September 2026

GUIDING PRINCIPLES

Governance Committee Meeting

TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES
AND
GOVERNANCE COMMITTEE

All or part of the September 18, 2026, meeting of the TRS Policy 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 of the meeting 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 September 18, 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.

AGENDA
September 18, 2026 – 9:00 a.m.

1. Call roll of Committee members.

2. Consent Agenda: Consider the following items that may be taken up by consent without discussion– Committee Chair:
   A. Approval of the proposed July 2026 committee meeting minutes (*Agenda Item 3*);
   B. Consider recommending to the Board proposed amendments to the Pension Funding Policy (*Agenda Item 5*);
   C. Consider amendments to the Policy Review Schedule. *(Agenda Item 7)*

3. Consider the approval of the proposed minutes of the July 2026 committee meeting – Committee Chair. (*Proposed Consent Agenda Item 2A*)

4. Consider recommending to the Board continuation and adoption of the following performance pay plans for the 2026 – 2027 performance period:
   A. Executive Director's Performance Pay Plan including the Executive Director's Areas of Focus for Fiscal Year 2027– Shunne Powell; Susan Lemke and Josh Wilson, Marsh, formerly Mercer Consulting; and
   B. Investment Management Division's and TRICOT's Performance Pay Plan – Shunne Powell, Katy Hoffman; Susan Lemke and Josh Wilson, Marsh, formerly Mercer Consulting.

5. Consider recommending to the Board proposed amendments to the Pension Funding Policy – Caasi Lamb. (*Proposed Consent Agenda Item 2B*)

6. Consider recommending to the Board proposed amendments to the Bylaws of the Board of Trustees– Heather Traeger and Katherine Farrell.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Policy Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Policy 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.

7. Consider amendments to the Policy Review Schedule – Katherine Farrell. (*Proposed Consent Agenda Item 2C*)

8. Consider authorizing for publication in the Texas Register notice of the following proposed new rule in Chapter 51 of Title 34, Part 3 of the Texas Administrative Code – Heather Traeger:

   A. [NEW] §51.16. Tuition Reimbursement.

9. Consider authorizing for publication in the Texas Register notice of proposed repeal and amendments in the following chapters of Title 34, Part 3 of the Texas Administrative Code – Heather Traeger and Nick Gonzalez:
   A. CHAPTER 21. PURPOSE AND SCOPE [REPEAL]
   B. §21.1. Statement of Policy [REPEAL]
   C. CHAPTER 25. MEMBERSHIP CREDIT
   D. Subchapter B. Compensation
   E. §25.24. Performance Pay [AMEND]
   F. §25.34 Membership Waiting Period Repeal [REPEAL]
   G. Subchapter E. Military Service
   H. §25.66. Application for Military Credit [AMEND]
   I. Subchapter F. Veteran's (USERRA) Service Credit
   J. §25.75. Application for Eligible Active Military Duty under the Uniformed Services Employment and Re-Employment Rights Act [AMEND]
   K. Subchapter G. Purchase of Credit for Out-of-State Service
   L. §25.82. Cost [AMEND]
   M. §25.84. Crediting Fees [REPEAL]
   N. §25.86 . Computing Average Compensation [REPEAL]
   O. Subchapter L. Other Special Service Credit
   P. §25.163 Service Credit Purchase [REPEAL]
   Q. CHAPTER 27. TERMINATION OF MEMBERSHIP AND REFUNDS
   R. §27.8 Reinstatement of Membership and Service Credit by ORP Participants [AMEND]
   S. CHAPTER 29. BENEFITS
   T. Subchapter E. Deferred Retirement Option Plan
   U. §29.63. Deadline for Purchase of Special Service Credit [REPEAL]
   V. CHAPTER 31. EMPLOYMENT AFTER RETIREMENT
   W. Subchapter A. General Provisions and Procedures
   X. §31.2. Monthly Certified Statement [AMEND]
   Y. §31.3. Return-to-Work Employer Pension Surcharge [AMEND]
   Z. Subchapter B. Employment After Retirement Exception
   AA. §31.12. Substitute Service [AMEND]
   BB. §31.13. One-half Time Employment [AMEND]
   CC. §31.15. Tutors under Education Code § 33.913 [AMEND]
   DD. §31.16. Federally-funded COVID-19 Personnel [REPEAL]
   EE. §31.18. Combining EAR Exceptions [AMEND]
   FF. §31.19. Combining EAR Exceptions and Employer Surcharges [AMEND]
   GG. CHAPTER 39. PROOF OF AGE [REPEAL]
   HH. §39.1. Establishment of Date of Birth [REPEAL]

II. CHAPTER 43. CONTESTED CASES
JJ. Subchapter A. General Administration
KK. §43.1. Applicability [AMEND]
LL. §43.2. Definitions [AMEND]
MM. §43.3. Filing of Documents [AMEND]
NN. §43.5. Extensions [AMEND]
OO. Subchapter B. Requests for Adjudicative Hearing.
PP. §43.106 Authority to Grant Relief [AMEND]
QQ. Subchapter C. Hearings Not Docketed at SOAH [REPEAL]
RR. §43.201. Applicability [REPEAL]
SS. §43.202. Form of Pleadings [REPEAL]
TT. §43.203. Filing of Pleadings and Amendments [REPEAL]
UU. §43.204. Briefs [REPEAL]
VV. §43.205. Motions [REPEAL]
WW. §43.206. Discovery [REPEAL]
XX. §43.207. Notice of Hearing and Other Action [REPEAL]
YY. §43.208. Agreements to be in Writing [REPEAL]
ZZ. §43.209. Motion for Consolidation [REPEAL]
AAA. §43.210. Additional Parties [REPEAL]
BBB. §43.211. Appearance and Representation [REPEAL]
CCC. §43.212. Lead Counsel [REPEAL]
DDD. §43.213. Powers of the Administrative Law Judge [REPEAL]
EEE. §43.214. Prehearing Conference and Orders [REPEAL]
FFF. §43.215. Conduct of Hearing [REPEAL]
GGG. §43.216. General Admissibility [REPEAL]
HHH. §43.217. Exhibits [REPEAL]
III. §43.218. Pre filed Direct Testimony in Disability Appeal Proceedings [REPEAL]
JJJ. §43.219. Limit on Number of Witnesses [REPEAL]
KKK. §43.220. Failure to Appear [REPEAL]
LLL. §43.221. Conduct and Decorum at Hearing [REPEAL]
MMM. §43.222. Official Notice [REPEAL]
NNN. §43.223. Recording of the Hearing; Certified Language Interpreter [REPEAL]
OOO. §43.224. Dismissal without Hearing [REPEAL]
PPP. §43.225. Summary Disposition [REPEAL]
QQQ. §43.226. The Record [REPEAL]
RRR. §43.227. Findings of Fact [REPEAL]
SSS. §43.228. Reopening of Hearing [REPEAL]
TTT. CHAPTER 47. QUALIFIED DOMESTIC RELATIONS ORDERS
UUU. §47.16. Effective Date of TRS Review of Orders [REPEAL]

TAB 3

Minutes of the Governance Committee
July 16, 2026

The Governance Committee of the Board of Trustees of the Teacher Retirement System of Texas met on July 16, 2026, in the boardroom located on the Second Floor of TRS' offices located at 4655 Mueller Blvd, Austin, Texas 78723.

Committee members:

Mr. John Elliott, Chair
Dr. Pete Pape
Mr. Robert H. Walls, Jr.
Mr. Dan West
Mr. Elvis Williams

Other TRS Board Members Present:

Ms. Brittny Allred
Ms. Laronda Graf

Others who participated:

Brian Guthrie, TRS
Caasi Lamb, TRS
Heather Traeger, TRS
Don Green, TRS
Amanda Jenami, TRS
Shunne Powell, TRS
Elizabeth Hallmark, TRS
Nicholas Gonzalez, TRS
Katherine Farrell, TRS
Suzanne Dugan, Cohen Milstein

Governance Committee Chair, Mr. John Elliott, called the meeting to order at 11:01 a.m.

1. Call roll of Committee members.

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

2. Consent Agenda: Consider the following items that may be taken up by consent without discussion:

- **A. Approval of the proposed April 2026 committee meeting minutes (Agenda Item 3);**
- **B. Recommending to the Board adoption of proposed amendments to the following TRS Rules in Title 34, Part 3, of Chapter 41 of the Texas Administrative Code (Agenda Item 8):**
  - **i. Subchapter A, Rule 41.17 - Limited-time Enrollment Opportunity for Medicare-eligible Retirees; and**
  - **ii. Subchapter C, Rule 41.38 - Termination Date of Coverage.**

On a motion by Mr. Williams, seconded by Mr. Walls, the committee voted unanimously to approve all items on the consent agenda.

3. **Consider the approval of the proposed minutes of the April 2026 committee meeting (Proposed Consent Agenda 2A).**

This item was considered and approved as part of the consent agenda under Agenda Item 2.

4. **Discuss and review the Executive Director's Areas of Focus for Fiscal Year 2026 and proposed for Fiscal Year 2027 - Brian Guthrie and Michelle Pagán .**

Mr. Don Green reviewed the fiscal year 2026 areas of focus and reported that all associated deliverables were either in progress or complete, with none delayed or not expected to be completed. He explained that the areas of focus align with the strategic plan and address member-focused initiatives, leadership, talent effectiveness, operational effectiveness, and continuous improvement.

Mr. Green presented a draft, streamlined one-page format for the proposed fiscal year 2027 areas of focus. He explained that the revised format would organize priorities by pension services, health care, investments, shared services, and enterprise matters, including artificial intelligence initiatives. He noted that a final proposal would be presented for approval in September.

5. **Discuss and review the Proposed Modifications to the Executive Director's Performance Pay Plan for the 2026-2027 Performance Period – Shunne Powell.**

Ms. Shunne Powell reviewed proposed administrative updates to the performance pay plans for the 2026-2027 performance period. She stated that no changes were proposed to the overall structure of the plans and that there were no material changes to the Investment Management Division or TRICOT plans. She explained that proposed revisions to the Executive Director plan would clarify and align the death, disability, and retirement provisions with changes previously made to the other plans.

6. **Consider recommending to the Board adoption of the proposed amendments to the Member and Employer Outreach Plan - Elizabeth Hallmark.**

Ms. Elizabeth Hallmark presented proposed amendments to the Member and Employer Outreach Plan as part of its five-year review. She explained that the limited updates would streamline language, update numbers, and more fully reflect the methods used to obtain direct feedback for continuous improvement. She stated that the plan would continue to emphasize plain language, accessibility, multiple communication formats, proactive outreach, and support for members, retirees, and employers.

On a motion by Mr. Williams, seconded by Mr. West, the committee voted unanimously to recommend to the Board adoption of the proposed amendments to the Member and Employer Outreach Plan, as presented by staff.

7. **Consider recommending to the Board adoption of the notice of completed rule review for TRS Rules in Title 34, Part 3 of Chapters 21 through 51 of the Texas Administrative Code - Heather Traeger and Nicholas Gonzalez.**

Mr. Nicholas Gonzalez presented staff's final recommendations from the statutorily required four-year review of all 265 TRS rules. He stated that staff recommended readopting 171 rules without changes, readopting 46 rules while identifying them for future amendment, and identifying 48 rules for repeal. He explained that 40 rules were recommended for full repeal and that the language from eight additional rules would be consolidated into other rules. He also stated that Chapters 21 and 39 would be repealed because the sole rule in each chapter was recommended for repeal.

Mr. Gonzalez explained that 25 proposed amendments would be minor, including address updates and corrections, while 21 would involve substantive policy improvements. He noted that Rule 25.31 was among the rules identified for future policy improvement. He further explained that amendments and repeals identified through the review would return to the committee and Board through the formal rulemaking process.

In response to a question from Ms. Graf regarding the timing of a possible amendment to Rule 25.31, Ms. Heather Traeger stated that a timeline had not been established and that the rule projects would be prioritized over the next four years.

On a motion by Dr. Pape, seconded by Mr. Walls, the committee voted unanimously to recommend to the Board adoption of the notice of completed rule review for TRS Rules in Title 34, Part 3 of Chapters 21 through 51 of the Texas Administrative Code, as presented by staff.

8. Consider recommending to the Board adoption of proposed amendments to the following TRS Rules in Title 34, Part 3, of Chapter 41 of the Texas Administrative Code (Proposed Consent Agenda 2B):

A. Subchapter A, Rule 41.17 - Limited-time Enrollment Opportunity for Medicare-eligible Retirees; and

B. Subchapter C, Rule 41.38 - Termination Date of Coverage.

This item was considered and approved as part of the consent agenda under Agenda Item 2.

With no further business before the Committee, the meeting adjourned at 11:26 a.m.

Approved by the Governance Committee of the Board of Trustees of the Teacher Retirement System of Texas on September _____, 2026.

__________________________________ __________________

Katherine H. Farrell Date

Secretary of the TRS Board of Trustees

TAB 4

Performance Pay Plan Updates

Presentation Date
September 17, 2026

Presented By
Shunne Powell, Chief Organizational Excellence Officer

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Annual Review of Performance Pay Plans

IMD and TRICOT Plan Updates

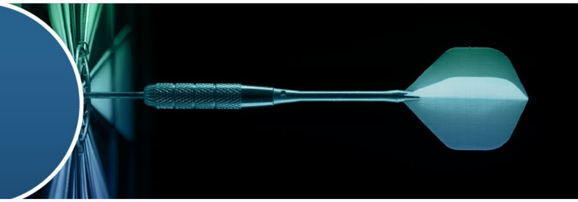
- Updates to performance plan year
- Minor changes to incentive titles (no impact on plan costs or payouts)
    - Investment Manager to Principal
    - Senior Associate to Associate Principal

Executive Director Plan Updates

- Updates to performance plan year
- Removed duplicate language and streamlined provisions related to death, disability, or retirement
- Addition of language outlining treatment of awards upon death or disability

Appendix

Executive Director’s FY 2027 Areas of Focus



AOF 1	Pension Services
Deliver outstanding member services	1.1 Expand member self-service capabilities through MyTRS and automated service channels. 1.2 Complete planning, staffing, and training for the Rio Grande Valley regional office. 1.3 Deliver Phase One of Pension Data Analytics. 1.4 Conduct required pension benefit design studies and annual actuarial valuations.

AOF 2	Health
Provide competitive, high-value healthcare benefits	2.1 Generate savings and value for members through lower healthcare spending. 2.2 Maintain administrative expenses below 5% relative to total fund expenditures. 2.3 Implement reduced premiums for TRS-Care Medicare Advantage. 2.4 Launch high quality and cost-effective pilot programs in TRS-ActiveCare. 2.5 Successfully transition to new enrollment and medical plan administration vendors.

AOF 3	Investments
Grow investment assets prudently	3.1 Achieve the investment rate of return for the pension trust fund. 3.2 Operationalize the Investment Data Modernization Program. 3.3 Complete review of the Investment Policy Statement and General Authority Resolution. 3.4 Expand investment management options for health care funds.

AOF 4	Shared Services
Position TRS for the future through innovation and excellence	4.1 Engage with policymakers. 4.2 Plan and execute the implementation of new legislation. 4.3 Align talent priorities with organizational strategy to build a future-ready workforce, expand development at every level, and strengthen leadership pipelines. 4.4 Enhance cybersecurity, privacy, enterprise risk management, and fraud prevention capabilities. 4.5 Expand enterprise data governance and protection. 4.6 Enhance stakeholder communication and member/employer outreach. 4.7 Launch the next evolution of core business systems. 4.8 Advance enterprise code optimization and modernization of legacy systems.

AOF 5	Enterprise-Wide
Advance enterprise capabilities through artificial intelligence (AI) and automation	5.1 Operationalize responsible AI adoption. 5.2 Execute AI Roadmap 2.0. 5.3 Evaluate and implement analytics and AI tools to support the core lines of business and agency operations.

SUMMARY	FY 2026	FY 2027
Number of Areas of Focus	9	5
Number of Success Measures	52	24

Comparison of Plan Components

Investments and TRICOT	Comparison	Executive Director (ED)
Performance relative to benchmarks 50%*	**Both plans include a component based on investment performance relative to board selected benchmarks**	**Investment Management Oversight 50%**
Performance relative to peers 30%	**For investments, performance is also measured relative to peer pension plans**	
Individual Performance (Qualitative Score) 20%*	**Both plans have a qualitative component determined during the annual evaluation processes. For the ED, this is driven by his Areas of Focus (AOF) and determined by the TRS Board.**	**Leadership Component (Qualitative Score) 50%****

*For junior positions mix is 30/30/40

**Board determines score for this component during annual evaluation process

DATE: September 18, 2026

TO: Governance Committee and Board of Trustees

THROUGH: Brian Guthrie, Executive Director

FROM: Shunne Powell, Chief Organizational Excellence Officer

RE: Performance Pay Plans Annual Approval

Item Type: Proposed Consent

Executive Summary:
This memo provides the Governance Committee with the final versions of the performance pay plans for the Executive Director (ED), Investment Management Division (IMD), and TRICOT (the wholly owned subsidiary of TRS incorporated in the UK). The plans are reviewed annually to ensure they remain current and aligned with Board direction.

This review process includes consideration of Trustee feedback, assessment of potential updates identified by staff, review of proposed changes by Marsh, formerly Mercer Consulting, as the Board's compensation consultant, review by Fiduciary Counsel to help ensure the established process supports appropriate due diligence and sound governance practices, and review of applicable plan language by outside tax counsel. The final plans reflect the collective input received through this process.

In addition to administrative updates to plan dates, the following non-substantive changes are being proposed. For the Executive Director plan, the Annual Areas of Focus (AOF) appendix has also been updated; details regarding the development and approval of the AOFs are presented in a separate memorandum to the Committee.

IMD and TRICOT Plan Updates

- Updated incentive titles to reflect recent position title changes (Investment Manager to Principal and Senior Associate to Associate Principal). These changes have no impact on plan costs or employee payout opportunities.

Executive Director Plan Updates

- Removed duplicative language and streamlined provisions related to death, disability, and retirement.
- Added language addressing the treatment of awards upon death or disability, consistent with similar changes previously adopted for the IMD and TRICOT plans.

- Updated the Annual Areas of Focus (AOF) appendix to reflect the Executive Director's current priorities. Additional information regarding the development and approval of the AOFs is presented in a separate memorandum. The updated structure consolidates nine focus areas into five business-aligned categories and streamlines success measures from 52 deliverables and key performance indicators (KPIs) to 24 key priorities.

Background:
Performance pay is an important component of TRS' total compensation framework for investment-related positions and the Executive Director. The plans align compensation with organizational results, reinforce accountability, and support TRS' ability to attract and retain specialized leadership and investment talent. The IMD plan was established in 2007, the TRICOT plan was added in 2021, and the Executive Director plan was fully adopted in 2016 following an initial pilot.

TRS maintains separate performance pay plans for the Executive Director, Investment Management Division (IMD), and TRICOT; however, the plans share several common design features that align incentives with organizational performance and long-term strategic objectives. All three plans incorporate a component tied to investment performance relative to Board-approved benchmarks. The IMD and TRICOT plans also measure performance relative to comparable public pension funds.

In addition to quantitative performance measures, all plans include a qualitative component evaluated through the annual review process. For IMD and TRICOT participants, the qualitative component reflects individual performance and leadership expectations. For the Executive Director, it reflects progress on Annual Areas of Focus (AOFs) and the Board's assessment of leadership performance.

The weighting of performance measures differs based on the role being evaluated. For most IMD and TRICOT participants, awards are based on a combination of investment performance relative to benchmarks (50%), performance relative to peer funds (30%), and individual performance (20%), with alternative weightings applicable to certain junior positions. The Executive Director plan consists of two equally weighted components: Investment Management Oversight (50%) and Leadership Performance (50%)

The Board approves the plans annually before the October 1 start of each plan year. As part of the annual review process, proposed updates are evaluated by staff and reviewed by the Board's compensation consultant, fiduciary counsel, and outside legal counsel before being presented to the Board for consideration and approval. The board received a comprehensive overview of the plans in February 2026 and a preview of the proposed 2026-2027 updates in July 2026.

Fiduciary and Governance Considerations
Annual Board approval maintains trustee oversight of plan design and administration. The proposed revisions do not alter performance targets, performance measures, award opportunities, or the Board's role in evaluating Executive Director performance and determining performance pay.

Marsh independently reviewed the proposed changes and concluded they are largely administrative in nature, reasonable for the continued governance of the plans, and not expected to affect plan costs, payout opportunities, or the difficulty of achieving plan goals.

Fiscal and Operational Impact
The proposed changes are not expected to affect plan costs, compensation levels, payout opportunities, or the difficulty of achieving plan goals.

Minor title updates align plan terminology with current incentive titles without changing eligibility or award calculations, while clarifications to Executive Director provisions reduce duplication and improve plan administration in limited separation circumstances.

Benefits and Risks
Benefits: Maintains continuity of the existing performance pay framework, improves clarity, and supports consistent administration for the new plan year.

Risks: No material risks were identified with the proposed updates. Continued annual review remains important to ensure the plans evolve appropriately as organizational needs, investment strategies, and market practices change.

Proposals for the Board/Committee Consideration
Staff recommend that the Governance Committee approve the proposed 2026-2027 IMD, TRICOT, and Executive Director Performance Pay Plans (which includes the AOF) as presented and recommend their approval by the Board of Trustees.

PowerPoint Presentation: Yes

Attachments: (if applicable)
Board Consultant's Memo
Fiduciary Counsel's Memo

Mercer

Mr. Robert H. Walls, Jr
Board of Trustees, Teacher Retirement System of Texas ("TRS")

August 24, 2026

Subject: Validation of Proposed Changes to TRS Performance Pay Plans (PPP)

Mr. Walls,

Mercer (US), LLC. ("Mercer") has been retained by the Board of Trustees of the Teachers' Retirement System of Texas (TRS) to review the proposed changes to the Performance Pay Plan (PPP). The Investment Management Division (IMD) has 200+ participants in the PPP and the plan was created 19 years ago, with many of the original design features still intact. The TRICOT plan began in 2001, while the Executive Director Plan was first implemented in 2018 and then revamped to its current structure in 2022. There were some structural and administrative changes to the plans in 2025, but the essence and critical aspects of the plan were not changed in recent years.

Background:

In 2024, Mercer conducted a comprehensive study of the PPP, along with the plans covering TRICOT and the Executive Director position. In these studies, we compared the TRS incentive plans against similar public pension plans and other like organizations to assess the plans on a host of criteria, such as eligibility, target awards, metrics and leverage. At a high level, Mercer's findings are that the plans are well designed, reflect best practice in the industry and support the overall mission of the organization.

Summary:

The Board is being asked to approve the three plans for the 2026-2027 plan year. Mercer has reviewed the proposed changes, and, in our opinion, the proposed changes are largely administrative in nature and are reasonable for the continued governance of the plans. None of the proposed changes meaningfully impact the difficulty in achieving plan goals, nor do they have any obvious impact on potential payouts, higher or lower, while employed at TRS.

All incentive plans are iterative plans that must be reviewed and revised as needed as the external and internal business environment evolves. The PPP has been in existence since 2007 and has retained the core elements of its original design, but has also evolved over the years to reflect TRS' growth and increased sophistication. And while TRS has evolved, so has the external landscape, from asset classes to benchmarks and competitors. The changes suggested for the 2026-2027 plans are not substantive content changes, but rather are administrative and clarification changes. These changes will not have an impact on the difficulty of achieving targets and therefore there is no impact on expected costs of the plan or compensation levels of participating staff.

If you have any questions, please do not hesitate to contact us.

Thank you

Josh Wilson
Partner

Susan Lemke
Senior Principal

COHENMILSTEIN

MEMORANDUM

TO: Board of Trustees
Teacher Retirement System of Texas ("TRS")

FROM: Suzanne M. Dugan
Fiduciary Counsel

DATE: September 11, 2026

RE: Annual Review and Proposed Changes to Performance Pay Plans

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At its September 2026 meeting, the TRS Board will be asked to approve recommended changes to the Performance Pay Plans (collectively "PPP")[1], effective for the performance period beginning on October 1, 2026, and ending September 30, 2027.

BACKGROUND/HISTORY

The Board adopted the PPP in 2007 after determining that expending funds for the PPP was consistent with and in furtherance of the Board's fiduciary duties of loyalty and prudence in administering the retirement system. This decision was grounded in the understanding that by offering both a competitive base salary and performance pay, TRS enhances its ability to fulfill its mission to "prudently invest and manage the assets held in trust for members and beneficiaries in an actuarially sound system administered in accordance with applicable fiduciary principles."

Compensation targets are recommended to the Board based on the results of investment management compensation studies conducted by IMD's consultant, McLagan. These compensation evaluations occur on a regular schedule with base pay being reviewed every two years and performance pay every five years. Over two hundred employees participate in the PPP.

In 2023, the Board retained Mercer (US) LLC ("Mercer") as a Board consultant to review the proposed changes to the PPP. Mercer opined that the proposed changes were logical and reasonable and would help IMD be more competitive if performance continued to be strong. Mercer noted, however, that the scope of its review did not include an independent analysis of IMD's determination, based on the data from the most recent McLagan study, that IMD salaries were below their competitive market and the PPP program lagged behind the market benchmark.

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[1] There are three separate Performance Pay Plans – one applicable to employees of the Investment Management Division ("IMD"), one applicable to employees of TRICOT (the wholly owned subsidiary of TRS incorporated in the UK), and one applicable to the Executive Director.

In 2024, Mercer conducted a comprehensive study of the PPP, comparing the PPP against those of similar public pension plans and other like organizations in order to assess the PPP on criteria including eligibility, target awards, metrics, and leverage. Mercer found that the PPP was well designed, reflected best practice in the industry, and supported the overall mission of the organization.

In 2025, Mercer reviewed proposed changes and engaged a partner from their investment consulting practice to provide feedback from an investment point of view. Mercer found that the proposed changes were administrative changes flowing from natural evolutions of the plan and were reasonable for the continued governance of the plan. Importantly, Mercer found that none of the proposed changes would meaningfully impact the difficulty in achieving targets, and therefore there was no impact on expected costs of the plan, potential payouts, or compensation levels of participating staff.

Current Year Review

This year's proposed changes to the PPP are administrative and not substantive in nature. For the IMD and TRICOT plans, the changes are (1) updates to the performance plan dates; and (2) retitling of position titles, which has no impact on plan costs or potential payouts for employees. For the Executive Director plan, the changes are (1) updates to the performance plan dates; (2) removal of duplicate language and streamlining of provisions relating to death, disability, or retirement; and (3) addition of language outlining treatment of awards upon death or disability, which aligns with the changes made last year for the IMD and TRICOT plans.

Mercer has reviewed the proposed changes and advises that the changes are largely administrative in nature and are reasonable for the continued governance of the plans. Mercer notes that none of the proposed changes meaningfully impact the difficulty in achieving plan goals, nor do they have any obvious impact on potential payouts. Mercer concludes that these changes will not have an impact on expected costs of the plan or compensation levels of participating staff.

In my role as Fiduciary Counsel to the Board of TRS, I have reviewed the process that was undertaken regarding the proposed revisions to the PPP. Based on this review, in my opinion the Board has sufficient information before it from staff as well as the advice of its independent outside expert in order to enable it to engage in a rigorous decision making process in a manner consistent with the duties of prudence and loyalty that will allow the Board to demonstrate that it has exercised appropriate fiduciary oversight should it choose to adopt the proposed revisions to the PPP.

I note that the annual review of the PPP that TRS performs is a best practice, as is continued involvement of both internal and external experts in reviewing compensation philosophy and the approach to benchmarking so as to ensure appropriate separation of duties and risk management for IMD. From a fiduciary perspective, continued monitoring and the use of internal and outside independent experts are essential elements of prudence.

Teacher Retirement System of Texas

Executive Director Performance Pay Plan

Effective October 1, ~~2025~~2026

This Plan is effective for Leadership Performance Periods beginning on or after October 1, ~~2025~~2026, and for Investment Oversight Performance Periods beginning on or after October 1, ~~2025~~2026. Any Awards for performance in prior Performance Periods can become earned and payable subject to the terms and conditions stated in the versions of the Plan effective for those Performance Periods.

