

Minutes of the Board of Trustees

April 17, 2020

The Board of Trustees of the Teacher Retirement System of Texas met on April 17, 2020 via videoconference. The following Board members were present:

Jarvis V. Hollingsworth, Chair
Nanette Sissney, Vice Chair
Michael Ball
David Corpus
John Elliott
Christopher Moss
James Nance
Robert H. Walls, Jr.

Others present:

Brian Guthrie, TRS
Andrew Roth, TRS
Don Green, TRS
Carolina de Onis, TRS
Jase Auby, TRS
Barbie Pearson, TRS
Katrina Daniel, TRS
Amanda Jenami, TRS
Rebecca Merrill, TRS
Heather Traeger, TRS
Sylvia Bell, TRS
Eric Lang, TRS
Katherine Farrell, TRS
Yimei Zao, TRS
Melanie Ingleby, TRS
Keith Brown, Investment Advisor
Suzanne Dugan, Cohen Millstein
Steve Voss, Aon Hewitt
Mike McCormick, Aon Hewitt
Julie Becker, Aon Hewitt
Kirsten Shatton, Segal
Ken Viera, Segal

Mr. Steve Gaines, Special Education Counselor
Mr. Brian Inglis, Professional Enrollment Concepts
Ms. Eileen O'Grady, Private Equity Stakeholder Project
Mr. Tyler Morris, RN
Ms. Kim McLaughlin, Naugatuck Valley Project
Mr. Steve Schrag, Naugatuck Valley Project
Mr. Steve Austin, Scott & White Health Plan
Ms. Brenda Morrisette

Mr. Hollingsworth called the meeting to order at 10:00 a.m.

1. Call roll of Board members.

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

Mr. Hollingsworth noted the historic significance of today's meeting being held for the first time without a quorum of trustees physically present in one place, holding the meeting virtually.

2. Provide an opportunity for public comment – Jarvis V. Hollingsworth.

Mr. Steve Gaines, a special education counselor, spoke to TRS-ActiveCare and TRS-Care. He expressed what a struggle it was for those that have health issues and what a good chunk of their salary is taken.

Mr. Brian Inglis, vice president of sales for Professional Enrollment Concepts. He requested the open enrollment process for people who have a benefit administration system to open before July 15 to allow more time due to TRS switch in providers.

Ms. Eileen O'Grady with Private Equity Stakeholder Project expressed concern about a TRS' investment with the private equity firm Leonard Green and Partners which owns the safety net hospital chain Prospect Medical Holdings.

Mr. Tyler Morris, a registered nurse in San Antonio, also expressed concern about TRS' investment with Leonard Green and Partners and its Prospect Medical Holdings.

Ms. Kim McLaughlin, Director of Naugatuck Valley Project, a community organization in Waterbury Connecticut, expressed concern about TRS' investment with Leonard Green and Partners and its Prospect Medical Holdings.

Mr. Steve Schrag who is active in the Naugatuck Valley Project also expressed concerns about a TRS' investment in particular Waterbury Hospital part of Prospect Hospital System's holdings owned by Leonard Green and Partners.

Mr. Steve Austin, Director of Client Management for Scott & White Health Plan, expressed appreciation to participate in bidding on the HMO benefit plan for Central and West Texas.

Ms. Brenda Morrisette expressed concerns about a TRS' investment in particular Waterbury Hospital part of Prospect Hospital System's holdings owned by Leonard Green and Partners.

Consider the following administrative items – Jarvis V. Hollingsworth:

a. Approval of the proposed February 2020 Board meeting minutes;

On a motion by Mr. Moss, seconded by Mr. Elliott, the Board voted to approve the proposed minutes of the February 2020 Board meeting.

b. Excusing Board member absences from the February 2020 Board meeting.

Mr. Hollingsworth reported that Dr. Gibson submitted his letter of resignation from the TRS Board to the Governor due to his recent retirement from public education.

On a motion by Mr. Ball and seconded by Mr. Nance, the Board voted to excuse Trustee Moss and Gibson from the February 2020 meeting.

Mr. Hollingsworth took the opportunity to thank Dr. Gibson for his service to the Teacher Retirement System, welcome him as a retiree and wish him well on his future endeavors. Mr. Hollingsworth noted the Board would operation with only eight members until the time there is an election and appointment for an active teacher to fill that position.

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

Mr. Hollingsworth stated due to these unprecedented times and in the event travel is restricted still in July, staff is recommending extending the Board meeting by one additional day. He said the proposal was for the committees to meet the first two days, July 15 -16, 2020 and then for the Board to meet on Friday, July 17, 2020.

On a motion by Mr. Corpus, seconded by Mr. Nance, the Board voted unanimously to expand the July Board meeting to include July 15, 2020 if travel is still restricted in July.

3. Receive an update from the Executive Director including updates regarding COVID-19, TRS Operations, Sunset Report and review upcoming meetings – Brian Guthrie.

Mr. Brian Guthrie provided an update on operations and how TRS was working through the current issues related to the pandemic. To start, Mr. Guthrie gave a thank you to the members of our system that are on the front lines of the pandemic. This includes not only health care workers and folks in our hospital systems but also the folks in our school districts providing food service and distributing laptops and other materials to students.

