July 2026

ASSURANCE

Audit, Compliance & Ethics Committee Meeting

TEACHER RETIREMENT SYSTEM OF TEXAS

TEACHER RETIREMENT SYSTEM OF TEXAS
BOARD OF TRUSTEES AND
AUDIT, COMPLIANCE AND ETHICS COMMITTEE

All or part of the July 16, 2026, meeting of the TRS Audit, Compliance and Ethics Committee and 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 a quorum and the presiding officer physically present at the following location, which will be open to the public during the open portions of the meeting: ***4655 Mueller Blvd, 2nd Floor, Boardroom.***

The open portions of the July 16, 2026, meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the meeting is provided at www.trs.texas.gov. A recording of the meeting will be available at www.trs.texas.gov.

NOTE: The Committee may take up any item posted on the agenda during its meeting on July 16, 2026, beginning at the time and place specified on this agenda.

July 16, 2026 – 1:30 p.m.
AGENDA

1. Call roll of Committee members.

2. Approve minutes of April 2026 Audit, Compliance and Ethics Committee meeting - Chair.

3. Receive the State Auditor's Office's presentations – Benjamin Fox and Jeannette Garcia, SAO:
   A. Results of the Audit of TRS' Fiscal Year 2025 Pension Liability; and
   B. B. Other Post-Employment Benefits (OPEB) Liability Schedules.

4. Receive TRS Compliance reports including those related to ethics and fraud, conflicts of interest, investment policies, and Enterprise Risk Management Update – Heather Traeger, Chris Bowlin and Michelle Pagán.

5. Receive CAE Update including – Amanda Jenami:
   A. Status of Prior Audit Recommendations
   B. Internal Audit's Key Performance Indicators and Status of Audit Plan
   C. Results of the Review of Project Governance

6. Receive Individual Internal Audit Reports:
   A. Review of Real Estate Portfolio Operations – Syed Israr
   B. Audit of Data Loss Prevention – Jack Henserling
   C. Review of Cyber Controls – Troy Dearing, Kudelski Security

7. Discuss or consider Internal Audit and TRS Compliance administrative reports and matters related to governance, risk management, internal control, compliance violations, fraud,

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Audit, Compliance and Ethics Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Audit, Compliance and Ethics Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

regulatory reviews or investigations, fraud risk areas, audits for the annual internal audit plan, or auditors' ability to perform duties – Chair, Amanda Jenami and Heather Traeger.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Audit, Compliance and Ethics Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Audit, Compliance and Ethics Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

Minutes of the Audit, Compliance and Ethics Committee

April 30, 2026

The Audit, Compliance and Ethics Committee of the Board of Trustees of the Teacher Retirement System of Texas met on April 30, 2026, in the boardroom located on the Second Floor of TRS' offices located at 4655 Mueller Blvd, Austin, Texas, 78723.

Committee members:
Ms. Brittny Allred, Chair
Mr. Michael Ball
Ms. Laronda Graf
Mr. John Rutherford
Mr. Elvis Williams

Other TRS Board Members Present:
Mr. John Elliott
Mr. Robert H. Walls, Jr.

Others who participated:
Brian Guthrie, TRS
Caasi Lamb, TRS
Don Green, TRS
Heather Traeger, TRS
Amanda Jenami, TRS
Katherine Farrell, TRS
Chris Bowlin, TRS
Michelle Pagán, TRS
Katie Linczer, TRS
Suzanne Dugan, Cohen Milstein

Audit, Compliance and Ethics Committee Chair, Ms. Brittny Allred, called the meeting to order at 1:24 p.m.

1. **Call roll of Committee members.**

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

2. **Approve minutes of December 2025 Audit, Compliance and Ethics Committee meeting – Chair.**

On a motion by Mr. Rutherford, seconded by Mr. Williams, the committee unanimously voted to approve the proposed minutes for the December 2025 Audit, Compliance and Ethics Committee meeting, as presented.

