advisor to TRS in place of TPH; and

Resolved, That the Executive Director or his designees is authorized to negotiate the terms and documentation of such engagement.

At 12:44 p.m., Mr. Hollingsworth announced, without objection, for the Board to recess into executive session on the following agenda items and sections of the Government Code: item 7.A under Section 551.074 to discuss personnel matters, and items 17 and 18 under Section 551.071 to consult with the Board’s attorneys about confidential legal matters, including pending or contemplated litigation.

At 1:48 p.m. Mr. Hollingsworth reconvened the Board meeting in open session. He called up Agenda Item number 7.

17. Discuss the Executive Director’s report on the following matters:

- a. Review of ED Goals and Objectives for plan year 2018, Administrative operational matters, including updates on financial, audit, legal, staff services, board administration activities, special projects, long-term space planning, security, 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 regarding various meetings and conferences. He noted TRS went through the Senate Health and Human Services and Senate State Affairs interim committees.

He reported Ms. Daniel testified in front of the House Select Committee on Opioids. He said TRS was invited to testify on TRS-Care only before the House Pensions Committee.

Mr. Guthrie reviewed the process for the upcoming trustee elections.

He provided an update on his goals to assist the trustees when they start his annual performance evaluation which occurs in July. He also noted in July the Board will also adopt an updated incentive pay plan for the Executive Director that will include 2019 goals.

8. Receive an overview and history of the evaluation process for the Executive Director, Chief Audit Executive and Chief Investment Officer – Janet Bray.

Ms. Bray stated the Board has the authority in the bylaws to evaluate the executive director and also the chief audit executive. She said for the chief investment officer the bylaws provide the authority to evaluate and hire goes to the executive director. However, there has been a longstanding tradition, she said for the CIO's evaluation to be done by the board in collaboration with the executive director. She said the current process has been in place since 2013. Ms. Bray provided a broad explanation of the evaluation process for the three executives.

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

Mr. Keith Robinson stated this is the sixth year rolling for Focus to be part of the executive evaluations. He said their role is to help the executives learn a bit about what they are good at and what they have blind spots to, and maybe some things that they need to improve upon. Mr. Robinson provided greater detail on the review process.

10. Review the Executive Performance Incentive Pay Plan for the plan year beginning July 2018 – Janet Bray.

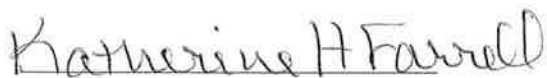
Ms. Bray reviewed the Executive Performance Incentive Pay Plan (PIPP) and how the Executive Director's current goals are within the performance incentive plan and how the categories are directly tied to the strategic plan. She said the first two categories, leadership effectiveness and employee engagement, are tied to goal 4 of the strategic plan. She noted the next two categories, operational effectiveness and member satisfaction are tied to goal 2. She said investment management oversight category is tied to goal 1.

Ms. Bray said that due to the elimination of the June 2018 Board meeting, the timeline regarding the Executive PIPP shifted. She said typically the plan is adopted at the June Meeting. This time around she said they are planning be present the plan in July for approval. She said next year, the Executive PIPP will be proposed in September for adoption to align it with the Investment PIPP.

At 2:42 p.m., Mr. Hollingsworth adjourned the meeting.

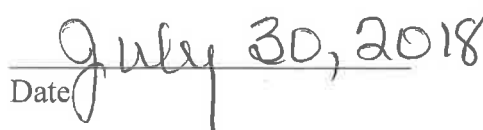
APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM
OF TEXAS ON THE 27th DAY OF JULY 2018.

ATTESTED BY:



Katherine H. Farrell

Secretary to the TRS Board of Trustees


Date