Mr. Guthrie reported in early March TRS increased level of preparedness to alert by increasing sanitation of the building and by March 10 limited travel outside of Austin. He said by March 19 he instituted mandatory work from home with a limited number of folks who had to come to the building. In response to the City of Austin's order, he extended the work-from-home through April 13, 2020 and further extended through May 8, 2020 to be consistent with the City of Austin and Travis County Orders. He stated the work-from-home transition has gone well and was a testament to our IT staff. He noted the building was also closed to the public. He said member appointments were rescheduled or held over phone or by video. He said there was no indication that Texas has reached the peak and when a return to office would be possible. He reported an internal team was working on plans of how to bring employees back and how to gradually open back up to the members. Mr. Guthrie asserted even with employees working from home the annuities are safe and continue to be paid on time. He also stated new members continue to be enrolled, retirement estimates and applications are being processed, business at TRS continues as usual.

Mr. Guthrie stated the Sunset staff report was released on schedule on April 2, 2020. Sunset staff identified four issues in the report that included 14 recommendations within the four issues. He said the agency response was due by April 30, 2020. He also noted the public hearing was originally scheduled for April 30th has been postponed. Mr. Guthrie provided further review of the four issues and how staff was already working on incorporating the recommendations.

Mr. Guthrie reviewed the status of conferences and meetings as being canceled, rescheduled or held virtually due to COVID-19. He also noted the decision of moving the executive assessments from July to September since there was a question of the Board being able to meet in person for the July meeting. Mr. Guthrie then reviewed the proposed items for the July Board meeting.

4. Receive a report from the COAO including an update on TEAM – Andrew Roth.

Mr. Andrew Roth provided an update on the TEAM project. He said TRS has taken over the project from Perspecta, the vendor who was contracted to implement the new pension administration system in October 2013. He gave a high-level timeline noting a slow down because of the COVID situation. He reviewed the internal governance model that was developed. He also noted the change in delivery methodology from Perspecta utilizing waterfall methodology to TRS using a more modern delivery method called agile. He said in July staff would forth a recommendation with options regarding an oversight model whether it should be brought internal with audit or have an external entity with an expertise in this type of implementation.

Mr. Roth concluded by calling out the IT support, benefit processing and facilities in particular for coming into the building every day providing essential services.

5. Receive a report from the Chief Audit Executive – Amanda Jenami.

Ms. Amanda Jenami noted the report was not a full quarterly audit update. She said for this fiscal year the goal was to improve the balance between assurance versus advisory services that are provided to TRS. She stated the 2020 audit plan had increased audits to 16 from last year's six. The plan has stayed very much the same with a couple of changes. She said with the approval of the health plan vendor change in February, the top priority is the smooth transition of vendors. She said they will perform an assessment of where the risks are in the processes and sub-processes are at TRS. This is an advisory project review, not an audit, that will require such effort they are going to defer the contract oversight audit to fiscal year 2021. She also noted the federal regulations audit is delayed and will start this year but may not finish by August 31. She said everything else remains on target.

Ms. Jenami discussed the continued request for assistance on data analytics program. She said they have improved the maturity of their program by procuring stronger tools and increasing staffing capabilities. Discussion was had regarding the balance of building up internal audit to examine healthcare claims data versus hiring outside auditors who work on a national level observing market behaviors.

6. Receive a market update from the Chief Investment Officer – Jase Auby.

Mr. Jase Auby provided an update on the markets and the trust's investment portfolio in light of the tremendously volatile calendar quarter. He reported the estimated return for the first quarter of the year is minus 8.3 percent. He said the trust value also declined from \$157 billion at the end of the last fiscal year to an estimated \$148 billion at the end of the first quarter. He said with an entire economy shut down the draw-down on the GDP is dramatic and only exceeded by the draw-down from the Great Depression.

Mr. Auby assured members that the market decline does not impact the trust's ability to pay benefits. He stated during volatile times it is important to remember the trust is long term focused and as a large public pension fund we are able to weather market downturns. He said the investment division also successfully transitioned to working from home. He said the pre-made battle plans are in place, they are actively rebalancing the asset allocation to stay in balance with benchmarks and keeping additional liquidity on hand to reflect volatility. He said opportunities are not immediate after this event but in the next few months opportunities will present themselves for TRS to take advantage of.

7. Consider extension of the State Street Custody Agreement and Securities Lending Authorization Agreement - Sylvia Bell.

Ms. Sylvia Bell reported that State Street has been TRS' custodian and securities lending agent since 2002. The Board in 2015 signed with State Street a seven year contract period with five year fixed period plus one option period to extend over two years. She said State Street plays a critical role in TRS investment operations. She noted they act as the book of record for all trade settlement, case movement, accounting, valuation and performance, compliance and risk measurement. She stated by extending the contract will allow the maximum amount of time to complete the procurement process. She said the intent is to start the process in January 2021 with coming back in July 2021 with finalists for the Board to select.

On a motion by Mr. Nance, seconded by Mr. Corpus, the Board unanimously voted to approve the following resolution to extend the State Street contract by two years:

Resolution of Board of Trustees Relating to the Extension of State Street Custody and Securities Lending Agreement

WHEREAS, Texas Government Code §825.101 provides that the Teacher Retirement System ("TRS") Board of Trustees ("Board") is responsible for the general administration and operation of the retirement system, and §825.103(d) provides that the Board has exclusive authority over the purchase of goods and services using trust funds including, without limitation, professional services;

WHEREAS, Texas Government Code §825.207(e) and §825.303(a) provide that the Board may select one or more commercial banks or other entities to serve as custodian of TRS' assets and to lend TRS's securities under rules adopted by the Board;

WHEREAS, the TRS Bylaws, subsection 1.7(p), state that the Board will select one or more custodian banks to provide custodial services for TRS assets;

WHEREAS, the TRS Bylaws, subsection 4.1.2(f), state that the Executive Director shall recommend to the Board the selection of the custodian for securities;

WHEREAS, the TRS Board Procurement Policy states that the Board will consider and authorize contracts with one or more custodian banks to provide custodial and security lending services for TRS assets;

WHEREAS, Section 2.3 of the TRS Securities Lending Policy states that the Board will, in addition to the custodian, select the lending agent to perform the securities lending function.