3. **Receive TRS Compliance reports including those related to ethics and fraud, conflicts of interest, and investment policies and the Enterprise Risk Management update – Heather Traeger, Chris Bowlin and Michelle Pagán.**

Mr. Chris Bowlin reviewed quarterly testing for the quarter ending December 31, 2025. He reported that testing for investment integrity questionnaires, hedge fund testing, and manager concentration limits was green. He also reported two passive Investment Policy Statement (IPS) violations that occurred in January and March outside the quarter and stated that, with the approved IPS changes that were presented in the Governance Committee, those matters were deemed resolved.

Ms. Heather Traeger reported that six conflict-of-interest matters from employees and one from vendors were received during the quarter and were being addressed consistent with policy. She also highlighted hotline items involving benefits and health related inquiries and an identity theft matter affecting a TRS employee.

Ms. Michelle Pagán reviewed changes to the enterprise stoplight report. She reported the addition of an artificial intelligence category and the renaming of facilities management planning to facilities safety and security. She further reported that external fraud was assessed at caution, internal fraud at guarded. She stated Pension Services was trending up due to additional work-arounds after the March go-live of TEAM PBT, portfolio exposure was stable, and the TEAM Program was reduced from caution to low. She stated the remaining TEAM initiative, decommissioning legacy systems, was on track for completion in August 2026.

4. **Receive CAE Update including – Amanda Jenami:**
    - A. **Status of Prior Audit Recommendations;**
    - B. **Update on Internal Audit's Key Performance Indicators and Status of Audit Plan;**
    - C. **Discussion of the results of the Limited Review of Communications; and**
    - D. **Talent Management and Upcoming Reports**

Ms. Amanda Jenami introduced the first Chief Audit Executive update and stated it was intended to consolidate standing reports and help make Audit, Compliance and Ethics Committee meetings more focused and efficient, while leaving the materials unchanged. She reported that 30 audit recommendations remained open, down from 39 the prior quarter, with nine recommendations implemented during the quarter, including five rated significant.
She stated that 70 percent of the open recommendations were less than one year old and that the number older than two years had decreased. She also reported that Internal Audit was on track to achieve all four strategy performance targets for the year and that, with the exception of two, all

key audit projects were either in progress or completed. She noted that the Limited Review of Communications was completed this quarter and the materials were available in the Committee book.

5. **Receive Individual Internal Audit Reports– Katie Linczer:**
   A. **Limited Review of Custodian Controls.**

Ms. Katie Linczer presented the Limited Review of Custodian Controls. She stated that the overall audit conclusion was positive and that no significant control deficiencies were observed in the areas tested. She reported that recommendations were made for management to consult with Legal & Compliance regarding potential enhancements to elements of the custodian agreement and service level agreement at the time of future renewals or contract signings.

   B. **Audit of Cloud Computing / Executive session.**

At 1:42 p.m. Ms. Allred announced the Committee would recess into executive session for item 5B under Sections 551.076, 551.0761, 551.089, and 551.071 of the Texas Government Code to discuss the audit of cloud computing and to consult with legal counsel, as needed.

At 2:04 p.m., the Committee reconvened in open meeting.

6. **Discuss or consider Internal Audit and TRS Compliance administrative reports and matters related to governance, risk management, internal control, compliance violations, fraud, regulatory reviews or investigations, fraud risk areas, audits for the annual internal audit plan, or auditors' ability to perform duties – Chair, Amanda Jenami and Heather Traeger.**

There was no discussion on this item.

There being no further business before the Committee in open meeting, the meeting concluded at 2:04 p.m.

Approved by the Audit, Compliance and Ethics Committee of the Board of Trustees of the Teacher Retirement System of Texas on July ____, 2026.

______________________________________ __________________

John R. Rutherford Date
Chair, Audit Compliance and Ethics Committee
Board of Trustees
Teacher Retirement Systems of Texas

Audit, Compliance & Ethics

Presentation Date

July 16, 2026

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Texas State Auditor’s Office

Audit of the Teacher Retirement System’s Fiscal Year 2025 Pension and OPEB Liability Schedules

Benjamin Fox, Project Manager

Jeannette Garcia, Audit Manager

Overview

The State Auditor's Office has audited the Pension and Other Post Employment Benefit Schedules (OPEB) of the Teacher Retirement System for the fiscal year ended August 31, 2025, and issued our opinion dated June 4, 2026.