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Executive Director Performance Pay Plan

Effective October 1, ~~2025~~ 2026 for Leadership Performance Period
and Investment Oversight Performance Period

I. Establishment

The Board of Trustees (the "Board") has established this Executive Director Performance Pay Plan (the "Plan") for the purposes described below. It is effective for Performance Periods beginning on or after October 1, 2026~~5~~. The Plan consists of two separate components, namely Leadership Performance Compensation described in Section VI and Investment Oversight Compensation described in Section VII. Performance Periods for both components run from October 1, ~~2025~~ 2026 to September 30, ~~2026~~2027.

II. Plan Objectives

To remain competitive in its efforts to attract and retain high caliber executives, TRS strives to offer a competitive compensation package, including a competitive base salary and an opportunity to earn additional rewards through this Plan. The Plan is designed to reward the Executive Director for performance and is intended to:

- Focus on key objectives tied to the overall success of TRS
- Align performance pay potential to the achievement of TRS's mission, goals, and objectives
- Tie rewards to measurable success related to completion of goals linked to TRS's Strategic Plan and outlined in the Areas of Focus (AOF)
- Ensure TRS can attract, motivate, and retain top-performing executive leadership

III. Plan Authority and Responsibility

A. Plan Administration

The Plan is subject to the Board's discretion. TRS's Chief Organizational Excellence Officer, with direction from the Board, is responsible for administering the Plan, and the General Counsel and Chief Compliance Officer are responsible for interpreting the Plan. The Board is responsible for adopting Areas of Focus which outline goals and key performance indicators and deliverables prior to the start of each applicable Performance Period.

B. Plan Modification, Suspension and Termination

The Board shall have the right in its sole discretion to modify the Plan or any portion thereof at any time or to suspend or terminate the Plan entirely or any portion thereof at any time. For avoidance of doubt, no modification, amendment, suspension, or reinstatement of the Plan may be given retroactive effect except as required to comply with applicable law, including federal tax laws and regulations.

C. Record Keeping and Reporting

All employee performance and compensation records for the Plan shall be maintained by TRS's Chief Organizational Excellence Officer.

D. Compliance with State and Federal Law

If the Board, General Counsel, or a court with appropriate jurisdiction determines that any provision of the Plan violates applicable state or federal law, that provision shall not be given effect. The remaining provisions of the Plan shall remain in full force and effect to the maximum extent possible, and any amendments or modifications that are necessary to give effect to the remaining provisions will be deemed to have been made to allow proper administration of the Plan.

IV. At-Will Employment

Nothing in the adoption of the Plan or the awarding of performance pay alters the at-will nature of TRS employment, creates a contract between TRS and any TRS employee, confers on any TRS employee the right to continued employment with TRS or affects in any way the right of TRS to terminate the employment of employees at any time.

V. Eligibility and Participation

A. Eligible Positions

The Executive Director is the sole participant of the plan. The Board retains the right to add individual positions to or remove individual positions from the Plan at any time.

B. Termination of Participation

A Participant who terminates employment with TRS ceases to be a Participant on the date of termination. The date of termination is the Participant's last worked day and does not include any leave the Participant was allowed to use to extend his or her employment for payroll purposes.

C. Proration

A Participant who begins employment in an eligible position after the beginning of a Performance Period may receive a prorated performance payment based on the number of months worked during the Performance Period. Notwithstanding the foregoing, a Participant must work at least three (3) months of the Performance Period to be eligible for a prorated share of the performance payment.

VI. Leadership Performance Compensation

A. Leadership Performance Period Cycle

Prior to the start of a Leadership Performance Period, the Board reviews and adopts Areas of Focus (AOF) for the Executive Director (see timeline below in Table A). These outline success measures including key performance indicators and deliverables that are tied to TRS' Strategic Plan and are set forth in Appendix A. The Executive Director's maximum Leadership Performance Award opportunity is 50% of Base Salary.

Scoring for the Leadership Performance Award is determined by the Board based on their assessment of five Key Accountabilities which are linked to Areas of Focus and the

TRS Strategic Plan. These accountabilities include:

- Member Focused
- Continuous Improvement
- Operational Effectiveness
- Leadership Effectiveness
- Talent Effectiveness

To assist the Board with its evaluation, following the end of the Leadership Performance Period, TRS staff will coordinate data collection on the following items:

- Updates on the progress towards completion of Areas of Focus throughout the year, including a final progress report after the close of the fiscal year. TRS' fiscal year runs from September 1 through August 31.
- Summary results of assessments from each individual Board member on key accountabilities tied to the Areas of Focus as set out in Appendix A.
- Summary results of 360 assessment surveys from members of the Executive Council, Direct Reports, or other TRS staff.
- Any additional reports, surveys, and other metrics not specifically outlined in the Areas of Focus, but necessary to complete this evaluation at the request of the Board.

At the end of the Leadership Performance Period, the Board will determine an overall score (0%-50%) and provide that information to the Chief Organizational Excellence Officer. That percentage will be used to calculate the Leadership Performance Award.

Table A: Leadership Performance Period Cycle

Leadership Performance Period	Areas of Focus Adopted by the Board*	Leadership Performance Period Start Date	Leadership Performance Period Close Date	Evaluation Conducted*	Payment Date
~~**2024-2025**~~	~~September 20, 2024~~	~~October 1, 2024~~	~~September 30, 2025~~	~~September 2025~~	~~February 2026~~
2025-2026	September 2025*	October 1, 2025	September 30, 2026	September 2026	February 2027
2026-2027	September 2026*	October 1, 2026	September 30, 2027	September 2027	February 2028
***Dates to be determined based on scheduled board meetings**					

B. Payment of Leadership Performance Awards

(1) Leadership Performance Awards are processed with January payroll for payment on or about February 1 of the calendar year following the end of such Leadership Performance Period, but in no event later than February 15 of that calendar year.

(2) Except as otherwise provided in this Plan, a Participant must be employed in an eligible position on January 1 following the end of a Leadership Performance

Period to earn and receive payment of the Leadership Performance Award for such Leadership Performance Period.

(3) If a Participant ceases to be employed before the end of a Leadership Performance Period due to termination of employment with TRS for any reason other than retirement, death, or disability within the meaning of Code Section 409A, a Leadership Performance Award for that Leadership Performance Period will not be earned.

(4) If a Participant ceases to be employed before the end of a Leadership Performance Period due to retirement, death, or disability within the meaning of Code Section 409A, the Board may, in its sole discretion, approve a prorated Leadership Performance Award for the Leadership Performance Period in which such retirement, death, or disability occurs; provided, however, that if a Participant ~~retires~~ separates for this reason within the first three months of a Leadership Performance Period, the Participant will not be eligible for a prorated Leadership Performance Award for that Leadership Performance Period.

~~(5) If a Participant ceases to be employed on or after January 1 following the end of a Leadership Performance Period due to retirement, with approval of the Board, the Participant shall be entitled to payment hereunder for such Leadership Performance Period to the same extent as if he or she had not retired.~~

~~(6)~~(5) If a Participant ceases to be employed due to retirement, death, or disability within the meaning of Code Section 409A, any Leadership Performance Award for the Leadership Performance Period in which the Participant ~~retires~~ separates for this reason ~~and all required Leadership Performance Award payments for earlier Leadership Performance Periods~~ shall be processed and paid as soon as reasonably practicable, but not later than 2½ months after the end of the calendar year in which the Participant ~~retires~~separates.

~~(7)~~(6) To establish an employee's eligibility for payment of Leadership Performance Awards ~~for preceding Leadership Performance Periods~~ as of the effective date of retirement, a Participant who wishes to retire must:

(a) notify the Board of the Participant's intent to retire on a specified proposed retirement date at least forty-five (45) days before such date;
(b) obtain written approval of the Board to retire as of the proposed retirement date;
~~(c) be eligible for payment of Leadership Performance Awards for the two most recent Leadership Performance Periods;~~
~~(d)~~(c) establish eligibility, apply for, and submit the required documentation for retirement benefits under the TRS pension plan, or the Employees Retirement System of Texas (ERS) pension plan if the Participant transfers his/her TRS service to ERS; and
~~(e)~~(d) retire as of the proposed effective retirement date.

VII. Investment Management Oversight Compensation

A. Purpose of Investment Oversight Performance Awards

A significant component of the Executive Director's responsibilities involves oversight of the Investment Management Division. The Board has determined it appropriate that a portion of the Executive Director's performance compensation be determined pursuant to the criteria used for evaluating certain key employees of the Investment Management Division under the IMD Performance Pay Plan. The Executive Director's Investment Oversight Performance Awards are calculated separately and independently from his or her Leadership Performance Awards.

B. Investment Oversight Performance Period Cycle

The annual Investment Oversight Performance Period cycle for the Investment Oversight Performance Awards is set forth in Section IX.

C. Determination of Investment Oversight Performance Awards

(1) In addition to Leadership Performance Awards, the Executive Director is eligible for Investment Oversight Performance Awards for his or her oversight of the Investment Management Division. Such Investment Oversight Performance Awards are based on the percentage of target alpha achieved by the total investment fund, as follows:

- Investment performance is measured at the total fund level vs. TRS's established passive total fund index. The total fund alpha target follows the methodology established in the IMD Performance Pay Plan, where the one-year and three-year alpha target equals 75 BPS (basis points).
- Investment performance is measured for the Investment Oversight Performance Period in the same way it is measured under the IMD Performance Pay Plan.

(2) The Executive Director's maximum Investment Oversight Performance Award opportunity (MAO in Table D below) is 50% of Base Salary, and his or her earned Investment Oversight Performance Award for the Investment Oversight Performance Period is determined by multiplying the following: Base Salary, MAO, and the percentage of the target alpha achieved. In determining the Investment Oversight Performance Award amount, weighted averages are used, with 1/3 weighting allocated to one-year returns, and 2/3 weighting allocated to three-year returns, and the one and three-year return periods ending on the last day of the Investment Oversight Performance Period.

Table D: Calculation Example Investment Oversight Performance Award = Base Salary x MAO x percentage of target alpha achieved (PTAA)			
Base Salary	**MAO**	**PTAA**	**Investment Oversight Performance Award**

$ 325,000	50.00%	12.50%	$ 40,625

D. Payment of Investment Oversight Performance Awards

(1) Investment Oversight Performance Awards are payable subject to the terms and conditions of this Section (VII)(D).

(a) Payment will generally be processed with January payroll for payment on or about February 1 of the calendar year following the end of such Investment Oversight Performance Period, but in no event later than February 15 of that calendar year.

(2) Except as otherwise provided in this Plan, the Executive Director must be employed in an eligible position on January 1 following the end of an Investment Oversight Performance Period to earn and receive payment of the Performance Award for such Investment Oversight Performance Period.

(3) Notwithstanding the provisions of Section VI(D)(1) and (2) above, no payment described above shall be paid during the year following an Investment Oversight Performance Period in which the Total Fund experiences a total return of zero or less. If this occurs, any amount that would otherwise have been paid pursuant to Section VI(D)(1) and (2) will be processed with January payroll for the first January following the first Investment Oversight Performance Period thereafter in which the Total Fund performance is greater than zero, and paid on or about the following February 1, provided, however, that the Executive Director is an employee on January 1 of such calendar year.

(4) If the Executive Director ceases to be employed before the end of an Investment Oversight Performance Period due to termination of employment with TRS for any reason other than death or disability within the meaning of Code Section 409A, an Investment Oversight Performance Award for that Investment Oversight Performance Period will not be earned. Potential Investment Oversight Performance

Awards from earlier Investment Oversight Performance Periods that have not yet become earned will not become earned.

(5) If the Executive Director ceases to be employed before the end of an Investment Oversight Performance Period due to death or disability within the meaning of Code 409A, an Investment Oversight Performance Award for that Performance Period will not become an Earned Award and will not be paid or payable. However, Potential Awards under prior plans will become Earned Awards, notwithstanding Section 4 above, provided the Total Fund return is greater than zero. If the Total Fund return is not greater than zero, Potential Awards from prior plans will become Earned Awards the January 1 following the end of the next Performance Period in which the Total fund has a return greater than zero unless the Total Fund return is not greater than zero for the subsequent

two Performance Periods, at which point the Potential Award will be forfeited. Payments under this subsection will be made as applicable to the Executive Director's estate, directly to the disabled Executive Director, or as otherwise provided by law. These payments will be made as soon as administratively practicable, but not later than 2 ½ months after the end of the calendar year in which the death or disability occurred or 2 ½ months after the end of the calendar year in which the Total Fund return is greater than zero, as applicable.

VIII. Other Plan Provisions

A. Non-assignment and Non-transferability of Performance Awards

Performance Awards under the Plan are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, garnishment, attachment, or levy of any kind.

B. Plan Does Not Create a Property Interest, Trust, or Entitlement

(1) Neither the establishment of the Plan or the calculation of the Performance Awards shall be deemed to create a property interest, trust, or entitlement. The Plan is an unfunded, unsecured liability of TRS to make payments in accordance with the provisions of the Plan. Any amounts budgeted by TRS for Performance Awards earned under the Plan are TRS assets, and no Participant, employee, or third party shall have any property, security, or other interest in any assets of TRS by reason of the Plan.

(2) Nothing in the Plan shall be deemed to create or confer any right, interest, or title to any specific property of TRS to any Participant or to any personal representative or beneficiary of a Participant.

C. Tax Withholding and Other Deductions

All payments under the Plan shall be subject to any deductions (1) for income tax withholding required by federal, state, or local law at the time of payment; and (2) for any and all amounts owed by the Participant to TRS at the time of payment. TRS is not obligated to advise a Participant before withholding of the existence of any tax or other amounts described in the preceding sentence.

D. Payments Not Eligible as Compensation for TRS Pension Plan Purposes

Any Performance Award payments made pursuant to the Plan are not eligible compensation for TRS pension plan purposes.

E. Compliance with TRS Policies and Procedures

Participants in the Plan are responsible for complying with all TRS policies, including without limitation the Investment Policy Statement; Ethics Policy; and the Fraud, Waste and Abuse Policy. Violations of the Ethics Policy; Fraud, Waste and Abuse Policy; or other TRS policy by a Participant, as determined by the Board, can result in forfeiture of all Performance Awards for the applicable Performance Period(s) in which the violation(s) occurred. Additionally, during the investigation of possible violations of law or policy, the Board may suspend earning and payment of Performance Awards until the conclusion of the investigation. If the Board determines that no violation has occurred, the suspended Performance Award shall be paid to the Participant within 30 days after such determination (or such later date on which the Performance Award would have been payable absent the suspension), provided that the Participant has been continuously employed by TRS in an eligible position through such payment date.

IX. Definitions

Capitalized terms shall have the meanings given to them in the Plan document. In addition, the following terms shall be the meanings specified below:

"Base Salary" means, with respect to a Participant for a Performance Period, his or her annualized base salary on the first day of the Performance Period or, if later, the date on which the employee became a Participant.

"IMD Performance Pay Plan" means the Performance Pay Plan maintained for eligible employees of the Investment Management Division.

"Performance Award" means an "Investment Oversight Performance Award" and/or a "Leadership Performance Award," as applicable.

"Investment Oversight Performance Award" means an Award pursuant to Section VII of this Plan.

"Investment Oversight Performance Period" means the period beginning on October 1 and ending on the next following September 30.

"Leadership Performance Award" means an Award pursuant to Section VI of this Plan.

"Leadership Performance Period" means the period beginning on October 1 and ending on the next following September 30.

"Participant" means an individual who has become a participant in the Plan and whose participation has not ended.

"Performance Period" means the "Investment Oversight Performance Period" and/or the "Leadership Performance Period," as applicable.

"Total Fund" means the TRS total or overall investment portfolio and includes all pension assets held in trust by TRS and invested to provide retirement, death, and disability benefits administered by the system, including cash and cash equivalents. For avoidance of doubt, for the purposes of the Plan the Total Fund does not include the assets of health plans administered by TRS and held in trust by the Board of Trustees.

	Current effective date: October 1, 2026~~5~~
	First approved: November 19, 2015
Reviewers: Organizational Excellence and Legal & Compliance	Last reviewed September ~~20~~18, 2026~~5~~
Review Cycle: Annual	Next review due: September 2027~~6~~
Authorized by: Board of Trustees	Date authorized: September ~~20~~18, ~~2025~~2026

Acknowledgment of Official Version of the Plan:

By:______________________________

Shunne Powell,

Chief Organizational Excellence Officer

Appendix A: Approved Executive Director Areas of Focus Effective October 1, ~~2025~~2026, to September 30, ~~2025~~2027

~~Member Focused~~	
~~Areas of Focus~~	~~Success Measures~~
~~Improve the customer service experience for participants and reporting employers. **(G2.O1)**~~	~~**Deliverables**~~ • ~~Expand member self-service options within the automated phone system and MyTRS.~~ • ~~Increase engagement with members/participants and reporting employers regarding TRS benefits. **(G2.O1.S1)**~~ • ~~Expand our services to meet members where they are. **(G2.O1.S2)**~~ • ~~Complete leasing decisions, space build-out, and hiring and training of initial staff in anticipation of Rio Grande Valley regional office opening (fall 2026).~~ ~~**KPIs**~~ • ~~Pension Services calls answered within 3 minutes – Target: 90%~~ • ~~Health Division calls answered within 3 minutes – Target: 90%~~ • ~~Retirees receiving first annuity payment on time – Target: 98%~~ • ~~Death claims payments issued within 31 days of receipt of all required paperwork – Target: 95%~~ • ~~Number of counseling appointments available in Austin – Target: 20,000~~ • ~~Number of counseling appointments available in El Paso – Target: 7,500~~ • ~~Attain a reported response time within 48 hours or sooner based on Reporting Employer Satisfaction Survey – Target: 90%~~
~~Increase the value of TRS-Care and TRS-ActiveCare benefits. **(G3.O2)**~~	~~**Deliverables**~~ • ~~Reengineer TRS-ActiveCare to better meet employer needs. **(G3.O2.S2)**~~ • ~~Monitor, evaluate and expand innovative and effective savings initiatives such as member rewards.~~ • ~~Award competitive procurements for enrollment vendor and medical plan administrators.~~ • ~~Implement new TRS-Care dental and vision plans for plan year 2025.~~ • ~~Improve communication materials for TRS-ActiveCare and TRS-Care participants.~~ ~~**KPIs**~~ • ~~Increase the percentage of TRS-ActiveCare enrollees in the primary care driven plans from prior year – Target: 3%~~ • ~~Member engagement metrics as measured by percentage of members who open *The Pulse* email – Target: 25%~~ • ~~Member engagement metrics as measured by percentage of members who open *The Pulse* email and then click to read articles – Target: 3%~~

Leadership Effectiveness	
Areas of Focus	**Success Measures**
Enhance stakeholder communication.	**Deliverables** • Serve as a trusted resource and engage with policymakers on pension funding and plan design. **(G1.O2.S1)** • Serve as a trusted resource and engage with policymakers on health care funding and plan design. **(G3.O1.S1)** • Implement and monitor the Member and Employer Outreach Plan to better help members and employers fully know and utilize benefits, engage with TRS, plan for retirement, and remain informed postretirement. **(G4.O7. S2)** • Increase senior leadership attendance at health fairs, association meetings and other member-related external events. **KPI** • Increase engagement with outreach plan communications products – Target: 20%
Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods. **(G1.O1)**	**Deliverables** • Oversee State Street's commitment to deliver technology and service enhancements as outlined in the Custody Agreement (August 2026). • Successful onboarding of new investment advisor for the board of trustees. • Completion of Proxy Policy review and Proxy Advisor Request for Proposal (RFP) (March 2027). • Competitively procure board investment consultant services. **KPIs** • Trust rate of return measured on a rolling 20-year period – Target: 7.00% • Return in excess of the benchmark return for the total trust (3-year rolling) – Target: +100bp

Talent Effectiveness	
Areas of Focus	**Success Measures**
Attract, develop and retain top talent. **(G4.O1)**	**Deliverables** • Continue to evolve as an employer of choice to attract and retain best talent. • Maintain workforce planning strategies to align talent needs with organizational goals, enhance learning and development opportunities and expand succession planning initiatives to develop and retain future leaders. **(G4.O1.S2)** • Execute on Return to Office plan and monitor implementation. **KPIs** • Employee engagement score – Target: 4.0 or greater • TRS voluntary turnover rate vs. state turnover rate – Target: A minimum of 25% below state average

Operational Effectiveness	
Areas of Focus	**Success Measures**
Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. **(G4.O3)**	**Deliverables** • Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities. **(G4.O3.S1)** • Expand the governance, risk and compliance (GRC) program to include security and privacy management, risk/fraud forecasting and education in cooperation with Legal & Compliance and appropriate business units. **(G4.O3.S2)** • Procure and implement a long-term information security fraud prevention solution that aligns with organizational risk appetite and strategic objectives. Partner with Legal & Compliance and key business stakeholders to implement a fraud risk management framework.
Implementation of legislation and statutorily required actuarial reviews.	**Deliverables** • Plan and execute implementation of new legislation. • Conduct pension benefit design studies and submit reports (September 2026). • Successful completion of the Experience Study.

Continuous Improvement	
Areas of Focus	**Success Measures**
Advance and enhance information technology (IT) systems and services. **(G4.O2)**	**Deliverables** • Develop, maintain and enhance IT systems and infrastructure in support of TRS business needs. **(G4.O2.S1)** • Implement modern information systems across all lines of business divisions with priority on modernization of legacy systems and strategic digital transformation. **(G4.O2.S4)** • Deliver Payroll, Benefit Account Adjustment and Tax Reporting (PBT) release per TEAM Roadmap. • Initiation of final phase of the TEAM Program: Mainframe decommissioning. • Automate the Retirement Application submitted through MyTRS (Maintenance & Enhancements). • Begin optimization of TEAM Phase One code to enhance stability and performance (Technical Debt). • Deliver first release of Web Self-Service for Health, improving accessibility and user engagement.
Evaluate automation and technology solutions to enhance existing processes. **(G4.O7)**	**Deliverables** • Investigate best practices and feasibility of incorporating artificial intelligence into organizational processes. **(G4.O7.S1)** • Implement and support business-driven artificial intelligence technology solutions across TRS. • Identify opportunities for improved productivity, process efficiencies and performance monitoring. **(G4.O7.S2)** • Continue implementation of Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight. **(G4.O7.S3)**

Teacher Retirement System of Texas

PERFORMANCE PAY PLAN

Effective October 1, 2026~~5~~

This Plan is effective only for the Performance Period beginning on October 1, 2026~~5~~ and ending September 30, 2027~~6~~. Any Potential Awards for performance in prior Performance Periods can become Earned Awards subject to the terms and conditions stated in the versions of the Plan effective for those Performance Periods. No modification of this Plan may be given retroactive effect except as required to comply with applicable law, including federal tax laws and regulations.

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Teacher Retirement System of Texas

PERFORMANCE PAY PLAN

1. PERFORMANCE PAY PLAN PURPOSE AND AUTHORIZATION

To remain competitive in its efforts to attract and retain high caliber Investment Management Division (IMD) employees, TRS strives to offer a competitive compensation package. Awards of performance pay based on specified performance criteria are an industry standard practice in the private investment sector and in the public sector. By offering both a competitive base salary and performance pay, TRS enhances its ability to fulfill its mission to "prudently invest and manage the assets held in trust for members and beneficiaries in an actuarially sound system administered in accordance with applicable fiduciary principles." The Board of Trustees (the "Board") has determined that establishing, and expending funds for, this Performance Pay Plan (the "Plan") is consistent with and in furtherance of the fiduciary duties of the Board in administering the retirement system.

2. PLAN OBJECTIVES AND STRATEGY

2.1 Plan Objectives

The Plan serves these objectives:

- To attract and retain IMD employees who demonstrate outstanding ability;
- To reinforce employees' strong commitment to the long-term investment performance of the assets for which TRS is responsible; and
- To motivate investment professionals to focus on maximizing real, long-term returns for funds invested and managed by TRS while assuming appropriate levels of risk.

2.2 Plan Strategy

Implementation of the Plan strategy includes:

- Base salaries targeted to be competitive as determined by the Executive Director and the Board, with individual base salaries based on an employee's experience, education, knowledge, skills, and overall job performance in an Eligible Position.
- Performance pay award opportunities, calculated as a percentage of an employee's base salary, based on performance above pre-determined standards, and earned contingent upon continued employment in an Eligible Position through specified dates subject to deferral as set forth in Section 4.7(b).

3. BASE SALARY ADMINISTRATION

3.1. Salary Structure

(a) Notwithstanding any other law, the Board approves the rates of compensation of all IMD employees. Under state law and the Board's Bylaws, the Board authorizes the Executive Director, as part of the annual budget process, to determine and propose base salary rates generally based on the salary schedules, position classifications, and salary administration practices in the TRS Compensation Plan and relevant legislation to the extent that the Executive Director determines that a particular provision is in the best interest of the system and not in conflict with applicable law, fiduciary duty, the Board's Bylaws or TRS policy.

(b) Employees are assigned to a position title that is consistent with their TRS responsibilities. Initial base salary for each employee is set within the salary range of the assigned pay group, considering the employee's experience, education, knowledge and skills, and external competitiveness and internal equity.

3.2. Salary Adjustments

(a) Employees may receive base salary adjustments for a number of reasons, including but not limited to promotions and merit increases for individual performance.

(b) Notwithstanding Section 3.2(a), all base salary changes will be implemented in accordance with TRS salary administration procedures.

4. PERFORMANCE PAY PLAN; PERFORMANCE PERIODS

4.1. Purpose of the Plan; Effective Date; Performance Periods

(a) The purpose of the Plan is to provide the opportunity for IMD employees to receive performance pay based on specified investment performance criteria and the employee's job performance.

(b) The Performance Period for this Plan begins on October 1, 2026~~5~~ and ends September 30, 2027~~6~~. An award for performance in prior performance periods can only become earned and payable subject to the terms and conditions stated in the relevant plan.

4.2. Participation in the Plan; Proration

(a) Subject to Sections 4.2(c) and (d), an IMD employee who holds an Eligible Position as defined in Section 8 on the first day of the Performance Period is eligible to participate in the Plan. Secondees, non-TRS or contract workers, and other temporary workers are not TRS employees and are not eligible to participate in the Plan. An Eligible Position under this Plan is not automatically an eligible position under any successor or superseding performance pay plan or other plan of TRS or TRICOT.

(b) Within thirty (30) days after the end of the Performance Period, the Chief Organizational Excellence Officer will certify to the Executive Director in writing the master "Participants List" setting forth all relevant information that is required for calculating each Participant's Potential Award and any proration required under this Section 4.2.

(c) Notwithstanding Section 4.2(a), an employee who begins employment in an Eligible Position (through new hire, promotion or reassignment) after the beginning of the Performance Period will become a Participant as follows:

(i) If an employee begins employment in an Eligible Position after October 1 but on or before January 1, the employee will become a Participant on

January 1 and the Participant's Potential Award will be prorated to 75% of the Potential Award calculated for the entire Performance Period.

(ii) If an employee begins employment in an Eligible Position after January 1 but on or before April 1, the employee will become a Participant on April 1 and the Participant's Potential Award will be prorated to 50% of the Potential Award calculated for the entire Performance Period.

(iii) If an employee begins employment in an Eligible Position after April 1 but on or before July 1, the employee will become a Participant on July 1 and the Participant's Potential Award will be prorated to 25% of the Potential Award calculated for the entire Performance Period.

(iv) If an employee begins employment in an Eligible Position after July 1 of the Performance Period, the employee will become a Participant on the first day of the next Performance Period, provided that such employee is employed by TRS in an Eligible Position on such date.

(d) If, during the Performance Period, a Participant moves from one Eligible Position to another Eligible Position (including by transitioning from a full-time to part-time position), the Participant's Potential Award and performance measurements for the Performance Period will be prorated between the Potential Award calculated for the vacated Eligible Position and the Potential Award calculated for the new Eligible Position as follows:

(i) If a Participant moves to a new Eligible Position after October 1 but on or before January 1, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position for the period October 1 through December 31, and on the new Eligible Position beginning as of January 1.

(ii) If a Participant moves to a new Eligible Position after January 1 but on or before April 1, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through March 31, and on the new Eligible Position beginning as of April 1.

(iii) If a Participant moves to the new Eligible Position after April 1 but on or before July 1, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through June 30, and on the new Eligible Position beginning as of July 1.

(iv) If a Participant moves to a new Eligible Position after July 1 of the Performance Period, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through September 30.