WHEREAS, State Street Bank and Trust Company ("State Street") has been providing custodial and securities lending services for the TRS pension trust fund since September 2002;

WHEREAS, the current agreements with State Street, the Custody Agreement and the Securities Lending Authorization Agreement dated August 1, 2015 (the "Agreements"), will expire July 31, 2020 but may be extended one time for two years through July 31, 2022; and

WHEREAS, TRS staff has reviewed and evaluated the performance of State Street and recommends that State Street continue to serve as master custodian of TRS' assets and securities lending agent for TRS. Now, therefore be it

RESOLVED, That the Board hereby authorizes the Executive Director or his designee to extend for one two-year extension the existing State Street Agreements to July 31, 2022;

RESOLVED, That the Executive Director or his designee is hereby authorized to negotiate such amendments or modifications relating to the services to be provided by State Street under the Agreements during the extended term on such terms and conditions as they deem necessary or desirable and in the best interest of TRS;

RESOLVED, That the Board finds the extension of the State Street Agreements represents the best overall value for TRS based on qualifications, experience, proposed contract terms and conditions, proposed fees, and other relevant factors;

RESOLVED, That the Executive Director and his designees are hereby authorized to execute and deliver any and all documents and do any and all things they deem reasonably necessary or

desirable and in the best interest of TRS to negotiate and execute the extension on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director or his delegee to be in the best interest of TRS; and

RESOLVED, That nothing in this resolution may be construed as a contract, an offer to contract with a power of acceptance that would form a contract, or an acceptance of an offer to contract, and TRS is not and will not be legally bound to any agreement unless and until the Executive Director has executed and delivered definitive agreements relating to the subject matter, as applicable.

8. **Receive report on investment practices and performance evaluation and consider resolution directing submission of the report to the Pension Review Board as required by Texas Gov't Code 802.109 – Mike McCormick and Julie Becker, Aon Hewitt.**

Mr. Steve Voss provided an overview noting this evaluation was required by legislation that was passed last year. He said Aon's fiduciary services team conducted a deep dive of five different areas regarding the investment trust program: the investment policy and the related compliance around policy; the second would be asset allocation; third is the cost to manage the investments, both investment fees, commissions and other cost associated with managing the trust assets; fourth TRS governance processes; and last selection and monitoring of investment managers. Ms. Julie Becker discussed Aon's evaluation process and methodology to develop the report. She noted the overall conclusion is that TRS' investment policies, procedures and practices are in line with industry best practices and in several areas TRS is on the leading edge. Mr. McCormick reviewed the five areas in greater detail.

On a motion by Ms. Sissney, seconded by Mr. Corpus, the Board voted to approve the following resolution to authorizing Mr. Guthrie to submit the report to the legislature:

Resolution

Relating to Report Required by Section 802.109, Texas Gov't Code

WHEREAS, Government Code Section 802.109 requires the Teacher Retirement System of Texas, a public retirement system ("TRS" or the "system"), to select an independent firm to evaluate the system's investment practices and performance and recommend improvements to its investment policies, procedures and practices;

WHEREAS, Section 802.109 authorizes a public retirement system to engage a firm with an existing relationship with the system that does not directly or indirectly manage investments of the system, and TRS engaged Aon Hewitt Investment Consulting, Inc., the Board of Trustees' general investment consultant ("Aon Hewitt"), to study the system's investment practices and performance and prepare the report and recommendations, if any, as required by Section 802.109;

WHEREAS, Section 802.109(j) provides that a report under Section 802.109 satisfies the requirements of Government Code Section 825.512 relating to evaluating investment practices and performance of the system's investment functions;

WHEREAS, Section 802.109 requires that the report under Section 802.109 be filed with the governing body of the system, the TRS governing body being the Board of Trustees, not later than May 1; and

WHEREAS, Section 802.109 requires the Board to submit the report to the Pension Review Board not later than the 31st day after the date the Board receives the report;

Now therefore, be it:

RESOLVED, That the Board having received the report from Aon Hewitt pursuant to Government Code Section 802.109, hereby authorizes and directs the Executive Director or his designee to submit the report to the Pension Review Board not later than the 31st day after the Board received the report.

Mr. Hollingsworth announced taking up Agenda Item 9 and 10 together.

9. **Discuss and consider selecting health maintenance organization (HMOs) to be associated with TRSActiveCare, including considering a finding that deliberating or conferring on the selection of the HMO(s) in an open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Katrina Daniel.**
10. **Discuss and consider PPO plan benefits and rates to be offered under TRS-ActiveCare during FY2020 and consider HMO plan benefits and rates to be offered in association with TRS-ActiveCare during FY2020 - Katrina Daniel.**

Ms. Katrina Daniel began with the HMO contract award discussion. She said there are currently three regions: West Texas area, Central Texas and the southern part of Texas. She reported currently Baylor Scott & White had the contract for West and Central Texas and Blue Cross Blue Shield had the contract for the Rio Grande Valley area. She said staff was recommending to maintain the Baylor Scott & White's contract in Central Texas, maintain the Blue Cross Blue Shield contract in South Texas but shift the contract in West Texas to Blue Cross Blue Shield. She noted Blue Cross Blue Shield's submitted a stronger proposal which resulted in more than 5.5 percent premium reduction for members. In response to Mr. Nance's inquiry, Ms. Daniel provided a description of the process, analysis and expertise that was used in arriving at the staff's recommendation.