We issued four reports as part of this project:

- Opinion on the Pension Liability Schedules
- Opinion on the OPEB Liability Schedules
- Report on Internal Controls and Compliance and Other Matters
- State Auditor's Office report (released on website)

Reported Results

Unmodified Opinion

PENSION LIABILITY SCHEDULES

We concluded the System's Schedule of Employer's Proportionate Shares (Allocations) and the total for all entities of the columns titled net pension liability end of year, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the Schedule of Pension Amounts by Employer and the related notes as of August 31, 2025, were materially correct and presented in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

OPEB LIABILITY SCHEDULES

We concluded the System's Schedule of Employer's Proportionate Shares (Allocations) of the Collective Net Other Post Employment Benefit (OPEB) Liability and the total for all entities of the columns titled net OPEB liability end of year, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense (specified column totals) included in the Schedule of OPEB Amounts by Employer and the related notes as of August 31, 2025, were materially correct and presented in accordance with accounting principles generally accepted in the United States of America.

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We did not identify any material weakness or significant deficiencies in controls.

STATE AUDITOR'S OFFICE REPORT

Per our standard process, we issued a report regarding our work at TRS.

Required Communications

Item:	Comment:
Significant Risks	Management override of control.
Changes in Significant Accounting Practices	None noted.
Significant Unusual Transactions	None noted.
Significant Difficulties Encountered During the Audit	None noted.
Disagreements with Management	None noted.
Corrected and Uncorrected Misstatements	None identified.
Fraud or Noncompliance with Laws and Regulations, Contracts or Grant Agreements	None identified.
Communication of Deficiencies in Internal Control	No reportable deficiencies identified.

Quarterly Compliance Testing

Presentation Date
July 16, 2026

Presented By
Heather Traeger & Chris Bowlin

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Quarterly Investment Compliance Testing
Investment Policy Statement (IPS), Securities Lending Policy (SLP), and Proxy Voting Policy
Quarter ending March 31, 2026

Procedures Performed	Test Results
Business Objective 1: Board Reports **All required information is reported to the TRS Board of Trustees**	
• Obtain evidence that all requirements reported to Board of Trustees	• All reporting requirements were met and documentation provided supported information tested
Business Objective 2: Investment Selection and Approval **Investments made are within delegated limits and established selection criteria**	
• Obtain evidence that Investment Integrity Questionnaires (IIQs) were received prior to investment authorization and deal closing	• Each investment tested had a completed questionnaire prior to IIC date
• Obtain evidence from the investment teams that the CIO conditional upon approval was received after the IIC	• CIO conditional approvals during this period were documented in the IIC minutes and the required actions were completed after the IIC
• Obtain evidence of existence of IMD's prudent underwriting objectives for advisor's due diligence	• Prudence letters were provided (where required) for this period
• Obtain evidence that all counterparty requirements were met	• All Credit Risk Management reporting requirements were met, and documentation provided supported information tested
• Obtain evidence that new investments in emerging managers met requirements	• All investments met policy requirements for the tested period
• Obtain evidence that approved investments were within policy limits	• As reported to the Board in April 2026, allocations to managers breached the single manager organization threshold in IPS Appendix B due to changing market conditions
Business Objective 3: Other (IPS, SLP, other reporting) **Risk limits are followed for other investment and proxy voting policies and procedures were followed**	
• Obtain senior management disclosure about known compliance violations	• Obtained quarterly compliance certification from IMD IIC and Legal
• Obtain evidence that TRS securities lending program complied with guidelines	• All compliance tests were completed without violations
• Contractual Allowances & Commission Credits Tracking	• Obtained annual commission allowance tracking reports from IMD Operations

Legend: Significant to TRS | Significant to Business Objectives | Other Reportable Exception | Positive Test Result/ No Exception

