

Minutes of the Board of Trustees

September 21, 2018

The Board of Trustees of the Teacher Retirement System of Texas met on September 21, 2018 in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River, Austin, Texas. The following Board members were present:

Dolores Ramirez, Acting Chair
Joe Colonna
David Corpus
John Elliott
Greg Gibson
Christopher Moss
James Nance
Nanette Sissney

Others present:

Brian Guthrie, TRS	Avery Saxe, LBB
Don Green, TRS	Ann Fickel, TCTA
Carolina de Onís, TRS	Laura Pinkard, Humana
Jerry Albright, TRS	Tiffany Calderon, Humana
Jase Auby, TRS	Cheryl Anderson, AFT R
Barbie Pearson, TRS	Elaine Jones, Texas AFT
Chet Henry, TRS	Judy Bryant, TARA and Texas AFT
Katherine Farrell, TRS	Rita Runnels, Texas AFT
Caasi Lamb, TRS	Charles Runnels, Jr., Texas AFT
Michael Johnson, Bridgepoint	Brock Gregg, TRTA
Steve Voss, Aon Hewitt	Rosalva Reyna, Texas AFT
Mike Comstock, Aon Hewitt	
Michael McCormick, Aon Hewitt	
Keith Brown, Investment Advisor	
Steve Huff, Reinhart Boerner Van Deuren	

Ms. Ramirez called the meeting to order at 12:33 p.m.

A. Call roll of Board members.

Ms. Farrell called the roll. A quorum was present. Ms. Ramirez noted she had the honor of chairing the meeting for Mr. Hollingsworth was attending his daughter's white coat ceremony.

B. Provide opportunity for public comment – Dolores Ramirez.

Ms. Rita Runnels, representing Cy-Fair AFT and Texas AFT, requested the Board to consider a cost of living adjustment and a review of the limited benefits.

Ms. Cheryl Anderson, representing Texas AFT as Chairwoman of the Retiree Committee, expressed appreciation of the committee tabling the increase in premiums and requested considering a fix for future funding of health care.

Mr. Brock Gregg, representing Texas Retired Teachers Association, thanked the Board for the decision not to increase premiums on the retirees' health care program and for the efficient management of TRS-Care over the years.

Ms. Rosalva Reyna, representing herself, expressed concern over the rising cost of health care, specifically prescription costs.

C. Consider the following administrative items – Dolores Ramirez:

A. Approval of the proposed July 27, 2018 Board meeting minutes.

On a motion by Mr. Corpus, seconded by Ms. Sissney, the Board unanimously voted to approve the proposed minutes of the July 27, 2018 Board meeting.

B. Setting, rescheduling, or canceling future Board meetings including considering dates for the calendar year 2019.

On a motion by Mr. Corpus, seconded by Mr. Nance, the Board unanimously voted to approve the proposed schedule for the calendar-year 2019 meetings.

D. Recognize the service of Ken Welch – Dolores Ramirez.

Ms. Ramirez presented Mr. Ken Welch with a flag flown over the Capitol in honor of his service, a letter of recognition from Governor Greg Abbott, and a plaque from the Board of Trustees. Ms. Ramirez then proceeded to read the following:

Resolution

Whereas, Ken Welch joined the Teacher Retirement System of Texas (TRS) in April 2008 as TRS' Chief Financial Officer and was then appointed as Deputy Director in 2011; and

Whereas, Ken previously had 28 years of state service working at the Commission for the Blind, Office of the Governor, Texas Animal Health Commission, Texas National Research Laboratory Commission, Comptroller of Public Accounts, and the Health and Human Services Commission; and

Whereas, he earned professional credentials as a Certified Public Accountant and Certified Government Financial Manager; and

Whereas, he exemplified excellence in financial reporting, accounting procurements and business operations with an effective and dedicated approach to his responsibilities and consistently served as an example of integrity and ethical behavior; and

Whereas, Ken provided leadership to agency executives and managers; acted on behalf of the executive director in his absence; assisted in communicating and coordinating with the TRS Board of Trustees; and represented TRS to members, legislators, the public, and the media; and