On a motion by Mr. Nance, seconded by Mr. Elliott, the Board voted to approve the following resolution:

**RESOLUTION SELECTING HEALTH MAINTENANCE
ORGANIZATIONS ASSOCIATED WITH
THE TRS-ACTIVECARE PROGRAM**

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 entities interested in offering a health maintenance organization plan to participants in TRS-ActiveCare who reside or work in the respective service area herein approved by the Board concerning each health maintenance organization ("HMO");

Whereas, TRS received a number of responsive proposals to the RFP;

Whereas, TRS staff has evaluated these proposals, and TRS staff has provided relevant information and presented an evaluation to the TRS Board of Trustees (the "Board") concerning the selection of HMOs that will be allowed to provide a health maintenance organization plan to participants in TRS-ActiveCare who reside or work in the respective, approved service areas of each HMO, and TRS staff has discussed this selection with the Board;

Whereas, The Board has considered this information and evaluation; now, therefore, be it

Resolved, that the Board hereby selects _____ Baylor Scott & White's _____ to offer a health maintenance organization plan only to participants in TRS-ActiveCare who reside or work in the forty-two (42) "Central Texas" counties listed in Exhibit A, attached hereto and incorporated herein for all purposes, subject to the successful negotiation and execution of a final agreement, for a two-year term to commence on September 1, 2020, with four optional one-year renewals;

Resolved, that the Board hereby selects ___ Blue Cross Blue Shield _____ to offer a health maintenance organization plan only to participants in TRS-ActiveCare who reside or work in the four (4) "South Texas" counties listed in Exhibit A, subject to the successful negotiation and execution of a final agreement, for a two-year term to commence on September 1, 2020, with four optional one-year renewals;

Resolved, that the Board hereby selects _____ Blue Cross Blue Shield _____ to offer a health maintenance organization plan only to participants in TRS-ActiveCare who reside or work in the ninety-two (92) "West Texas" counties listed in Exhibit A, subject to the successful negotiation and execution of a final agreement, for a two-year term to commence on September 1, 2020, with four optional one-year renewals;

Resolved, that the Board hereby authorizes the Executive Director or his designees to expend funds and to take all actions deemed by him or a designee to be necessary or advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize acceptable contracts with the HMOs selected above on such terms and conditions deemed by the Executive Director or a designee to be in the best interest of the TRS-ActiveCare program, and from time to time to amend or modify the respective contracts with each HMO selected above as deemed by the Executive Director or a designee to be in the best interest of the TRS-ActiveCare program, it being understood that the Board's selection of each HMO noted above, pursuant to this resolution, shall not be construed as a binding agreement or obligation to contract with

any of the HMOs noted above, and there shall be no binding agreement between TRS and each HMO until a full and final written contract is successfully negotiated and executed by both parties to each contract.

Ms. Daniel discussed the proposed HMO plan rates, benefits and service area. She noted the previous decision was regarding the service areas, and this was focused on benefits and rates. She stated for the first time staff requested for proposal this year a gain sharing requirement, in that if an HMO performs above an expected level they will share in those profits with TRS.

On a motion by Mr. Nance, seconded by Mr. Elliott, the Board voted to approve the following resolution:

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

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 entities interested in offering a health maintenance organization plan only to participants in TRS-ActiveCare who reside or work in the respective service area herein approved by the Board concerning each health maintenance organization (“HMO”);

Whereas, TRS has selected Scott & White Care Plans to offer a health maintenance organization plan, beginning September 1, 2020, only to participants in TRS-ActiveCare who reside or work in the forty-two (42) “Central Texas” counties listed in Exhibit A, attached hereto and incorporated herein for all purposes, subject to the successful negotiation and execution of a final agreement;

Whereas, TRS has selected Blue Cross and Blue Shield of Texas to offer a health maintenance organization plan, beginning September 1, 2020, only to participants in TRS-ActiveCare who reside or work in the four (4) “South Texas” counties listed in Exhibit A, subject to the successful negotiation and execution of a final agreement;

Whereas, TRS has selected Blue Cross and Blue Shield of Texas to offer a health maintenance organization plan, beginning September 1, 2020, only to participants in TRS-ActiveCare who reside or work in the ninety-two (92) “West Texas” counties listed in Exhibit A, subject to the successful negotiation and execution of a final agreement;

Whereas, TRS staff has evaluated the benefits and premium rates proposed by Scott & White Care Plans for the HMO plan covering the forty-two (42) “Central Texas” counties, the benefits and premium rates proposed by Blue Cross and Blue Shield of Texas for the HMO plan covering the four (4) “South Texas” counties, and the benefits and premium rates proposed by Blue Cross and Blue Shield of Texas for the HMO plan covering the ninety-two (92) “West Texas” counties, and TRS staff has provided relevant information and presented an evaluation of these HMO plans to the TRS Board of Trustees (the “Board”), and TRS staff has discussed these plans with the Board;

Whereas, TRS staff has recommended that for fiscal year 2021, the Board approve a monthly administration fee of \$15.00 per employee enrolled in an HMO, to cover fees and other administrative expenses incurred by the TRS-ActiveCare program;

Whereas, The Board has considered this information and evaluation; now, therefore, be it