Legal & Compliance

Enterprise Risk Management

July 16, 2026

Michelle Pagán | Director of Enterprise Risk, Strategy & Performance

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Overview

Agenda

- Enterprise Stoplight Report
- Risk Trending Dashboard

Enterprise Stoplight Report * - July 2026

↑ Artificial Intelligence	↓ Business Continuity	↔ Communications & External Relations	↑ Cybersecurity	↔ Data Privacy & Confidentiality
↔ Employer Reporting	↑ Enterprise Technology	↔ External Fraud	↔ Facilities, Safety & Security	↔ Financial Operations
↔ Global Operations	↔ Health Care Plans Administration	↔ Internal Fraud	↑ Pension Funding	↑ Pension Services
↔ Portfolio Exposure	↔ Procurement & Contracts	↓ Records & Information Management	↔ Regulatory, Compliance & Litigation	↑ Talent Continuity
↓ TEAM Program	↔ TRS-ActiveCare Affordability	↔ TRS-Care Funding		

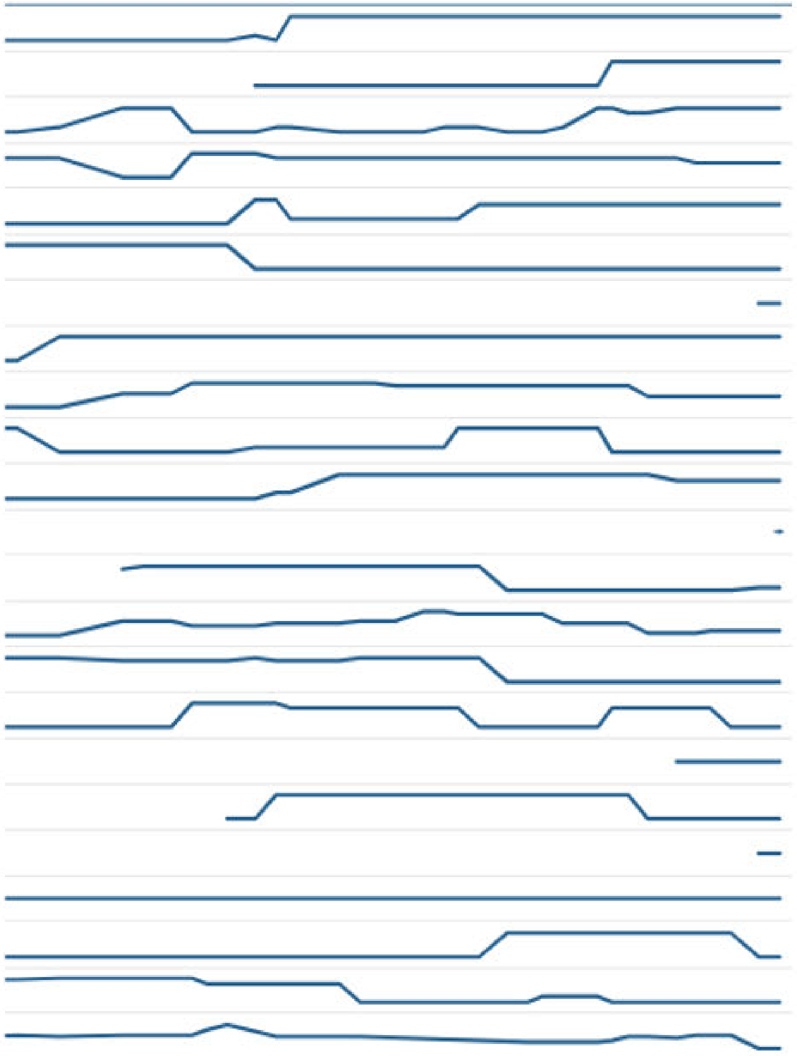
RISK CATEGORY LEVEL - Threat to Achieving TRS Goals & Objectives				
HIGH	ELEVATED	CAUTION	GUARDED	LOW

EXPECTED RISK CATEGORY TREND - NEXT 12-24 MONTHS		
INCREASE ↑	DECREASE ↓	NO CHANGE ↔

*Risk category ratings are based on a point in time and independent of other risk categories.