(e) If, during the Performance Period, a Participant moves from an Eligible Position to a non-Eligible Position within TRS without a break in service, the Participant's Potential Award for the partial Performance Period will be prorated based on the number of complete calendar quarters worked in an Eligible Position during the Performance Period. For the avoidance of doubt, a Participant will not be eligible for performance pay for any quarter during which the Participant was not employed in an Eligible Position for the entire quarter.

(f) An employee will cease to be a Participant in the Plan on the earliest to occur of:

(i) Except as specifically provided in Section 4.2(e) with respect to continued TRS employment, or Section 7.6 with respect to changing employment from TRS to TRICOT (or vice versa) without a break in service, the date the employee is no longer employed in an Eligible Position; or

(ii) The date the Plan terminates.

For purposes of this Plan, the employment termination date is deemed to be the employee's last day worked, not including any leave the employee takes to extend their final employment date for payroll purposes.

(g) Section 7.6 addresses the proration calculation that applies if a Participant changes employment from TRS to TRICOT or vice versa.

4.3. Performance Components; Potential Awards

(a) Participants' Potential Awards will be based on a combination of investment performance and qualitative performance measurement and rating components.

(b) The investment performance components comprise two categories: 1) performance measured against pre-determined benchmarks and applicable excess return targets, and 2) performance measured against pre-determined peer groups.

(i) The benchmark index category of the investment performance component will determine 50% of the total Potential Award for Eligible Position Titles of Chief Investment Officer through Director. The benchmark index category of the investment performance component will determine 30% of the total Potential Award for Eligible Position Titles of ~~Investment Manager~~Principal through Administrative Assistant.

(ii) The peer group category of the investment performance component will determine 30% of the total Potential Award.

(c) Notwithstanding that the Performance Period is October 1 through September 30, due to the delay in availability of final performance data for private markets assets, performance measurements for these Investment Areas will experience a one quarter time lag, such that all calculations requiring private markets performance will use data for the one and three year periods ending June 30.

(d) Each Eligible Position will be assigned specific weightings for Total Fund and other investment benchmarks based on investment area performance as shown in Addendums A and B. Addendum A correlates benchmarks and excess return targets to Investment Areas listed in the first column, and allocates performance weights for each area to the relevant excess return targets and benchmarks. Addendum B correlates Investment Areas in the first column to peer group performance and relevant benchmarks and allocates performance weights among the excess return targets relative to the listed benchmarks.

(i) To encourage a focus on the "big picture" and a sense of shared mission, the investment performance component (both benchmark and peer group categories) for all Eligible Positions will have a Total Fund weighting of at least 20%. Weightings for each investment area's benchmarks and excess return targets will be divided among the Eligible Position's primary investment area and other investment areas with which the Eligible Position has regular interaction.

(ii) Where no investment area peer group performance measures are available, that investment area's peer group performance weighting allocation is added to the Total Fund peer group performance weighting allocation.

(e) The qualitative performance rating component will be measured systematically as part of each Participant's annual performance appraisal process aimed at evaluating each Participant's job performance and adherence to the core concepts and values of the IMD culture, using pre-determined, standard criteria. This may include multi-rater feedback regarding a variety of contributions and behaviors needed for organizational success that are not directly measured or measurable in the investment performance component, such as interpersonal relationship skills, accountability, effective teamwork, etc.

(i) Regardless of a Participant's qualitative performance rating, a Potential Award will include the qualitative performance component only if the Participant has attained at least the required threshold level for the investment performance component.

(ii) To encourage appropriate organizational behaviors, the qualitative performance rating component will be weighted at 20% of the Potential Award for Eligible Position Titles of Chief Investment Officer through Director and weighted at 40% of the Potential Award for Eligible Position Titles of ~~Investment Manager~~Principal through Administrative Assistant.

(f) A Potential Award is the gross award amount calculated based on the final performance results for the relevant Performance Period, weighted as set forth in Addendums A and B. The Maximum Potential Award that can become an Earned Award with respect to the Performance Period may not exceed the percentage of a Participant's Base Salary in an Eligible Position (subject to proration under Section 4.2) that is listed opposite the applicable Eligible Position Title in the table below. The Maximum Potential Award limits a Participant's maximum Earned Award regardless of (x) the amount by which a Participant's performance has exceeded the excess return targets or (y) the calculated value of the Potential Award.

ELIGIBLE POSITION TITLE	MAXIMUM POTENTIAL AWARD
Chief Investment Officer	175%
Senior Managing Director	175%
Managing Director	175%

ELIGIBLE POSITION TITLE	MAXIMUM POTENTIAL AWARD
Director	150%
~~Investment Manager~~Principal	100%
~~Senior Associate~~Associate Principal	75%
Associate	65%
Senior Analyst	40%
Analyst	30%
Junior Analyst	15%
Administrative Assistants	5%

(g) For each Investment Area, the portfolio weighting and excess return relative to each assigned excess return target will combine to determine the Potential Award for each Eligible Position.

(i) The Potential Award includes a threshold, a maximum, and intermediate levels of Potential Award that correspond to specific levels of investment performance.

(ii) Intermediate levels of the Potential Award for investment performance are determined by linearly interpolating between the threshold and maximum.

(iii) For the qualitative performance rating component, intermediate levels of the Potential Award will be based on a system of annual performance evaluation approved by the Executive Director.

4.4. Compliance with TRS Policies

(a) IMD employees exercise fiduciary investment responsibilities under applicable law and Board policies. Investment professionals manage the portfolio according to the Board's policies, advise and inform the Executive Director and the Board about investment management and performance, and recommend modifications to the Board's investment policies. All IMD employees are responsible for complying with TRS policies.

(b) The Executive Director or designee has the authority to conduct an investigation of any potential violation of TRS policies or applicable laws. The Executive Director may suspend earning and payment of Potential Awards and Earned Awards (including deferred payments) until the conclusion of an investigation under this Section 4.4.

(c) Excess performance by a Participant or Participants resulting from a failure to invest and manage TRS pension assets prudently and in compliance with investment and ethics policies and applicable law will result in disqualification of the Participant or Participants and forfeiture of any award for the relevant Performance Period. The Executive Director will make this determination on a case-by-case basis. The Executive Director's determination under this subsection is final and non-appealable.

(d) If the Executive Director determines after investigation that a Participant violated TRS policy or applicable law and that such violation is sufficiently serious, the Participant will either (i) be disqualified and forfeit all Potential Awards and

Earned Awards for the Performance Periods in which the violation(s) occurred, including awards and payments deferred under Section 4.7(b), or (ii) such Potential Awards and Earned Awards will be reduced by a percentage or amount determined by the Executive Director in his or her sole discretion. If the Executive Director determines that no serious violation has occurred, a suspended Earned Award shall be paid to the Participant within 30 days after such determination (or such later date on which the award would have been payable absent the suspension), provided that the Participant has been continuously employed in an Eligible Position through such payment date, or, if later, the relevant January 1. The Executive Director's determination under this subsection is final and non-appealable.

4.5. Performance Standards and Measurements

(a) Each one-year performance measurement period begins October 1 and ends September 30. For the purposes of this Plan, investment performance (for both benchmarks and peer group categories) is based on one- and three-year historical performance data, weighted at 33% for one-year performance (i.e., the performance measurement period ended as of the most recent September 30) and 67% for the historical three-year performance that includes the three performance measurement periods ended as of the most recent September 30. Investment performance is measured against the relevant pre-defined benchmarks in the asset allocation and benchmarks table, including applicable footnotes, in the Board's Investment Policy Statement ("IPS"). For the purposes of this Plan, changes to the IPS benchmarks during the Performance Period will be effective from and after the effective date of such changes in the IPS, subject to revisions to the Plan adopted by the Board of Trustees. In no event may benchmark changes be applied retroactively except as required to comply with applicable law, including federal tax laws and regulations.

(b) For purposes of calculating the one- and three-year historical performance data under Section 4.5(a), the investment performance of any new portfolio will be calculated for purposes of the Plan as follows:

(i) The investment performance measurement of any new portfolio (for both benchmark and peer group categories) created during a performance measurement period will commence only on the next performance measurement period following October 1.

(ii) For a new portfolio's first full performance measurement period, the investment performance measurement will be based 100% on the portfolio's performance data for the first full performance measurement period.

(iii) For a new portfolio's second full performance measurement period, the investment performance measurement will be weighted (x) 50% on the portfolio's performance during the second full performance measurement period, and (y) 50% on the portfolio's two-year performance during the first and second full performance measurement periods.

(iv) For all performance measurement periods commencing after the second full performance measurement period, the investment performance of a new portfolio will be weighted (x) 33% on the portfolio's performance measurement during the one-year performance measurement period just ended, and (y) 67% on the portfolio's three-year performance measurement during the three full performance measurement periods ending on September 30 of the Performance Period.

(v) For the purposes of this Plan, no investment performance measurement will be calculated for a new portfolio unless it existed on October 1 of the Performance Period.

(c) Notwithstanding Section 4.5(a), if during the Performance Period, investments managed by an Investment Area are moved to another investment area as a result of an IMD reorganization, then the performance measurements for the Performance Period and each affected Participant's Potential Award will be based on the pre-change criteria and the post-change criteria as follows:

(i) If the change described in this Section 4.5(c) is made after October 1 but on or before January 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria for the period October 1 through December 31, and on the post-change criteria beginning as of January 1.

(ii) If the change described in this Section 4.5(c) is made after January 1 but on or before April 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through March 31, and on the post- change criteria beginning as of April 1.

(iii) If the change described in this Section 4.5(c) is made after April 1 but on or before July 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through June 30, and on the post- change criteria beginning as of July 1.

(iv) If the change described in this Section 4.5(c) is made after July 1 of the Performance Period, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through September 30.

(d) The qualitative performance component is measured annually as part of each Participant's annual performance appraisal process using criteria established before the beginning of the Performance Period.

4.6. Potential Award Calculations

(a) Following the end of the Performance Period, the Executive Director will review the reported performance of each Participant relative to the applicable investment and qualitative performance components.

(b) Potential Awards are calculated based on the Participant's level of performance achieved in the applicable investment performance and qualitative performance components in the Performance Period.

(c) Relative performance data and calculations may be reviewed by an external independent source selected by the Executive Director but final calculations must be approved by the Executive Director.

4.7. Earning Performance Payments

(a) Notwithstanding the Executive Director's approval of Potential Award calculations, and except as otherwise provided in this Section 4.7 and Section 7.6, Potential Awards will only become an Earned Award if a Participant is employed by TRS on January 1 following the end of the Performance Period during which that employee was a Participant. Payment of Earned Awards will usually be processed with that January's payroll for delivery on or about February 1, but in no event later than February 15 of that calendar year.

The payment dates of Earned Awards for the Performance Period shall be the same for all Participants.

(b) Notwithstanding Section 4.7(a), no Potential Awards will become Earned Awards following a Performance Period in which the Total Fund experiences a return of zero or less. If this occurs, Potential Awards for that Performance Period that otherwise would have become Earned Awards on the January 1 next following the end of that Performance Period will not become Earned Awards until the January 1 following the next Performance Period in which the Total Fund has a return greater than zero, subject to the requirement that the employee be employed by TRS on that January 1. Payment of this Earned Award will usually be processed with that January payroll for payment on or about February 1 but in no event later than February 15 of that calendar year.

(c) If an employee ceases to be a Participant during the Performance Period due to termination of TRS employment for any reason other than involuntary termination of employment due to death or disability within the meaning of Code Section 409A, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. Potential Awards under plans from previous performance periods that have not yet become Earned Awards (as set forth in Section 4.7(b) above) will not become Earned Awards and will not be paid or payable.

(d) If an employee ceases to be a Participant during the Performance Period due to involuntary termination of TRS employment because of death or disability within the meaning of Code Section 409A, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. However, Potential Awards under prior plans will become Earned Awards, notwithstanding Section 4.7(a) above, provided the Total Fund return is greater than zero. If the Total Fund return is not greater than zero, Potential Awards from prior plans will become Earned Awards the January 1 following the end of the next Performance Period in which the Total Fund has a return greater than zero unless the Total Fund return is not greater than zero for the subsequent two Performance Periods, at which point the Potential Award will be forfeited. Payments under this subsection will be made as applicable to the estate of the deceased employee or the disabled employee, or as otherwise provided by law. These payments will be made as soon as administratively practicable, but not later than 2½ months after the end of the calendar year in which the death or disability occurred or 2 ½ months after the end of the calendar year in which the Total Fund return is greater than zero, as applicable.

(e) A Participant who changes employment from TRS to TRICOT without a break in service pursuant to Section 7.6 (c) or (d) will be treated as employed by TRS for purposes of Potential Awards becoming Earned Awards under Section 4.7 of this Plan so long as the Participant remains continuously employed by TRICOT from the first day of employment with TRICOT through (i) the applicable January 1 for purposes of Sections 4.7(a) and (b) or (ii) the date of involuntary termination of TRICOT employment because of a Reduction in Force, death, or disability for purposes of Section 4.7(d).

(f) If an employee ceases to be a Participant before the end of the Performance Period due to Plan termination, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. In such an event, however, Potential Awards from previous plans that have not yet become Earned Awards, can become Earned Awards and be paid under those plans if the Board determines that such payments would be consistent with and in furtherance of the fiduciary duties of the Board in administering the retirement system, and if such payments are not prohibited by applicable law.

5. PLAN AUTHORITY AND RESPONSIBILITY

5.1 Plan Modification, Suspension, and Termination

The Board shall have the right in its sole discretion to modify the Plan or any portion thereof at any time. The Board shall have the right in its sole discretion to suspend or terminate the Plan, including payments of awards, entirely or any portion thereof at any time. For avoidance of doubt, no modification, amendment, suspension, or reinstatement of this Plan or any performance criteria relating to this Plan may be given retroactive effect except as required to comply with applicable law, including federal tax laws and regulations.

5.2 Plan Administration

The Executive Director has the sole discretion to administer and interpret the Plan in accordance with its terms and conditions. The Executive Director may adopt such procedures and practices as he or she considers advisable to carry out the purposes of the Plan in accordance with the Code.

5.3 Record Keeping and Reporting

A record of the master "Participants List," including a list of staff of the IMD covered by this Plan and the data forming the basis for all Plan calculations shall be maintained by the Chief Organizational Excellence Officer.

5.4 Compliance with State and Federal Law

If the Executive Director or a court having jurisdiction determines that any provision of the Plan violates applicable state or federal law, that provision shall not be given effect. The remaining provisions of the Plan shall remain in full force and effect to the maximum extent possible, and any amendments or modifications that are necessary to give effect to the remaining provisions will be deemed to have been made to allow proper administration of the Plan.

6. AT-WILL EMPLOYMENT

Nothing in this Plan or the payment of Earned Awards alters the at-will nature of TRS employment, creates a contract between TRS and any TRS employee, confers on any TRS employee the right to continued employment with TRS, or affects in any way the right of TRS to terminate the employment of employees at any time.

7. OTHER PLAN PROVISIONS

7.1. Non-transferability of Awards

Potential Awards and Earned Awards under the Plan are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, pledge, lien, security interest, garnishment, attachment, or levy of any kind.

7.2 Plan Does Not Create a Property Interest, Trust, or Entitlement

(a) Neither the establishment of the Plan or the calculation of Potential Awards or Earned Awards shall be deemed to create a property interest, trust or entitlement. The Plan is an unfunded, unsecured liability of TRS to make payments in accordance with the provisions of the Plan and applicable law. Any amounts budgeted for Earned Awards are TRS assets until properly disbursed in accordance with this Plan and applicable law, and no employee or third party shall have any property, security, expectancy, contractual right, lien, security interest, encumbrance, or other interest in any TRS assets by reason of the Plan.

(b) Nothing in the Plan shall be deemed to create or confer any right, interest, expectancy, or title to any specific property of TRS to any Participant, or to any estate, trust, personal representative, heir, family member, or beneficiary of a Participant.

7.3 Tax and Other Deductions

All payments under the Plan shall be subject to any deductions at the time of payment (x) for tax and withholding required by federal (or other foreign jurisdiction), state, or local law and (y) for any and all amounts owed by the employee to TRS. TRS is not obligated to advise an employee of the existence of any tax or the tax treatment, reporting requirements, or required withholding in connection with the Plan.

7.4 Payments Not Eligible for Retirement Purposes

Any payments made pursuant to the Plan are fringe benefits and are not eligible compensation for TRS pension plan purposes.

7.5 Grievances

Except as expressly provided in this Plan, all grievances related to the Plan will be addressed according to the TRS Dispute Resolution Policy or any similar or successor policy, as amended from time to time.

7.6 TRS Secondees; Subsidiary Employee Eligibility

(a) TRICOT is a wholly owned subsidiary of the Teacher Retirement System of Texas incorporated in the United Kingdom on August 28, 2015. TRICOT has its principal office in London, England. TRS organized TRICOT for the purpose of establishing a representative office in London to provide investment services to TRS relating to private investment opportunities in the United Kingdom and Europe, and TRICOT provides such services exclusively to and on behalf of TRS. Employees directly hired by TRICOT are not eligible for performance pay under this Plan. From time to time, TRS seconds employees in the TRS

Investment Management Division to TRICOT to provide services to TRICOT. Seconded employees participate in this Plan as part of their employment with TRS, including during the term of their secondment to TRICOT. TRS provides funding and services to TRICOT under an intercompany agreement.

(b) The Board has authorized TRICOT's adoption of a separate performance pay plan ("TRICOT Plan") that, to the extent legally permissible under UK law, is designed and intended to provide eligibility for performance pay awards comparable to that provided to TRS employees under this Plan (taking into account differing compensation rates, but not currency exchange rates), but there is no assurance that the TRICOT Plan will be comparable in all respects. TRS, as one of the services it provides to TRICOT, will administer the TRICOT Plan under the intercompany agreement and by and through the TRS Executive Director as the Shareholder Representative on behalf of TRICOT.

(c) TRS and TRICOT intend that any employee who transfers employment between TRS and TRICOT without a break in service, and who is eligible to participate in the TRS Plan while employed by TRS and in the TRICOT Plan while employed by TRICOT, shall be eligible for performance pay during the Performance Period in aggregate that the employee would have received had they not changed employers, taking into account any changes to the employee's employment position, but without any adjustments for currency exchange rates. In such event, the Participant's Potential Award and performance measurements for the Performance Period will be prorated between this Plan and the TRICOT Plan using the same approach as outlined in Section 4.2(d) above.

(d) If, during the Performance Period, a TRS Participant moves without a break in service from an Eligible Position under this Plan to a position with TRICOT that is not eligible under the TRICOT Plan, the Participant's Potential Award for the partial Performance Period under this Plan will be prorated based on the number of complete calendar quarters worked in an Eligible Position during the Performance Period. For the avoidance of doubt, a Participant under this Plan will not be eligible for performance pay for any quarter during which the Participant was not employed in an Eligible Position under either this Plan or the TRICOT Performance Pay Plan for the entire quarter.

8. DEFINITIONS

Base Salary for use in the Plan is the Participant's annualized monthly salary as of October 1 of the applicable Performance Period (not including longevity or benefit replacement pay), or the annualized monthly salary of new Participants as of the date they first become a Participant, as certified by the Chief Organizational Excellence Officer.

Code means the United States Internal Revenue Code of 1986, as amended from time to time, or any successor U.S. federal income tax code.

Earned Award means a Potential Award that has become earned and payable because all of the terms, conditions, and requirements of this Plan have been satisfied. An Earned Award may be forfeited for misconduct, or suspended, canceled, or deferred as stated in this Plan. An Earned Award is not property.

Eligible Position means a title listed in Section 4.3(f) and, when the context refers to an Eligible Position with respect to a Participant's performance allocation and Potential Award calculation, the Investment Area or areas to which a Participant is assigned or interacts with during the Performance Period and the relevant excess return targets and portfolio benchmarks in Addendum A. A Participant who is reassigned from one Investment Area to another during the Performance Period also changes Eligible Positions, whether or not the Participant's title changes.

Investment Areas are listed in the first columns of Addendums A and B and correspond to the benchmarks, excess return targets, performance allocations, and peer groups in Addendum A and Addendum B, and which are used to calculate Potential Awards for Participants in Eligible Positions. In this Plan, Investment Areas are synonymous with IMD employee teams or groups.

Maximum Potential Award is defined in Section 4.3(f) and is a limit on the gross Potential Award that can become an Earned Award in an Eligible Position Title with respect to the Performance Period.

Participant is an employee in an Eligible Position on October 1 of the Performance Period, or who is first employed in an Eligible Position after the beginning of the Performance Period based on the proration schedules in Section 4.2, as certified by the Chief Organizational Excellence Officer.

Performance Period is the period beginning on October 1 of each year and ending on September 30 of the following year.

Potential Award is defined in Section 4.3(f) and is the amount calculated based on the Participant's performance achieved in the applicable investment performance and qualitative performance components. A Potential Award is contingent and no Earned Award may exceed the Maximum Potential Award, regardless of whether the Participant exceeds the stated excess return target.

SPN means a Strategic Partner Network investment area. TRS has both private markets and public markets SPNs.

Total Fund means the TRS total or overall investment portfolio and includes all pension assets held in trust by TRS and invested to provide retirement, death, and disability benefits administered by the system, including cash and cash equivalents. For avoidance of doubt, for the purposes of the Plan the Total Fund does not include the assets of health plans administered by TRS and held in trust by the Board of Trustees.

TRICOT means the Teacher Retirement Investment Company of Texas Ltd., a company limited by shares.

Administrative Policy	Current effective date: First issued:	October 1, 2026~~5~~* October 1, 2007
Reviewers: Executive Director, Chief Investment Officer, Organizational Excellence, Legal & Compliance	Last reviewed	September 17-18~~5~~, 2026~~5~~
Review Cycle: Annual	Next review due:	September 2027~~6~~
Authorized by: Board of Trustees	Date authorized:	September 17~~8~~-18~~9~~, 2026~~5~~
Approved:		
By: ________________________ Brian K. Guthrie, Executive Director	Approved as of:	October 1, 2026~~5~~

*This Plan is effective only for the Performance Period beginning on October 1, 2026~~5~~ and ending September 30, 2027~~6~~.

ADDENDUM A

Performance Payout Allocation and Maximum Payout Targets vs. Passive Benchmark

Performance Payout Allocation and Maximum Payout Targets vs. Passive Benchmark

	Total Fund	Active Public Markets(1)	Special Opportunities Absolute Return(2)	Private Equity	Real Estate	Energy Natural Resources & Infrastructure	Total
Index	**Total Fund Policy Composite Index**	**Daily Weighted Excess Return Based on Actual Portfolio Weights and Investment Policy Statement**	**SOFR+4%**	**Custom State Street Private Equity Index**	**NCREIF ODCE**	**40% Cambridge Natural Resources, 40% Cambridge Infrastructure, 20% CPI**	
Excess Return Target	**75 bps**	**75 bps**	**150 bps**	**125 bps**	**150 bps**	**125 bps**	
Executive	100%						100%
Risk and Portfolio Management	100%						100%
Public Markets (Ex-Special Opportunities)	30%	60%	10%				100%
Special Opportunities	30%	10%	60%				100%
Private Equity	30%			70%			100%
Real Estate	30%				70%		100%
Energy Natural Resources & Infrastructure	30%					70%	100%
Trade Management	60%	40%					100%
Investment Operations	100%						100%
IMD Legal & Compliance	100%						100%

(1) From 10/1/2025, Active Public Markets will include all Global Equity investments, hedge funds, and Public SPN portfolios managed by Public Markets other than absolute return portfolios managed by Special Opportunities.
(2) Special Opportunities Absolute Return has a performance inception date of 10/1/2023.

ADDENDUM B

Performance Payout Allocation and Maximum Payout Targets vs. Peer Group Comparison

Fund Level	Total Fund	Public Markets All Country(1)	Private Equity	Real Estate	Risk Parity Portfolio	Total
Index	**TUCS Public Funds >$10 Billion Universe**	**TUCS Total Equity > $10 Billion Universe**	**TUCS Private Equity > $10 Billion Universe**	**TUCS Real Estate > $10 Billion Universe**	**Risk Parity Benchmark**	
Excess Return Target:	**75 bps**	**75 bps**	**175 bps**	**150 bps**	**30 bps**	
Executive	60%	10%	10%	10%	10%	100%
Risk and Portfolio Management	30%	10%	10%	10%	40%	100%
Public Markets	30%	70%				100%
Private Equity	30%		70%			100%
Real Estate	30%			70%		100%
Energy Natural Resources & Infrastructure	30%		35%	35%		100%
Trade Management	30%	30%	10%	10%	20%	100%
Investment Operations	60%	10%	10%	10%	10%	100%
IMD Legal & Compliance	60%	10%	10%	10%	10%	100%

(1) Performance inception 10/1/2025.

Teacher Retirement Investment Company of Texas Ltd.

PERFORMANCE PAY PLAN

Effective October 1, 2026~~5~~

This Plan is effective only for the Performance Period beginning on October 1, 2026~~5~~ and ending September 30, 2027~~6~~. Any Potential Awards for performance in prior Performance Periods can become Earned Awards subject to the terms and conditions stated in the versions of the Plan effective for those Performance Periods.

No modification of this Plan may be given retroactive effect except as required to comply with applicable law, including United States or United Kingdom tax laws and regulations as appropriate.

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PERFORMANCE PAY PLAN

1. PERFORMANCE PAY PLAN PURPOSE AND AUTHORIZATION

The Teacher Retirement Investment Company of Texas Ltd., a company limited by shares ("TRICOT") is a wholly owned subsidiary of the Teacher Retirement System of Texas ("TRS") incorporated in the United Kingdom on August 28, 2015. TRICOT has its principal office in London, England. TRS organized TRICOT for the purpose of establishing a representative office in London to provide investment services to TRS relating to investment opportunities in the United Kingdom and Europe, and TRICOT provides such services exclusively to and on behalf of TRS.

To remain competitive in its efforts to attract and retain high caliber employees TRICOT strives to offer a competitive compensation package. Awards of performance pay based on specified performance criteria are an industry standard practice in the private investment sector and in the public sector. By offering both a competitive base salary and performance pay, TRICOT enhances its ability to fulfill its mission to assist TRS in prudently investing and managing the assets held in trust for TRS members and beneficiaries in an actuarially sound system administered in accordance with applicable fiduciary principles. The TRS Board of Trustees (the "TRS Board") has determined that establishing and expending funds through TRICOT for this Performance Pay Plan ("Plan") for TRICOT employees is consistent with and in furtherance of the fiduciary duties of the Board in administering the retirement system.

The TRS Board has approved TRICOT's adoption of the Plan. The TRS Board has adopted resolutions (a) relating to the governance, funding, budgeting, administration, and operations of TRICOT, and (b) designating the TRS Executive Director as the TRS shareholder representative ("Shareholder Representative") for purposes of administering and interpreting this Plan. A person duly appointed to serve as the TRICOT Managing Director (the "TRICOT Managing Director") will perform the duties specified in this Plan for the TRICOT Managing Director.

2. PLAN OBJECTIVES AND STRATEGY

2.1 Plan Objectives

The Plan serves these objectives:

- To attract and retain TRICOT employees who demonstrate outstanding ability;
- To reinforce employees' strong commitment to the long-term investment performance of the assets for which TRS and TRICOT are responsible; and
- To motivate investment professionals to focus on maximizing real, long-term returns for funds invested and managed by TRS while assuming appropriate levels of risk.

2.2 Plan Strategy

Implementation of the Plan strategy includes:

- Base salaries targeted to be competitive as determined by the TRICOT Managing Director and the Shareholder Representative, with individual base salaries based on an employee's experience, education, knowledge, skills, and overall job performance in an Eligible Position.

- Performance pay award opportunities, calculated as a percentage of an employee's base salary, based on performance above pre-determined standards, and earned contingent upon continued employment in an Eligible Position through specified dates subject to deferral as set forth in Section 4.7(b).

3. BASE SALARY ADMINISTRATION

3.1 Salary Structure

(a) Notwithstanding any other law, the Shareholder Representative approves the rates of compensation of all TRICOT employees. The TRICOT Managing Director shall, subject to the approval of the Shareholder Representative, propose in the annual TRICOT budget the base salary rates for TRICOT employees generally based on the salary schedules, position classifications, and salary administration practices that are reasonably comparable to those used for the TRS Investment Management Division employees, taking into account prevailing market conditions in the United Kingdom, which the Shareholder Representative determines are in the best interest of TRICOT and TRS, and which are not in conflict with applicable law, fiduciary duty, or policy.

