

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

**AGENDA**

**December 12, 2019 – 8:00 a.m.**

**December 13, 2019 – 8:00 a.m.**

***TRS East Building, 5<sup>th</sup> Floor, Boardroom.***

*All or part of the December 12-13, 2019 meeting of the TRS Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have the presiding officer and a quorum physically present at the following location, which will be open to the public during the open portions of the meeting: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5<sup>th</sup> Floor, Boardroom.***

*NOTE: The Board may take up any item posted on the agenda during its meeting on Thursday, December 12, 2019, or during the meeting on the following day, December 13, 2019, beginning at the time and place specified on this agenda.*

*The open portions of the December 12-13, 2019, Board meeting are being broadcast over the Internet. Access to the Internet broadcast of the Board meeting is provided at [www.trs.texas.gov](http://www.trs.texas.gov).*

1. Call roll of Board members.
2. Consider the following administrative matters – Jarvis V. Hollingsworth:
  - A. Approval of the September 2019 proposed meeting minutes;
  - B. Excusing Board member absences from the September 2019 meeting;
  - C. Consider the election of the Board Vice-Chair;
  - D. Consider consenting to the Board Chair's appointment of committee members, and receive the Board Chair's public announcement of committee chairs;

***NOTE:*** *The Board meeting likely will recess after the last item above to conduct committee meetings and will resume Thursday afternoon to take up items listed below.*

3. Receive an update regarding long term space planning activities and consider developer solicitations for main campus including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie and Andrew Roth.
4. Discuss and consider executive succession planning, and personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of the Executive Director and the Chief Investment Officer– Brian Guthrie.
5. Receive an update on the TEAM Program including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie and Chet Henry.
6. Consider the evaluation and performance of Bridgepoint Consulting as the TEAM Program Independence Program Assessment (IPA) Vendor including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Amanda Jenami.

***NOTE:*** The Board meeting likely will recess after the last item above and will resume Friday morning to take up items listed below.

7. Provide opportunity for public comment – Jarvis V. Hollingsworth.
8. Recognize the service of Dolores Ramirez and Joe Colonna – Jarvis V. Hollingsworth.
9. Receive a presentation from the TEAM Program Independent Program Assessment (IPA) Vendor – Michael Johnson, Bridgepoint Consulting.
10. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
  - A. Review administrative operational matters, including updates on legislative, financial, audit, legal, staff services, special projects, investment matters, strategic planning, foreign office update and personnel matters.
  - B. Sunset Review Update.
  - C. Board operational matters, including a review of draft agendas for upcoming meetings.
  - D. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.
11. Consider adoption of the funding policy for the TRS pension fund –Joe Newton, GRS.

12. Review the TRS Pension Trust Fund Actuarial Valuation for the fiscal year ending August 31, 2019 – Joe Newton and Dan Sibilik, GRS.
13. Review the TRS-Care Actuarial Valuation and Other Post-Employment Benefits (OPEB) reports as of August 31, 2019 – Joe Newton, GRS.
14. Consider selecting a firm to conduct the statutorily required actuarial audit including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Caasi Lamb.
15. Receive the report of the Strategic Planning Committee on its December 12, 2019 meeting and consider proposed amendments to the Mission Statement – Committee Chair.
16. Receive the report of the Benefit Committee on its December 12, 2019 meeting and consider the following – Committee Chair:
  - A. Accept the Medical Board Meeting Minutes for July and September 2019;
  - B. Approve the Benefit Payments for September – November 2019.
17. Receive the report of the Budget Committee on its December 12, 2019 meeting – Committee Chair.
18. Receive the report of the Investment Management Committee on its December 12, 2019 meeting– Committee Chair.
19. Receive the report of the Policy Committee on its December 12, 2019 meeting and consider the following – Committee Chair:
  - A. Consider the proposed amendments to the Proxy Policy and Procedures;
  - B. Consider the proposed amendments to the Commission Credits Policy;
  - C. Consider the proposed amendments to the Board of Trustees External Communications Policy.
20. Receive the report of the Audit, Compliance and Ethics Committee on its December 12, 2019 meeting - Committee Chair.
21. Receive an update on the Classification Compensation Review Project – Andrew Roth and Janet Bray.
22. Receive an update from the COAO – Andrew Roth.
23. Review the report of the General Counsel on pending and contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, investment matters and open records – Carolina de Onis.

The Board may convene in Executive Session under the following but not limited to:

- A. Texas Government Code, Section 551.071: Consultation with Attorney;
- B. Texas Government Code, Section 551.072: Deliberation Regarding Real Property;
- C. Texas Government Code, Section 551.074: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees including but not limited to the Executive Director, Chief Auditor Executive, Chief Investment Officer.
- D. Texas Government Code, Section 551.076: Deliberation Regarding Security Devices or Security Audits;
- E. Texas Government Code, Section 551.089: Deliberation Regarding Security Devices or Security Audits;
- F. Texas Government Code, Section 825.115: Deliberation Regarding a Procurement; or
- G. Texas Government Code, Section 825.3011: Certain Consultations Concerning Investments.