Whereas, he witnessed the prudent oversight of trust assets during a challenging period of extreme capital market volatility, including one of the nation's most serious recessions, when the TRS Pension Fund rebounded from \$67 billion in March 2009 to over \$150 billion at the time of his retirement; and

Whereas, he was executive sponsor of the TRS Enterprise Application Modernization (TEAM) project, a major initiative to modernize business processes and aging technologies, to more efficiently administer benefits and better serve a growing membership with changing expectations; and

Whereas, he provided key leadership in accomplishing several agency milestones, including the *MyTRS* member portal, 75th Anniversary celebration, opening of TRS' first international office in London, website redesign project, TRS' social media program, and the agency's first statewide student artwork contest; and

Whereas, Ken made it a priority on his schedule to individually welcome and meet all new employees and interns at TRS and introduce them to our core values and culture; and

Whereas, Ken has served as a dedicated and enthusiastic chair of the TRS' annual State Employee Charitable Campaign (SECC), demonstrating his willingness to suffer public humiliation and bodily injury for a worthy cause; and

Whereas, Ken volunteered countless hours through TRS' participation in Austin Partners in Education as a committed math coach, helping young students improve their study skills and build self-confidence, thus preparing them for college and career readiness; and

Whereas, after 38 dedicated years of public service, he will be remembered fondly and with respect by former colleagues, TRS' staff and members for his invaluable expertise; and

Now, therefore, be it resolved, that the board of trustees and staff of the Teacher Retirement System of Texas recognize the accomplishments and contributions of Ken Welch at TRS during his highly successful career with the retirement system and express their sincere appreciation on behalf of TRS members both present and future,

And be it further resolved, that a copy of this resolution be presented to Ken Welch and entered into the record of the board for September 21, 2018.

On a motion by Mr. Moss, seconded by Mr. Nance, the Board unanimously voted to accept the above resolution as proposed.

Mr. Welch expressed his appreciation and stated it has been a true privilege to serve.

E. Receive the report of the Audit Committee on its September 20, 2018 meeting and consider adoption of the following: - Committee Chair.

A. Consider the adoption of the proposed revisions to the Internal Audit Charter;

B. Consider the adoption of the proposed Audit Plan for Fiscal Year 2019; and

C. Consider the appointment replacement and compensation of the chief audit executive, in consultation with the executive director.

Mr. Moss Committee Chair, provided the following report of the Audit, Compliance and Ethics Committee:

The Audit Committee met at 2:30 p.m. on Thursday, September 20, 2018 in the fifth floor boardroom, and again at 8:00 a.m. on Friday, September 21, 2018 in the same location.

The State Auditor's Office staff presented the plan for the audit of TRS comprehensive annual financial report for fiscal year 2018, and results of the audit of TRS fiscal year 2017 employer pension liability allocation schedules and other post-employment benefits allocation schedules.

The chief compliance officer presented routine compliance reports. Internal Audit staff presented the results of projects, including reports on TRS compliance, private equity management fees and carried interest, executive incentive compensation, benefit payments, and employer reports.

Internal Audit staff also reported the results of the Internal Audit quality assurance program self-assessment, follow-up on outstanding audit and consulting recommendations and various administrative reports.

The Committee approved the recommendations to the Board of Trustees to adopt the proposed revisions to the Internal Audit Charter and to approve the proposed audit plan for the fiscal year 2019.

Mr. Moss moved and the Board unanimously voted to approve the revised Internal Audit Charter and the proposed audit plan for fiscal year 2019 as recommended by the Audit, Compliance and Ethics Committee.

Mr. Moss moved and the Board unanimously voted to authorize the executive director to extend an offer of employment to Amanda Jenami for the position of TRS chief audit executive, as he deems reasonable within TRS policy and in the best interest of TRS.

Ms. Ramirez announced, to no objection, to take up Agenda Item 11.