(b) The TRICOT Managing Director shall set the initial base salary for each newly hired TRICOT employee within the salary range approved by the Shareholder Representative, considering the employee's experience, education, knowledge and skills; external competitiveness; and internal compensation equity.

3.2 Salary Adjustments

(a) TRICOT employees may receive base salary adjustments (increase or decrease) at the discretion of the TRICOT Managing Director within the base salary range approved by the Shareholder Representative in accordance with the terms of their employment contract, applicable law, and TRICOT policy.

(b) Notwithstanding Section 3.2(a), all base salary adjustments will be implemented in accordance with the contract of employment and TRICOT salary administration procedures.

4. PERFORMANCE PAY PLAN; PERFORMANCE PERIOD

4.1 Purpose of the Plan; Effective Date; Performance Period

(a) The purpose of the Plan is to provide the opportunity for TRICOT employees to receive performance pay based on specified investment performance criteria and the employee's job performance.

(b) The Performance Period for this Plan begins on October 1, 2026~~5~~ and ends September 30, 2027~~6~~. A potential award for performance in a prior plan's performance period can only become earned and payable subject to the terms and conditions stated in the relevant plan.

4.2 Participation in the Plan; Proration

(a) Subject to Sections 4.2(c) and (d), a TRICOT employee who holds an Eligible Position on the first day of the Performance Period is eligible to participate in the Plan. Secondees, non-TRICOT or contract workers, and other temporary workers are not TRICOT employees and are not eligible to participate in the Plan. An Eligible Position under this

Plan is not automatically an Eligible Position under any successor or superseding performance pay plan or other plan of TRICOT or TRS.

(b) Within thirty (30) days after the end of the Performance Period, the TRS Chief Organizational Excellence Officer will certify to the Shareholder Representative in writing the master "Participants List" for this Plan, setting forth all relevant information that is required for calculating each Participant's Potential Award and any proration required under this Section 4.2.

(c) Notwithstanding Section 4.2(a), an employee who begins employment in an Eligible Position (through new hire, promotion or reassignment) after the beginning of the Performance Period will become a Participant as follows:

(i) If an employee begins employment in an Eligible Position after October 1 but on or before January 1, the employee will become a Participant on January 1 and the Participant's Potential Award will be prorated to 75% of the Potential Award calculated for the entire Performance Period.

(ii) If an employee begins employment in an Eligible Position after January 1 but on or before April 1, the employee will become a Participant on April 1 and the Participant's Potential Award will be prorated to 50% of the Potential Award calculated for the entire Performance Period.

(iii) If an employee begins employment in an Eligible Position after April 1 but on or before July 1, the employee will become a Participant on July 1 and the Participant's Potential Award will be prorated to 25% of the Potential Award calculated for the entire Performance Period.

(iv) If an employee begins employment in an Eligible Position after July 1 of the Performance Period, the employee will become a Participant on the first day of the next Performance Period, provided that such employee is employed by TRICOT in an Eligible Position on such date.

(d) If, during the Performance Period, a Participant moves from one Eligible Position to another Eligible Position (including by transitioning from a full-time to part-time status), the Participant's Potential Award and performance measurements for the Performance Period will be prorated between the Potential Award calculated for the vacated Eligible Position and the Potential Award calculated for the new Eligible Position as follows:

(i) If a Participant moves to a new Eligible Position after October 1 but on or before January 1, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position for the period October 1 through December 31, and on the new Eligible Position beginning as of January 1.

(ii) If a Participant moves to a new Eligible Position after January 1 but on or before April 1, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through March 31, and on the new Eligible Position beginning as of April 1.

(iii) If a Participant moves to the new Eligible Position after April 1 but on or before July 1, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through June 30, and on the new Eligible Position beginning as of July 1.

(iv) If a Participant moves to a new Eligible Position after July 1 of the Performance Period, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through September 30.

(e) If a Participant leaves an Eligible Position during the Performance Period and begins TRICOT employment in a non-Eligible Position, the Participant's Potential Award for the partial Performance Period will be prorated based on the number of complete calendar quarters worked in an Eligible Position during the Performance Period. For the avoidance of doubt, a Participant will not be eligible for performance pay for any quarter during which the Participant was not employed in an Eligible Position for the entire quarter.

(f) Section 7.6 addresses the proration calculation that applies if a Participant changes employment from TRICOT to TRS or vice versa.

(g) An employee will cease to be a Participant in the Plan on the earliest to occur of:

(i) Except as specifically provided in Section 4.2(e) with respect to continued TRICOT employment or Section 7.6 with respect to changing employment from TRICOT to TRS, or vice versa, without a break in service, the date the employee is no longer employed in an Eligible Position;

(ii) The date this Plan terminates.

For purposes of the Plan, the employment termination date is deemed to be the employee's last day worked, not including any leave the employee takes to extend their employment termination date for payroll purposes.

4.3 Performance Components; Potential Awards

(a) Participants' Potential Awards will be based on a combination of investment performance and qualitative performance measurement and rating components.

(b) The investment performance components comprise two categories: 1) performance measured against pre-determined benchmarks and applicable excess return targets, and 2) performance measured against pre-determined peer groups.

(i) The benchmark index category of the investment performance component will determine 50% of the total Potential Award for Eligible Position Titles of Senior Managing Director through Director. The benchmark index category of the investment performance component will determine 30% of the total Potential Award for Eligible Position Titles of ~~Investment Manager~~Principal through Administrative Assistant.

(ii) The peer group category of the investment performance component will determine 30% of the total Potential Award.

(c) Notwithstanding that the Performance Period is October 1 through September 30, due to the delay in availability of final performance data for private markets assets performance measurements for these Investment Areas will experience a one quarter time lag, such that all calculations requiring private markets performance will use data for the one and three year periods ending each June 30.

(d) Each Eligible Position will be assigned specific weightings for Total Fund and other investment benchmarks based on investment area performance as shown in Addendums A and B. Addendum A correlates benchmarks and excess return targets to Investment Areas listed in the first column, and allocates performance weights for each area to the relevant excess return targets and benchmarks. Addendum B correlates Investment Areas in the first column to peer group performance and relevant benchmarks and allocates performance weights among the excess return targets relative to the listed benchmarks.

(i) To encourage a focus on the "big picture" and a sense of shared mission, the investment performance component (both benchmark and peer group categories) for all Eligible Positions will have a Total Fund weighting of at least 20%. Weightings for each investment area's benchmarks and excess return targets will be divided among the Eligible Position's primary investment area and other investment areas with which the Eligible Position has regular interaction.

(ii) Where no investment area peer group performance measures are available, that investment area's peer group performance weighting allocation is added to the Total Fund peer group performance weighting allocation.

(e) The qualitative performance rating component will be measured systematically as part of each Participant's annual performance appraisal process aimed at evaluating each Participant's job performance and adherence to the core concepts and values of the TRICOT culture and interactions with TRS IMD personnel in performing TRICOT'S services, using pre-determined, standard criteria. This may include multi-rater feedback regarding a variety of contributions and behaviors needed for organizational success that are not directly measured or measurable in the investment performance component, such as interpersonal relationship skills, accountability, effective teamwork, etc.

(i) Regardless of a Participant's qualitative performance rating, a Potential Award will include the qualitative performance component only if the Participant has attained at least the required threshold level for the investment performance component (determined separately for each Eligible Position if a Participant changes Eligible Positions within TRICOT during the Performance Period).

(ii) To encourage appropriate organizational behaviors, the qualitative performance rating component will be weighted at 20% of the Potential Award for Eligible Position Titles of Senior Managing Director through Director and weighted at 40% of the Potential Award for Eligible Position Titles of ~~Investment Manager~~Principal through Administrative Assistant.

(f) A Potential Award is the gross award amount calculated based on the final performance results for the Performance Period, weighted as set forth in Addendums A and B. The Maximum Potential Award that can become an Earned Award with respect to the Performance Period may not exceed the percentage of a Participant's Base Salary in an Eligible Position (subject to proration under Section 4.2) that is listed opposite the applicable Eligible Position Title in the table below. The Maximum Potential Award limits a Participant's maximum Earned Award regardless of (x) the amount by which a Participant's performance has exceeded the excess return targets or (y) the calculated value of the Potential Award.

ELIGIBLE POSITION TITLE	**MAXIMUM POTENTIAL AWARD**
Senior Managing Director	175%
Managing Director	175%
Director	150%

ELIGIBLE POSITION TITLE	MAXIMUM POTENTIAL AWARD
~~Investment Manager~~Principal	100%
~~Senior Associate~~Associate Principal	75%
Associate	65%
Senior Analyst	40%
Analyst	30%
Junior Analyst	15%
Administrative Assistants	5%

(g) For each Investment Area, the portfolio weighting and excess return relative to each assigned excess return target will combine to determine the Potential Award for each Eligible Position.

(i) The Potential Award includes a threshold, a maximum, and intermediate levels of Potential Award that correspond to specific levels of investment performance.

(ii) Intermediate levels of the Potential Award for investment performance are determined by linearly interpolating between the threshold and maximum.

(iii) For the qualitative performance rating component, intermediate levels of the Potential Award will be based on a system of annual performance evaluation approved by the Shareholder Representative.

4.4 Compliance with TRICOT and TRS Policies

(a) TRICOT is a TRS asset. In providing services to TRS on behalf of TRICOT, employees exercise fiduciary responsibilities under applicable law and policies. By accepting TRICOT employment investment professionals agree to give advice about the TRS portfolio according to and in compliance with applicable TRICOT and TRS policies, advise and inform the IMD, the Shareholder Representative, and the TRS Board about TRICOT's services relating to investment management and performance of TRS investments, and recommend modifications to the TRS Board's investment policies. All TRICOT employees are responsible for complying with TRICOT and TRS policies in accordance with their employment contracts.

(b) The Shareholder Representative on behalf of the TRS Board, acting as the sole TRICOT shareholder, has the authority to conduct an investigation of any potential violation of TRICOT or TRS policies or applicable laws. The Shareholder Representative may suspend earning and payment of Potential Awards and Earned Awards (including deferred payments) until the conclusion of an investigation under this Section 4.4.

(c) Excess performance by a Participant or Participants resulting from a failure to manage TRS pension assets prudently and in compliance with investment and ethics policies and applicable law will result in disqualification of the Participant or Participants and forfeiture of any award for the Performance Period. The Shareholder Representative will make this determination in his sole discretion on a case-by-case basis. The Shareholder Representative's determination under this subsection is final and non-appealable.

(d) If the Shareholder Representative determines after investigation that a Participant violated TRICOT or TRS policy or applicable law and that such violation is sufficiently serious, the Participant will either (i) be disqualified and forfeit all Potential Awards and Earned

Awards for the Performance Periods in which the violation(s) occurred, including awards and payments deferred under Section 4.7(b), or (ii) such Potential Awards and Earned Awards will be reduced by a percentage or amount determined by the Shareholder Representative in his or her sole discretion. If the Shareholder Representative determines that no serious violation has occurred, a suspended Earned Award shall be paid to the Participant within 30 days after such determination (or such later date on which the award would have been payable absent the suspension), provided that the Participant has been continuously employed in an Eligible Position through such payment date or, if later, the relevant January 1. The Shareholder Representative's determination under this subsection is final and non-appealable.

4.5 Performance Standards and Measurements

(a) Each one-year performance measurement period begins October 1 and ends September 30. For the purposes of this Plan, investment performance allocated or credited to TRICOT by TRS in its sole discretion (for both benchmarks and peer group categories) is based on one- and three-year historical performance data, weighted at 33% for one-year performance (i.e., the performance measurement period ended as of the most recent September 30) and 67% for the historical three-year performance that includes the three performance measurement periods ended as of the most recent September 30. Investment performance is measured against the relevant pre-defined benchmarks in the asset allocation and benchmarks table, including applicable footnotes, in the TRS Board's Investment Policy Statement ("IPS"). For the purposes of this Plan, changes to the IPS benchmarks during the Performance Period will be effective from and after the effective date of such changes in the IPS, subject to revisions to the Plan adopted by TRICOT and approved by the TRS Board. In no event may performance allocated or credited to TRICOT or benchmark changes relevant to TRICOT be applied retroactively except as required to comply with applicable law, including United States and United Kingdom tax laws and regulations as appropriate.

(b) For purposes of calculating the one- and three-year historical performance data under Section 4.5(a), the investment performance of any new portfolio allocated by TRS in whole or part to TRICOT will be calculated for purposes of the Plan using performance measurement periods beginning October 1 and ending September 30 as follows:

(i) The investment performance measurement of any new portfolio (for both benchmark and peer group categories) created during a performance measurement period will commence only on the next performance measurement period following October 1.

(ii) For a new portfolio's first full performance measurement period, the investment performance measurement will be based 100% on the portfolio's performance data for that performance measurement period.

(iii) For a new portfolio's second full performance measurement period, the investment performance measurement will be weighted (x) 50% on the portfolio's performance during the second full performance measurement period, and (y) 50% on the portfolio's two-year performance during the first and second full performance measurement periods.

(iv) For all performance measurement periods commencing after the second full performance measurement period, the investment performance of a new portfolio will be weighted (x) 33% on the portfolio's performance measurement during the one-year performance measurement period just ended, and (y) 67% on the portfolio's three-year performance measurement during the three full performance measurement periods ending on September 30 of the Performance Period.

(v) For the purposes of this Plan, no investment performance measurement will be calculated for a new portfolio unless it existed on October 1 of the Performance Period.

(c) Notwithstanding Section 4.5(a), if during the Performance Period, investments managed by an Investment Area are moved to another investment area as a result of an IMD or TRICOT reorganization, then the performance measurements for the Performance Period and each affected Participant's Potential Award will be based on the pre-change criteria and the post-change criteria as follows:

(i) If the change described in this Section 4.5(c) is made after October 1 but on or before January 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria for the period October 1 through December 31, and on the post-change criteria beginning as of January 1.

(ii) If the change described in this Section 4.5(c) is made after January 1 but on or before April 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through March 31, and on the post- change criteria beginning as of April 1.

(iii) If the change described in this Section 4.5(c) is made after April 1 but on or before July 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through June 30, and on the post- change criteria beginning as of July 1.

(iv) If the change described in this Section 4.5(c) is made after July 1 of the Performance Period, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through September 30.

(d) The qualitative performance component is measured annually as part of each Participant's annual performance appraisal process using criteria established before the beginning of the Performance Period.

4.6 Potential Award Calculations

(a) Following the end of the Performance Period, the Shareholder Representative will review the reported performance of each Participant relative to the applicable investment and qualitative performance components.

(b) Potential Awards are calculated based on the Participant's level of performance achieved in the applicable investment performance and qualitative performance components in the Performance Period.

(c) Relative performance data and calculations may be reviewed by an external independent source selected by the Shareholder Representative but final calculations must be approved by the Shareholder Representative.

4.7 Earning Performance Payments

(a) Notwithstanding the Shareholder Representative's approval of Potential Award calculations, and except as otherwise provided in this Section 4.7 and Section 7.6, Potential Awards will only become an Earned Award if a Participant is employed by TRICOT on January 1 following the end of the Performance Period during which that employee was a Participant. Payment of Earned Awards will usually be processed with that January's payroll for delivery on or about February 1, but in no event later than February 15 of that calendar year.

The payment dates of Earned Awards for the Performance Period shall be the same for all Participants.

(b) Notwithstanding Section 4.7(a), no Potential Awards will become Earned Awards following a Performance Period in which the Total Fund experiences a return of zero or less. If this occurs, Potential Awards for that Performance Period that otherwise would have become Earned Awards on the January 1 next following the end of that Performance Period will not become Earned Awards until the January 1 following the next Performance Period in which the Total Fund has a return greater than zero, subject to the requirement that the employee be employed by TRICOT on that January 1. Payment of this Earned Award will usually be processed with that January payroll for payment on or about February 1 but in no event later than February 15 of that calendar year.

(c) If an employee ceases to be a Participant during the Performance Period due to termination of TRICOT employment for any reason other than involuntary termination of employment due to death or Disability, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. Potential Awards from earlier Performance Periods that have not yet become Earned Awards (as set forth in Section 4.7(b) above) will not become Earned Awards and will not be paid or payable.

(d) If an employee ceases to be a Participant during the Performance Period due to involuntary termination of TRICOT employment because of death or Disability, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. However, Potential Awards under prior plans will become Earned Awards, notwithstanding Section 4.7(a) above, provided the Total Fund return is greater than zero. If the Total Fund return is not greater than zero, Potential Awards from prior plans will become Earned Awards the January 1 following the end of the next Performance Period in which the Total Fund has a return greater than zero unless the Total Fund return is not greater than zero for the subsequent two Performance Periods, at which point the Potential Award will be forfeited. Payments under this subsection will be made as applicable to the estate of the deceased employee or the disabled employee, or as otherwise provided by law. These payments will be made as soon as administratively practicable, but not later than 2½ months after the end of the calendar year in which the death or Disability occurred or 2 ½ months after the end of the calendar year in which the Total Fund return is greater than zero, as applicable.

(e) A Participant who changes employment from TRICOT to TRS without a break in service pursuant to Section 7.6 (c) or (d) will be treated as employed by TRICOT for purposes of Potential Awards becoming Earned Awards under Section 4.7 under this Plan so long as the Participant remains continuously employed by TRS from the first date of employment with TRS through (i) the applicable January 1 for purposes of Sections 4.7(a) or (b) or (ii) the date of involuntary termination of TRS employment because of a Reduction in Force, death, or disability for purposes of Section 4.7(d).

(f) If an employee ceases to be a Participant before the end of the Performance Period due to Plan termination, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. In such an event, however, Potential Awards from previous plans' performance periods that have not yet become Earned Awards can become Earned Awards and be paid under those plans if the TRS Board determines that such payments would be consistent with and in furtherance of the fiduciary duties of the TRS Board in administering the retirement system, and if such payments are not prohibited by applicable law.

5. PLAN AUTHORITY AND RESPONSIBILITY

5.1 Plan Modification, Suspension, and Termination

TRICOT shall have the right in its discretion to modify the Plan or any portion thereof at any time, subject to TRS Board approval. TRICOT shall have the right in its discretion to suspend or terminate the Plan, including payments of awards, entirely or any portion thereof at any time, with approval of the TRS Board; provided, however, that the Plan shall terminate, including payment of awards, if the TRS Board does not approve the expenditure of funds by TRICOT for performance pay under the Plan, or the TRS Plan is terminated. For avoidance of doubt, no modification, amendment, suspension, or reinstatement of this Plan or any performance criteria relating to this Plan may be given retroactive effect except as required to comply with applicable law.

5.2 Plan Administration

The TRS Board has delegated administration under this Plan to the Shareholder Representative. The Shareholder Representative has sole discretion to administer and interpret the Plan in accordance with its terms and conditions. The Shareholder Representative may adopt such procedures and practices as he or she considers advisable to carry out the purposes of the Plan.

5.3 Record Keeping and Reporting

A record of the master "Participants List," including a list of TRICOT employees covered by this Plan and the data forming the basis for all Plan calculations shall be maintained by the TRS Chief Organizational Excellence Officer.

5.4 Compliance with Applicable Law

If the Shareholder Representative or a court having jurisdiction determines that any provision of the Plan violates applicable law, that provision shall not be given effect. The remaining provisions of the Plan shall remain in full force and effect to the maximum extent possible, and any amendments or modifications that are necessary to give effect to the remaining provisions will be deemed to have been made to allow proper administration of the Plan.

6. EMPLOYMENT

Nothing in this Plan or the payment of Earned Awards creates a contract between TRICOT and any TRICOT employee, confers on any TRICOT employee the right to continued employment with TRICOT, or affects in any way the right of TRICOT to terminate the employment of employees, subject to their employment contracts, TRICOT policies, and applicable law.

7. OTHER PLAN PROVISIONS

7.1 Non-transferability of Awards

Potential Awards and Earned Awards under the Plan are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, pledge, lien, security interest, garnishment, attachment, or levy of any kind.

7.2 Plan Does Not Create a Property Interest, Trust, or Entitlement

(a) Neither the establishment of the Plan nor the calculation of Potential Awards or Earned Awards shall be deemed to create a property interest, trust or entitlement. The Plan is an unfunded, unsecured liability of TRICOT to make payments in accordance with the provisions of the Plan and applicable law. Any amounts budgeted for performance pay under the Plan are TRICOT assets until properly disbursed in accordance with, this Plan, and applicable law, and no employee or third party shall have any property, security, expectancy, contractual right, lien, security interest, encumbrance, or other interest in any TRICOT assets by reason of the Plan.

(b) Nothing in the Plan shall be deemed to create or confer any right, interest, expectancy, or title to any specific property of TRICOT or TRS to any Participant, or to any estate, trust, personal representative, heir, family member, or beneficiary of a Participant.

7.3 Tax and Other Deductions

All payments under the Plan shall be subject to any deductions at the time of payment (x) for tax and withholding required by law and (y) to the extent permitted by law, for any and all amounts owed by the employee to TRICOT if applicable. Neither TRICOT nor TRS, as TRICOT's sole shareholder, is obligated to advise an employee of the existence of any tax or the tax treatment, reporting requirements, or required withholding in connection with the Plan.

7.4 Payments Not Eligible for Retirement Purposes

Any payments made pursuant to the Plan are fringe benefits and are not eligible compensation for pension plan purposes.

7.5 Grievances

Except as expressly provided in this Plan, all grievances related to the Plan will be addressed according to the TRICOT Grievance Procedure in the Employee Handbook or any similar or successor policy, as amended from time to time.

7.6 TRS Secondees; Subsidiary Employee Eligibility

(a) Only employees directly hired by TRICOT are eligible for performance pay under this Plan. From time to time, TRS seconds employees in the TRS Investment Management Division to TRICOT to provide services to TRICOT. Seconded employees participate in the TRS Performance Pay Plan as part of their employment with TRS, including during the term of their secondment to TRICOT, and are not eligible for awards under this Plan. TRS provides funding and services to TRICOT under an intercompany agreement and administers this Plan under that agreement.

(b) The Board has authorized TRICOT's adoption of a separate performance pay plan that, to the extent legally permissible under UK law, is designed and intended to provide eligibility for performance pay awards comparable to that provided to TRS employees under this Plan (taking into account differing compensation rates, but not currency exchange rates), but there is no assurance that the TRICOT Plan will be comparable in all respects. TRS, as one of the services it provides to TRICOT, will administer the TRICOT-adopted plan by and through the TRS Executive Director as the Shareholder Representative on behalf of TRICOT.

(c) TRS and TRICOT intend that any employee who transfers employment between TRS and TRICOT without a break in service, and who is eligible to participate in the TRS Plan while employed by TRS and in the TRICOT Plan while employed by TRICOT, shall be eligible for performance pay during the Performance Period in aggregate that the employee would have received had they not changed employers, taking into account any changes to the employee's employment position, but without any adjustments for currency exchange rates. In such event, the Participant's Potential Award and performance measurements for the Performance Period will be prorated between this Plan and the TRS Plan using the same approach as outlined in Section 4.2(d) above.

(d) If, during the Performance Period, a TRICOT Participant moves without a break in service from an Eligible Position under the this Plan to a position with TRS that is not eligible under the TRS Plan, the Participant's Potential Award for the partial Performance Period under this Plan will be prorated based on the number of complete calendar quarters worked in an Eligible Position during the Performance Period. For the avoidance of doubt, a Participant under this Plan will not be eligible for performance pay for any quarter during which the Participant was not employed in an Eligible Position under either this Plan or the TRS Performance Pay Plan for the entire quarter.

8. DEFINITIONS

Base Salary for use in the Plan is the Participant's annualized monthly salary as of October 1 of the applicable Performance Period (not including longevity or benefit replacement pay), or the annualized monthly salary of new Participants as of the date they first become a Participant, as certified by the TRS Chief Organizational Excellence Officer.

Disability generally means the inability of the employee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

Earned Award means a Potential Award that has become earned and payable because all of the terms, conditions, and requirements of this Plan have been satisfied. An Earned Award may be forfeited for misconduct, or suspended, canceled, or deferred as stated in this Plan. An Earned Award is not property.

Eligible Position means a title listed in Section 4.3(f) and, when the context refers to an Eligible Position with respect to a Participant's performance allocation and Potential Award calculation, the Investment Area or areas to which a Participant is assigned or interacts with during the Performance Period and the relevant excess return targets and portfolio benchmarks in Addendum A. A Participant who is reassigned from one Investment Area to another during the Performance Period also changes Eligible Positions, whether or not the Participant's title changes.

Investment Areas are listed in the first columns of Addendums A and B and correspond to the benchmarks, excess return targets, performance allocations, and peer groups in Addendum A and Addendum B, and which are used to calculate Potential Awards for Participants in Eligible Positions. In this Plan, Investment Areas are synonymous with employee teams or groups.

Maximum Potential Award is defined in Section 4.3(f) and is a limit on the gross Potential Award that can become an Earned Award in an Eligible Position Title with respect to the Performance Period.

Participant is a TRICOT employee in an Eligible Position on October 1 of the Performance Period, or who is first employed in an Eligible Position after the beginning of the Performance Period based on the proration schedules in Section 4.2, as certified by the TRS Chief Organizational Excellence Officer.

Performance Period is the period beginning on October 1 of each year and ending on September 30 of the following year.

Potential Award is defined in Section 4.3(f) and is the amount calculated based on the Participant's performance achieved in the applicable investment performance and qualitative performance components. A Potential Award is contingent and no Earned Award may exceed the Maximum Potential Award, regardless of whether the Participant exceeds the stated excess return target.

SPN means a Strategic Partner Network investment area. TRS has both private markets and public markets SPNs.

Total Fund means the TRS total or overall investment portfolio and includes all pension assets held in trust by TRS and invested to provide retirement, death, and disability benefits administered by the system, including cash and cash equivalents. For avoidance of doubt, for the purposes of the Plan the Total Fund does not include the assets of health plans administered by TRS and held in trust by the TRS Board.

Administrative Policy	Current effective date:	October 1, 2026~~5~~*
Reviewers: TRS Executive Director (as Shareholder Representative), TRICOT Managing Director, TRS Organizational Excellence, TRS Legal & Compliance	First adoption:	October 1, 2021
Review Cycle: Annual	Next review due:	September 2027~~6~~
Authorized by: TRS Board of Trustees	Date adopted :	September ~~178~~ ~~189,~~18 2026~~5~~
Approved:		
By:______________________________	Approved as of:	October 1, 2026~~5~~
Brian K. Guthrie,		

*This Plan is effective only for the Performance Period beginning on October 1, 2026~~5~~ and ending September 30, 2027~~6~~.

ADDENDUM A

Performance Payout Allocation and Maximum Payout Targets vs. Passive Benchmark

	Total Fund	Active Public Markets(1)	Special Opportunities Absolute Return(2)	Private Equity	Real Estate	Energy Natural Resources & Infrastructure	Total
Index	**Total Fund Policy Composite Index**	**Daily Weighted Excess Return Based on Actual Portfolio Weights and Investment Policy Statement**	**SOFR+4%**	**Custom State Street Private Equity Index**	**NCREIF ODCE**	**40% Cambridge Natural Resources, 40% Cambridge Infrastructure, 20% CPI**	
Excess Return Target	**75 bps**	**75 bps**	**150 bps**	**125 bps**	**150 bps**	**125 bps**	
Executive	100%						100%
Risk and Portfolio Management	100%						100%
Public Markets (Ex-Special Opportunities)	30%	60%	10%				100%
Special Opportunities	30%	10%	60%				100%
Private Equity	30%			70%			100%
Real Estate	30%				70%		100%
Energy Natural Resources & Infrastructure	30%					70%	100%
Trade Management	60%	40%					100%
Investment Operations	100%						100%
IMD Legal & Compliance	100%						100%

(1) From 10/1/2025, Active Public Markets will include all Global Equity investments, hedge funds, and Public SPN portfolios managed by Public Markets other than absolute return portfolios managed by Special Opportunities.

(2) Special Opportunities Absolute Return has a performance inception date of 10/1/2023.