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

**December 12, 2019**

The Board of Trustees of the Teacher Retirement System of Texas met on December 12, 2019 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 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              | LeRoy DeHaven, TRTA        |
| Andrew Roth, TRS                | Karen Peterson, TRS Member |
| Don Green, TRS                  | Ann Fickel, TCTA           |
| Carolina de Onis, TRS           | Scott McAfee, Perspecta    |
| Jerry Albright, TRS             | Mike Bentrrott, Aetna      |
| Jase Auby, TRS                  | Eric St. Pierre, Humana    |
| Barbie Pearson, TRS             | Laura Atlas Kravis, TSTA   |
| Katrina Daniel, TRS             | Nick Arnold, Humana        |
| Amanda Jenami, TRS              | Cheryl Anderson, AFT       |
| Heather Traeger, TRS            | Brock Gregg, TRTA          |
| Chet Henry, TRS                 | Joni Lozano, CVS           |
| Katherine Farrell, TRS          | Sean Donovan, CVS          |
| Steve Voss, Aon Hewitt          | Eli Melendrez, AFT         |
| Keith Brown, Investment Advisor | Bo Davis, Perspecta        |
| Suzanne Dugan, Cohen Millstein  | Timothy Wilson, TRS Member |

Mr. Hollingsworth called the meeting to order at 8:03 a.m.

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

Ms. Farrell called the roll. A quorum was present, Dr. Gibson was absent.

Mr. Hollingsworth took the opportunity to welcome new Trustees Michael Ball and Robert H. Walls. Mr. Hollingsworth also welcomed Ms. Suzanne Dugan, the Board's new fiduciary counsel.

### **2. Consider the following administrative items – Jarvis Hollingsworth:**

**a. Approval of the proposed September 2019 Board meeting minutes;**

On a motion by Mr. Corpus, seconded by Mr. Elliott, the Board voted to approve the proposed minutes of the September 2019.

**b. Excusing Board member absences from the September 2019 Board meeting.**

On a motion by Mr. Elliott and seconded by Mr. Nance, the Board voted to excuse Trustees Moss and Gibson from the September 20, 2019 meeting.

**c. Consider the election of the Board Vice-Chair;**

Mr. Hollingsworth said the Board typically tries to balance leadership on the Board and when the chair was a private sector appointee, typically would have the vice chair serve from the members of the education community, and vice versa. He noted Trustee Sissney would love to volunteer to serve as vice chair, and she is very well qualified to serve. Mr. Hollingsworth nominated Ms. Nanette Sissney to serve as vice chair for the next year and Mr. Moss seconded the nomination. The Board unanimously voted by acclamation for Ms. Sissney to serve as Vice Chair.

**d. Consider consenting to the Board Chair's appointment of committee members, and receive the Board Chair's public announcement of committee chairs – Jarvis Hollingsworth.**

Mr. Hollingsworth presented the following recommendations for chairs of each committee as well as the members:

|                                     |  |
|-------------------------------------|--|
| <b>Audit, Compliance and Ethics</b> | <b>Chris Moss</b> , Michael Ball, John Elliott, Greg Gibson, Nanette Sissney       |
| <b>Benefit</b>                      | <b>Michael Ball</b> , Chris Moss, Dick Nance, Nanette Sissney, Rob Walls           |
| <b>Budget</b>                       | <b>Nanette Sissney</b> , David Corpus, John Elliot, Greg Gibson, Dick Nance        |
| <b>Compensation</b>                 | <b>Dick Nance</b> , Michael Ball, John Elliott, Greg Gibson, Jarvis Hollingsworth  |
| <b>Investment Management</b>        | <b>David Corpus</b> , Jarvis Hollingsworth, Chris Moss, Nanette Sissney, Rob Walls |
| <b>Policy</b>                       | <b>John Elliott</b> , David Corpus, Jarvis Hollingsworth, Dick Nance, Rob Walls    |
| <b>Strategic Planning</b>           | <b>Rob Walls</b> , Jarvis Hollingsworth, Michael Ball, David Corpus, Chris Moss    |

On a motion by Mr. Nance, seconded by Ms. Sissney, the Board unanimously voted to accept the committee and Chair assignments for the next twelve months as presented.

Mr. Hollingsworth announced without objection taking up agenda item 7.

**7. Public Comment – Jarvis Hollingsworth.**

Mr. Timothy Wilson from Harlingen, Texas, a U.S. Navy veteran currently serving in a leadership role to a junior ROTC program came to speak about TRS-Care options for veterans. He said while TRS-Care is an outstanding program for educators, he, as a veteran with full healthcare coverage for himself and his family, is required to pay into a program, TRS-Care, he will never use.

At 8:16 am, Mr. Hollingsworth recessed the meeting in order to take up scheduled committee meetings.

At 4:14 pm, Mr. Hollingsworth reconvened the Board meeting announcing taking up agenda items three through six in executive session.