11. Consider the evaluation and performance of Bridgepoint Consulting as the TEAM Program Independence Program Assessment (IPA) Vendor and as appropriate, consider extending the related agreement – Amy Barrett.

Ms. Amy Barrett noted Bridgepoint Consulting has been the independent program assessment vendor since the beginning of the TEAM program. She said the Board approved a contract that had four one-year options to renew. She reported the working relationship with Bridgepoint has been good, they have added value to the project and she recommends extending the contract one more year, through December 2019.

On a motion by Ms. Sissney, seconded by Dr. Gibson, the Board unanimously voted to extend the agreement through December 2019, as recommended by staff.

Ms. Ramirez announced without objection that the Board would next take up Agenda Item 6.

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

Mr. Brian Guthrie noted the overall grade of the progress on TEAM went down to a C plus. He stated the primary reason for the downgrade was the continuing issues with Phase 1. Mr. Guthrie announced that refunds are now being processed in a timely manner as a result of a fix implemented in August. He also announced the new financial system, CAPPS, went live in September along with a new call center software that almost doubled the capacity to take incoming calls.

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

Mr. Michael Johnson provided an execution score from Bridgepoint's independent view. He said the scores were exactly in line with the executive teams. He said there was a risk in the allocation of resources which include TRS and the vendors. He said the schedule for Phase 2 is at risk due to the focus on fixing Phase 1 issues.

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

- A. Administrative operational matters, including updates on the following: Executive Director's goals, financial awareness project, audit, legal, staff services, investments, board administration, special projects, actuarial matters, and strategic planning.**
- B. Board operational matters, including a review of draft agendas for upcoming meetings.**
- C. Event notices or reminders; holiday and other schedules of interest; board member, employee, or other individual recognitions; and expressions of thanks, congratulations, or condolences.**

Mr. Guthrie provided the Board with general updates. Mr. Guthrie listed upcoming events for TRS and the Board. He reviewed the timeline regarding the deputy director search. He then reviewed the executive performance appraisal process.

Mr. Guthrie then reviewed the proposed items for the next two upcoming Board meetings.

I. Receive a report on cybersecurity – Chris Cutler and Frank William.

Mr. Chris Cutler and Mr. Frank William provided an overview of the current state of cybersecurity focusing on how it affects TRS and what controls are in place.

Ms. Ramirez announced without objection that the Board would next take up Agenda Item 15.

15. Receive the report of the Policy Committee on its September 20, 2018 meeting and consider the following:

- A. **Consider approving proposed amendments to the Investment Policy Statement.**
- B. **Consider approving any proposed amendments to the General Authority Resolutions;**
- C. **Consider approving any proposed amendments to the Procurement Policy; and**
- D. **Consider adoption of the amended TRS Rule 25.26 in Title 34, Part 3 of the Texas Administrative Code relating to annual compensation creditable for benefit calculation.**
- E. **Consider adoption of the notice of completed rule review for the TRS rules in Title 34, Part 3, Chapters 21 – 51 of the Texas Administrative Code**

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

The Policy Committee met on September 20, 2018. The Committee approved the proposed minutes of the July 26, 2018 meeting. The Committee conducted the required review of the Board's Investment Policy Statement.

The Committee recommended to the Board adoption of proposed technical and substantive amendments to the statement. The Committee conducted the required review of the Board's General Authority Resolutions. The Committee recommended to the Board adoption of proposed name change amendments to the GARs.

The Committee recommended to the Board adoption of the proposed amended TRS Rule 25.26 in Title 34, Part 3 of the Texas Administrative Code. The Committee recommended to the Board adoption of the notice of adopted rule review concerning TRS rules in Title 34, Part 3, Chapter 21 through 51 of the Texas Administrative Code.

The Committee recommended to the Board adoption of the proposed technical, substantive amendments to the procurement policy. The Committee conducted a review of the Board's policy review schedule, and adopted proposed updates to the schedule.

The Committee discussed proposed amendments to the Board's bylaws.

On a motion by Mr. Corpus, the Board adopted the proposed amendments to the Investment Policy Statement, as recommended by the Policy Committee.