ADDENDUM B

Performance Payout Allocation and Maximum Payout Targets vs. Peer Group Comparison

Fund Level	Total Fund	Public Markets All Country(1)	Private Equity	Real Estate	Risk Parity Portfolio	Total
Index	**TUCS Public Funds >$10 Billion Universe**	**TUCS Total Equity > $10 Billion Universe**	**TUCS Private Equity > $10 Billion Universe**	**TUCS Real Estate > $10 Billion Universe**	**Risk Parity Benchmark**	
Excess Return Target:	**75 bps**	**75 bps**	**175 bps**	**150 bps**	**30 bps**	
Executive	60%	10%	10%	10%	10%	100%
Risk and Portfolio Management	30%	10%	10%	10%	40%	100%
Public Markets	30%	70%				100%
Private Equity	30%		70%			100%
Real Estate	30%			70%		100%
Energy Natural Resources & Infrastructure	30%		35%	35%		100%
Trade Management	30%	30%	10%	10%	20%	100%
Investment Operations	60%	10%	10%	10%	10%	100%
IMD Legal & Compliance	60%	10%	10%	10%	10%	100%

(1) Performance inception 10/1/2025.

TAB 5

DATE: September 17, 2026

TO: Governance Committee

THROUGH: Brian Guthrie, Executive Director

FROM: Caasi Lamb, Deputy Director

RE: Pension Funding Policy

Item Type: Action

Purpose:
To request Board adoption of the revised Pension Funding Policy in accordance with the TRS Board Policy Review Schedule.

Executive Summary:
Staff recommends limited revisions to the policy as the core funding framework remains appropriate and continues to guide funding recommendations through the Legislative Appropriations Request (LAR) process. The proposed changes remove outdated provisions, clarify valuation timing related to the LAR, and make technical corrections.

Background:
State law requires public retirement systems to adopt funding policies. The TRS Board adopted its first Pension Funding Policy in December 2019 and reviewed it in 2022. The policy is now before the Board for its scheduled four-year review.

PowerPoint Presentation: No

Attachments:
Pension Funding Policy

Board of Trustees, Teacher Retirement System of Texas
Pension Funding Policy
Date: ~~December 13, 2019~~September 17, 2026
Interpretation Contact: Executive Director

Purpose

To formalize a funding policy, including a detailed plan that will systematically decrease the Unfunded Actuarial Accrued Liability (UAAL) ~~(Unfunded Actuarial Accrued Liability)~~ over time in order to achieve a funded ratio of the system that is equal to or greater than 100 percent.

References

- Tex. Gov't Code § 821.001 [Definitions]
- Tex. Gov't Code § 821.006, [Action Increasing Amortization Period]
- Tex. Gov't Code § 821.008 [Purpose of Retirement System]
- Tex. Gov't Code § 825.108 [Reports]
- Tex. Gov't Code § 825.206 [Actuary]
- Tex. Gov't Code § 802.2011 [Funding Policy]
- Tex. Gov't Code § 825.402 [Rate of Member Contributions]
- Tex. Gov't Code § 825.4035 [Employer Contributions for Certain Employed Members]
- Tex. Gov't Code § 825.404 [Collection of State Contributions]

Definitions

Actuarial Value of Assets: A smoothed value of the System's fair market assets on the valuation date, used for long term decision making.

Actuarial Liability: The target value of assets that would be needed in the trust as of the valuation date to be able to fully fund benefits based on past service.

Unfunded Actuarial Accrued Liability (UAAL): Any amount of the Actuarial Liability not covered by the Actuarial Value of Assets (positive difference between the two numbers).

Funded Ratio: The ratio of the Actuarial Liability currently covered by the Actuarial Value of Assets.

Benefit Enhancement: A monetary benefit ~~as described in Tex. Gov't Code § 821.006~~ that is provided to retirees, such as a cost-of-living adjustment (COLA) or one-time supplemental payment.

Board of Trustees means the Board of Trustees of the Teacher Retirement System of Texas as defined by Tex. Gov't Code § 821.001(5).

Policy

Consistent with its charge to protect the funds of the retirement system as required under Tex. Gov't Code § 821.008 and adopt a written funding policy under Tex. Gov't Code § 802.2011, the TRS Board of Trustees supports contribution and benefit policies that will systematically decrease the UAAL over time in order to achieve a funded ratio of the system that is equal to or greater than 100 percent. A declining UAAL over time will evidence that contribution and benefit policies are being implemented consistent with Tex. Gov't Code § 802.2011.

Funding Policy Measurements

Actuarial Valuation

The Board of Trustees will conduct and publish an actuarial valuation of the system's assets and liabilities as of August 31 of each year.

Mid-Year Valuation

The Board of Trustees will conduct and make public a limited actuarial valuation of the assets and liabilities of the retirement system as of February 28 in those years when the Texas Legislature meets in regular session.~~;~~

Unfunded Actuarial Accrued Liability (UAAL)

Both the actuarial valuation and the mid-year valuation will include a calculation of the extent to which the system's liabilities are unfunded as provided in Tex. Gov't Code § 825.108(b). The Board will annually assess the trend of the UAAL as part of every valuation.

Achieving the Stated Funding Objective of at Least 100% Funded

The primary goal of the pension plan is to accumulate sufficient assets and achieve a stated funding objective to pay promised benefits. This funding policy establishes the funding objective as equal to or greater than 100 percent funded and identifies the following detailed plan for achieving the funding objective:

- Contribution Stability and Predictability – The contribution rates ~~and scheduled increases,~~ for the state, public education employer, and member are prescribed ~~as described~~ in Tex. Gov't Code ~~§~~§ 825.402, 825.4035, and 825.404~~, are expected to eliminate the UAAL over a period of 29 years~~.

Eliminating the UAAL is predicated on the contribution increases being funded as set forth in statute. Therefore, the Board does not support legislative action that would reduce or fail to fund the statutory contribution rates.

- Legislative Appropriation Request (LAR) of Contribution Rates – In advance of the legislative session, TRS prepares an ~~legislative appropriation request (~~LAR~~)~~ with the requested contribution rate. ~~For the six fiscal years in which contribution rates are being increased under Tex. Gov't Code §§ 825.402, 825.4035, and 825.404, TRS will request a contribution rate consistent with Tex. Gov't Code § 825.404.~~

- ~~After the phase-in of all scheduled contribution rate increases, ~~T~~t~~he Executive Director, in consultation with the TRS Board of Trustees, will use the ~~and based on~~ most recent odd-numbered year ~~a current annual~~ actuarial valuation available during development of the LAR to~~, will~~ determine the appropriate contribution rate to request. ~~in the LAR, except that i~~If~~,~~ ~~after the phase-in of all contribution rates,~~ the ~~annual~~ valuation projects that the UAAL will not ~~-~~begin to decline by the fifth year following the valuation, then TRS will request contribution rate increases sufficient to begin to reduce the UAAL in the even-numbered fiscal year following the legislative session.

- Benefit Enhancements – 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 and pursuant to Tex. Gov't Code § 821.006.

Actuarial Assumptions and Methods

- -The external actuary of TRS will use the assumptions and methods approved by the Board in making the annual calculation of the UAAL, including the smoothed value of assets as of the valuation date.

- The assumptions and methods will be reviewed at least once every four years in an Experience Study, with the next one scheduled to follow the August 31, 2029~~1~~ actuarial valuation.

Board of Trustees, Teacher Retirement System of Texas
Pension Funding Policy
Date: September 17, 2026
Interpretation Contact: Executive Director

Purpose

To formalize a funding policy, including a detailed plan that will systematically decrease the Unfunded Actuarial Accrued Liability (UAAL) over time in order to achieve a funded ratio of the system that is equal to or greater than 100 percent.

References

- Tex. Gov't Code § 821.001 [Definitions]
- Tex. Gov't Code § 821.006, [Action Increasing Amortization Period]
- Tex. Gov't Code § 821.008 [Purpose of Retirement System]
- Tex. Gov't Code § 825.108 [Reports]
- Tex. Gov't Code § 825.206 [Actuary]
- Tex. Gov't Code § 802.2011 [Funding Policy]
- Tex. Gov't Code § 825.402 [Rate of Member Contributions]
- Tex. Gov't Code § 825.4035 [Employer Contributions for Certain Employed Members]
- Tex. Gov't Code § 825.404 [Collection of State Contributions]

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Board of Trustees means the Board of Trustees of the Teacher Retirement System of Texas as defined by Tex. Gov't Code § 821.001(5).

Policy

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- Legislative Appropriation Request (LAR) of Contribution Rates – In advance of the legislative session, TRS prepares an LAR with the requested contribution rate.

- The Executive Director, in consultation with the TRS Board of Trustees, will use the most recent odd-numbered year actuarial valuation available during development of the LAR to determine the appropriate contribution rate to request. If the valuation projects that the UAAL will not begin to decline by the fifth year following the valuation, then TRS will request contribution rate increases sufficient to begin to reduce the UAAL in the even-numbered fiscal year following the legislative session.

- Benefit Enhancements – 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 and pursuant to Tex. Gov't Code § 821.006.

Actuarial Assumptions and Methods

- The external actuary of TRS will use the assumptions and methods approved by the Board in making the annual calculation of the UAAL, including the smoothed value of assets as of the valuation date.

- The assumptions and methods will be reviewed at least once every four years in an Experience Study, with the next one scheduled to follow the August 31, 2029 actuarial valuation.

TAB 6

Legal & Compliance

Memorandum

DATE: September 17, 2026

TO: Governance Committee of the Board of Trustees (“Governance Committee”)

FROM: Heather Traeger, General Counsel and Chief Compliance Officer;
Katherine Farrell, Board Secretary

COPY: Brian Guthrie, Executive Director

RE: Bylaws to the Board of Trustees

Pursuant to the Policy Review Schedule, the review of the Bylaws has begun. In light of several evolving items, staff will bring any recommended changes for review to the Board in December.

TAB 7

Memorandum

DATE: September 18, 2026

TO: TRS Governance Committee

FROM: Katherine H. Farrell, Board Secretary

Through: Brian Guthrie, Executive Director

RE: *Consent Item* - Policy Review Schedule Update

ACTION REQUESTED

Staff asks the Governance Committee to:

• Conduct the review of TRS Board policy review schedule and adopt the proposed updates via the consent agenda.

BACKGROUND AND DISCUSSION

TRS Board Bylaws Subsection 3.1.5(e) provides that the Governance Committee (Committee) is to adopt and follow a plan of review for each fiscal year to ensure that all written TRS Board policies are reviewed periodically. To accomplish this requirement, the Committee adopts the Policy Review Schedule (Schedule), which provides for the regular review of all written board policies and is to be adopted every September.

Included in your materials are "redline" and "clean" copies of the Schedule. At the Committee meeting, Staff proposes for the Committee to adopt the following updates to the Schedule as a consent item as the proposed changes are non-substantive. For example, policies reviewed during FY 2026 the corresponding dates for the last and next review of the policy were updated. Two Board Policies titles were corrected to reflect their correct title as adopted by the Board. Additionally, the interval between comprehensive review for the Benefit Counseling Policy was corrected to list five years as was initially adopted by the Board.

The Schedule is only adopted at the Governance Committee level. Therefore, at the September meeting, the Governance Committee will consider updating the Schedule but will not make a recommendation on the matter to the full Board.

TEACHER RETIREMENT SYSTEM OF TEXAS
POLICY REVIEW SCHEDULE
APPROVED BY THE GOVERNANCE COMMITTEE SEPTEMBER 18, ~~2025~~2026

Board Policies	Staff Sponsor	Approximate Interval Between Comprehensive Reviews	Date of Last Policy Committee Comprehensive Review[i]	Date of Last Amendment	Date to Begin Next Review[ii]
Administrative					
Authorization to Approve and Sign Vouchers	Financial; Legal	3 years	April 2025	December 2018	April 2028
Performance Incentive Pay Plan	Executive Director; OE; Legal	1 year	September ~~2025~~2026	September ~~2025~~2026	September ~~2026~~2027
	Investments; OE; Legal		September ~~2025~~2026	September ~~2025~~2026	September ~~2026~~2027
Resolution Regarding Correction of Errors and Other Edits	Executive Director	5 years	September 2022	September 2012	September 2027
Rules of the Board of Trustees – Rule Review, Chapters 21–51	Legal; Finance; Pension; Health	4 years[iii]	September ~~2022~~2026	December 2022	April ~~2026~~2030[iv]
Litigation Policy	Legal	3 years	May 2024	May 2024	April 2027
Policy on Negotiated Rulemaking and Alternative Dispute Resolution	Executive Director; Legal	5 years	July 2023	July 2023	July 2028
Procurement Policy	Legal	3 years	July 2024	July 2024	July 2027

Board Policies	Staff Sponsor	Approximate Interval Between Comprehensive Reviews	Date of Last Policy Committee Comprehensive Review[i]	Date of Last Amendment	Date to Begin Next Review[ii]
At Will Employment	OE; Legal	10 years	September 2023	September 2023	September 2033
Member Engagement Policy	Communications	4 years	December 2024	December 2024	December 2028
Benefit Counseling Policy	Pension	~~2~~ 5 years	September 2024	September 2024	September ~~2026~~2029
Member and Employer Outreach Plan[v]	Communications; Pension	5 years	July ~~2021~~2026	July ~~2021~~2026	July ~~2026~~31
Inactive Account~~s~~ Outreach Policy[vi]	Pension	4 years	December 2021	December 2021	December ~~2025~~2029
Board Governance & Ethics					
Bylaws of the Board of Trustees	Legal	4 years	September 2022	~~December 2023~~April 2025	September 2026
Board Training Policy	Executive Director; OE	4 years	December 2022	December 2022	December 2026
Trustees External Communication Policy	Communica-tions	5 years	May 2024	May 2024	April 2029
Trustee Ethics Policy and Position Description	Legal	4 years	December ~~2021~~2025	December 2021	December ~~2025~~2029
Medical Board Policy	Pension; Legal	3 years	May 2024	May 2024	May 2027

BOARD POLICIES	STAFF SPONSOR	APPROXIMATE INTERVAL BETWEEN COMPREHENSIVE REVIEWS	DATE OF LAST POLICY COMMITTEE COMPREHENSIVE REVIEW[i]	DATE OF LAST AMENDMENT	DATE TO BEGIN NEXT REVIEW[ii]
TRS-Care Retirees Advisory Committee Policy	Health; Legal	3 years	May 2024	May 2024	May 2027
Pension Funding Policy	Executive	4 years	December 2022	December 2019	September 2026
EMPLOYEE & VENDOR ETHICS					
Designation of Key Employees	Executive Director	2 years	December ~~2023~~2025	December ~~2023~~2025	December ~~2025~~2027
Employee Ethics Policy (Including Conflict of Interest Disclosure Statement; Ethics Compliance Statement for Employees and Disciplinary Action Disclosure Statement)	Legal	4 years	December ~~2021~~2025	December ~~2021~~2025	December ~~2025~~2029
Code of Ethics for Contractors (Including Contractor Annual Ethics Compliance Statement, Expenditure Reporting Memorandum and Form, and Disclosure Statement for Brokers and Financial Advisors and Financial Providers)	Legal	4 years	April 2023	April 2023	April 2027
INVESTMENTS					
General Authority Resolution (GAR)	Financial, Legal; Investments	2 years	September 2025	September 2025	September 2027

Board Policies	Staff Sponsor	Approximate Interval Between Comprehensive Reviews	Date of Last Policy Committee Comprehensive Review[i]	Date of Last Amendment	Date to Begin Next Review[ii]
Investment Policy Statement	Investments	2 years	September 2025	June 2025	September 2027
Commission Credit Policy	Investments	3 years	December 202~~2~~5	December 201~~9~~5	December 202~~5~~8
Proxy Voting Policy	Investments	3 years	December 2025~~2~~	December 202~~2~~5	December 2028~~5~~
Securities Lending Policy	Financial; Investments	3 years	December 2025~~2~~	December 202~~2~~5	December 202~~5~~8

[i] Reviews scheduled or rescheduled to begin and to end at the meeting when the current Policy Review Schedule is approved are assumed to have been completed at that meeting, so that date is shown in this column, "Date of Last Governance Committee Comprehensive Review."

[ii] Initial review and discussion of the applicable policy occurs at the Board committee level on or about the date listed. Reviews may continue throughout one or more subsequent meetings.

[iii] Texas Gov't Code § 2001.039 requires a comprehensive rule review every four years.

[iv] The last review of the rules in Chapters 21-51 was completed on July 14, 2022. Subsequent Rule amendments and repeals recommended based upon this review.

[V] The Outreach Plan is required by statute to be reviewed and updated every five years. The plan provides for Communications to annually update the Board on the implementation of the plan.

[vi] Pension Services shall report on an annual basis regarding the outreach efforts including the number of notification letters sent and the number of accounts that have refunded or rolled over as a result of the efforts.

TEACHER RETIREMENT SYSTEM OF TEXAS
POLICY REVIEW SCHEDULE
APPROVED BY THE GOVERNANCE COMMITTEE SEPTEMBER 18, 2026

BOARD POLICIES	STAFF SPONSOR	APPROXIMATE INTERVAL BETWEEN COMPREHENSIVE REVIEWS	DATE OF LAST POLICY COMMITTEE COMPREHENSIVE REVIEW[i]	DATE OF LAST AMENDMENT	DATE TO BEGIN NEXT REVIEW[ii]
ADMINISTRATIVE					
Authorization to Approve and Sign Vouchers	Financial; Legal	3 years	April 2025	December 2018	April 2028
Performance Incentive Pay Plan	Executive Director; OE; Legal	1 year	September 2026	September 2026	September 2027
	Investments; OE; Legal		September 2026	September 2026	September 2027
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Member and Employer Outreach Plan[v]	Communications; Pension	5 years	July 2026	July 2026	July 31
Inactive Account Outreach Policy[vi]	Pension	4 years	December 2021	December 2021	December 2029
Board Governance & Ethics					
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Code of Ethics for Contractors (Including Contractor Annual Ethics Compliance Statement, Expenditure Reporting Memorandum and Form, and Disclosure Statement for Brokers and Financial Advisors and Financial Providers)	Legal	4 years	April 2023	April 2023	April 2027
INVESTMENTS					
General Authority Resolution (GAR)	Financial, Legal; Investments	2 years	September 2025	September 2025	September 2027
Investment Policy Statement	Investments	2 years	September 2025	June 2025	September 2027

BOARD POLICIES	STAFF SPONSOR	APPROXIMATE INTERVAL BETWEEN COMPREHENSIVE REVIEWS	DATE OF LAST POLICY COMMITTEE COMPREHENSIVE REVIEW[i]	DATE OF LAST AMENDMENT	DATE TO BEGIN NEXT REVIEW[ii]
Commission Credit Policy	Investments	3 years	December 2025	December 2015	December 2028
Proxy Voting Policy	Investments	3 years	December 2025	December 2025	December 2028
Securities Lending Policy	Financial; Investments	3 years	December 2025	December 2025	December 2028

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[i] Reviews scheduled or rescheduled to begin and to end at the meeting when the current Policy Review Schedule is approved are assumed to have been completed at that meeting, so that date is shown in this column, "Date of Last Governance Committee Comprehensive Review."

[ii] Initial review and discussion of the applicable policy occurs at the Board committee level on or about the date listed. Reviews may continue throughout one or more subsequent meetings.

[iii] Texas Gov't Code § 2001.039 requires a comprehensive rule review every four years.

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[V] The Outreach Plan is required by statute to be reviewed and updated every five years. The plan provides for Communications to annually update the Board on the implementation of the plan.

[vi] Pension Services shall report on an annual basis regarding the outreach efforts including the number of notification letters sent and the number of accounts that have refunded or rolled over as a result of the efforts.

TAB 8

Legal & Compliance

Proposed Tuition Reimbursement Rule

Presentation Date

Sept. 17, 2026

Presented By

Heather Traeger, General Counsel

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Proposed Tuition Reimbursement Rule

Texas Government Code 656.048 requires state agencies to adopt rules relating to tuition reimbursement. The rules are required to include:

- Eligibility of the agency's employees for training and education supported by the agency.
- The obligations assumed by the administrators and employees on receiving the training and education.
- The executive head of the agency must authorize a tuition reimbursement.

Proposed Tuition Reimbursement Rule

Government Code 656.048	TRS Rule 51.16
Section 656.048(a): *"A state agency shall adopt rules relating to:* *(1) The eligibility of the agency's administrators and employees for training and education supported by the agency; and* *(2) The obligations assumed by the administrators and employees on receiving the training and education."*	*(a) The Teacher Retirement System of Texas (TRS) may use public funds to provide training and education for its administrators and employees. The training or education must be related to the duties or prospective duties of the administrator or employee.* *(b) TRS may only reimburse the tuition expenses of an administrator or employee of the system who seeks reimbursement if the administrator or employee successfully completes a training or education program offered by an accredited institution of higher education.* *(c) Before an administrator or employee can be reimbursed, the executive director must authorize the reimbursement payment.* *(d) As pursuant to Subchapter D of Chapter 656, Government Code, TRS shall adopt a policy governing the training of employees that provides clear and objective guidelines to govern tuition reimbursement for an administrator or employee and address tuition reimbursement for nontraditional training.*
Section 656.048(b): *"A state agency shall adopt rules requiring that before an administrator or employee of the agency may be reimbursed under Section 656.047(b), the executive head of the agency must authorize the tuition reimbursement payment."*	

Legal & Compliance

Memorandum

DATE:	Thursday September 17, 2026
TO:	Policy Committee of the TRS Board of Trustees (“Governance Committee”)
FROM:	Heather Traeger, General Counsel & Chief Compliance Officer
THROUGH:	Brian Guthrie, Executive Director
RE:	Proposed Amendment: 34 Texas Administrative Code § 51.16

Requested Action

TRS Staff asks the Governance Committee to recommend that the Board of Trustees (“Board”) authorize publication in the *Texas Register* of proposed TRS Rule § 51.16 relating to Tuition Reimbursement.

Summary of Proposed Rule

Chapter 656 of the Government Code requires state agencies to adopt rules relating to the eligibility of the agency’s employees for training and education supported by the agency and the obligations assumed by the administrators and employees on receiving the training and education. For years, TRS has had a Tuition Reimbursement and Assistance Program (“Program”) and a Learning and Development Policy (“Policy”) to address Chapter 656 and other statutory requirements, including eligibility requirements for employees, eligible expenses, the application process, and the reimbursement process. TRS did not, however, adopt a rule. Upon further recent review of the statute, TRS has concluded that it is prudent to have a rule. Accordingly, TRS Staff recommends proposing TRS Rule § 51.16 to conform with the statutory requirements under Government Code § 656.048.

The proposed rule, if authorized, will be published in the *Texas Register*. Public comment will be open for at least 30 days before presentation to the Governance Committee and Board of Trustees. The rule would be brought back to the Board for consideration of adoption, including addressing any public comments, in December 2026.

The proposed language of the rule is attached as Appendix A. The Current TRS Program is attached as Appendix B. The Policy is attached as Appendix C.

Appendix A

§51.16. TUITION REIMBURSEMENT

(a) The Teacher Retirement System of Texas (TRS) may use public funds to provide training and education for its administrators and employees. The training or education must be related to the duties or prospective duties of the administrator or employee.

(b) TRS may only reimburse the tuition expenses of an administrator or employee of the system who seeks reimbursement if the administrator or employee successfully completes a training or education program offered by an accredited institution of higher education.

(c) Before an administrator or employee can be reimbursed, the executive director must authorize the reimbursement payment.

(d) As pursuant to Subchapter D of Chapter 656, Government Code, TRS shall adopt a policy governing the training of employees that provides clear and objective guidelines to govern tuition reimbursement for an administrator or employee and address tuition reimbursement for nontraditional training.

Appendix B

Tuition Reimbursement and Assistance Program

Purpose

To promote continuous learning and employee development through job-related education by providing tuition reimbursement for college or university coursework.

Applies To

All TRS employees who:

- Have successfully completed the TRS probationary period prior to submitting their application.
- Are not on correction action (NOTE: This may be waived if the course requested is approved by the manager as an appropriate strategy for addressing a performance issue).

Definitions

Accreditation: A process of certification used by educational institutions to assess programs for quality assurance, competency, authority, and credibility.

Final Grade Report: A grade report issued by an educational institution that shows the number of hours and title(s) of the course(s) in which the employee was enrolled, the grade(s), and number of credit hours.

Paid Fee Receipt: An itemized receipt issued by an educational institution that shows the total amount of tuition and required fees paid by the employee, including scholarships and financial aid.

Probationary Status: The first six-month period worked at TRS as a "regular employee," or the six months following the most recent employment date for a rehired employee.

NOTE: Occasionally, these periods may be extended as provided in the *Probationary Employment* policy. If the period is extended, probationary status as used in this policy includes the extended period.

Regular Employees: Full-time and part-time salaried or hourly employees (excluding temporary/seasonal employees and temporary contract workers).

Request Period: The time when TRS accepts tuition reimbursement requests for coursework beginning in specified months. There are three request periods per fiscal year (see the table below in the Application and Approval Process section).

Satisfactory Course Completion: A grade of "B" or better, or "pass" for pass-fail coursework.

Term: A semester, quarter, or other academic session established by an accredited educational institution.

Policy

To the extent funds are available, TRS will reimburse preapproved tuition expenses and required fees, up to a maximum of $3,000 per fiscal year, with no more than $1,500 per request period, to employees who satisfactorily complete eligible coursework.

TRS's approval of education assistance is in no way a guarantee of employment, reassignment, or promotion to any position within TRS. TRS approval for reimbursement is not considered approval to attend class or complete required coursework during work hours. When possible, classes should be scheduled outside of work hours. Class attendance during the employee's work hours must be approved by the employee's manager and must be taken in accordance with the *Leave* and *Flexible Scheduling* policies.

Authorization for tuition reimbursement is limited to courses taken in a single request period. Reimbursement for coursework taken in subsequent request periods must be applied for and approved separately.

Eligibility Requirements

Coursework must be of at least one term's duration and eligible for undergraduate or graduate college credit. Coursework must be taken through an accredited educational institution through instructor-led or online delivery methods and must either be:

- Directly related to improving the employee's knowledge needed and skills required for the employee's current or prospective job responsibilities at TRS; **or**
- Required for a degree that is applicable to the employee's current or prospective job responsibilities.

Employees have the responsibility to confirm the credentials of the educational institution prior to requesting approval for tuition reimbursement.

Eligible Expenses and Funding

The Tuition Reimbursement Program is administered through the Organizational Excellence (OE) department, which budgets funds based on projected need and financial considerations. There may be times when funds are insufficient to fully meet all requests for reimbursement received during a particular agency budget cycle.

If funds later become available, all requests that were previously denied for lack of funds will be reconsidered and the newly available funds will be allocated according to the order in which the requests were originally received.

NOTE: Individual departments do not budget funds for educational assistance.

Only tuition and required fees are eligible for reimbursement. The following expenses are **not** eligible for reimbursement:

- Application and graduation fees
- Transcript fees
- Fees for dropped classes
- Transportation costs
- Courses taken on an audit basis
- Books, parking, and other incidental expenses
- **Reimbursements paid through other sources (e.g., G.I. Bill, grants or scholarships)**

Application and Acknowledgment Process

To apply, employees fill out the Tuition Reimbursement Program Form (TRS 65), located on the TRS intranet, then forward the form to their manager for approval. Once both employee and manager have completed their portions of the form, the employee forwards the form with supporting documentation to OE for review. Required documentation includes the following:

- Statement of tuition charges and required fees
- Paid fee receipt
- Catalog course description of course(s) requested for tuition reimbursement
- W9 for institution (if requested)

OE reviews the form along with the supporting documentation and emails the employee of approval or denial.

Tuition reimbursement requests are approved on a first-come, first-served basis during the following three request periods per fiscal year.

Request Period	For Courses Starting in:	TRS Begins Accepting Requests on the First Working Day of:	TRS Ceases Accepting Requests on the Last Working Day of:
1 - Fall	August, September, October, November	July	November
2 - Spring	December, January, February, March, April	November	April
3- Summer	May, June, July	April	July

Once all funds have been allocated, no new requests will be approved.

Reimbursement Process

Upon successful completion of the course(s) with a grade of "B" or better, the employee submits a final grade report (within 60 calendar days of course completion) to OE for review and approval for payment. If approved, OE forwards the tuition reimbursement form, official grade report and supporting documentation to the executive director for review and approval. If approved, the Executive Director returns the approved form and supporting documentation to OE. OE forwards the approved form and supporting documentation to the Payable team for processing.