Resolved, subject to the successful negotiation and execution of a final agreement, that the Board hereby approves the following major plan benefits, offered in the “TRS BAFO Secondary Option” proposed by Scott & White Care Plans in its Response to Proposal submitted to TRS on or about January 10, 2020, with said benefits to begin September 1, 2020, only for participants in TRS-ActiveCare who reside or work in the forty-two (42) “Central Texas” counties listed in Exhibit A, and approves and adopts the following gross monthly premium rates, which rates include a monthly administration fee payable to TRS of \$15.00 per enrolled employee, for enrollment in this HMO during fiscal year 2021 according to coverage tier:

Plan Benefits	2020-2021 Plan Year
Individual/Family Deductible	\$950/\$2,850
Individual/Family Out-of-Pocket Maximum	\$7,450/\$14,900
Primary Care Physician	\$20 copay
Specialist Physician	\$70 copay
Urgent Care Visit	\$50 copay
Emergency Room Visit	\$500 copay after deductible
Inpatient Hospital	\$150 per day copay, plus 20% after deductible (\$750 maximum copay per admission)
Pharmacy Deductible	\$150 (excl. generics)
Generic Drug (<i>Retail/Mail</i>)	\$5/\$12.50 copay
Preferred Brand Drug	30% after deductible
Non-Preferred Brand Drug	50% after deductible
Specialty Drug	15%/25% after deductible (preferred/nonpreferred)

Gross Monthly Premiums

Coverage Tier	FY 2021 Premiums
Employee Only	\$ 551.10
Employee & Spouse	\$ 1,382.06
Employee & Child(ren)	\$ 883.50
Employee & Family	\$ 1,478.56

Resolved, subject to the successful negotiation and execution of a final agreement, that the Board hereby approves the following major plan benefits, offered in the plan proposed by Blue Cross and Blue Shield of Texas in its Response to Proposal submitted to TRS on or about January 10, 2020, with said benefits to

begin September 1, 2020, only for participants in TRS-ActiveCare who reside or work in the four (4) "South Texas" counties listed in Exhibit A, and approves and adopts the following gross monthly premium rates, which rates include a monthly administration fee payable to TRS of \$15.00 per employee, for enrollment in this HMO during fiscal year 2021 according to coverage tier:

Plan Benefits	2020-2021 Plan Year
Individual/Family Deductible Individual/Family Out-of-Pocket Maximum	\$500/\$1,000 \$4,500/\$9,000
Primary Care Physician Specialist Physician Urgent Care Visit Emergency Room Visit Inpatient Hospital	\$25 copay \$60 copay \$75 copay 20% after deductible 20% after deductible
Pharmacy Deductible Generic Drug (<i>Retail/Mail</i>) Preferred Brand Drug (<i>Retail/Mail</i>) Non-Preferred Brand Drug (<i>Retail/Mail</i>) Specialty Drug	\$100 \$10/\$30 copay \$40/\$120 copay \$65/\$195 copay You pay 20% after deductible

Gross Monthly Premiums

Coverage Tier	FY 2021 Premiums
Employee Only	\$ 491.54
Employee & Spouse	\$ 1,182.52
Employee & Child(ren)	\$ 766.96
Employee & Family	\$ 1,258.52

Resolved, subject to the successful negotiation and execution of a final agreement, that the Board hereby approves the following major plan benefits, offered in the plan proposed by Blue Cross and Blue Shield of Texas in its Response to Proposal submitted to TRS on or about January 10, 2020, with said benefits to begin September 1, 2020, only for participants in TRS-ActiveCare who reside or work in the ninety-two (92) "West Texas" counties listed in Exhibit A, and approves and adopts the following gross monthly premium rates, which rates include a monthly administration fee payable to TRS of \$15.00 per employee, for enrollment in this HMO during fiscal year 2021 according to coverage tier:

Plan Benefits	2020-2021 Plan Year
Individual/Family Deductible Individual/Family Out-of-Pocket Maximum	\$950/\$2,850 \$7,450/\$14,900
Primary Care Physician Specialist Physician	\$20 copay \$70 copay

Urgent Care Visit Emergency Room Visit	\$50 copay \$500 copay before deductible plus 25% after deductible 25% after deductible
Inpatient Hospital	
Pharmacy Deductible	\$150
Generic Drug (<i>Retail/Mail</i>)	\$5/\$12.50 copay
Preferred Brand Drug	30% after deductible
Non-Preferred Brand Drug	50% after deductible
Specialty Drug	15%/25% after deductible (preferred/nonpreferred)

Gross Monthly Premiums

Coverage Tier	FY 2021 Premiums
Employee Only	\$ 534.42
Employee & Spouse	\$ 1,287.58
Employee & Child(ren)	\$ 835.68
Employee & Family	\$ 1,370.12

Resolved, that the approved plans of coverage offered by each HMO only to participants in TRS-ActiveCare who reside or work in the respective service areas of each HMO, each of which commences on September 1, 2020, 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, 2020.

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. Daniel then discussed the experience over the past year in looking at ways to improve ActiveCare. She reported the Health and Insurance Benefits staff has undertaken a pretty robust approach to going out across the state and talking to districts about what it is they want. She said they have been looking to re-engineer ActiveCare in a way that better meets the needs of employers across the state and have sought direct feedback from them. Ms. Daniel then reviewed new proposed plans ActiveCare-Primary, ActiveCare-Primary+. She stated the one plan with proposed increases across the board is ActiveCare-2, with a proposed 10 percent increase across the board. Ms. Daniel noted that across all plans, Care and ActiveCare, they are able to administer the plans

with only about a 4 percent administration fee with the 96 percent of the money going to health care claims.