On a motion by Mr. Corpus, the Board adopted the proposed amendments to the General Authority Resolution, as recommended by the Policy Committee.

On a motion by Mr. Corpus, the Board adopted the proposed amended rules, TRS Rule 25.26 in Title 34, Part 3, of the Texas Administrative Code as recommended by the Policy Committee.

On a motion by Mr. Corpus the Board adopted the notice of adopted rule review concerning TRS rules in Title 34, Part 3, Chapters 21 through 51 of the Texas Administrative Code, as recommended by the Policy Committee.

On a motion by Mr. Corpus the Board adopted the proposed amendments to the procurement policy, as recommended by the Policy Committee.

Ms. Ramirez announced without objection that the Board would next take up Agenda Item 18.

18. Receive the report of the Investment Management Committee on its September 20, 2018 meeting and consider an investment in a core property index fund, including the consideration of a finding that deliberating or conferring on investment transactions or potential investment transactions in an open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person or put the retirement system at a competitive disadvantage in the market– Committee Chair.

Mr. Corpus, Acting-Committee Chair, provided the following report of the Investment Management Committee:

The Investment Management Committee met on September 20, 2018. The committee approved the proposed minutes of the July 26, 2018 meeting. The Committee received a presentation from guest speaker George Walker of Neuberger Berman, it's an investment manager for TRS, on strategic partnerships and the future of asset management.

The Committee received the CIO update of the chief investment officer Jerry Albright and discussed the lease of certain real property located in downtown Austin for additional TRS office space. The Committee discussed the second quarter 2018 performance review presented by Steve Voss, Mike McCormick and Mike Comstock of Aon Hewitt.

The Committee discussed the market update presented by Jase Auby. The Committee discussed the annual review of the public and private strategic partnership network presented by Michael Pia, Courtney Villalta, and J.B. Daumerie.

The Committee discussed the semiannual risk report presented by James Nield. After making a finding that deliberating or conferring on an investment transaction or potential investment transactions in an open meeting would have a detrimental effect on the position of the Retirement System in negotiations with a third person or put the Retirement System at a competitive disadvantage, the Committee discussed in executive session an investment in a core property index fund.

Upon returning from executive session regarding Agenda Items 4 and 9, the Committee recommended to the Board the adoption of a proposed resolution authorizing an investment in a core property index fund.

On a motion by Mr. Corpus, the Board adopted the proposed resolution authorizing an investment in a core property index fund, as recommended by the Investment Management Committee.

**Resolution Regarding an Investment in a Core Property Index Fund
September 21, 2018**

Whereas, The Investment Policy statement (IPS) Section 1.3(c) established the Internal Investment Committee (Committee) to review, consider, and authorize investments for the Private Markets Portfolio;

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

Whereas, The Investment Management Division, acting through the Committee, has recommended that, consistent with the provision of IPS Section 1.3(c) and Appendix B, the Board authorize the Chief Investment Officer (CIO) to allocate an amount of up to \$990 million (including returned capital and investment proceeds therefrom)(the Allocation) in one or more investment vehicles constituting a core property index fund to be managed by Investors Diversified Realty (IDR) or an affiliate thereof; now, therefore be it;

Resolved, That the CIO or his designee be, and each of them hereby is, authorized to negotiate the requisite legal agreements for the Allocation to IDR in one or more investment vehicles constituting a core property index fund on substantially the same or better terms and conditions than those presented to the Board, and, if negotiations are deemed by the CIO or his designee, in his or her discretion, to be successful, then the CIO or his designee is hereby authorized to execute such definitive documents on such terms and conditions as the CIO may deem, in his discretion, to be in the best interest of TRS, and to execute and deliver all such other documents and agreements that the CIO or his designee may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents and agreements, and to incur, approve and pay any budgeted expenses or costs associated with such documents and agreements, and deemed in the discretion of the Executive Director and CIO to be reasonably necessary or advisable with respect to such documents and agreements; and

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

Ms. Ramirez announced without objection that the Board would next take up Agenda Item 10.