Should an employee receive a grade of "incomplete," the course must be satisfactorily completed by the end of the next term to be eligible for reimbursement consideration.

Reimbursement is contingent upon continued satisfactory job performance.

Reimbursement will occur only if the employee is still employed by TRS, has not submitted notice of resignation, and has an intent to remain an employee of TRS.

Courses Taken at Agency Request

Due to high-priority business or skill needs, TRS senior management may request an employee to complete a specific course, series of courses, or degree program at agency request. Under these circumstances, the following applies:

- Limitations regarding reimbursement request periods and maximum reimbursement amounts are waived;
- All expenses to the employee related to completing the requested course, series of courses, or degree program shall be reimbursed, including:
  - travel costs
  - examinations and administrative fees
  - textbooks and other course materials (NOTE: Any books or materials paid for by TRS become the property of the agency).
- Courses designated to be taken at agency request must be approved by the respective division director, Chief Organizational Excellence Officer, and Executive Director.

Tax Treatment

Tax treatment of reimbursement is determined by applicable IRS laws, regulations, and interpretation at the time reimbursement is made and is subject to change.

Employees requesting education assistance are responsible for any tax consequences that result from the educational benefit received.

Appendix C

Learning and Development Policy

Purpose

To enhance employee effectiveness in fulfilling the mission of TRS and to achieve organizational continuity and development.

Applies To

- All TRS employees
- Non-TRS workers who may need to complete training required for certain jobs

Definitions

Compliance Training: Training required by federal or state laws or regulations, Texas Administrative Code or TRS policies.

Non-TRS worker: An individual who provides services to TRS but is not a TRS employee and for whom TRS is not the employer of record. The three types of non-TRS workers are contract workers, unpaid interns and volunteers.

General Statement

Employees are generally responsible for their own learning and development and the maintenance of job-required certifications.

At the discretion and with the approval of the employee’s manager, each TRS employee is eligible to participate in learning and development activities that are related to their current duties or prospective duties.

TRS provides a wide range of learning and development opportunities to improve individual and organizational effectiveness and to fulfill legal and regulatory compliance standards. Training opportunities may include new employee onboarding, training required for some non-TRS workers, on-the-job training, onsite and virtual classroom training, self-study resources including those online, external training programs, training available through other state agencies and the TRS Tuition Reimbursement and Assistance Program (see the *Tuition Reimbursement and Assistance Program* policy).

Employee participation in learning and development activities involving a fee is contingent on the availability of budgeted funds and managerial approval.

Time spent participating in authorized or required learning and development activities directly related to current duties is considered time worked. Employees who receive approval to participate in learning and development activities unrelated to their current job duties may be required to use annual (vacation) or compensatory leave to attend the activities.

TRS's approval of participation in learning and development activities should in no way be considered a contract of employment, continued employment or a guarantee of reassignment or promotion to any position within TRS for any length of time, including the duration of the training.

Special Restrictions

Generally, TRS does not approve long-term learning and development activities of three or more months during which an employee is paid but does not perform regular duties because of learning and development. Any exception requires compliance with applicable state law, the written approval of the executive director and compliance with the following Special Restrictions required by Government Code 656.103.

In the event of such an exception, the employee must agree in writing before the learning and development begins to:

- work for TRS following the learning and development for at least one month for each month the training lasted; or
- reimburse TRS for all costs associated with the learning and development, including any paid salary not accounted for as paid vacation or compensatory leave.

The TRS Board of Trustees has the authority to waive the above requirements under certain circumstances and release the TRS employee from the obligation to meet those requirements.

Compliance Training

All new employees are required to complete compliance training on specific topics, and all TRS employees are required to periodically complete refresher or supplemental compliance training on specific topics. Additional compliance training may be required of some employees, depending on their job responsibilities. An employee may also be required to participate in compliance training activities as a condition of employment or continued employment.

Organizational Excellence (OE) will notify the employee's manager if an employee fails to complete required compliance training.

Upon notice by OE that an employee has not completed compliance training, managers are responsible for working with the employee to ensure compliance training is completed.

Trainers, whether managers or internal subject-matter experts, are responsible for coordinating with OE whenever compliance training is provided to employees so the compliance training will be documented in employee training records by OE. Trainers will coordinate with OE to ensure attendance is recorded.

Internal subject-matter experts are responsible for coordinating with OE whenever the subject-matter experts develop compliance training so that it may be reviewed and approved by OE.

Compliance Training Chart

Note: This is not an all-inclusive list and may be subject to changes.

Required Training	Policy Referenced	Frequency
Employment Discrimination and Sexual Harassment training for State Employees	Equal Employment Opportunity Prohibiting Workplace Harassment and Discrimination Workplace Accommodations HIV and AIDS in the Workplace	New employees within 30 days of hire date Refresher for all employees every two years
Ethics Awareness	Employee Ethics Policy	New employees and non-TRS workers within 30 days of hire date Refresher for all employees and non-TRS workers every year
Fraud, Waste and Abuse Prevention	Fraud, Waste, and Abuse	New employees within 30 days of hire date Refresher for all employees and non-TRS workers every two years .
Health Insurance Portability and Accountability Act (HIPAA)	HIPAA Privacy Rule Policies and Procedures HIPAA Security Rule Policies and Procedures	New employees within 30 days of hire date Employees and non-TRS workers who regularly handle Protected Health Information (PHI) receive additional training in their business unit as necessary to carry out their job functions When there is a material change in policy or procedure Refresher for all employees and non-TRS workers every year
Information Security Awareness	Information Security Manual Information Security Policy Mobile Device Policy	New employees within 30 days of hire date Ongoing Information Security education program for all users is required by TAC 202.27. TRS updates the Information Security Plan annually and provides training as needed Refresher for all employees every year
Records and Information Management	Records Management Program	New employees within 30 days of hire date Refresher for all employees and non-TRS workers every year
Personal Trading Policy	Personal Trading Policy	New employees within 30 days of hire date Covered Persons periodically thereafter as determined by the executive director Refresher for all employees and non-TRS workers every year

Corrective Action

Employees who fail to satisfactorily complete required compliance training may be subject to corrective action, up to and including termination.

Internal Learning and Development Options

Internal Training Classes. OE coordinates internal training activities in a variety of general business topics. Classes are offered as needed based on periodic assessment of TRS's training needs and the availability of instructors, materials and budget.

Self-Study Resources. OE maintains a library of books on a variety of topics that are available for employees to check out. Employees may use these for a limited time and are responsible for returning borrowed items in good condition. If items are returned damaged, the employee must reimburse TRS.

External Training Options

Each employee is granted access to LinkedIn Learning, an online platform with video courses on thousands of topics.

If a learning and development need cannot be met through internal options and funds are available, at the discretion of the employee's manager OE will assist in identifying an appropriate learning strategy by researching and recommending appropriate external resources. These may include online learning and development options, learning and development offered by other state agencies, or training provided by a vendor either at TRS or offsite.

Programs involving travel are contingent upon available budgeted funds and should be approved only when comparable learning and development is not available locally, as determined by the manager.

Employees who register for external learning and development activities are considered to have made a commitment to attend. An employee who fails to attend without a valid reason, as determined by TRS, must reimburse TRS for any expenses incurred. It is the registered employee's responsibility to notify OE and Accounts Payable in writing when a cancellation becomes necessary. An employee who leaves TRS employment before completing a learning and development program may be requested to reimburse the agency for any cost incurred related to the program.

Additionally, employees may be required to commit to remain employed with TRS for a certain period after conclusion of some training or certification opportunities or reimburse TRS for the training or certifications. More information will be available when the training or certification request is submitted.

Professional Certifications

At the discretion of OE and executive management, if funding is available in the division or department, TRS may provide financial assistance to employees working to attain or maintain professional certification.

Employees may be required to commit to remain employed with TRS for a certain period after conclusion of some training or certification opportunities or reimburse TRS for the training or certifications. More information will be available when the training or certification request is submitted.

Employees interested in requesting approval for funding to obtain or maintain a professional certification should contact their manager.

TAB 9

Legal & Compliance

Rule Review Amendments & Repeals

Presentation Date

Sept. 17, 2026

Presented By

Heather Traeger, General Counsel
Nick Gonzalez, Senior Pension Counsel

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

2026 Rule Review Implementation

- TRS completed its four-year rule review on **Jul. 23, 2026.** The adopted rule review was published in the *Texas Register* on **Aug. 7, 2026**.

- Based on rule review, staff recommends TRS proceed with **54 proposed amended rules and repeals** in the following chapters of TRS Rules.

Ch. 21	Ch. 25	Ch. 27	Ch. 29	Ch. 31	Ch. 39	Ch. 43	Ch. 47
1	8	1	1	8	1	33	1

= *Entire chapter recommended for repeal*

- The proposed amendments and repeals are minor, nonsubstantive changes necessary to:
    - Remove obsolete provisions or rules;
    - Correct typographical errors;
    - Update references.

Rule Review Implementation: Next Steps

1. Publish proposed amendments and repeals in *Texas Register* for public comment.

2. TRS staff review and consider public comments, if any, and present proposed rules for adoption to the Governance Committee at December 2026 meeting

3. TRS Board of Trustees approves adoption of proposed amendments and repeals, and the adopted rules are published in the *Texas Register*

4. TRS staff presents next set of proposed rule review implementation rule proposals to Governance Committee at the April 2027 meeting.

TEACHER RETIREMENT SYSTEM OF TEXAS

Legal & Compliance

Memorandum

DATE: Sept. 17, 2026

TO: Governance Committee of the Board of Trustees ("Governance Committee")

FROM: Heather Traeger, General Counsel & Chief Compliance Officer

COPY: Brian Guthrie, Executive Director

RE: Proposed Amended Rules: TRS Rules §§ 25.24, 25.66, 25.75, 25.82, 27.8, 31.2, 31.3, 31.12, 31.13, 31.15, 31.18, 31.19, 43.1, 43.2, 43.3, 43.5, and 43.106.

Proposed Repealed Rules: TRS Rules §§ 21.1, 25.34, 25.84, 25.86, 25.163, 29.63, 31.16, 39.1, 43.201, 43.202, 43.203, 43.204, 43.205, 43.206, 43.207, 43.208, 43.209, 43.210, 43.211, 43.212, 43.213, 43.214, 43.215, 43.216, 43.217, 43.218, 43.219, 43.220, 43.221, 43.222, 43.223, 43.224, 43.225, 43.226, 43.227, 43.228, and 47.16.

Requested Action

TRS Staff asks the Governance Committee to authorize publication in the *Texas Register* of the following proposed amendments to the following rules:

- TRS Rules §§ 25.24, 25.66, 25.75, 25.82, 27.8, 31.2, 31.3, 31.12, 31.13, 31.15, 31.18, 31.19, 43.1, 43.2, 43.3, 43.5, and 43.106.

In addition, TRS Staff asks the Governance Committee to authorize publication in the *Texas Register* of the proposed repeal of the following rules:

- TRS Rules §§ 21.1, 25.34, 25.84, 25.86, 25.163, 29.63, 31.16, 39.1, 43.201, 43.202, 43.203, 43.204, 43.205, 43.206, 43.207, 43.208, 43.209, 43.210, 43.211, 43.212, 43.213, 43.214, 43.215, 43.216, 43.217, 43.218, 43.219, 43.220, 43.221, 43.222, 43.223, 43.224, 43.225, 43.226, 43.227, 43.228, and 47.16.

A complete description of the proposed amended and repealed rules can be found in the attached Appendix A.

Background and Reasons for Proposed Amended and Repealed Rules

The TRS Board of Trustees approved TRS' adopted four-year rule review at the board's July 16, 2026 meeting, and TRS' adopted rule review was published in the *Texas Register* on Aug. 7, 2026. In that adopted rule review, TRS determined that 94 current TRS rules should either be repealed or readopted with changes.

The proposed amended and repealed rules listed are based on the adopted rule review and include 54 of 94 rules recommended for amendment or repeal during the review. The 17 proposed amended rules only include minor editorial changes or updates, such as the correction of typos, deletion of outdated provisions, or updating TRS' street address. The 37 proposed repealed rules include rules that are obsolete or unnecessary.

As stated, a complete description of the proposed amended and repealed rules can be found in the attached Appendix A. Redline versions of the proposed amended and repealed rules can be found in Appendix B, and clean versions of the proposed amended rules can be found in Appendix C.

Conclusion

If the Governance Committee authorizes publication, the proposed amended rules will be published in the *Texas Register* for public comment for at least 30 days before presentation to the Governance Committee and TRS Board of Trustees for final adoption.

Appendix A – Summary of Proposed Amendments & Repeals

Proposed Amended Rules

§25.24	Performance Pay	Delete references to how performance pay was credited in the 2011-2012 school year and before. Remove subsection (b) as it only partially lists the requirements for what a total compensation plan must provide under Gov't. Code § 822.201 and the requirements already exist in statute.
§25.66	Application for Military Credit	Update TRS' street address.
§25.75	Application for Eligible Active Military Duty under the Uniformed Services Employment and Re-Employment Rights Act	Update TRS' street address.
§25.82	Cost	Delete subsections (g) & (h) as these subsections relate to a cost for out-of-state service credit that has not been available since Aug. 31, 2013.
§27.8	Reinstatement of Membership and Service Credit by ORP Participants	Subsection (a) is no longer necessary as the election period is over, and this subsection is not necessary to administer the reinstatement language of subsection (b).
§31.2	Monthly Certified Statement	Subparagraph (e)(2)(D) can be deleted because it references the EAR exception in Gov't. Code §824.6021 that expired on Feb. 1, 2025. Also, there is a minor typo in paragraph (d)(4) ("pat" instead of "past")
§31.3	Return-to-Work Employer Pension Surcharge	Paragraph (b)(5) can be deleted because it references the EAR exception in Gov't. Code §824.6021 that expired on Feb. 1, 2025.
§31.12	Substitute Service	Remove the "in-class monitoring" definition of substitute as this was an exception created during COVID when remote learning was common. This exception is no longer used.
§31.13	One-half Time Employment	Correct the typographical error in subsection (e)
§31.15	Tutors under Education Code § 33.913	Correct the typographical errors in subsection (b)
§31.18	Combining EAR Exceptions	Remove references to the former EAR exception under Gov't. Code § 824.6021 as that statute expired on Feb. 1, 2025.

§31.19	Combining EAR Exceptions and Employer Surcharges	Remove references to the former EAR exception under Gov't. Code § 824.6021 as that statute expired on Feb. 1, 2025.
§43.1	Applicability	Remove reference in subsection (c) to ALJ's not employed by SOAH because TRS does not contract with independent ALJs and is repealing Subchapter C, which governs those hearings.
§43.2	Definitions	Remove reference in paragraph (1) to ALJ's not employed by SOAH because TRS does not contract with independent ALJs and is repealing Subchapter C, which governs those hearings.
§43.3	Filing of Documents	Delete subsection (c) as it references ALJ's not employed by SOAH. TRS does not contract with independent ALJs and is repealing Subchapter C, which governs those hearings. Update TRS street address.
§43.5	Extensions	Delete subsection (e) and amend subsection (f) as they reference ALJ's not employed by SOAH. TRS does not contract with independent ALJs and is repealing Subchapter C, which governs those hearings.
§43.106	Authority to Grant Relief	Amend subsection (b) as it references ALJ's not employed by SOAH. TRS does not contract with independent ALJs and is repealing Subchapter C, which governs those kinds of hearings.

Proposed Repealed Rules

§21.1	Statement of Policy	This rule has no substantive requirements and is not necessary. As this is the only rule in Chapter 21, the chapter will also be repealed.
§25.34	Membership Waiting Period	This rule is a remnant of the previous iteration of the rule that explained how to administer member reporting during the 90-day waiting period that only

		existed from 9/1/2003 to 8/31/2005. The relevant provision now simply provides that employers must pay employer contributions during an employee's first 90 days and TRS has other rules that address this point.
§25.84	Crediting Fees	The requirement supporting this rule was removed from Gov't. Code § 825.308 in 2005; moreover, the cost for out-of-state service no longer includes fees.
§25.86	Computing Average Compensation	Recommending repeal as it is redundant with Gov't. Code 823.401(g).
§25.163	Service Credit Purchase	Rule 25.163 is an unnecessary rule that relates to a type of service credit purchase that has not been available since 2006.
§29.63	Deadline for Purchase of Special Service Credit	Rule 29.63 contains a deadline for service credit purchases by members who elected DROP and states the service credit must be purchased before DROP is elected (with some exceptions). As no one has been able to elect DROP since 2005, a rule containing this deadline is no longer necessary. Rule 29.63(b) also contains a 12/31/01 deadline for service credit purchases by certain DROP participants, which has passed.
§31.16	Federally-funded COVID-19 Personnel	The underlying statute for this rule (Gov't. Code §824.6021) expired on Feb. 1, 2025.
§39.1	Establishment of Date of Birth	This rule only provides a non-exclusive list that does not require a rule for TRS to implement. As this is the only rule in Chapter 39, the chapter will be repealed as well.
§43.201	Applicability	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.202	Form of Pleadings	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to

		SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.203	Filing of Pleadings and Amendments	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.204	Briefs	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.205	Motions	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.206	Discovery	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.207	Notice of Hearing and Other Action	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.208	Agreements to be in Writing	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.209	Motion for Consolidation	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.210	Additional Parties	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.

§43.211	Appearance and Representation	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.212	Lead Counsel	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.213	Powers of the Administrative Law Judge	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.214	Prehearing Conference and Orders	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.215	Conduct of Hearing	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.216	General Admissibility	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.217	Exhibits	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.218	Pre-filed Direct Testimony in Disability Appeal Proceedings	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.219	Limit on Number of Witnesses	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to

		SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.220	Failure to Appear	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.221	Conduct and Decorum at Hearing	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.222	Official Notice	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.223	Recording of the Hearing; Certified Language Interpreter	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.224	Dismissal without Hearing	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.225	Summary Disposition	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.226	The Record	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§43.227	Findings of Fact	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.

§43.228	Reopening of Hearing	Gov't. Code § 825.115(c) authorizes TRS to contract with an ALJ or hearing examiner for a TRS pension appeal in lieu of sending the matter to SOAH. TRS does not use this process, and this rule only pertains to this option.
§47.16	Effective Date of TRS Review of Orders	This rule only pertains to QDROs received prior to 1989 that have not yet been reviewed. TRS is aware of no remaining applications of this rule.

TITLE 34. PUBLIC FINANCE
PART 3. TEACHER RETIREMENT SYSTEM OF TEXAS

CHAPTER 21. PURPOSE AND SCOPE **[REPEAL]**

§21.1. Statement of Policy. [REPEAL]

[~~(a) The rules of the Teacher Retirement System of Texas (TRS) have been arranged generally according to subject matter and placed in numbered sections. Many of the rules are pertinent to and affect more than one of the subjects listed in the section headings. No attempt has been made to include under each heading all of the policies or rules which might be pertinent to that heading. The fact that a rule is included under one heading shall not in any manner limit its application to subjects treated under other headings.~~

~~(b) These rules are statements of policies in matters over which the board is given authority by applicable statutes and of interpretations in matters where the meaning of the law is not readily apparent. They do not include matters in which the board considered the intent of the law to be unmistakably clear. For this reason, these rules should be used in conjunction with other applicable provisions of law.~~]

CHAPTER 25. MEMBERSHIP CREDIT
SUBCHAPTER B. COMPENSATION

§25.24. Performance Pay.

(a) Annual compensation includes performance pay earned under a total compensation plan specifically approved by vote of the governing board of an employer. Such approval must be reflected in the minutes of the governing board. Any employer reporting to the retirement system is considered a school district for the purposes of this section.

[~~(b) For purposes of including performance pay as a part of annual compensation under this rule, a total compensation plan must describe all elements of compensation received by all employees of the employer.~~]

(b) [~~(c)~~] Performance pay is compensation for service as an employee in a Texas public educational institution that is paid under a valid employment agreement based upon a performance standard published in written documents adopted by the employer. The performance standard may be based on evaluations or goal achievement of the individual employee or of the group in which the individual belongs. Beginning on the first day of the 2011-2012 school year and thereafter, specific amounts of performance pay will be credited to the year in which the performance pay is paid. [~~For school years prior to the 2011-2012 school year, specific amounts of performance pay will be credited to the year in which the standards establishing the right to the performance pay are met or in which the service occurred, whichever is earlier. Performance pay paid in the 2011-2012 school year that is based on service rendered prior to the 2011-2012 school year will be credited to the school year in which the standards establishing the right to the performance pay are met or the school year in which the service occurred, whichever is earlier.~~]

(c) [~~(d)~~] An employer shall certify each year to the retirement system, by a date specified by the system on a form prescribed by TRS, whether it is providing performance pay under this section. A district that has properly made this certification shall report all qualifying performance pay as compensation and make appropriate deductions for member contributions unless the retirement system advises the employer that such pay does not qualify as performance pay under this rule. Employer shall maintain records that show it provides such pay for a period not less than 7 years after such pay is reported to the retirement system.

(d) [~~(e)~~] Beginning on the first day of the 2011-2012 school year and thereafter, performance pay earned during the school year in which the member retires or any previous school year and paid after the member has begun receiving retirement benefits is not creditable by TRS and will not be used in any benefit calculation. [~~For~~

~~school years prior to the 2011-2012 school year, if performance pay earned during the school year in which the member retires is paid after the member has begun receiving retirement benefits, any benefit adjustment needed will be made effective the month following the month in which TRS receives the deposits for the performance pay, subject to any applicable limits under 26 United States Code §415.~~]

§25.34. Membership Waiting Period. [REPEAL]

~~[An employee subject to the 90-day waiting period in effect from September 1, 2003, through August 31, 2005, may be eligible to receive a year of TRS service credit if the employee was employed in a TRS-covered position and participated as a contributing member of TRS for the amount of time in a school year required by this title, including §25.1 of this title (relating to Full-Time Service) and §25.131 of this title (relating to Required Service). Employment service prior to the date on which a person is eligible for TRS membership may not be used to meet the minimum requirements for service creditable in a school year unless a member purchases it in accordance with applicable requirements. A member may not establish a membership start date earlier than the end of the 90-day waiting period by purchasing the service credit described in this section.]~~

CHAPTER 25. MEMBERSHIP CREDIT
SUBCHAPTER E. MILITARY SERVICE

§25.66. Application for Military Credit.

Members desiring to make deposits for military credit should request in writing to be billed for the cost of the credit. Requests should be addressed to Teacher Retirement System of Texas, PO Box 149676, Austin, Texas 78714-0185 [~~1000 Red River Street, Austin, Texas 78701-2698~~]. Included with the request should be a certified or legible unaltered copy or copies of the member's military service record showing the dates and nature of the member's active duty. The system may require the member to make available to it such other evidence as may be required to establish the member's eligibility for service credit and the amount of deposits due. When the system determines the duty eligible for credit, it shall bill members for the total amounts of deposits and fees due for the credit at the last address of the member of which the system has record. The member must return the bill to the system with the total amount due for the military duty credit or with an installment payment agreement and all subsequent installment payments due. Deposits for military duty credit will not be accepted after date of death, except to the extent permitted under the laws and rules governing installment payments, or date of service retirement of a member.

CHAPTER 25. MEMBERSHIP CREDIT
SUBCHAPTER F. VETERAN'S (USERRA) SERVICE CREDIT

§25.75. Application for Eligible Active Military Duty under the Uniformed Services Employment and Re-Employment Rights Act.

Members desiring to make deposits for service or compensation credit for eligible military duty under the Uniformed Services Employment and Re-Employment Rights Act (USERRA) should request in writing to be billed for the cost of the credit. Requests should be addressed to Teacher Retirement System of Texas, PO Box 149676, Austin, Texas 78714-0185 [~~1000 Red River Street, Austin, Texas 78701-2698~~]. Included with the request should be a certified or legible unaltered copy or copies of the member's military service record showing the dates and nature of the member's military duty. Also included with the request should be a certification of the date of the member's application for reemployment with a Teacher Retirement System of Texas (TRS) covered employer or other proof of the date of employment with a TRS covered employer. The system may also require the member to make available to it such other evidence as may be required to establish the member's eligibility under the USERRA and §25.71 of this title (relating to Service Credit for Eligible Active Military Duty under the Uniformed Services Employment and Re-Employment Rights Act) for service credit and the amount of the deposits due. When the system determines the duty is eligible for credit, it shall bill the member for the total amounts of deposits and fees due for the credit at the last address of the member of which the system has record. The member must return the bill to the system with the total amount due for the eligible credit or with an installment payment agreement and all subsequent installment payments due. Deposits for military duty eligible for credit under the USERRA and §25.71 of this title must be made no later than five years after the date of re-employment or application for re-employment, subject to any additional period available under USERRA.

CHAPTER 25. MEMBERSHIP CREDIT
SUBCHAPTER G. PURCHASE OF CREDIT FOR OUT-OF-STATE SERVICE

§25.82. Cost.

(a) The [~~Except as provided by subsections (g) and (h) of this section, the~~] cost of establishing out-of-state service credit is the actuarial cost, as determined by TRS, of the additional standard annuity retirement benefits that would be attributable to the out-of-state service credit purchased under this section.

(b) To calculate the actuarial cost, TRS will use the cost factors and method described in §25.302 of this title (relating to Calculation of Actuarial Cost).

(c) The purchase cost described in this section assumes a lump-sum deposit will be made. If deposits are made under an installment agreement, a non-refundable installment fee of 9% applies.

(d) No credit will be applied to the cost of a year of out-of-state service credit for any TRS contributions made in the same school year.

(e) The date of first eligibility to purchase credit for any year of out-of-state service shall be the latest of the following dates:

(1) the date the member received 5 years' credit for service in the public schools of Texas;

(2) the date state law made the out-of-state service available for TRS service credit;

(3) the date in which the member qualified to deposit payment for each year of out-of-state service under the one for two rule in effect until March 20, 1975;

(4) the date the member completed one year of creditable service in the public schools of Texas after relevant out-of-state service.

(f) No deposits for out-of-state service credit may be made before the member accumulates 5 years of credit for service in the public schools of Texas.

[~~(g) A member may establish out-of-state service credit by paying the deposits and fees required in subsection (h) of this section if the member meets all applicable requirements to purchase out-of-state service credit and if:~~

~~(1) the person was a member of TRS on December 31, 2005;~~

~~(2) the out-of-state service was performed before January 1, 2006, including service in the 2005-2006 school year that began before January 1, 2006; and~~

~~(3) the member makes payment for the out-of-state service credit, or enters into an installment agreement for payment, not later than August 31, 2013.~~

~~(h) The cost of establishing out-of-state service credit under subsection (g) of this section is 12% per year of the full annual salary rate for the first year of service in Texas which is both after the out-of-state service and after September 1, 1956. Annual salary is limited to $8,400 for years prior to September 1, 1969, and $25,000 for years after September 1969 but before September 1, 1979. For years starting on or after September 1, 1979, TRS will apply any relevant creditable compensation limitations to determine the full salary rate. Cost will not be based on years granted for substitute service. In addition a crediting fee of 8.0% compounded annually of the amount of deposits due and paid shall be charged from the end of the school year in which the member was first eligible to purchase credit for such service until payment for the credit is received.~~]

§25.84. Crediting Fees. [REPEAL]

[~~The crediting fees for out-of-state service credit, when applicable, will be credited to the state contribution account.~~]

§25.86. Computing Average Compensation. [REPEAL]

[~~Neither compensation for out-of-state service nor the annual salary rate used to compute the cost of out-of-state service credit is used in computing the average compensation used in the determination of retirement or death benefits or for any other TRS purpose.~~]

CHAPTER 25. MEMBERSHIP CREDIT
SUBCHAPTER G. PURCHASE OF CREDIT FOR OUT-OF-STATE SERVICE

§25.163. Service Credit Purchase. [REPEAL]

[~~Service credit purchased under the former provisions of Government Code §823.405, repealed effective January 1, 2006, may be used for retirement benefit purposes to the extent allowed by law.~~]

CHAPTER 27. TERMINATION OF MEMBERSHIP AND REFUNDS

§27.8. Reinstatement of Membership and Service Credit by ORP Participants.