On a motion by Ms. Sissney, seconded by Mr. Ball, the board unanimously voted to approve the following resolution:

**RESOLUTION APPROVING BENEFITS AND
GROSS PREMIUM RATES FOR THE EXISTING PPO
PLANS IN TRS-ACTIVECARE AND FOR THE NEW
“TRS-ACTIVECARE PRIMARY” PPO PLAN**

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 consultants assisting staff (the “Consultants”) have recommended that major benefit changes, as indicated below, be made to TRS-ActiveCare 1-HD (to be known in the future as TRS-ActiveCare HD) and to TRS-ActiveCare Select (to be known in the future as TRS-ActiveCare Primary+) for the fiscal year 2021 plan year commencing on September 1, 2020;

Whereas, TRS staff and the Consultants are not recommending any major benefit changes be made to TRS-ActiveCare 2 for the fiscal year 2021 plan year commencing on September 1, 2020;

Whereas, TRS staff and the Consultants have recommended that for the fiscal year 2021 plan year commencing on September 1, 2020, TRS-ActiveCare begin offering a new PPO plan, to be known as “TRS-ActiveCare Primary”, with the major benefits as indicated below;

Whereas, TRS staff and the Consultants have recommended that for the fiscal year 2021 plan year commencing on September 1, 2020, premium rates at all levels of coverage in TRS-ActiveCare HD, TRS-ActiveCare Primary+, TRS-ActiveCare 2, and TRS-ActiveCare Primary, be set at the gross premium amounts set out in Exhibit A, attached to this resolution and incorporated herein by reference;

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

Resolved, That the Board hereby adopts and authorizes the following major benefit changes, subject to all other plan requirements and restrictions, for TRS-ActiveCare 1-HD, which shall be known as “TRS-ActiveCare HD,” beginning in the fiscal year 2021 plan year commencing on September 1, 2020 and thereafter, until further action by the Board:

TRS-ActiveCare HD (formerly TRS-ActiveCare 1-HD)		
Plan Feature	2019-2020 Plan Year	2020-2021 Plan Year
<u>In-Network</u> Individual Deductible Family Deductible	\$2,750 \$5,500	\$2,800 \$5,600
<u>In-Network Deductible Cap for Plans with Dependents</u>	An individual or combination of individuals on a plan with dependents (Employee+Child, Employee+Spouse, Employee+Family) must meet the family deductible amount of \$5,500 before the plan pays.	The deductible for individuals on a plan with dependents (Employee+Child, Employee+Spouse, Employee+Family) is capped at the individual deductible amount of \$2,800.
<u>In-Network</u> Individual Out-of-Pocket Maximum Family Out-of-Pocket Maximum	\$6,750 \$13,500	\$6,900 \$13,800

Resolved, That the Board hereby adopts and authorizes the following major benefit changes, subject to all other plan requirements and restrictions, for TRS-ActiveCare Select, which shall be known as “TRS-ActiveCare Primary+,” beginning in the fiscal year 2021 plan year commencing on September 1, 2020 and thereafter, until further action by the Board:

TRS-ActiveCare Primary+ (formerly TRS-ActiveCare Select)		
Plan Feature	2019-2020 Plan Year	2020-2021 Plan Year
<u>In-Network</u> Individual Out-of-Pocket Maximum Family Out-of-Pocket Maximum	\$7,900 \$15,800	\$6,900 \$13,800

In-Network Inpatient Hospital Facility Charges	\$150 copay per day plus 20% after deductible (\$750 maximum copay per admission)	20% after deductible
In-Network High-Tech Radiology	\$100 copay plus 20% after deductible	20% after deductible
Emergency Room (true emergency use) (Non-Freestanding ER)	\$250 copay plus 20% after deductible (copay waived if admitted)	20% after deductible
In-Network Outpatient Surgery	\$150 copay per visit plus 20% after deductible	20% after deductible
In-Network Cost Sharing for Physical and Occupational Therapy	\$70 copay	\$30 copay
<u>Preferred Brand Drugs</u>		
Retail Copay/Coinsurance (up to 31-day supply)	25% after drug deductible (min \$40; max \$80)	25% after drug deductible
Retail Maintenance Copay/Coinsurance (after 1 st fill; up to 31-day supply)	25% after drug deductible (min \$60; max \$120)	25% after drug deductible
Mail Order and Retail Plus Copay/Coinsurance (60 to 90-day Supply)	25% after drug deductible (min \$105; \$210 max)	25% after drug deductible

Resolved, That the Board hereby adopts and authorizes no major benefit changes for TRS-ActiveCare 2, beginning in the fiscal year 2021 plan year commencing on September 1, 2020 and thereafter, until further action by the Board.