10. Receive an update on the Pension Benefit Design Study – Caasi Lamb and Joe Newton, GRS

Ms. Caasi Lamb and Mr. Joe Newton provided an update on the Pension Benefit Design Study and the preliminary findings. Ms. Lamb stated the reasoning behind providing an update now is to go into the next legislative session with updated data on the value of the current TRS plan compared to other types of retirement plans. Ms. Lamb noted a draft of the report would be ready by the end of October with a release date projected for November.

Ms. Ramirez announced without objection that the Board would next take up Agenda Item 12.

12. Consider the evaluation and performance of Gabriel, Roeder, Smith & Company as the provider of pension trust fund actuarial services and the provider of health benefits consulting services – Rebecca Merrill and Katrina Daniel.

Ms. Merrill provided the annual evaluation of GRS for pension consulting and actuarial services. Ms. Merrill detailed the work performed by GRS over the last year. She reported GRS is in regular communications with TRS and very responsive to TRS needs and questions. She said they have a great working relationship with GRS. She noted the contract for the pension actuarial services side is a four-year contract that went into effect on September 1, 2017.

Ms. Katrina Daniel provided the evaluation regarding GRS' health benefits consulting services. She said they have had an equally positive experience.

13. Receive the report of the Benefit Committee on its September 20, 2018 meeting and consider adoption or acceptance of the following: - Committee Chair

- A. **Consider premiums and plan design for TRS-Care standard plan, the fully insured Medicare Advantage Plan and the Medicare Part D Plan;**
- B. **Consider the approval of Benefit Payments for June 2018 – August 2018; and**
- C. **Accept the Medical Board Meeting Minutes.**

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

The Benefits Committee met on September 20, 2018. The Committee approved the proposed minutes of the Benefits Committee for the July 26, 2018 meeting.

The committee received an update from Ms. Katrina Daniel regarding the TRS-ActiveCare open enrollment. Ms. Daniel provided the committee an update on the Retiree Advisory Committee; and the committee received an update from Ms. Daniel on financial projections regarding TRS-Care. Ms. Daniel reported an anticipated fund balance deficit of \$238 million without plan design changes or premium increases, which is improved from the anticipated \$410 million deficit from earlier months. The improvement is a result of cost containment efforts, better experience, and increased revenue to the carrier from the Medicare program. The Committee upon review did not

recommend to the Board to alter the premiums and plan design for the standard plan, the fully insured Medicare Advantage Plan and the Medicare Part D Plan.

Next, Ms. Barbie Pearson provided an update on the Medical Board. The committee recommends to the Board the acceptance of the Medical Board minutes for July 10, 2018 Meeting.

The committee recommends to the Board the approval of Benefit Payments for June through August 2018.

The committee then received an update on Benefit Services Operations from Ms. Pearson as to the Fiscal Year 2018 performance.

On a motion by Ms. Sissney, the Board accepted the minutes of the Medical Board as recommended the Committee.

On a motion by Ms. Sissney, the Board approved the benefit payments from June through August 2018 as recommended by the Committee.

14. Receive the report of the Budget Committee on its September 20, 2018 meeting and consider approval of the proposed report regarding limitations of Full Time Employees as required by Section 6.10, Article IX of the General Appropriations Act for 2018-19 Biennium.

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

The Budget Committee met Thursday, September 20. First item of business was approval of the minutes of the July 26, 2018 Budget Committee meeting. Mr. Green then presented an overview of the FTE cap and the current projected count for the fourth quarter of FY 2018. Mr. Green discussed the notification process if an agency exceeds the cap and further discussed the FTE cap Management Committee process, with an update on the current status of Agency vacancies.

On a motion by Dr. Gibson, the Board approved the FTE cap report, as presented by the Committee.

Ms. Ramirez announced without objection that the Board would next take up Agenda Item 17.