[~~(a) A person who was participating in the Optional Retirement Program (ORP) on September 1, 1979, was eligible to elect to become a member of the Teacher Retirement System of Texas (TRS) between September 1, 1979, and September 1, 1980. Any such election was effective on the first day of the month following the month in which it was received by the employer.~~]

(a) [~~(b)~~] ORP participants who elected to return to TRS membership between September 1, 1979, and September 1, 1980, [~~under subsection (a) of this section,~~] are eligible to reinstate all previously held TRS credit, except student employment credit, under the provisions of this section only. Reinstatement may occur at any time after resumption of membership in TRS. All eligible credit must be reinstated at one time. If the member's account was withdrawn, the member must pay the accumulated contributions plus a reinstatement fee of 10% per year of the amount due compounded annually from the date of withdrawal to the date of repayment. Reinstatement fees will be credited to the state contribution account. Credit will be reinstated upon application by the member on a form prescribed by TRS and the deposit of all required payments. No credit may be established for service in public education while an ORP participant.

(b) [~~(c)~~] Former ORP participants who return or have returned to TRS membership in the retirement system other than by an election under this section must make reinstatement under §27.6 of this title (relating to Reinstatement of an Account).

CHAPTER 29. BENEFITS
SUBCHAPTER E. DEFERRED RETIREMENT OPTION PLAN

§29.63. Deadline for Purchase of Special Service Credit. [REPEAL]

[~~(a) Except as provided in subsection (b) of this section, a member who elects to participate in the Deferred Retirement Option Plan (DROP) but also desires to purchase special service credit must purchase all special service credit eligible for purchase on or before the effective date of the member's DROP participation. Special service credit that a member would otherwise become eligible to purchase during DROP participation may not be purchased after the effective date of DROP participation. Also, an election to participate in DROP disqualifies any state personal or sick leave accumulated at the time of the effective date of the member's DROP participation as well as such leave accumulated during participation in DROP from being used in calculating the number of days or hours required to purchase state personal or sick leave at the time of actual retirement.~~

~~(b) A member participating in DROP on September 1, 2001, was permitted to elect, before December 31, 2001, to discontinue participation in DROP on a form prescribed by and filed with TRS. Additionally, a member participating in DROP on September 1, 2005, or whose period of participation in the plan expired on or before September 1, 2005, but who has not retired on or before that date may, before December 31, 2005, elect to discontinue participation in DROP on a form prescribed by and filed with TRS. If a member discontinued participation in DROP as described in this subsection, this rule shall not be deemed to bar the member from purchasing special service credit for which the requirements have been earned or met before or during the member's participation in DROP.~~

~~(c) A member who completes the period of participation in DROP and who returns to employment with a TRS-covered employer without having retired may purchase prior to retirement any special service credit for which the member is eligible and for which the requirements have been earned or met entirely after the member's participation in DROP.~~]

CHAPTER 31. EMPLOYMENT AFTER RETIREMENT
SUBCHAPTER A. GENERAL PROVISIONS AND PROCEDURES

§31.2. Monthly Certified Statement.

(a) In accordance with the requirements of Government Code § 824.6022, an employer shall submit to TRS a monthly certified statement of employment for all retirees employed by the employer during each month of a school year.

(b) Employers must submit the monthly certified statement and all required employer surcharges under §31.3 of this title (relating to Return-to-Work Employer Pension Surcharges) for each report month from September through July before the eleventh day of the month following the applicable report month. For the monthly certified statement for the report month of August, the employer shall submit the monthly certified statement and all required employer surcharges before the seventh day of September.

(c) If the due date for submission of a monthly certified statement and required employer surcharges under subsection (b) of this section falls on a weekend or federal holiday, an employer shall submit the monthly certified statement and required employer surcharges on the last business day prior to the due date.

(d) An employer that fails to timely submit a monthly certified statement and all required employer surcharges must also pay all applicable interest and late fees provided in subsections (f) and (g) of this section.

(e) A monthly certified statement is not considered submitted to TRS until it is completed. To be complete, the monthly certified statement must include all the following information regarding a retiree employed by the employer during the report month:

(1) the number of hours and days worked by the retiree;

(2) whether the retiree's employment qualifies as one or more of the following types:

(A) substitute employment;

(B) one-half time or less employment;

(C) employment as a tutor under Section 33.913 of the Education Code;

[~~(D) employment in a federally-funded COVID-19 personnel position that meets the requirements of Section 824.6021 of the Government Code and §31.16 of this title (relating to Federally-funded COVID-19 Personnel);~~]

(D) [~~(E)~~] full-time employment;

(E) [~~(F)~~] trial employment of a disability retiree for up to three months; or

(F) [~~(G)~~] any combination of these types;

(3) the amount of gross compensation paid to the retiree during the report month;

(4) the total amount due under §41.4 of this title (relating to Employer Health Benefit Surcharge); and

(5) any other information requested by TRS to administer this chapter.

(f) Employers that fail to timely submit a monthly certified statement, any required employer surcharges, or interest on unpaid amounts as required in this section shall pay to TRS the late fee established in this subsection for each business day that the monthly certified statement is past due. The late fees required to be paid are as follows:

(1) For employers with fewer than 100 employees, the late fee for the first business day the monthly certified statement is past due is $100. For each subsequent business day that the monthly certified statement is past due, the employer shall pay an additional $10.

(2) For employers with at least 100 employees but no more than 500 employees, the late fee for the first business day the monthly certified statement is past due is $250. For each subsequent business day that the monthly certified statement is past due, the employer shall pay an additional $25.

(3) For employers with more than 500 employees but no more than 1,000 employees, the late fee for the first business day the report or documentation is past due is $500. For each subsequent business day that the monthly certified statement is past due, the employer shall pay an additional $50.

(4) For employers with more than 1,000 employees, the late fee for the first business day the monthly certified statement is past due is $1,000. For each subsequent business day that the monthly certified statement is past [~~pat~~] due, the employer shall pay an additional $100.

(g) In determining the number of employees for purposes of assessing the late fee in subsection (f) of this section, TRS shall base the fee on the number of employees reflected on the employer's monthly certified statement for May of the preceding school year. New employers will pay late fees for the first school year as provided in subsection (f)(1) of this section.

§31.3. Return-to-Work Employer Pension Surcharge.

(a) For each report month a retiree is employed by an employer for more than 92 hours in a calendar month and that retiree is not exempt from surcharge under subsection (b) of this section, the employer shall pay to TRS a surcharge based on the compensation paid to the retiree during that report month. The criteria used to determine if a retiree is working more than 92 hours in a calendar month are the same as the criteria for determining one-half time employment under §31.13 of this title (relating to One-half Time Employment) even if the retiree's employment also qualifies for an exception under §31.14 of this title (relating to Full-time Employment after 12 Consecutive Month Break in Service), or §31.15 of this title (relating to Tutors under Education Code §33.913).

(b) Employers are not required to submit employer surcharges based on the employment of a retiree during a calendar month if:

(1) the retiree works 92 hours or less during the applicable report month;

(2) the retiree retired prior to September 1, 2005;

(3) the retiree is employed solely as a substitute and that employment meets all the requirements §31.12 of this title (relating to Substitute Service) even if the retiree's substitute employment also qualifies for another exception under Subchapter B of this chapter (relating to Employment After Retirement Exceptions); or

(4) the retiree is employed in multiple positions during the calendar month and does not exceed the limits for such combined employment under §31.19 of this title (relating to Combining EAR Exceptions and Employer Surcharges).[~~; or~~

~~(5) the retiree's employment is in a position that qualifies as a federally-funded COVID-19 position under §31.16 of this title (relating to Federally-funded COVID-19 Personnel) and Government Code §824.6021.~~]

(c) The amount of the employer surcharge that an employer must contribute to TRS for each retiree subject to surcharge under this section is equal to the sum of the compensation paid to the retiree during the report month multiplied by the member contribution rate in effect for the report month plus the compensation paid to the retiree during the report month multiplied by the state contribution rate in effect for that report month.

(d) If a retiree is employed concurrently in more than one position, the employer surcharge is owed if the combined employment exceeds the monthly limits described by §31.19 of this title. If the employment is with more than one employer, the employer surcharge is owed by each employer.

CHAPTER 31. EMPLOYMENT AFTER RETIREMENT
SUBCHAPTER B. EMPLOYMENT AFTER RETIREMENT EXCEPTIONS

§31.12. Substitute Service.

(a) In this section, "substitute' means a retiree employed by a Texas public educational institution and paid no more than the daily rate of pay for substitutes as set by the employer to work:

(1) on a temporary basis in the place of a current employee(s); or

(2) in a vacant position for no more than 20 days if the retiree was not the last person to hold the vacant position and the retiree has not previously been employed in that vacant position during the same school year.[~~; or~~

~~(3) on a temporary basis to monitor an in-person class while the classroom teacher temporarily instructs the class virtually.~~]

(b) A retiree may be employed in a month solely as a substitute in a public educational institution without forfeiting the annuity payment for that month.

(c) A retiree who reports for duty as a daily substitute during any day and works any portion of that day shall be considered to have worked one day.

(d) A disability retiree may not be employed as a substitute under this section for more than 90 days in a school year. A disability retiree who works more than 90 days in a substitute position shall forfeit the disability retiree's annuity for the month during which the disability retiree exceeded 90 days and in each subsequent month during the same school year that the disability retiree is employed by a Texas public educational institution.

§31.13. One-half Time Employment.

(a) A retiree may be employed by a Texas public educational institution in any position, other than as a substitute, on as much as a one-half time basis without forfeiting annuity payments for the applicable months of employment. In this section, one-half time basis means no more than 92 hours in a calendar month. The total number of hours allowed for that month may be worked in any arrangement or schedule.

(b) Paid time-off, including sick leave, vacation leave, administrative leave, and compensatory time for overtime worked, is employment for purposes of this section and must be included in determining the total amount of time worked in a calendar month and reported to TRS as employment for the calendar month in which it is taken.

(c) For the purpose of this section, employment as an instructor for actual course or lab instruction with an institution of higher education (including community and junior colleges and online coursework) in classes taken by students for college credit or classes that are taken to prepare students for college level work shall be counted as a minimum of two clock hours for each clock hour of instruction or time in the classroom or lab in order to reflect instructional time as well as preparation, grading, and other time typically associated with one hour of instruction. If the employer has established a greater amount of preparation time for each hour in the classroom or lab, the employer's established standard will be used to determine the number of courses or labs a retiree may teach under the exception to loss of annuity provided by this section. The equivalent clock hours computed under this subsection must be equal to or less than the number of work hours authorized in subsection (a) of this section for the retiree to be considered as working on a one-half time basis.

(d) Employment as an instructor of continuing education, adult education, or classes offered to employers or businesses for employee training, that is not measured or expressed in terms of the number of courses; semester or course hours/credits; or instructional units or other units of time rather than clock hours and for which the students or participants do not receive college credit, must be counted based on the number of clock hours worked.

(e) A disability retiree may not be employed on as much as a one-half time basis under this section for more than 90 days in a school year. A disability retiree who works more than 90 days on as much as one-half time basis under this section shall forfeit the disability retiree's annuity for the month during which the disability retiree exceeded 90 days and in each subsequent month during the same school year that the disability retiree is employed by a Texas public educational institution.

(f) For the purposes of calculating the number of days worked by a disability retiree has worked during a school year under this section, working any part of a day counts as working the entire day.

§31.15. Tutors under Education Code §33.913.

(a) Except as provided by §31.18 of this title (relating to Combining EAR Exceptions) and subsection (b) of this section, a retiree may be employed by a Texas public educational institution in a tutoring position that meets the requirements of Section 33.913 of the Education Code for any number of hours or days during a month without being subject to the forfeiture requirements of §31.4 of this title (relating to Employment Resulting in Forfeiture of Retirement Annuity).

(b) A disability retiree may not be employed [~~on~~] as a tutor under this section for more than 90 days in a school year. A disability retiree who works more than 90 days [~~on~~] as a tutor under this section shall forfeit the disability retiree's annuity for the month during which the disability retiree exceeded 90 days and in each subsequent month during the same school year that the disability retiree is employed by a Texas public educational institution.

(c) For the purposes of calculating the number of days worked by a disability retiree has worked during a school year under this section, working any part of a day counts as working the entire day.

§31.16. Federally-funded COVID-19 Personnel. [REPEAL]

[~~(a) A service retiree is not subject to the warning, payment, and forfeiture requirements of §31.4 of this title (relating to Employment Resulting in the Forfeiture of Retirement Annuity) if the service retiree is employed by a Texas public educational institution, other than an institution of higher education, in a position performing duties related to the mitigation of student learning loss attributable to the coronavirus disease (COVID-19) pandemic, if the position:~~

~~(1) is in addition to the normal staffing level at the Texas public educational institution;~~

~~(2) is funded wholly by federal funds provided under federal law enacted for the purpose of providing relief related to the coronavirus disease (COVID-19) pandemic, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act (15 U.S.C. Section 9001 et seq.), Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (Div. M, Pub. L. No. 116-260), or American Rescue Plan Act of 2021 (Pub. L. No. 117-2); and~~

~~(3) ends on or before December 31, 2024.~~

~~(b) A position ends on or before December 31, 2024, if the position no longer exists after that date or if the position is no longer funded with the above-described federal funds after that date.~~

~~(c) This exception does not apply to disability retirees.~~]

§31.18. Combining EAR Exceptions.

(a) If, during a calendar month, a retiree works in a position subject to more than one exception under this subchapter or in multiple positions subject to different exceptions under this subchapter and the retiree does not qualify for the twelve-month separation exception under §31.14 of this title (relating to Full-time Employment after 12 Consecutive Month Break in Service), TRS shall use the following standards to determine whether the retiree's employment still meets the requirements of each applicable exception or if the retiree is subject to §31.4 of this title (Employment Resulting in Forfeiture of Retirement Annuity) based on that employment.

(b) If a retiree combines substitute service under §31.12 of this title (relating to Substitute Service) with one-half time employment under §31.13 of this title (relating to One-half Time Employment) in a calendar month and the retiree's employment in either position does not qualify for any other exceptions under this subchapter, then the retiree may not work more than 11 days combined during that month in the two or more positions.

(c) If, during a calendar month, a retiree works in more than one position and each qualifies as one-half time employment under §31.13 of this title and the retiree's employment in either position does not qualify for any other exceptions under this subchapter, then the retiree may not work more than 92 total hours in the combined positions.

(d) If a disability retiree combines substitute service under §31.12 of this title, one-half time employment under §31.13 of this title, or employment as a tutor under §31.15 of this title (relating to Tutors under Education Code §33.913) in a school year, each day worked under any of those three exceptions counts toward the maximum of 90 days that a disability retiree may work under any of the exceptions so that a disability retiree may never work more than a total of 90 days combined under the three exceptions.

(e) If, during a calendar month, a retiree works more than one-half time in a position that qualifies for the tutor exception under §31.15 of this title, then the retiree may not work in any other position for a Texas public educational institution without being subject to the forfeiture requirements of §31.4 of this title unless[~~:~~

~~(1)~~] the other position qualifies as substitute service and all the retiree's employment under the tutor exception under §31.15 of this title also qualifies as substitute service[~~; or~~

~~(2) the other position qualifies for the tutor exception under §31.15 of this title or the COVID-19 position exception under §31.16 of this title (relating to Federally-funded COVID-19 Personnel)~~].

(f) If, during a calendar month, a retiree works in a position that qualifies as substitute or as one-half time or less employment and that position also qualifies for the tutor exception under §31.15 of this title, then the retiree may combine work in that position with any other work that qualifies under the substitute exception under §31.12 of this title and one-half time employment under §31.13 of this title provided the retiree's combined work during the calendar month does not exceed the limits provided by subsection (b) and (c) of this section, as applicable.

[~~(g) If, during a calendar month, a service retiree combines the federally-funded COVID-19 position exception under §31.16 of this title with employment under any other exception under this subchapter, then the service retiree's employment under the federally-funded COVID-19 position exception shall be accounted for separately from the service retiree's employment under any other exception under this subchapter. Hours or days worked under the federally-funded COVID-19 exception do not count toward or impact a retiree's employment under any other exception under this subchapter.~~]

(g) [~~(h)~~] A service retiree employed under the twelve-month separation exception under §31.14 of this title may be employed up to full-time by one or more Texas public educational institutions in one or more positions without limit under this section.

(h) [~~(i)~~] If, during a calendar month, a retiree's position qualifies for more than one exception under this subchapter [~~other than the federally-funded COVID-19 exception under §31.16 of this title~~], the retiree's position shall be subject to all monthly limits on that position under all applicable exceptions. If the limit under the applicable exceptions conflict or if one exception is more restrictive than the other, the least restrictive exception on a retiree's employment after retirement shall apply. [~~If a service retiree's employment qualifies for the federally-funded COVID-19 exception under §31.16 of this title, it shall only be subject to the requirements of that section.~~]

(i) [~~(j)~~] For the purposes of this section, a retiree who works part of a day is considered to have worked the entire day.

§31.19. Combining EAR Exceptions and Employer Surcharges.

(a) If, during a calendar month, a retiree works in a position subject to more than one exception under this subchapter or in multiple positions subject to different exceptions under this subchapter, TRS shall use the following standards to determine whether the retiree's employment requires an employer to pay the return-to-work pension surcharge under §31.3 of this title (relating to Return-to-Work Employer Pension Surcharges).

(b) If a retiree combines substitute service under §31.12 of this title (relating to Substitute Service) with one-half time employment under §31.13 of this title (relating to One-half Time Employment) in a calendar month, then the employer employing the retiree must remit the employer surcharge to TRS if the retiree works more than 11 total days in both positions combined.

(c) If, during a calendar month, a retiree combines substitute service under §31.12 of this title with work that qualifies for the tutor exception under §31.15 of this title (relating to Tutors under Education Code §33.913), then the employer must remit the employer surcharge to TRS based on that combined employment unless:

(1) all of the retiree's employment under the tutor exception also qualifies as substitute service; or

(2) the retiree's non-substitute employment under the tutor exception does not exceed 92 hours in the calendar month when not combined with the retiree's substitute service and the retiree's total employment does not exceed 11 total days worked under both exceptions during the month.

(d) If, during a calendar month, a retiree combines one-half time employment under §31.13 of this title with non-substitute work under the tutor exception under §31.15 of this title, the employer must remit the employer surcharge to TRS if the retiree works more than 92 combined hours in all positions. If the retiree's employment under the tutor exception also qualifies as substitute service, then the employer must remit the employer surcharge if the retiree works more than 11 total days during the month in the combined tutor position and the non-tutor one-half time position.

~~[(e) If, during a calendar month, a service retiree combines the federally-funded COVID-19 position exception under §31.16 of this title (relating to Federally-funded COVID-19 Personnel) solely with employment that qualifies as substitute service under §31.12 of this title, then an employer is not required to remit an employer surcharge to TRS for that retiree.~~

~~(f) If, during a calendar month, a service retiree combines the federally-funded COVID-19 position exception under §31.16 of this title with one-half time employment under §31.13 of this title, any hours worked by a retiree under the federally-funded COVID-19 exception will not count toward the 92 hours under the one-half time employment exception that a retiree may work before the employer must remit the employer surcharge.~~

~~(g) If, during a calendar month, a service retiree combines the federally-funded COVID-19 position exception under §31.16 of this title with work under the full-time employment after a twelve-month separation exception under §31.14 of this title (relating to Full-time Employment after 12 Consecutive Month Break in Service), any hours or days worked by a retiree under the federally-funded COVID-19 exception will not count toward the determination of whether the retiree worked more than 92 total hours during that month and the employer surcharge is due for that month.~~

~~(h) If, during a calendar month, a service retiree combines non-substitute work under either the tutor exception under §31.15 of this title with work under the federally-funded COVID-19 position exception under §31.16 of this title, any hours or days the retiree works under the federally-funded COVID-19 position exception shall not be counted in determining whether the retiree's worked more than 92 hours during the month and the employer surcharge is due for that month.~~

~~(i) If, during a calendar month, a retiree's employment in a position qualifies for the federally-funded COVID-19 position exception under §31.16 of this title and another exception under this subchapter that is subject to surcharge, work performed in that position is not subject to surcharge so long as the work continues to qualify for the federally-funded COVID-19 position exception.~~]

(e) [~~(j)~~] If, during a calendar month, a retiree's employment in a position that qualifies for as substitute service under §31.12 of this title and another exception under this subchapter that is subject to surcharge, work performed in that position is not subject to surcharge so long as the work continues to qualify as substitute service and is not combined with work in another position that is subject to surcharge during the same month.

(f) [~~(k)~~] For the purposes of this section, a retiree who works part of a day is considered to have worked the entire day.

CHAPTER 39. PROOF OF AGE [REPEAL]

§39.1. Establishment of Date of Birth. [REPEAL]

[~~(a) Date of birth may be established by any one of the following:~~

~~(1) an original birth certificate or a legible unaltered copy thereof;~~

~~(2) a delayed birth certificate in accordance with Chapter 192, Subchapter B, Health and Safety Code, or a legible unaltered copy provided by the Bureau of Vital Statistics;~~

~~(3) a delayed birth certificate issued by the state in which birth occurred or a legible unaltered copy provided by the registration agency;~~

~~(4) an original baptismal record or parish record wherein the age of the individual at the time of baptism is given, or a legible unaltered copy of such record;~~

~~(5) a family Bible record when properly abstracted or copied and accompanied by the prescribed affidavit forms issued by the Teacher Retirement System of Texas (TRS);~~

~~(6) a report from the Bureau of Census stating the age of the individual at a census year when the individual was less than 20 years of age;~~

~~(7) a signed letter from the Social Security Administration indicating a date of birth which has been accepted by Social Security Administration;~~

~~(8) naturalization or citizenship papers showing the individual's date of birth;~~

~~(9) for a member, an original birth certificate or a legible unaltered copy thereof when there is no given name listed for the infant as long as it is consistent with other birth information in the TRS file;~~

~~(10) an alien registration card;~~

~~(11) a hospital birth record signed by the administrator or custodian of records of the hospital;~~

~~(12) a U.S. passport;~~

~~(13) a state issued driver license or state issued ID card;~~

~~(14) a U.S. or state issued military ID; or~~

~~(15) any other evidence of age as may be approved by TRS.~~

~~(b) If there is any question concerning a copy of the documents listed in this section, a certified copy of the document may be required.~~]

CHAPTER 43. CONTESTED CASES
SUBCHAPTER A. GENERAL ADMINISTRATION

§43.1. Applicability.

(a) The procedures of this chapter apply only to administrative decisions, appeals, and adjudicative hearings relating to the TRS pension plan, unless rules relating to other programs specifically adopt by reference the provisions of this chapter.

(b) The procedures of this chapter do not apply to determinations of whether a domestic relations order is a qualified domestic relations order (QDRO) under Chapter 47 of this title (relating to Qualified Domestic Relations Orders). Appeals relating to QDROs are subject to the requirements of Chapter 47.

(c) If a contested case under this chapter is referred to the State Office of Administrative Hearings (SOAH) for adjudicative hearing, then during the period of time the case is before SOAH, the procedural rules for SOAH (1 TAC Chapter 155) shall apply unless inconsistent with applicable statutes or constitutional provisions. [~~If a matter is referred for an adjudicative hearing to a hearing official not affiliated with SOAH, then the rules of Subchapter C of this chapter (relating to Hearings Not Docketed at SOAH) shall apply to the conduct of the hearing while pending before the hearing official.~~]

§43.2. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise:

(1) Administrative law judge--An individual appointed to conduct the adjudicative hearing in a contested case. [~~The deputy director may refer an appeal to be heard by an administrative law judge employed by the State Office of Administrative Hearings or may employ, select, or contract for the services of another administrative law judge or hearing examiner to conduct a hearing.~~]

(2) Appeal--A formal request to the executive director or board, as applicable under this chapter, to reverse or modify a final administrative decision by the chief benefit officer or the Medical Board on a matter over which TRS has jurisdiction and authority to grant relief.

(3) Board--The Board of Trustees of TRS.

(4) Chief Benefit Officer--The Chief Benefit Officer of TRS or person acting in that position.

(5) Contested case--A proceeding in which the legal rights, duties, or privileges of a party are to be determined by TRS after an opportunity for adjudicative hearing on a matter over which TRS has jurisdiction and authority to grant relief and the relief sought does not conflict with the terms of the pension plan.

(6) Deputy Director--The Deputy Director of TRS or person acting in that position.

(7) Executive director--The executive director of TRS or person acting in that position; when the executive director determines that a need exists, the executive director at his or her discretion may designate a person to accomplish the duties assigned in this chapter to the executive director.

(8) Final administrative decision--An action, determination, or decision by the chief benefit officer or the Medical Board, as applicable, based on review of a person's request on an administrative basis (i.e., without an adjudicative hearing).

(9) Final decision of TRS--A decision that may not be appealed further within TRS, either because of exhaustion of all opportunities for appeal within TRS or because of a failure to appeal the decision further within TRS in the manner provided for in this chapter.

(10) Medical board--The medical board appointed by the TRS board of trustees under Government Code §825.204.

(11) Member--A person who is a member, retiree, or beneficiary of TRS.

(12) Order--The whole or a part of the final disposition of an appeal, whether affirmative, negative, injunctive, or declaratory in form, of the executive director, deputy director, or the board in a contested case.

(13) Party--Each person named or admitted in a contested case.

(14) Person--Any natural person or other legal entity.

(15) Pleading--A written document that is submitted by a party, by TRS staff, or by a person seeking to participate in a case as a party and that requests procedural or substantive relief, makes claims or allegations, presents legal arguments, or otherwise addresses matters involved in a contested case.

(16) SOAH--The State Office of Administrative Hearings.

(17) State Office of Administrative Hearings--The state agency established by Chapter 2003, Government Code, which may serve as the forum for the conduct of an adjudicative hearing upon referral of an appeal by TRS.

(18) Third party respondent or petitioner--A person joined as an additional party to a proceeding; a party shall be designated as either a third party respondent or third party petitioner based on whether the person opposes the action requested in the petition or supports it or whether the person's interests are aligned with petitioner or respondent.

(19) TRS--The Teacher Retirement System of Texas.

(20) Trustee--One of the members of the board.

(21) With prejudice--Barring a subsequent contested case on the same claim, allegation, or cause of action.

§43.3. Filing of Documents.

(a) All documents relating to any appeal of a final administrative decision shall be filed with the deputy director at TRS, PO Box 149676, Austin, Texas 78714-0185 [~~1000 Red River Street, Austin, Texas 78701-2698~~]. A document may be filed with TRS by hand-delivery, courier-receipted delivery, facsimile transmission, or regular, certified, or registered mail. A document is deemed filed when mailed if it is received by TRS within a timely manner under Rule 5 of the Texas Rules of Civil Procedure and the sender provides adequate proof of the mailing date.

(b) If the deputy director has docketed an appeal and referred it for adjudicative hearing at SOAH, documents shall be filed in accordance with the procedural rules of SOAH and served upon TRS in accordance with those rules.

[~~(c) If the deputy director has docketed an appeal and referred it to an administrative law judge or other hearing official not affiliated with SOAH, documents shall be filed with the administrative law judge and a copy provided to the TRS docket clerk during the time the matter is pending before the administrative law judge.~~]

§43.5. Extensions.

(a) Unless otherwise provided by statute, the time for filing pleadings or other documents may be extended, upon the filing of a motion, prior to the expiration of the applicable period of time, showing that there is good cause for such extension of time and that the need for the extension is not caused by the neglect, indifference, or lack of diligence of the party making the motion.

(b) A copy of any such motion shall be served upon all other parties of record to the proceeding contemporaneously with its filing.

(c) In the case of filings that initiate a proceeding or that are made before an appeal has been referred for an adjudicative hearing, the deputy director will determine whether good cause exists and whether an extension should be granted.

(d) In the case of filings made in a proceeding after TRS has referred the appeal for an adjudicative hearing, rules governing hearings before SOAH will control so long as the matter is before SOAH.

[~~(e) If a matter is referred for an adjudicative hearing to a hearing official not affiliated with SOAH, then the rules of this chapter shall apply to the conduct of the hearing while pending before the hearing official.~~]

(e) [~~(f)~~] For matters returned by an administrative law judge [~~or hearing examiner~~] to TRS, either through dismissal from the adjudicative hearing docket or through issuance of a proposal for decision, the executive director may determine whether good cause exists and whether an extension should be granted.

(f) [~~(g)~~] The executive director is authorized to rule on motions for extensions on matters directed to the Board if no Board meeting is scheduled before the expiration of the applicable period of time.