3. **Receive an update regarding long term space planning activities and consider developer solicitations for main campus including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie and Andrew Roth.**
4. **Discuss and consider executive succession planning, and personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of the Executive Director and the Chief Investment Officer– Brian Guthrie.**
5. **Receive an update on the TEAM Program including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie and Chet Henry.**
6. **Consider the evaluation and performance of Bridgepoint Consulting as the TEAM Program Independence Program Assessment (IPA) Vendor including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Amanda Jenami.**

On a motion by Mr. Moss, seconded by Ms. Sissney, the Board unanimously voted to find that deliberating or conferring on long term space planning, the TEAM Program and the Bridgepoint

contract procurements in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person.

At 4:17 pm, Mr. Hollingsworth announced the Board would recess into executive session for the following agenda items and sections of the Government Code:

Item 3, Sections 825.115(e), 551.071, and 551.072 to discuss Board procurement matters, real estate and consult with legal counsel.

Item 4, Section 551.074 to discuss and consider personnel matters related to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of the executive director and the chief investment officer.

Item 5, Sections 825.115(e) and 551.071 to discuss Board procurement matters and consult with legal counsel as needed.

Item 6, Section 825.115(e) to discuss Board procurement matters.

At 7:20 pm, Mr. Hollingsworth reconvened the Board meeting and announced the Board would recess until 8:00 am tomorrow morning.

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

### **December 13, 2019**

The Board of Trustees of the Teacher Retirement System of Texas met on December 13, 2019 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 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    | LeRoy DeHaven, TRTA                          |
| Don Green, TRS        | Ann Fickel, TCTA                             |
| Carolina de Onis, TRS | Michael Bentrutt, Aetna                      |
| Jerry Albright, TRS   | Scott Baker, TRS                             |
| Jase Auby, TRS        | Karen Peterson, TRS Member                   |
| Barbie Pearson, TRS   | Ann Heuberger, TRS Member                    |
| Chet Henry, TRS       | Nabalee James, MVP Specialist Surgery Center |



Amanda Jenami, TRS  
Heather Traeger, TRS  
Janet Bray, TRS  
Katherine Farrell, TRS  
Caasi Lamb, TRS  
Keith Brown, Investment Advisor  
Steve Voss, Aon Hewitt  
Suzanne Dugan, Cohen and Millstein  
Joe Newton, GRS  
Dan Sibilik, GRS

Dan Chepkauskas, MVP Specialist Surgery Center /  
PCCOT  
Cheryl Anderson, TAFT  
Dolores Medellin, PCA  
Joyce Knapkik, TRS Care  
Eric St. Pierre, Humana  
Brock Gregg, TRTA  
Tim Lee, TRTA  
Nick Arnold, Humana  
Eli Melendrez, TAFT  
Joni Lozano, CVS  
Sean Donovan, CVS  
Bo Davis, Perspecta

Mr. Hollingsworth called the meeting to order at 8:00 a.m.

Mr. Hollingsworth announced the following agenda items would not be taken up for discussion:

**8. Recognize the service of Dolores Ramirez and Joe Colonna – Jarvis V. Hollingsworth.**

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

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

Mr. Hollingsworth announced, without objection, taking up Agenda Item 7.

**7. Public Comment – Jarvis Hollingsworth.**

Ms. Ann Heuberger, a retired school librarian, expressed concern over lack of parking for members to attend meetings.

Mr. Dan Chepkauskas, founder and executive director of the Patient Choice Coalition of Texas, expressed concern over improper reimbursement rates resulting in surprise billing.

Ms. Joyce Knapkik, a retiree, thanked the Board for the \$2,000 supplement and expressed dissatisfaction with the cost and provision of health care by the insurance company Humana.

Ms. Ann Fickel with Texas Classroom Teachers Association, expressed concern over TRS' decisions to have investment offices out of the country, leasing prime downtown office space, and expanding the compensation plant at a time when members are struggling to meet their basic needs.

Dr. Karen Petersen, retiree, expressed concern about being denied medical treatment by Aetna under the medical policy she has through TRS.

Mr. Tim Lee with Texas Retired Teachers Association, expressed concern over the following: the proposed funding policy recommending eliminating the section that talks about using benefit enhancements paid for with one-time appropriations; higher ed contributions that are not similar to what active employer k-12 contributes; and getting the maximum value for the dollars spent on TRS facilities.

Mr. Monty Exter, ATPE, expressed concern about the proposed funding policy as being too prescriptive and would put TRS at odds with the will of the legislature. He recommended tracking the statutory language more closely.

Mr. Hollingsworth announced, without objection, taking up Agenda Item 4.

4. **Discuss and consider executive succession planning, and personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of the Executive Director and the Chief Investment Officer– Brian Guthrie.**

Mr. Hollingsworth provided background on the succession planning process for the Investment Management Division beginning in 2015. He said a third-party consultant was hired in 2016 to assist in developing a three phased succession plan ending with the current CIO, Mr. Albright, stepping down and the deputy CIO, Mr. Auby, to assume the Chief Investment Officer role at the Board's direction. Mr. Albright thanked the board and all of their predecessors over the life of his 26 plus year career at TRS. He said it was a great honor to see TRS go from a sleepy trust fund to a dynamic investment fund that is ready to conquer the world.