17. Receive the report of the Strategic Planning Committee on its September 20, 2018 meeting.

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

The Strategic Planning Committee met on September 20, 2018. The Committee approved the minutes of the July 26, 2018 meeting. Rebecca Merrill discussed the next steps to engage the Agency in the TRS strategic plan.

Then Rebecca and Carl Cox from Cascade Strategy provided an overview of the key performance indicators, or the KPIs.

Ms. Ramirez announced without objection that the Board would next take up Agenda Item 16.

16. Receive the report of the Compensation Committee on its September 20, 2018 meeting and consider the following: – Committee Chair

- A. Consider adoption of the Executive Director’s Performance Incentive Pay Plan;**
- B. Consider adoption of the Investment Management’s Performance Incentive Pay Plan; and**
- C. Consider the adoption of resolutions regarding salary limits for the following employees listed in the schedule of exempt positions in the General Appropriations Act for the 2018 and 2019 Biennium: Executive Director, Chief Investment Officer, Deputy Chief Investment Officer and the Senior Managing Director for Private Markets.**

Mr. Nance, Committee Chair, provided the following report of the Compensation Committee:

The Compensation Committee met on September 20, 2018. The Committee approved the proposed minutes of its July 26, 2018 meeting. The Committee discussed and recommended to the Board continuation and adoption of the executive director’s Performance Incentive Pay Plan for the 2018-2019 performance period.

The Committee discussed and recommended to the Board adoption of the proposed resolution continuing and adopting the Investment Management Performance Incentive Pay Plan for the 2018-2019 performance period.

The Committee discussed and provided direction to the executive director regarding the creation and implementation of an unclassified compensation structure for the senior director, managing director and senior managing director job title classification within the Investment Management Division.

Upon returning from executive session regarding Item 6 of the agenda, the Committee recommended to the Board adoption of a proposed resolution regarding the compensation and GAA, not to exceed salary limit for the executive director.

The Committee also recommended to the Board adoption of a proposed resolution regarding the compensation of the chief investment officer. The Committee referred to the Board any action to be taken regarding the GAA, not to exceed salary limit for the deputy director investment officer.

On a motion by Mr. Nance, the Board unanimously voted to continue and adopt the Investment Management Division's Performance Incentive Pay Plan for the 2018-2019 performance period, as recommended by the Compensation Committee.

On a motion by Mr. Nance, the Board unanimously voted to adopt the proposed resolution regarding the Executive Director's compensation and GAA, not to exceed salary limit, an increase in his base salary amount and GAA, effective September 21, 2018 by 5.3 percent as recommended by the Compensation Committee.

Resolution Increasing the Base Salary of the Executive Director

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

Whereas, Subsection 1.7(d) of the Board's bylaws provides that the Board shall be responsible for the selection, job description, assignment of duties, performance evaluation, compensation, and discipline, including dismissal, of the Executive Director;

Whereas, The General Provisions of TRS' annual administrative operations budget adopted by the Board provide that the Board will set the salary rate for the Executive Director;

Whereas, The upper limit of the Executive Director's annual compensation is set out as a not-to-exceed amount in the Schedule of Exempt Positions in TRS' bill pattern in the current General Appropriations Act ("GAA"), and Rider 8 of TRS' GAA bill pattern provides that, notwithstanding the limitations on exempt positions contained in Article IX of the GAA, the Board may determine the salaries of the positions listed in TRS' Schedule of Exempt Positions without limitation; and

Whereas, The GAA not-to-exceed amount for the Executive Director is not sufficient for the Board to exercise its discretion in setting the compensation for that position, and the Board wishes to increase the Executive Director's base salary above the not-to-exceed amount; now, therefore be it

Resolved, That effective September 21, 2018 the Board hereby adopts the following GAA not-to-exceed amounts for the Executive Director:

Executive Director: Increase the not-to-exceed amount listed in the GAA by 5.3 %

Resolved, That the Board hereby increases the base salary of the Executive Director as follows:

Executive Director's base salary (the incumbent is Brian K. Guthrie):

Increase the base salary amount effective September 21, 2018
by 5.3 %; and

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

On a motion by Mr. Nance, the Board unanimously voted to adopt the proposed resolution regarding the chief investment officer's compensation, increasing his base salary amount, effective September 21, 2018 by 5.6 percent, as recommended by the Compensation Committee.