Risk Trending Dashboard

Enterprise Risk Categories July 2026	Current Risk Level	Expected Trend 12-24 months	10-Year Historical Trend
Cybersecurity	Elevated	Increase	
Enterprise Technology	Elevated	Increase	
Pension Funding	Elevated	Increase	
Records & Information Management	Elevated	Decrease	
Communications & External Relations	Caution	Stable	
Data Privacy & Confidentiality	Caution	Stable	
External Fraud	Caution	Stable	
Health Care Plans Administration	Caution	Stable	
Procurement & Contracts	Caution	Stable	
TRS-ActiveCare Affordability	Caution	Stable	
Business Continuity	Caution	Decrease	
Artificial Intelligence	Guarded	Increase	
Pension Services	Guarded	Increase	
Talent Continuity	Guarded	Increase	
Employer Reporting	Guarded	Stable	
Facilities, Safety & Security	Guarded	Stable	
Financial Operations	Guarded	Stable	
Global Operations	Guarded	Stable	
Internal Fraud	Guarded	Stable	
Regulatory, Compliance & Litigation	Guarded	Stable	
Portfolio Exposure (i.e., Market)	Low	Stable	
TRS-Care Funding	Low	Stable	
TEAM Program	Low	Decrease	



Internal Audit

Chief Audit Executive Update

Presentation Date
July 16, 2026

Presented By
Amanda Jenami, CPA, CISA, AAIA, AAISM, AAIR,CISM, CIA, CIDA, CFSA, CFE, CRMA

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Topics for Discussion

A. Status of Prior Audit Recommendations

B. Update on Internal Audit’s (IA’s) Key Performance Indicators (KPIs) and Status of Audit Plan

C. Appendix

   I. Upcoming Audit Reports

   II. Review of Project Governance

A. Status of Prior Audit Recommendations

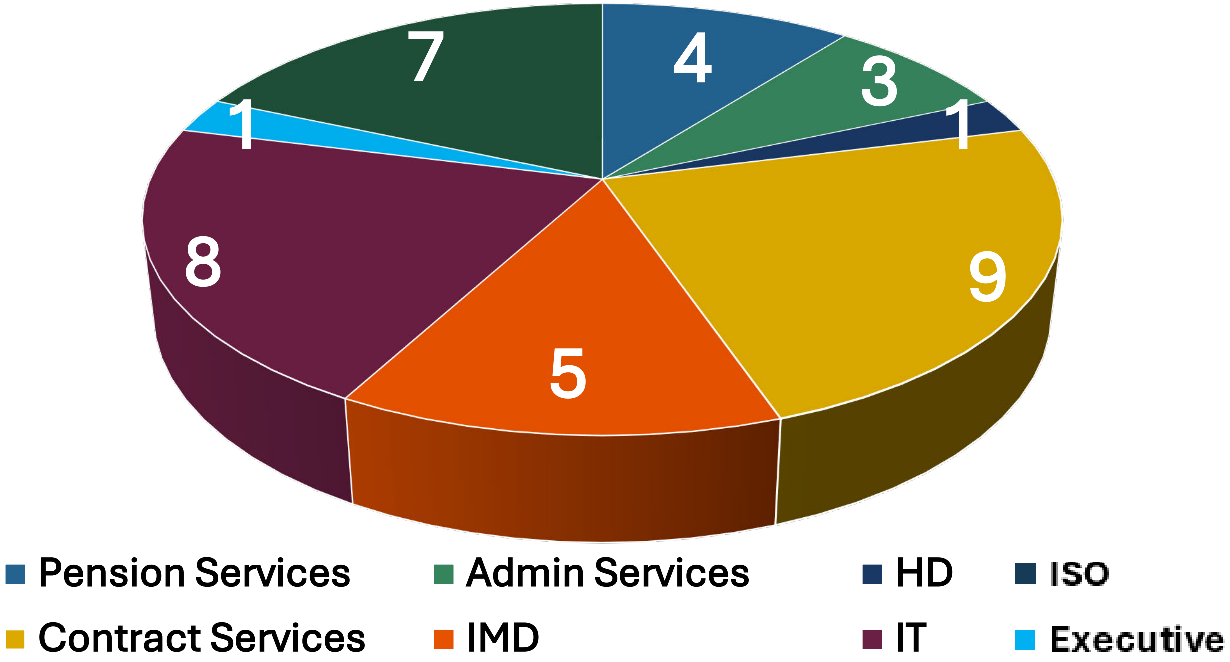
Highlights: Status of Prior Audit Recommendations

38	15	17
Recommendations (Total)	Internal Audit Reports	Recommendations Rated Significant