Mr. Hollingsworth reiterated the stringent evaluation process leading to this point today, considering transitioning Mr. Albright to a position for one year to serve in a more strategic way and consider the appointment of Mr. Jase Auby as the next CIO.

On a motion by Mr. Corpus, seconded by Ms. Sissney the Board unanimously adopted the following resolution:

**RESOLUTION OF THE BOARD OF TRUSTEES  
REGARDING SELECTION OF CHIEF INVESTMENT OFFICER**

**DECEMBER 13, 2019**

**WHEREAS**, the current Chief Investment Officer (CIO), Jerry Albright, has announced his intention to step down from his position as CIO effective January 1, 2020, and section 1.7(v) of the Board's Bylaws provides that the Board of Trustees (Board) of the Teacher Retirement System of Texas (TRS) shall select the CIO, in consultation with the Executive Director;

**WHEREAS** section 1.7(v) also provides that the Board shall "establish the compensation of the chief investment officer, in consultation with the executive director"; and

**WHEREAS**, section 4.1.2(c)(2) provides that the Executive Director is authorized by the Board to "evaluate the chief investment officer in consultation with the Board and have full authority and responsibility for all other personnel matters; including the chief investment officer's assignment of duties and discipline";

Now, therefore, be it

**RESOLVED**, that, effective January 1, 2020, the Board hereby selects Jase Auby to fill the position of CIO, and the Board authorizes the Executive Director to extend terms for the monthly salary, as the Executive Director deems reasonable and in the best interest of TRS.

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

Mr. Auby expressed appreciation for an opportunity of a lifetime and the honor and privilege to accept this role.

Mr. Hollingsworth announced, without objection, taking up Agenda Item 11.

### **11. Consider adoption of the funding policy for the TRS pension fund –Joe Newton, GRS.**

Mr. Guthrie noted this item has been discussed for the past several Board meetings. With the passage of House Bill 2244, each system is required to adopt a funding policy by the end of this calendar year.

Mr. Dan Sibilik discussed the path to get to 100 percent fully funded, getting the unfunded accrued liability to zero. He noted the Texas Pension Review Board (PRB) guidance suggests 10 to 25 years being the preferred range. Mr. Joe Newton stated the idea is to provide a simpler funding policy for the Board has no authority around the contributions into or the retirement benefits paid out of TRS. He said the proposed policy is more of a communication piece to the legislature who does have authority to consider when making decisions about the plan. He then read the proposed policy:

The Board recognizes that there may be alternative methods of financing benefit enhancements and will evaluate any proposal for consistency with the goal of a declining UAAL.

The Board of Trustees supports providing a benefit enhancement to retirees under Tex. Gov't Code § 821.006 provided that, at the time of adoption, the benefit enhancement is paid for with a one-time appropriation in an amount necessary to cover the actuarial liability associated with the benefit enhancement.

Mr. Guthrie said in September only the second sentence was presented, and there was a discussion that it was somewhat limiting so the first sentence was added to reflect the fact that there are a number of different ways that benefit enhancements can be funded and proposed for consideration by the legislature. Mr. Guthrie recommended the cleanest recommendation for the policy is to strike the language regarding the one-time contribution due to potential misunderstanding as expressed by commenters in the morning. In response to Mr. Hollingsworth's inquiry, Mr. Newton stated that while he liked the best practice expressed in the second sentence, he agreed the second sentence was not necessary and it definitely passes what the statute is requesting without it. Ms. de Onis recommended if the second sentence was dropped to include the reference to the Government Code in the first sentence. Mr. Hollingsworth stated the modified policy had the support of both the Executive Director and Actuary.

On a motion by Mr. Nance, seconded by Mr. Elliott, the Board unanimously adopted the funding policy as amended.

#### **Resolution of the Board of Trustees December 12-13, 2019**

##### **Resolution Adopting the Funding Policy for the TRS Pension Fund**

**WHEREAS**, pursuant to Section 825.103 of the Texas Government Code, the Board of Trustees ("Board") of the Teacher Retirement System of Texas ("TRS"), is the trustee of all assets of the retirement system;

**WHEREAS**, Senate Bill 2224 of the 86th Texas Legislature amended Section 802.2011(b) of the Texas Government Code to require all public pension systems, including TRS, to adopt a written funding policy (Funding Policy) no later than January 1, 2020.

**WHEREAS**, Section 802.2011(b) of the Texas Government Code further provides that the Funding Policy shall detail the governing body's plan for achieving a funded ratio of the system that is equal to or greater than 100 percent;

**WHEREAS**, The development of the Funding Policy was discussed with the Board at the previous two Board meetings in addition to the December meeting, and the Funding Policy was developed in coordination with Gabriel, Roeder, Smith & Company;

**WHEREAS**, To accomplish the objective of achieving a funded ratio of the system that is equal to or greater than 100 percent, the Funding Policy supports contribution and benefit policies that will systematically decrease the Unfunded Actuarial Accrued Liability (UAAL) over time;

**WHEREAS,** A declining UAAL over time will evidence that contribution and benefit policies are implemented consistent with Section 802.2011 of the Texas Government Code;

**WHEREAS,** The process conducted by TRS to develop the Funding Policy followed a prudent process designed to address applicable fiduciary obligations of the Board.