Resolved, That the Board hereby adopts and authorizes a new PPO plan under TRS-ActiveCare, which shall be known as “TRS-ActiveCare Primary,” with the following major benefits, beginning in

the fiscal year 2021 plan year commencing on September 1, 2020 and thereafter, until further action by the Board:

TRS-ActiveCare Primary (New Plan)	
Plan Feature	2020-2021 Plan Year
<u>In-Network</u> Individual Deductible Family Deductible	\$2,500 \$5,000
<u>In-Network</u> Individual Out-of-Pocket Maximum Family Out-of-Pocket Maximum	\$8,150 \$16,300
<u>Coinsurance</u>	30% after deductible
<u>Copayments for Office Visits</u> Primary Care Specialist Physical and Occupational Therapy	\$30 \$70 \$30
<u>Immediate Care</u> TRS Virtual Visit Consult Fee Urgent Care Copay	\$0 \$50
<u>Prescription Drugs</u> Generics Preferred Brand Non-preferred Brand Specialty	<u>30-Day Supply / 90-Day Supply</u> \$15/\$45 30% after deductible 50% after deductible 30% after deductible

Resolved, That the Board hereby adopts and authorizes the gross premium rates for TRS-ActiveCare HD, TRS-ActiveCare Primary+, TRS-ActiveCare 2, and TRS-ActiveCare Primary contained in Exhibit A, for the fiscal year 2021 plan year commencing on September 1, 2020 and thereafter, until further action by the Board;

Resolved, That the Board hereby authorizes the Executive Director or his designees to take any actions that are necessary or advisable to implement the benefit structures and gross premium rates as adopted or authorized herein, to implement TRS-ActiveCare Primary as authorized herein, and to take any actions that are necessary or advisable to otherwise implement, administer, and continue the TRS-ActiveCare, until further action by the Board.

Ms. Daniel concluded by speaking of the robust outreach initiative planned for the members. She said normally, when the Board adopts rates and benefits, they visit with participating districts, conduct face to face visits but this year those meetings will be virtual. Additionally, she said the new vendor, Blue Cross Blue Shield, will have a program of district ambassadors stationed around the state to support the districts.

11. Consider approval of Benefit Payments for December 1, 2019 – February 29, 2020 – Barbie Pearson.

On a motion by Mr. Elliott, seconded by Mr. Corpus, the committee approved recommending to the Board approval of the benefits payments for December 1, 2019 – February 29, 2020, as presented by staff.

12. Consider the appointment of Dr. David Rothschild as a member and Chair of the TRS Medical Board and engagement as a provider of Medical Board Services – Barbie Pearson.

Ms. Barbie Pearson stated that Dr. David Rothschild was appointed to the TRS Medical Board in January 2019 and was contracted for 18 months. This was done so that the terms on the Medical Board were staggered and not expiring all at the same time. She noted Dr. Rothschild's term ends August 31, 2020. She said he has successfully fulfilled his duties on the Board and was appointed chair of the Board in September of 2019.

On a motion by Mr. Nance, seconded by Mr. Walls, the Board unanimously voted to approve the following resolution naming Dr. Rothschild chair of the Medical Board and renewing his contract for two more years:

RESOLUTION TO REAPPOINT DAVID ROTHSCCHILD, M.D. TO TRS MEDICAL BOARD

Whereas, Texas Government Code section 825.204 requires the Board of Trustees of the Teacher Retirement System of Texas to appoint a Medical Board composed of three physicians, who perform services under contracts with TRS, and the term of one of the current three members and Chair of the Medical Board, David Rothschild, M.D., will expire August 31, 2020;

Whereas, TRS staff has recommended that the Board of Trustees reappoint Dr. Rothschild as a member to the TRS Medical Board effective September 1, 2020 for a two-year term that ends on August 31, 2022 and reappoint him Chair of the Medical Board;

Whereas, The TRS staff and Board of Trustees have determined that reappointing and contracting with Dr. Rothschild to perform services as a member of the Medical Board would provide the best overall value for TRS; now therefore, be it

Resolved, That the Board of Trustees reappoints David Rothschild, M.D., to the TRS Medical Board for a two-year term beginning on September 1, 2020 and expiring on August 31, 2022;

Resolved, That the Board of Trustees reappoints Dr. Rothschild as Chair of the TRS Medical Board and to serve as presiding officer at the pleasure of the Board of Trustees; and

Resolved, That the Executive Director, or his designee, is hereby authorized to negotiate, with the assistance and advice of legal counsel, a contract for Medical Board services with Dr. Rothschild and, if negotiations are deemed by the Executive Director in his discretion to be successful, then the Executive Director or his designee is hereby authorized to execute a contract with Dr. Rothschild for two years coinciding with the term of his reappointment and according to such terms, conditions, and fees as the Executive Director may deem in his discretion to be appropriate and to provide the best overall value for TRS, and 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 associated with such contract and deemed in the discretion of the Executive Director to be reasonably necessary or advisable with respect to such contract.

13. Consider adoption of the proposed 2021-25 Strategic Plan Goals, Objectives and Strategies – Rebecca Merrill.

Ms. Rebecca Merrill provided an overview of the strategic plan for 2021 to 20215 fiscal years noting this was the first time for the Trustees to vote on the TRS strategic plan. She said the plan is due to the Legislative Budget Board and the Governor’s Office by June 1. She noted that strategic planning is not just to document what the agency is doing but so that there is a framework to talk about what the resource needs of the organization are. Ms. Merrill reviewed the proposed changes to the Goals. For Goal 4, she said the change was to reference achieving excellence in the delivery of services to our members to recognize not only core functions but also support services provide for our members. For Goal 5, the Historically Underutilized Businesses previously a stand-alone goal proposed to fold into Goal 4 as part of the comprehensive objective on procurement and contracts. Ms. Merrill then reviewed the proposed changes in the Objectives and Strategies within each Goal.

Ms. Merrill concluded by referencing the stoplight report for the enterprise risk management function. She noted business continuity was split into pre COVID-19 and COVID-19 with a caution designation with the expectation of going up in the next 12 to 24 months. She said caution designation was due to the working remotely occurred relatively seamless and benefits, annuities and process paperwork are all still being done in a timely fashion.