Implementation Status

Pending	Satisfactorily Implemented	Implemented, Pending IA Validation
38 8+	4 5-	0 0-

Ownership of Pending Recommendations

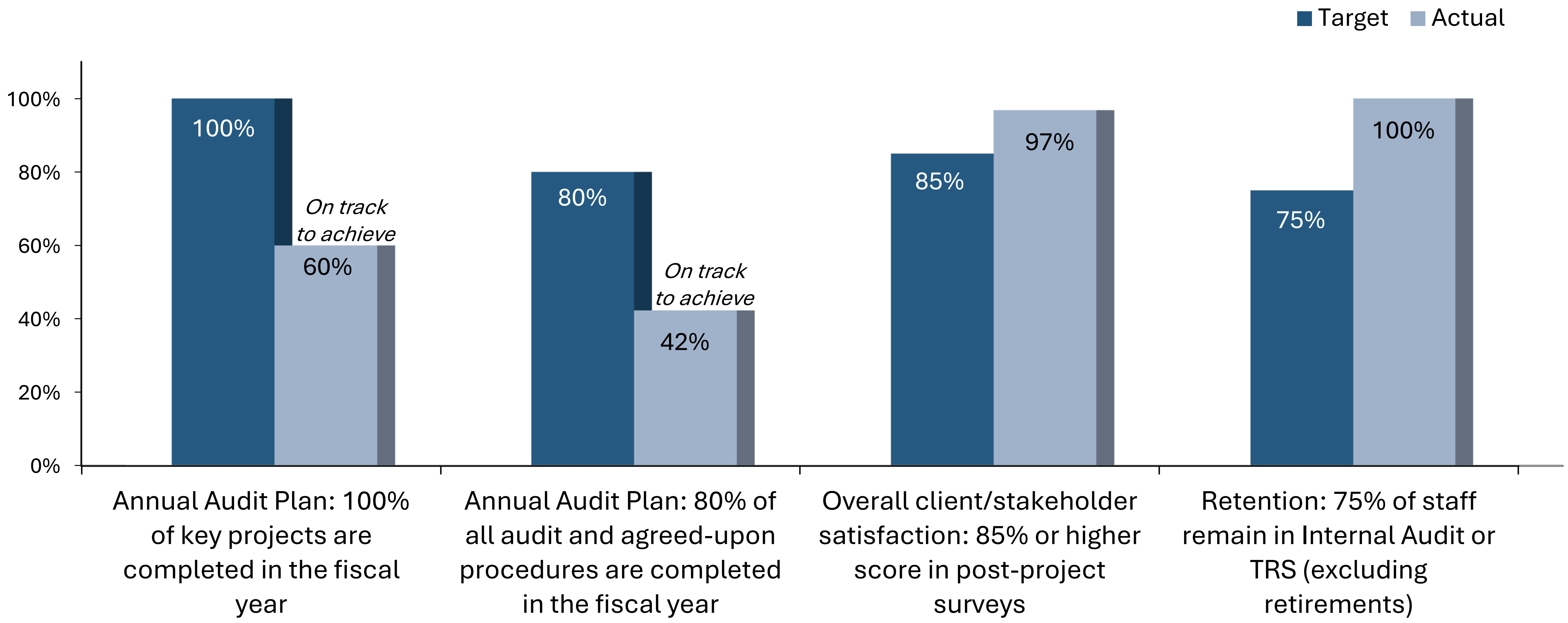


Age of Recommendations

1-12 months	13-24 months	25-36 months	37-60 months
24	5	6	3

B. Update on IA’s KPIs and Status of Audit Plan

FY26 Strategic KPIs



Detailed FY26 Audit Plan Status: Audit & Formal Advisory Projects

	Complete	In Progress	Pending
Executive & Business Administration			
Review of Communications	✓		
Review of the Ethics Program		✓	
Review of Project Governance	✓		
Follow-Up of Prior Audits		✓	
Special requests, initiatives and emerging Issues (all divisions)		✓	
Health			
Review of Enrollment and Eligibility File Processes	✓		
Review of SB 1264 Processes	✓		
Healthcare Claims Data Analysis (Provider Compliance & Industry Standards)*		✓	
Healthcare Claims Data Analysis (Contract requirements)		✓	
Review of Mass Mailings *(cancelled)*			
Pension			
ACFR Testing of Annuity Payments*	✓		
Review of Death Claims*		✓	
Reporting Employer Data Analysis*		✓	