Now therefore, be it

**RESOLVED,** That, effective December 13, 2019, the Board hereby adopts the Funding Policy set forth in Exhibit A; and

**RESOLVED,** That the Board hereby authorizes staff to take all actions necessary to implement the Funding Policy in accordance with TRS policies and procedures.

Mr. Hollingsworth announced, without objection, taking up Agenda Item 5.

- 5. Receive an update on the TEAM Program including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie and Chet Henry.**

Mr. Guthrie reported the code delivered by Perspecta after the September Board meeting was deemed to be unacceptable. He said they are working on a new timeline with Perspecta and evaluating the best course forward.

At the announcement of Agenda Item 6, Mr. Hollingsworth turned the meeting over to Ms. Sissney.

- 6. Consider the evaluation and performance of Bridgepoint Consulting as the TEAM Program Independence Program Assessment (IPA) Vendor including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Amanda Jenami.**

On a motion by Mr. Moss, seconded by Mr. Elliott the Board voted to approve delegating to the executive director the full authority to negotiate the renewal of the contract with Bridgepoint Consulting as the TEAM Program independent program assessment vendor, with Mr. Hollingsworth abstaining and recusing himself from this matter pursuant to the trustee ethics policy.

Ms. Sissney then turned the meeting over to Mr. Hollingsworth. Mr. Hollingsworth announced, without objection, taking up agenda item 3.

3. **Receive an update regarding long term space planning activities and consider developer solicitations for main campus including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Brian Guthrie and Andrew Roth.**

On a motion by Mr. Corpus, seconded by Mr. Nance, the Board unanimously voted to find that deliberating or conferring on long term space planning in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person.

At 9:29 am, Mr. Hollingsowrth announced the Board would recess into executive session for agenda item 3 under the following sections of the Government Code: 825.115(e), 551.071 and 551.072 to discuss Board procurement matters, real estate and consult with legal counsel.

At 12:00 pm, Mr. Hollingsworth reconvened the Board in open meeting.

On a motion by Mr. Moss and seconded by Mr. Corpus the Board unanimously adopted the following resolution:

**Resolution of Board of Trustees December 13, 2019**

**Relating to Long Term Space Planning for the TRS Administrative Headquarters**

**WHEREAS**, Texas Government Code §821.007 provides that the buildings comprising the home office of the Teacher Retirement System (TRS) are under the control and custodianship of the retirement system;

**WHEREAS**, TRS performed due diligence activities and presented to the TRS Board of Trustees (the “Board”) on the following: space planning and long-term facilities options, engaged a broker and an owner’s representative, conducted a workplace study and an employee perspectives survey to evaluate the long-term facilities planning needs of the agency;

**WHEREAS**, a Request for Proposal (“RFP”) was issued to interested entities to solicit design and build proposals to develop a potential new administrative headquarters for TRS;

**WHEREAS**, TRS received and evaluated the developer responsive proposals for a new TRS main campus;

**WHEREAS**, TRS staff discussed the proposals with the Board, provided relevant information to the Board, and presented an evaluation to the Board concerning the selection of developer solicitations;

**WHEREAS**, The Board considered the evaluation made by TRS staff of the developer solicitations submitted in response to the RFP; and

**WHEREAS**, it being understood that the Board’s selection of finalists pursuant to this resolution shall not be construed as a final decision on this solicitation, which remains pending until the execution of a final contract, to occur after approval by the Board at a later meeting;

Now, therefore, be it

**RESOLVED**, that the Board hereby authorizes and instructs the Executive Director or his delegee, with the assistance of TRS employees and TRS's broker and owner's representative, to expend funds and to take all actions and do all things necessary or desirable to continue negotiations on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of TRS for a final, proposed contract for the purchase of real property and for the design and build of a new administrative headquarters for TRS with the following finalists: \_\_\_\_\_A\_\_\_\_\_ and \_\_\_\_\_B\_\_\_\_\_;

**RESOLVED**, that if for any reason, the Executive Director or his delegee concludes in his sole judgment that TRS is not reasonably likely to negotiate a binding agreement with one of the identified finalists, then the Board authorizes the Executive Director to expend funds and to take all actions deemed by him to be necessary or advisable to continue negotiations with the remaining finalist on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director to be in the best interest of the TRS for a final, proposed contract for the purchase of real property and for the design and build of a new administrative headquarters for TRS;

**RESOLVED**, it being understood that the Board's selection of finalists pursuant to this resolution shall not be construed as a binding agreement or obligation to contract, and there shall be no binding agreement among the parties until a full and final written contract is successfully negotiated and executed by both parties after approval by the Board at a later meeting; and