On a motion by Mr. Walls, seconded by Mr. Elliott, the Board voted unanimously to approve the strategic plan with the following resolution:

RESOLUTION REGARDING ADOPTION OF STRATEGIC PLAN GOALS, OBJECTIVES, AND STRATEGIES FOR FISCAL YEARS 2021-2025

Whereas, the Teacher Retirement System of Texas (“TRS”) is required by Texas Government Code Section 2056.002 and the Instructions for Preparing and Submitting Agency Strategic Plans to submit the TRS Strategic Plan for Fiscal Years 2021-2025 by June 1, 2020 to the Office of the Governor and the Legislative Budget Board.

Whereas, TRS Board of Trustee Bylaws Section 1.7(a) provides that the TRS Board of Trustees (“Board”) shall adopt the Strategic Plan Goals and Objectives for accomplishment of the TRS mission; now therefore, be it

Resolved, That the Board hereby adopts the Goals, Objectives, and Strategies of the TRS Strategic Plan for Fiscal Years 2021-2025.

Resolved, That the Board directs the Executive Director or his designee to submit the TRS Strategic Plan, including the Goals, Objectives, and Strategies and required schedules and reports, to the Office of the Governor and the Legislative Budget Board by June 1, 2020.

14. **Consider adoption of the proposed amendments to TRS rule in Chapter 23 of Title 34, Part 3 of the Texas Administrative Code; §23.5 Nominations for Appointment to the Board of Trustees – Katherine Farrell.**

Ms. Katherine Farrell reviewed the proposed rule amendments concerning TRS Rule 23.5 that were brought before the Board in February for approval to publish in the Texas Register for public comment. No comments were received. She said the proposed amendments reorganize the rule to provide for clarity, add a definition section and put into rule what had become practice such as requiring a write-in candidate to receive a minimum of 250 votes to be considered one of the top three candidates.

On a motion by Mr. Nance, seconded by Ms. Sissney, the Board voted unanimously to adopt the proposed amendments to TRS rules that relate to Nominations for appointment to the Board of Trustees, as presented by staff.

15. **Receive an update on FY 2020 mid-year budget and FTE report and Legislative Appropriations Request for Fiscal Years 2022-23 – Brian Guthrie, Andrew Roth and Don Green.**

Mr. Guthrie noted that between now and the July Board meeting staff will be working on the appropriations request for the upcoming legislative session. He said typically the appropriations request is due in early August and there are currently no changes to that deadline or timeframe. He said they anticipate the upcoming year and legislative cycle to be a very difficult budget session due to the obvious economic impact of what is happening globally, and also here in Texas.

Mr. Green reviewed the operating budget of \$224.9 million that was adopted by the Board last July. He reported as of six months into the fiscal year \$114.6 was encumbered. He projected the end of the year to expend \$195.4 million, with about \$30 million of the budget unspent. Mr. Green provided an update as to full time employees (FTEs). He said of the 745 positions budgeted for the fiscal year, 90 percent were filled.

16. **Consider long term facilities planning, including 816 Congress lease, Indeed sublease and due diligence expenses associated with the potential new building and the potential renovations or sale of the Red River campus, legal, consulting, architectural, and other expenses – Brian Guthrie, Andrew Roth, and Eric Lang.**

Mr. Guthrie provided an update to the Board regarding Long Term Facilities due to the recent developments in the last two months due to the pandemic's effect on the economy. He said essentially as the Texas economy has hit the pause button so has TRS efforts in regards to the long-term facilities planning. He said there is no need to work towards a date of September when it will likely be midsummer before there is a sense of what the new normal is in the markets. He said while a 90 percent work from home situation is not sustainable it has changed the manner in which working from home is viewed. This is an important element, he said, that is causing us to go back and challenge the underlying assumptions for facilities planning.

Mr. Eric Lang reported they have stopped moving forward in signing a lease renewal at 816 Congress until the market stabilizes. He said they are moving forward to sublease the space at Indeed Tower. He reported they are going through the procurement process to hire a broker and agent to sublease the space in Indeed Tower.

Mr. Andrew Roth provided an update on the long term facilities project. He said an RFP was issued to retain an appraiser to review the value of the Red River headquarters. He said an architect was identified to explore additional renovation options for the Red River campus. In regards to the Mueller site, he said, those developer activities are on pause. He reported an official stop work notice was issued due to the instability. He said by July he expects to come before the Board to seek permission to proceed with the Mueller development. In the meantime, he said they will continue the low cost programming and workplace study validation activities to examine the work from home and remote work capability.

In response to Ms. Sissney's inquiry, Mr. Guthrie stated we are in essence hitting the pause button for now and in July may report the pause button is still engaged until we have a better sense of what long term needs will be. He said operationally for the short term we are stopping and re-evaluating, but we do need to address the long term facilities needs for the future.

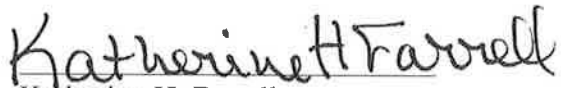
17. **Review the report of the General Counsel on pending and contemplated litigation, including updates on litigation involving benefit-program contributions, investment matters, retirement benefits, health benefit programs, open records, and on a request for an Attorney General Opinion, RQ-0334-KP, and request for an audit from the State Auditor's Office, filed February 27, 2020 – Carolina de Onis.**

This item was not taken up for discussion.

At 4:03 pm, Mr. Hollingsworth adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM
OF TEXAS ON THE 17th DAY OF JULY 2020.

ATTESTED BY:



Katherine H. Farrell

Secretary to the TRS Board of Trustees

Date