September 20-21, 2018

Resolution Increasing the Base Salary of the Chief Investment Officer

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

Whereas, Subsection 1.7(g) of the Board's bylaws provides that the Board give oversight and direction to the Executive Director and Subsection 4.1.2(c)(2) provides that the Executive Director has full authority and responsibility for the chief investment officer's assignment of compensation and duties;

Resolved, That the Board in consultation with the Executive Director hereby approves an increase of the Chief Investment Officer base salary as follows:

Chief Investment Officer's base salary (the incumbent is Jerry Albright):

Increase the base salary amount effective September 21, 2018
by 5.6 %; and

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

At 3:47 p.m. the Board went into executive session to discuss Agenda Items 16(a) and 16(c) under Section 551.074 and 551.071 of the Government Code to discuss personnel matters and to seek advice from legal counsel.

At 4:06 p.m., the Board reconvened in open meeting.

On a motion by Mr. Elliott, seconded by Dr. Gibson, the Board unanimously voted to amend the Compensation Committee's recommendation continuing and adopting the Executive Director's Performance Incentive Pay Plan for the 2018-2019 performance period as presented by staff.

On a motion by Mr. Nance, seconded by Mr. Moss, the Board voted unanimously to adopt the proposed resolution by staff to increase the deputy chief investment officer's GAA, not to exceed salary limit, to 14.8 percent.

Resolution Regarding the Salary Ranges for Certain Exempt Positions

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

Whereas, The Bylaws of the Board of Trustees delegate authority to the Executive Director and Bylaw subsection 4.1.2(c) specifically provides that the Executive Director assumes responsibility for the compensation of all TRS personnel, with limited exceptions for the Executive Director and Chief Audit Executive whose salaries are set by the board;

Whereas, The General Provisions in the TRS Budget provide discretion to the Executive Director regarding salaries and specifically authorize the Executive Director to set the annual base salary rate for all exempt positions, other than the Executive Director position, within the not-to-exceed amounts listed in the General Appropriations Act that became effective September 1, 2017 ("GAA"), or any amended limits adopted by the board from time to time;

Whereas, The GAA, consistent with general law, provides that notwithstanding the compensation amounts set in the GAA, the board may determine the not-to-exceed amounts of the positions listed in the Schedule of Exempt Positions without limitation;

Whereas, for the majority of positions listed in the Schedule of Exempt Positions, the GAA not-to-exceed amounts are sufficient for the Executive Director to exercise his discretion in setting salaries under Bylaw subsection 4.1.2(c) and under the General Provisions of the TRS Budget, but the GAA not-to-exceed amounts for the Deputy Director Investment Officer is not sufficient for the Executive Director to exercise his discretion in setting the salary for this position.

Whereas, For the purpose of allowing the Executive Director to exercise his discretion in setting the salaries of the Deputy Director Investment Officer under Bylaw subsection 4.1.2(c) and under the General Provisions of the TRS Budget, the Board wishes to adopt adjusted GAA not-to-exceed amounts for FY 2019 for this position; now, therefore be it

Resolved, That effective September 21, 2018, the board hereby adopts the following GAA not-to-exceed amounts for the Deputy Director Investment Officer:

Deputy Director Investment Officer (incumbent Jase Auby): Increase the GAA not-to-exceed amount listed in the GAA by 14.8 %

Resolved, That nothing in the adoption of this resolution alters the at-will nature of employment that TRS has with 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 any employee holding a position in the Schedule of Exempt Positions.

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

No discussion on this item

At 4:09 p.m., Ms. Sissney moved, seconded by Mr. Elliott, the Board unanimously voted to adjourn.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 14th DAY OF DECEMBER, 2018.

ATTESTED BY:



Katherine H. Farrell

Secretary to the TRS Board of Trustees

12/18/18
Date