**RESOLVED**, that the final, proposed contract will be presented to the Board at a later date for a final decision.

Mr. Guthrie reviewed the history of TRS facilities in general going back to its inception in 1937. He stated today TRS has outgrown the generational solution identified 50 years ago. He is proposing in looking for the next generational solution. He said this makes sense from a business perspective but more importantly makes sense for members and is fiduciarily responsible for the fund. Mr. Guthrie noted, ten years ago, TRS faced space constraints and the solution then was to move IMD to 816 Congress. He said the current headquarters' highest and best use is not necessarily as a headquarters for TRS. It is a very valuable asset that could be monetized and turned into an investment for TRS. He also discussed the review being performed for potential regional offices to address possibly unmet needs in west Texas and the valley.

Mr. Guthrie said in terms of this holistic plan, after the Board's action today, we are moving forward to negotiate on perhaps a new location for headquarters, moving forward with a study on regional service centers and IMD currently leasing space at 816 Congress to move to Indeed Tower. He noted there is no longer enough space at 816 Congress to house IMD and they were able to negotiate favorable terms at Indeed Tower. Mr. Guthrie then reviewed the timeline for next steps. He said if negotiations are successful, they could break ground as early as 2021 and move in as early as 2023. At the same time as construction is ongoing, he said a reevaluation would

continue on whether it makes sense for IMD to be located at the Indeed Tower and to be located downtown.

Mr. Hollingsworth announced, without objection, taking up Agenda Item 15.

**15. Receive the report of the Strategic Planning Committee on its December 12, 2019 meeting and consider proposed amendments to the Mission Statement – Committee Chair.**

Mr. Walls, Committee Chair, provided the following report of the Strategic Planning Committee:

The Strategic Planning Committee met on December 12, 2019. The executive director, Mr. Guthrie, and Averil Mullins, who is a member of the mission statement workgroup, provided an overview of the proposed mission statement for the committee and the Board's review. We received some very good feedback, I think, from the committee members and from the Board, and the mission statement will take on board that feedback and then represent it to the committee and to the full Board.

The Director of Strategic Initiatives, Caasi Lamb, along with the objective owners, discussed and reviewed the results forum information for the 2019-2023 TRS strategic plan objectives. The objectives included achieving the investment rate of return, improving the customer service experience, improving timeliness and accuracy in employer reported data, strengthening ethics and culture, and improving strategic communications. The Director of Strategic Initiatives also provided an overview of the Spotlight report.

The Director of Strategic Initiatives and a representative from the Public Policy Research Institute from Texas A&M University presented to the committee and to the Board survey results from the member satisfaction survey and the reporting employer satisfaction survey.

**16. Receive the report of the Benefit Committee on its December 12, 2019 meeting and consider the following – Committee Chair:**  
**A. Accept the Medical Board Meeting Minutes for July and September 2019;**  
**B. Approve the Benefit Payments for September – November 2019.**

Mr. Nance, Acting-Committee Chair, provided the following report of the Benefits Committee:

We met on December 12, 2019. The committee approved the proposed minutes of the Benefits Committee for the September 20, 2019 meeting.



Ms. Katrina Daniel introduced three guests, The Honorable Dr. Greg Bonnen, Dr. Christopher Crow, president of Catalyst Health Network, and Dr. Clive Fields, cofounder and chief medical officer of Village M.D. The physicians talked about how to achieve better quality of care through primary care. Ms. Daniel went on to describe how TRS-ActiveCare and TRS-Care were looking to primary care strategies to improve the quality of health care services purchased by TRS and preserve funds in the process.

Ms. Daniel also updated the Board on concerns that certain districts participating in TRS-ActiveCare are considering offering competing plans which holds the potential to destabilize the fund. Ms. Sissney requested staff to consider a rule or some way to maintain stability and bring a proposal to the Board in February.

Next, Ms. Pearson presented the Medical Board minutes from the July and September 2019 meetings for the committee's consideration to recommend to the Board for acceptance. Ms. Pearson also presented for the committee's consideration to recommend to the Board approval of benefit payments for September through November of 2019.

The committee concluded with an update from Ms. Pearson on Benefit Services operations for the first quarter of fiscal year 2020.

On a motion by Mr. Nance, on behalf of the committee, the Board accepted the Medical Board minutes for the July and September 2019 meetings.

On a motion by Mr. Nance, on behalf of the committee, the Board approved the benefit payments for September through November 2019.

**17. Receive the report of the Budget Committee on its December 12, 2019 meeting – Committee Chair.**

Ms. Sissney, chair of the committee, presented the following report of the Budget Committee:

The Budget Committee met Thursday, December 12. The first item of business was approval of the minutes of the July 12, 2019 Budget Committee meeting. Those minutes were approved.

Mr. Scheel presented an overview of the Comprehensive Annual Financial Report for fiscal year 2019. The 2019 CAFR showed a net position of \$158 billion, compared to \$154.6 billion on last year's CAFR.