	Complete	In Progress	Pending
Investments			
Review of Custodian Controls*	✓		
Review of Fixed Income Portfolio Operations		✓	
Review of Real Estate Portfolio Operations*	✓		
Information Technology			
Audit of Cloud Computing*	✓		
Audit of Data Loss Prevention*	✓		
Review of Cyber Controls*	✓		
Audit of TRS Reporting Entity Portal*		✓	
Data Analytics			
Anti-Depression Pharmacy Claims Testing		✓	
Benefit Matrices and Experimental Services Testing		✓	
Hospital Claims Policy Testing		✓	
Psychotherapy Claims Testing		✓	
PAVES Quality Assurance Bots	✓		

**** FY26 key project***

C. Appendix:

I. Upcoming Audit Reports
II. Review of Project Governance

Appendix I: Upcoming Audit Reports/Actions

September 2026

Board Actions
- Proposed Audit Plan for FY2027
- Proposed KPIs for FY2027
- Board selection of new External Auditor

Audit Reports
- Audit of Reporting Entity (RE) Portal
- Review of the Ethics Program
- Review of Fixed Income Portfolio Operations

December 2026

Board Actions
- None

Audit Reports
- Review of Death Claims
- Update on IA's Data Analytics Program

* Blue font: action items, Green font: key projects

Internal Audit

Review of Real Estate Portfolio Operations

Presentation Date
July 17, 2026

Presented By
Julie Toler

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Audit Results Overview

AUDIT CONCLUSION

The Teacher Retirement System's (TRS) Real Estate (RE) portfolio operations include sufficient processes to provide reasonable assurance that portfolio objectives are achieved effectively, efficiently and in compliance with TRS' Investment Policy Statement (IPS) and applicable procedures.

Key positive results:

- Conditional investment approvals tracked & resolved
- Operational due diligence consistently executed & documented
- Advisory board participation aligned with fiduciary standards
- Consent agenda thresholds & documentation aligned with investment committee guidelines

Improvement opportunities:

- Documentation of advisory board decisions & critical document storage
- Public portfolio monitoring/risk parameters

Preliminary Audit Objective: Determine whether Real Estate portfolio operations include sufficient controls to ensure investments are made and managed effectively, efficiently and in compliance with relevant policies, guidelines and procedures.

Recommendations & Management Responses

Recommendations

- Enhance investment & advisory board documentation practices
- Strengthen risk monitoring metrics & limits for the public real estate portfolio

Management Responses

Management agrees and will evaluate enhancement opportunities for:

- Investment & advisory board documentation alignment with External Private Market Due Diligence & Monitoring Guidelines
- Risk monitoring controls & Internal Portfolio Management Agreement parameters for private market portfolios incorporating public market strategies

Target date: September 2026

Appendix

I. Audit Objective, Methodology & Scope

II. Project Team

Appendix I: Audit Objective, Methodology & Scope

AUDIT OBJECTIVE

Determine whether Real Estate portfolio operations include sufficient controls to ensure investments are made and managed effectively, efficiently and in compliance with relevant policies, guidelines and procedures.

METHODOLOGY & SAMPLING

- ✓ Identified key risks and controls
- ✓ Reviewed IPS, IMD procedures & investment documentation
- ✓ Interviewed IMD leadership, RE team & supporting functions
- ✓ Selected nonstatistical samples through risk-based selection

SCOPE

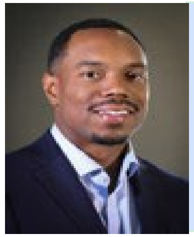
- ✓ January 2024 – March 2026
- ✓ Activities & reporting related to Real Estate Portfolio Operations

Appendix II: Project Team

Investment Audit Team

Syed Israr
Senior Investment Auditor

Julie Toler, CFA, CFP©, CIA, CRMA
Investment Audit Director



Nathan Ward, CFA
Senior Investment Auditor

Katie Linczer, CPA, CIA, CRMA
Senior Investment Auditor