Mr. Green presented a high level overview of the fiscal year 2019 year-end budget and the first two months of fiscal year 2020. He

addressed unexpended balances in the FY2019, and presented an FTE status as well.

**18. Receive the report of the Investment Management Committee on its December 12, 2019 meeting– Committee Chair.**

Mr. Corpus, chair of the committee, presented the following report of the Investment Management Committee:

The Investment Management Committee met on December 12, 2019. Jerry Albright began with the CIO update. The third quarter 2019 performance review was then reviewed by Steve Voss with Aon. Next Bernie Bozzelli presented the trading group update, followed by James Nield presented an update on the risk group.

Mohan Balachandran then presented an update on the multi-asset strategies group, following Steve Voss with Aon presented an assessment of the TRS quantitative equity portfolio. Concluding the Investment Management Committee, Joel Hinkhouse provided a review of proxy voting at TRS.

**19. Receive the report of the Policy Committee on its December 12, 2019 meeting and consider the following – Committee Chair:**

- A. Consider the proposed amendments to the Proxy Policy and Procedures;**
- B. Consider the proposed amendments to the Commission Credits Policy;**
- C. Consider the proposed amendments to the Board of Trustees External Communications Policy.**

Mr. Elliott, chair of the committee, presented the following report of the Policy Committee:

The Policy Committee met on December 12, 2019. The committee approved the proposed minutes of its September 2019 meeting. The committee then received a report from TRS staff on the initiation of the review of the proxy voting policy.

The committee then recommended to the Board adoption of proposed amendments to the commission credits policy. The committee recommended to the Board adoption of the proposed amendments to the Board of Trustees external communications policy, and the committee authorized for publication in the *Texas Register* notice of the proposed amended TRS rules, as listed in the agenda in Chapters 41 and 43 of Title 34, Part 3 of the Texas Administrative Code.

On a motion by Mr. Elliott, on behalf of the committee, the Board adopted the proposed amendments to the commission credits policy.

On a motion by Mr. Elliott, on behalf of the committee, the Board adopted the Board of Trustees external communications policy.

**20. Receive the report of the Audit, Compliance and Ethics Committee on its December 12, 2019 meeting - Committee Chair.**

Mr. Moss, chair of the committee, presented the following report of the Audit, Compliance and Ethics Committee:

The Audit, Compliance and Ethics Committee met on Thursday, December 12, 2019. State Auditor's Office staff presented the results of the audit of the TRS Comprehensive Annual Financial Report for fiscal year 2019. Grant Thornton auditors presented the results of the financial audit of the TRS Investment Company of Texas for fiscal year 2019. The chief compliance officer presented routine compliance reports. The executive director and the chief compliance officer provided an update on the implementation of Senate Bill 65 regarding trustee conflicts of interest procedures.

Internal Audit staff presented the results of audits on cash management, collections, and the health care claims data warehouse. Internal Audit staff also presented the annual internal audit report, follow-up on outstanding audit and consulting recommendations, and various administrative reports. TRS Information Security staff presented an overview of the results of Texas DIR cybersecurity maturity assessment.

Mr. Hollingsworth, without objection, announced Agenda Item 14 would be taken up next.

**14. Consider selecting a firm to conduct the statutorily required actuarial audit including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Caasi Lamb.**

Mr. Guthrie introduced the item, stating selecting a firm to conduct the required actuarial audit is required every five years. Ms. Lamb stated an RFP was issued in October for actuarial audit services and two responses were received. After evaluating the two responses staff recommends Milliman to perform the actuarial audit.

On a motion by Mr. Moss, seconded by Mr. Walls, the Board adopted the following resolution to retain Milliman for the required actuarial audit:

**Resolution of Board of Trustees December 13, 2019**

### **Relating to Selection of a Firm to Conduct the Statutorily Required Actuarial Audit**

**WHEREAS**, Section 825.101, Government Code, states that the Board is responsible for the general administration and operation of the retirement system, and Section 825.103, Government Code, states that the Board has exclusive authority over the purchase of goods and services using trust funds, including without limitation professional services;

**WHEREAS**, Section 825.206(f), Government Code, requires the Board to engage an actuarial audit at least once every five years or in conjunction with an actuarial experience study;

**WHEREAS**, TRS Bylaws subsections 5.6(b) and 5.6(e) authorize the Executive Director to contract for the purchase of services and the execution of vouchers for payments, in accordance with actions of the Board;

**WHEREAS**, TRS conducted a competitive process to identify qualified candidates for the actuarial audit;

Now, therefore be it

**RESOLVED**, That the Board of Trustees of the Teacher Retirement System of Texas (the "Board"), authorizes the Executive Director or the Chief Operations and Administrative Officer of the Teacher Retirement System of Texas ("TRS") to negotiate, with the assistance and advice of legal counsel, an agreement for actuarial audit services with Milliman, Inc. and, if negotiations are deemed in his or her discretion to be successful, then the Executive Director or the Chief Operations and Administrative Officer is hereby authorized to execute an agreement on such terms and conditions as such officer may deem, in his or her discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including all future extensions or amendments to the contract, that such officer may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of documents, and to incur, approve, and pay any budgeted expenses or costs reasonably necessary or advisable with respect to such contract or amendments.

**RESOLVED**, That nothing in this resolution creates or forms a contract, an offer to contract, or a power of acceptance to form a contract, it being the intention for the Board that TRS shall not be legally bound unless and until the Executive Director executes and delivers a definitive agreement for the services to be provided by the entity named above.

Mr. Hollingsworth, without objection, announced taking up Agenda Item 12.

12. **Review the TRS Pension Trust Fund Actuarial Valuation for the fiscal year ending August 31, 2019 – Joe Newton and Dan Sibilik, GRS.**

Mr. Sibilik stated the purpose of the pension trust fund actuarial valuation is to go over the adequacy of current contributions and measure the actuarial liabilities and track changes over time, warn about any possible issues. He reviewed the impact the legislative session had on the fund. He reported the actual results is a 29 year funding period. He said TRS is at a 76.4 funded ratio and it will take about seven years to reach 80 percent. Mr. Newton stated the slow increase over the seven years is due to the slow ramp up in the contribution rate. He noted the unfunded accrued liability to be \$49.5 billion. He said the two main sources for the increase were not covering the interest on the unfunded and then about \$1.4 billion from the HB3, which granted salary increases. He projected the unfunded liability will grow in dollar amounts, somewhere between \$55.5 and \$60 billion and then it will start to come back down. He said it will take until 2037 or so to get back to where we are now.

**13. Review the TRS-Care Actuarial Valuation and Other Post-Employment Benefits (OPEB) reports as of August 31, 2019 – Joe Newton, GRS.**

Mr. Newton said this report is for TRS-Care, the retiree medical program and the entire purpose is for accounting and disclosure purposes. He noted the big difference here is these are not pre-funded, there are no assets to compare to the liability which makes the liability much bigger. He reported the total OPEB liability of 2019 was \$48.6 billion, net OPEB liability \$47 billion.

Mr. Hollingsworth announced, without objection taking up Agenda Item 10.

**10. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:**

- A. **Review administrative operational matters, including updates on legislative, financial, audit, legal, staff services, special projects, investment matters, strategic planning, foreign office update and personnel matters.**
- B. **Sunset Review Update.**
- C. **Board operational matters, including a review of draft agendas for upcoming meetings.**
- D. **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 reviewed past conferences attended and announced upcoming meetings of interest. He provided an update on Sunset activities, there has been 39 meetings from September through December. The expected completion date for staff report is spring of 2020. He announced TRS was named Top Workplace in Austin for 2019. Mr. Guthrie mentioned he was named president of NCTR at the October 2019 meeting. Mr. Guthrie concluded by reviewing the February and April proposed agendas.

Mr. Hollingsworth announced, without objection, taking up Agenda Item 21.

**21. Receive an update on the Classification Compensation Review Project – Andrew Roth and Janet Bray.**

Mr. Roth provided an update on the comprehensive classification review study. He noted Deloitte Consulting was engaged to assist in this study. He said the study was generated in part from the talent and culture audit recommendation was to develop an employee value proposition. He said the first phase of the project was to develop a comprehensive classification structure, comparing best practices, benchmarks and looking at other public pension funds across the United States as well as financial institutions in the public and private sector. The next phase would involve finalizing the work plan, moving forward with a strategy to implement the system. Ms. Christine Robovsky, of Deloitte Consulting, stated they reviewed the current state of the compensation programs at TRS, received measurable feedback from employees and created a draft compensation philosophy. Mr. Chad Atwell also with Deloitte Consulting, stated it is very important that any organization communicate clearly about compensation or broader total rewards and govern it correctly so a lot of time was spent developing deliverables along those lines.

Mr. Roth quickly touched on the limitations with the state classification structure in terms of the overall broad nature and the relatively narrow band that TRS is able to utilize. He said the work Deloitte has provided gives a foundation to create a TRS-specific classification structure, job levels and titles with greater clarity. He noted the intent in terms of salary and compensation is to wherever possible stay with current state salary bands and ranges. He said moving forward, the proposed classification structure will give the flexibility, the availability, the clarity, the efficiency needed in order to attract and retain the right kind of talent for TRS.

**22. Receive an update from the COAO – Andrew Roth.**

Mr. Roth shared awards that TRS staff and the organization itself received. For shared services update, he stated an effort is being made to evolve project governance, to reestablish and reinvigorate the Enterprise Project Oversight Council (EPOC). He said in recent years EPOC has focused on TRUST implementation. Mr. Roth reviewed other goals for shared services, such as implementing KPIs to report back to the Board.

At 1:24 pm, Mr. Hollingsworth adjourned the meeting.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM  
OF TEXAS ON THE 20<sup>th</sup> DAY OF FEBRUARY 2020.

ATTESTED BY:

Katherine H Farrell  
Katherine H. Farrell  
Secretary to the TRS Board of Trustees

2 / 24 / 20  
Date