CHAPTER 43. CONTESTED CASES
SUBCHAPTER B. REQUESTS FOR ADJUDICATIVE HEARING

§43.106. Authority to Grant Relief.

(a) At any time before an appeal is referred for adjudicative hearing, the chief benefit officer or, in the matter of certification for disability retirement, the Medical Board may grant the relief sought by the petitioner and dismiss the appeal, provided that the interests of other individual parties are not adversely affected and the relief does not conflict with the terms of the pension plan.

(b) If the granted appeal has been referred to SOAH, the parties shall request that the SOAH administrative law judge dismiss the case from the SOAH docket in accordance with SOAH rules. [~~If the granted appeal was referred for an adjudicative hearing to a hearing official not affiliated with SOAH, then the rules of Subchapter C of this chapter (relating to Hearings Not Docketed at SOAH) shall apply to the dismissal of the case.~~]

CHAPTER 43. CONTESTED CASES
SUBCHAPTER C. HEARINGS NOT DOCKETED AT SOAH [REPEAL]

§43.201. Applicability. [REPEAL]

[~~The provisions of this subchapter only apply to an adjudicative hearing referred to a hearing official not affiliated with SOAH.~~]

§43.202. Form of Pleadings. [REPEAL]

[~~(a) Briefs and other pleadings shall be typed or printed on paper not to exceed 8 1/2 inches by 11 inches with an inside margin of at least one inch width. Annexed exhibits shall be folded to the same size. Only one side of the paper shall be used. Copies may be used, provided they are clear and permanently legible.~~

~~(b) The pleadings shall state their object and shall contain a concise statement of the supporting facts.~~

~~(c) The original of any pleading filed with TRS shall be signed by the party filing it or by his or her authorized representative. Pleadings shall contain the address, telephone number, and email address of the party filing the documents or the name, business address, telephone number, email address, and fax number of counsel.~~

~~(d) If a TRS or other adjudicative hearing docket number has been assigned, pleadings shall contain the docket number.~~

~~(e) All pleadings shall contain the following:~~

~~(1) the name of the party filing the pleading;~~

~~(2) a concise statement of the facts relied upon by the party;~~

~~(3) a request stating the type of relief, action, or order desired by the party;~~

~~(4) a certificate of service conforming to subsection (f) of this section; and~~

~~(5) any other matter required by statute.~~

~~(f) Written pleadings may be served by hand-delivery, courier-receipted delivery, fax, or regular, certified, or registered mail upon all other known parties of record, and a certification of such service should be submitted with the original copy of the pleading filed with TRS. If a party is represented by an attorney, service may be made upon a party by serving the attorney of record. The following form of certification will be sufficient: "I hereby certify that I have this _____ day of ____________________, 20__, served copies of the foregoing pleading upon all other parties to this proceeding, by (state the manner of service). Signature."~~

~~(g) A party may object to the form or sufficiency of a pleading by filing the objections in writing at least 15 days before the hearing date. If the objections are sustained, the administrative law judge shall allow a reasonable time for amendment.~~]

§43.203. Filing of Pleadings and Amendments. [REPEAL]

[~~(a) Any party to a case may file answers, amendments to pleadings (as permitted by this subchapter), and motions that conform to the requirements of this subchapter. Any amendment that operates as a surprise to any other party may be allowed only upon a written motion showing no harm will result. Failure to file an answer shall in no case result in a default judgment.~~

~~(b) The filing of motions, answers, amended pleadings, and corrected pleadings shall not be permitted to delay any hearing unless the executive director, board of trustees, or administrative law judge determines that such delay is necessary in order to prevent injustice or to protect the public interest and welfare.~~]

§43.204. Briefs. [REPEAL]

[~~Briefs shall conform, where practicable, to the form requirements of pleadings set out in this subchapter. The points involved shall be concisely stated, the allegations in support of each point shall be summarized, and the argument and authorities shall be organized and directed to each point in a concise and logical manner.~~]

§43.205. Motions. [REPEAL]

[~~A motion, unless made during a hearing, shall be made in writing, set forth the relief or order sought, state the grounds for such relief, and be timely filed with TRS, and the administrative law judge. A copy shall be served by the movant on each party of record. Any reply to the motion shall be timely filed with TRS or the administrative law judge, as applicable, with a copy served on the movant and other parties of record. Failure to serve copies may be grounds for withholding consideration of the motions or replies. Unless otherwise directed by the administrative law judge, executive director, or board, motions based on matters which do not appear of record must be supported by affidavit. When necessary, a hearing will be held to consider any motion.~~]

§43.206. Discovery. [REPEAL]

[~~If a matter was referred for an adjudicative hearing to a hearing official not affiliated with SOAH, parties may obtain discovery under this subchapter or under SOAH's relevant procedural rules (1 TAC §§155.251-155.259 (relating to Discovery)) to the extent those rules do not conflict with this subchapter.~~]

§43.207. Notice of Hearing and Other Action. [REPEAL]

[~~(a) Notices of hearing, proposals for decision, and all other rulings, orders, and actions by TRS, or an administrative law judge, as applicable, shall be served upon all parties or their attorneys of record in person or at their last known address by mail. Service by mail is complete upon deposit in the mail, properly addressed, with postage prepaid if it is received by TRS within a timely manner under Rule 5 of the Texas Rules of Civil Procedure and the sender provides adequate proof of the mailing date. Service may also be accomplished by electronic mail or facsimile transmission if all parties agree. In that case, the sender shall retain the original of the document and file it upon request with the administrative law judge or the executive director, as applicable. Upon request, the sender has the burden of proving the date and time of receipt of the document served by facsimile transmission or electronic mail. Electronic mail may not be used with documents produced pursuant to a discovery request. On motion by any party or on its own motion, TRS may serve notice of a hearing on any person whose interest in the subject matter will be directly affected by the final decision in the case.~~

~~(b) All initial hearing notices shall include the following:~~

~~(1) a statement of time, place, and nature of the hearing;~~

~~(2) a statement of the legal authority and jurisdiction under which the hearing is to be held;~~

~~(3) a reference to the particular sections of the statutes and rules involved;~~

~~(4) a short, plain statement of the factual matters asserted. If TRS or a party is unable to state the matters in detail at the time the notice is served, the initial notice may be limited to a statement of the issues involved. Thereafter, upon written application filed not less than ten days before the date set for hearing, a more definite and detailed statement must be furnished not less than seven days prior to the date set for the hearing; and~~

~~(5) a statement that failure to appear at the prehearing conference or any scheduled hearing may result in the following: the facts alleged by TRS may be admitted as true; the relief requested by TRS may be granted; petitioner's appeal may be denied; or petitioner's appeal may be dismissed with prejudice for failure to prosecute the claim; or any or all of the foregoing actions.~~

~~(c) After service of the initial notice, any party wishing to raise issues or matters not set forth in the initial notice must do so by filing a motion which sets forth such issues or matters not less than 30 days before the date set for hearing. If the motion is granted, the administrative law judge shall give notice, not less than 20 days before the date of hearing, of the additional issues and matters to be decided in the contested case.~~

~~(d) All other notices in a contested case shall set forth only the additional issues and matters to be decided.~~]

§43.208. Agreements to be in Writing. [REPEAL]

[~~No stipulation or agreement between the parties, their attorneys, or representatives, with regard to any matter involved in any proceeding governed by this subchapter, shall be enforced unless it shall have been reduced to writing and signed by the parties or the representatives authorized by this subchapter to appear for them, or unless it shall have been dictated into the record by them during the course of a hearing or incorporated into an order bearing their written approval. This section does not limit a party's ability to waive, modify, or stipulate any right or privilege afforded by this subchapter, unless precluded by law.~~]

§43.209. Motion for Consolidation. [REPEAL]

[~~A motion for consolidation of two or more appeals, applications, petitions, or other proceedings shall be in writing, signed by the movant or the movant's attorney, and filed with SOAH, TRS, or the administrative law judge, as applicable, prior to the date set for hearing. The motion shall state the number and style of all proceedings sought to be consolidated, and the movant shall file a copy of the motion in each proceeding. No two or more appeals, applications, petitions, or other proceedings shall be consolidated or heard jointly without the consent of all parties to all such proceedings unless the administrative law judge or executive director shall find that the two or more appeals, applications, petitions, or other proceedings involve common questions of law or fact, or both, and shall further find that separate hearings would result in unwarranted expense, delay, or substantial injustice. Special hearings on separate issues may also be allowed.~~]

§43.210. Additional Parties. [REPEAL]

[~~(a) A person who may be affected by a decision of TRS in the proceeding may file a written motion to intervene at least 15 days in advance of the hearing date. The person may request an opportunity to present any relevant, material, and proper testimony and evidence bearing upon the request to intervene.~~

~~(b) A party may move to join other persons as parties to the proceeding if they may be affected by a final decision of TRS. A motion to join other parties shall identify the person by name, address, and telephone number; shall state the nature of the other person's relationship to the proceeding or potential interest in the proceeding; and shall state why the person is needed for the just adjudication of the appeal or other grounds for the motion. The motion shall also state whether joinder of the person is feasible. If the motion is granted, the person shall be a party to the proceeding.~~]

§43.211. Appearance and Representation. [REPEAL]

[~~(a) A party or person seeking to be admitted as a party may appear at a hearing or prehearing conference in person or by an attorney. A natural person may not be represented by another person who is not an attorney. An entity other than a natural person that is a party or that seeks to be admitted as a party may appear through a person with legal authority to act on behalf of the entity, such as an officer, director, or trustee, or may be represented by an attorney.~~

~~(b) An attorney representing a person or party in a proceeding must be authorized to practice law in the court of highest jurisdiction of any state of the United States or the District of Columbia. The attorney of record of any party shall be the attorney who signs the first pleading filed on behalf of the party or who files with TRS or the administrative law judge, as applicable, a written notice signed by the party designating the attorney as attorney of record in the case. An attorney appearing on behalf of a party may be required to show authority to act for the party. Nothing in this subchapter shall be interpreted to require a party to the hearing to be represented by counsel~~.]

§43.212. Lead Counsel. [REPEAL]

[~~A party represented by more than one attorney in a proceeding may be required to designate a lead counsel who shall have control in the management of the matter. The administrative law judge, executive director, or board may limit the number of counsel heard on any matter.~~]

§43.213. Powers of the Administrative Law Judge. [REPEAL]

[~~The presiding administrative law judge shall have the authority established by applicable statutes and the rules of this subchapter. Additionally, the administrative law judge may:~~

~~(1) determine the jurisdiction of TRS concerning the matter under consideration;~~

~~(2) determine the scope of the matter referred to the administrative law judge; and~~

~~(3) limit testimony to matters under TRS's jurisdiction and to matters referred to the administrative law judge by TRS.~~]

§43.214. Prehearing Conference and Orders. [REPEAL]

[~~(a) The administrative law judge may hold a prehearing conference prior to any adjudicative hearing.~~

~~(b) At the prehearing conference or by prehearing conference order, the administrative law judge may require parties to file and serve the following in order to expedite the hearing:~~

~~(1) a list of witnesses the party intends to have testify, with a brief narrative summary of their expected testimony;~~

~~(2) a written statement of the disputed issues; or~~

~~(3) a copy of any documentary evidence the party intends to use at the hearing.~~

~~(c) Witnesses and proposed documentary evidence may be added and narrative summaries of expected testimony amended at the hearing only upon a finding of the administrative law judge that good cause existed for failure to serve the additional or amended material by the established date.~~

~~(d) At any prehearing conference, or in a prehearing conference order, the administrative law judge:~~

~~(1) may obtain stipulations and admissions, and otherwise identify matters on which there is agreement;~~

~~(2) shall identify disputed issues for consideration at the hearing;~~

~~(3) may consider and rule prospectively upon objections to the introduction into evidence at the hearing on the merits of any written testimony, documents, papers, exhibits, or other materials;~~

~~(4) may identify matters of which official notice may be taken;~~

~~(5) may strike issues not material or not relevant, including issues not within the scope of the matter referred by TRS; and~~

~~(6) may consider any other matter that may expedite the hearing or aid in the disposition of the matter.~~

~~(e) A prehearing conference may be held by means of a conference telephone call.~~

~~(f) Rulings or decisions made at a prehearing conference shall be summarized in a written order by the administrative law judge and made part of the record.~~]

§43.215. Conduct of Hearing. [REPEAL]

[~~(a) A hearing shall be confidential to ensure the information of a member's file is not disclosed. The member may expressly waive the member's right to maintain confidentiality of the information before the proceedings will be opened to the public.~~

~~(b) All hearings will be held in Austin, Texas unless all parties agree to another site.~~

~~(c) The petitioner has the burden of proving by a preponderance of the evidence that the relief sought in the petition should be granted. The petitioner shall present his or her direct case first at hearing.~~

~~(d) Where the proceeding is initiated at the executive director's or the board's own call, or where several proceedings are heard on a consolidated record, the administrative law judge shall designate who shall open and close and at what stage intervenors or other parties shall be permitted to offer evidence.~~

~~(e) The administrative law judge may call upon any party or staff of TRS for further material or relevant evidence upon any issue before the issuance of a proposal for decision; however, no such evidence shall be allowed into the record without an opportunity for inspection, cross-examination, and rebuttal by the other interested parties.~~

~~(f) At the request of a party, the administrative law judge shall order the witnesses excluded so that they cannot hear the testimony of other witnesses. This section does not authorize exclusion of a party.~~

~~(g) During the hearing, formal exceptions to rulings of the administrative law judge are not required. It shall be sufficient that a party, at the time of any ruling is made or sought, shall make known to the administrative law judge the action sought.~~]

§43.216. General Admissibility. [REPEAL]

[~~(a) Irrelevant, immaterial, or unduly repetitious evidence shall be excluded. The rules of evidence as applied in nonjury civil cases in the district courts of Texas shall be followed. When necessary to ascertain facts not reasonably susceptible of proof under those rules, evidence not admissible thereunder may be admitted, except where precluded by statute, if it is of a type commonly relied upon by a reasonably prudent person in the conduct of the person's affairs. The administrative law judge shall give effect to the rules of privilege recognized by law.~~

~~(b) When testimony is excluded by ruling of the administrative law judge, the party offering such evidence shall be permitted to make an offer of proof by dictating or submitting in writing the substance of the proposed testimony prior to the conclusion of the hearing. Such offer of proof shall be sufficient to preserve the point for review. The administrative law judge may ask questions of the witness as he or she deems necessary to satisfy himself or herself that the witness would testify as presented in the offer of proof.~~]

§43.217. Exhibits. [REPEAL]

[~~(a) Exhibits of documentary character shall be of a size which will not unduly encumber the files and records of TRS and whenever practicable, shall conform to the requirements set forth in §43.202 of this chapter (relating to Form of Pleadings).~~

~~(b) The original of each exhibit offered shall be tendered to the court reporter or administrative law judge for identification; one copy shall be furnished to the administrative law judge and one copy to each other party of record or his or her attorney of record.~~

~~(c) In the event an exhibit has been identified, objected to, and excluded, the administrative law judge shall determine whether the party offering the exhibit withdraws the offer, and if so, permit the return of the exhibit to that party. If the excluded exhibit is not withdrawn, it shall be given an exhibit number for identification, shall be endorsed by the administrative law judge with the ruling, and shall be included in the record for the purpose only of preserving the exception.~~

~~(d) Unless specifically permitted by the administrative law judge, no exhibit will be permitted to be filed in any proceeding under this subchapter after the conclusion of the hearing. In the event the administrative law judge allows an exhibit to be filed after the conclusion of a hearing, copies of the late-filed exhibit shall be served on all parties of record.~~]

§43.218. Pre-filed Direct Testimony in Disability Appeal Proceedings. [REPEAL]

[~~(a) In a contested case concerning Medical Board denial of certification of disability or a finding that a disability retiree is no longer mentally or physically incapacitated from the performance of duty, all testimony and other evidence, including medical or employment records, that the petitioner intends to offer in petitioner's direct case shall be pre-filed at least 90 days before the date of the hearing on the merits. Testimony shall include all expert and fact witnesses, including that of a petitioner who intends to testify. In order to avoid any unnecessary expense and time associated with adjudicative hearings and in accordance with Government Code §824.303, which requires Medical Board certification in order for a person to be retired, TRS staff shall be given adequate opportunity to present such information to the Medical Board for consideration before the hearing on the merits. If, upon consideration of the information petitioner intends to offer at hearing, the Medical Board certifies the person as disabled, TRS staff or petitioner may move for dismissal of the appeal. If, however, the Medical Board does not certify the person as disabled, the petitioner may continue to prosecute the appeal as previously docketed and referred for an adjudicative hearing. The petitioner shall not be permitted to introduce direct testimony and evidence that has not been pre-filed and made available to the Medical Board for consideration.~~

~~(b) The pre-filed testimony of a witness upon direct examination shall be in question and answer form. The qualifications of an expert witness shall be described in question and answer testimony or by attachment of a resume as an exhibit to the testimony. Pre-filed testimony of a witness may be offered into the record by a party during its direct case. The testimony shall not be admitted into the hearing record in whole or in part unless the witness is available at the hearing on the merits and, upon being sworn, identifies the pre-filed testimony as a true and accurate record of what his or her testimony would be if the witness were testifying orally. A witness may be given an opportunity to correct errors. After calling the witness and authenticating the testimony in this manner, a party may offer the testimony into the record. Pre-filed testimony is subject to the rules of evidence, including objections or motions to strike when such testimony is offered, as if the testimony were presented orally at a hearing. Such testimony, if admitted, may be incorporated in the record as if read or received as an exhibit. The witness shall be subject to cross-examination by other parties after the admission of the pre-filed testimony in whole or in part, and the party offering the testimony may conduct re-direct examination of the witness at the conclusion of cross-examination.~~

~~(c) Pre-filed documentary evidence other than testimony of witnesses may be offered into the record by a party during its direct case. All pre-filed documentary evidence is subject to the rules of evidence.~~]

§43.219. Limit on Number of Witnesses. [REPEAL]

[~~The administrative law judge shall have the right in any proceeding under this subchapter to limit the number of witnesses whose testimony is merely cumulative.~~]

§43.220. Failure to Appear. [REPEAL]

[~~The petitioner or the petitioner's attorney shall appear at the hearing. Failure to so appear may be grounds for withholding consideration of a matter, denial of the appeal with or without prejudice, or dismissal of the appeal. However, no default judgment may be taken against a third party petitioner or respondent for failure to appear.~~]

§43.221. Conduct and Decorum at Hearing. [REPEAL]

[~~Every participant in the proceedings shall conduct himself with proper dignity, courtesy, and respect for TRS, the administrative law judge, all other participants, and all other persons attending the proceedings. TRS or the administrative law judge may take such action as appropriate and necessary to enforce this rule.~~]

§43.222. Official Notice. [REPEAL]

[~~Official notice may be taken of all facts judicially cognizable. In addition, official notice may be taken of generally recognizable facts within the specialized knowledge of TRS. All parties shall be notified either before or during the hearing, or by reference in preliminary reports, drafts of orders, or otherwise, of any material officially noticed, including any staff memoranda or data. All parties will be afforded an opportunity to contest the material so noticed.~~]

§43.223. Recording of the Hearing; Certified Language Interpreter. [REPEAL]

[~~(a) A record of a hearing or prehearing conference shall be made in a manner consistent with the purpose of 1 TAC §155.423 (relating to Making a Record of Proceeding). Because of the nature of TRS proceedings and the expense of stenographic recordings and transcripts, it is the policy of TRS to rely on an audio or video recording as the official record of the proceeding, regardless of the anticipated length of the hearing.~~

~~(b) TRS may assess the cost of preparation of a stenographic recording or transcript against a party requesting such, or against other parties as appropriate. Cost of a transcript copy ordered by a party shall be paid by that party. TRS may require a deposit or full payment of the estimated costs by a party against whom costs have been assessed in advance of arranging for a court reporter to be present at the hearing or in advance of preparation of the transcript. If no party requests stenographic recording of a proceeding or preparation of a transcript by a court reporter but the administrative law judge so requires, TRS may assess the cost to one or more parties or may request that TRS not be required to bear the costs.~~

~~(c) In the alternative to a stenographic recording or transcript prepared by a court reporter, TRS may prepare a transcript from a video or audio tape of the proceeding. The transcript prepared by TRS may be considered the official record of the proceeding. TRS may obtain the official audio or video recording from the administrative law judge for purposes of preparing the transcript. A party who objects to a TRS-prepared transcript and requests that proceedings be stenographically recorded or transcribed by a court reporter may be required to pay the costs of such recording and transcription.~~

~~(d) A stenographic reporter shall recognize that TRS may print and distribute additional copies of the transcript as necessary to conduct its business and shall maintain the confidentiality of information presented at hearing.~~

~~(e) A party who desires the services of a certified language interpreter for any part of the contested case proceedings is responsible for arranging for the interpreter and paying for the services.~~]

§43.224. Dismissal without Hearing. [REPEAL]

[~~(a) The administrative law judge may consider motions for dismissal from the adjudicative hearing docket without a hearing and recommend dismissal with or without prejudice for any of the following reasons:~~

~~(1) failure to prosecute a claim;~~

~~(2) unnecessary duplication of proceedings or res judicata;~~

~~(3) withdrawal or voluntary dismissal of appeal;~~

~~(4) moot questions, obsolete petitions, or laches;~~

~~(5) lack of jurisdiction; or~~

~~(6) failure to comply with §43.104 of this chapter (relating to Request for Adjudicative Hearing) or other applicable sections.~~

~~(b) The administrative law judge shall dismiss from the adjudicative hearing docket and recommend dismissal by TRS of the appeal of a petitioner who has defaulted by:~~

~~(1) failing to appear at the hearing; or~~

~~(2) failing to request a hearing or take some other action specified by the administrative law judge within 30 days after notice is mailed of intention to dismiss the claim.~~

~~(c) For good cause, the executive director may permit reinstatement of a dismissed appeal.~~]

§43.225. Summary Disposition. [REPEAL]

[~~(a) A party may move with or without supporting affidavits for a summary disposition any time after an appeal has been referred for an adjudicative hearing. The motion for summary disposition shall specify the grounds for resolving the appeal without an evidentiary hearing. The motion and any supporting affidavits shall be filed and served at least 30 days before the time specified for the hearing. The motion may be granted if the pleadings, discovery, affidavits, stipulation of the parties, and authenticated or certified public records submitted in support of the motion show that there is no genuine issue as to any material fact and the moving party is entitled to summary disposition as a matter of law on the issues expressly set out in the motion.~~

~~(b) A proposal for decision by the administrative law judge recommending summary disposition is subject to exceptions in the same manner as a proposal for decision issued after an evidentiary hearing.~~]

§43.226. The Record. [REPEAL]

[~~The record in a contested case shall include the items identified in Government Code §2001.060.~~]

§43.227. Findings of Fact. [REPEAL]

[~~Findings of fact shall be based exclusively on the evidence admitted in accordance with applicable rules and statutes and on matters officially noticed.~~]

§43.228. Reopening of Hearing. [REPEAL]

[~~Upon motion of any party or upon the order of the administrative law judge the hearing may be reopened for good cause at any time before the proposal for decision is issued.~~]

CHAPTER 47. QUALIFIED DOMESTIC RELATIONS ORDERS

§47.16. Effective Date of TRS Review of Orders. [REPEAL]

[~~TRS will review orders received on or after September 1, 1989, to determine whether they are qualified domestic relations orders. Any orders received before September 1, 1989, will be reviewed only upon application for a distribution of benefits through withdrawal, retirement, or death of the member, unless there is good cause for earlier review. For orders received prior to September 1, 1989, for retirees who are already receiving retirement benefits, or for beneficiaries who are receiving annuity payments, TRS will not review the order for possible direct payment to an alternative payee in the future unless the retiree, beneficiary, or any alternate payee submits a request for review after September 1, 1989.~~]

TITLE 34. PUBLIC FINANCE
PART 3. TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 25. MEMBERSHIP CREDIT
SUBCHAPTER B. COMPENSATION

§25.24. Performance Pay.

(a) Annual compensation includes performance pay earned under a total compensation plan specifically approved by vote of the governing board of an employer. Such approval must be reflected in the minutes of the governing board. Any employer reporting to the retirement system is considered a school district for the purposes of this section.

(b) Performance pay is compensation for service as an employee in a Texas public educational institution that is paid under a valid employment agreement based upon a performance standard published in written documents adopted by the employer. The performance standard may be based on evaluations or goal achievement of the individual employee or of the group in which the individual belongs. Beginning on the first day of the 2011-2012 school year and thereafter, specific amounts of performance pay will be credited to the year in which the performance pay is paid.

(c) An employer shall certify each year to the retirement system, by a date specified by the system on a form prescribed by TRS, whether it is providing performance pay under this section. A district that has properly made this certification shall report all qualifying performance pay as compensation and make appropriate deductions for member contributions unless the retirement system advises the employer that such pay does not qualify as performance pay under this rule. Employer shall maintain records that show it provides such pay for a period not less than 7 years after such pay is reported to the retirement system.

(d) Beginning on the first day of the 2011-2012 school year and thereafter, performance pay earned during the school year in which the member retires or any previous school year and paid after the member has begun receiving retirement benefits is not creditable by TRS and will not be used in any benefit calculation.

CHAPTER 25. MEMBERSHIP CREDIT
SUBCHAPTER E. MILITARY SERVICE

§25.66. Application for Military Credit.

Members desiring to make deposits for military credit should request in writing to be billed for the cost of the credit. Requests should be addressed to Teacher Retirement System of Texas, PO Box 149676, Austin, Texas 78714-0185. Included with the request should be a certified or legible unaltered copy or copies of the member's military service record showing the dates and nature of the member's active duty. The system may require the member to make available to it such other evidence as may be required to establish the member's eligibility for service credit and the amount of deposits due. When the system determines the duty eligible for credit, it shall bill members for the total amounts of deposits and fees due for the credit at the last address of the member of which the system has record. The member must return the bill to the system with the total amount due for the military duty credit or with an installment payment agreement and all subsequent installment payments due. Deposits for military duty credit will not be accepted after date of death, except to the extent permitted under the laws and rules governing installment payments, or date of service retirement of a member.

CHAPTER 25. MEMBERSHIP CREDIT
SUBCHAPTER F. VETERAN'S (USERRA) SERVICE CREDIT

§25.75. Application for Eligible Active Military Duty under the Uniformed Services Employment and Re-Employment Rights Act.

Members desiring to make deposits for service or compensation credit for eligible military duty under the Uniformed Services Employment and Re-Employment Rights Act (USERRA) should request in writing to be billed for the cost of the credit. Requests should be addressed to Teacher Retirement System of Texas, PO Box 149676, Austin, Texas 78714-0185. Included with the request should be a certified or legible unaltered copy or copies of the member's military service record showing the dates and nature of the member's military duty. Also included with the request should be a certification of the date of the member's application for reemployment with a Teacher Retirement System of Texas (TRS) covered employer or other proof of the date of employment with a TRS covered employer. The system may also require the member to make available to it such other evidence as may be required to establish the member's eligibility under the USERRA and §25.71 of this title (relating to Service Credit for Eligible Active Military Duty under the Uniformed Services Employment and Re-Employment Rights Act) for service credit and the amount of the deposits due. When the system determines the duty is eligible for credit, it shall bill the member for the total amounts of deposits and fees due for the credit at the last address of the member of which the system has record. The member must return the bill to the system with the total amount due for the eligible credit or with an installment payment agreement and all subsequent installment payments due. Deposits for military duty eligible for credit under the USERRA and §25.71 of this title must be made no later than five years after the date of re-employment or application for re-employment, subject to any additional period available under USERRA.

CHAPTER 25. MEMBERSHIP CREDIT
SUBCHAPTER G. PURCHASE OF CREDIT FOR OUT-OF-STATE SERVICE

§25.82. Cost.

(a) The cost of establishing out-of-state service credit is the actuarial cost, as determined by TRS, of the additional standard annuity retirement benefits that would be attributable to the out-of-state service credit purchased under this section.

(b) To calculate the actuarial cost, TRS will use the cost factors and method described in §25.302 of this title (relating to Calculation of Actuarial Cost).

(c) The purchase cost described in this section assumes a lump-sum deposit will be made. If deposits are made under an installment agreement, a non-refundable installment fee of 9% applies.

(d) No credit will be applied to the cost of a year of out-of-state service credit for any TRS contributions made in the same school year.

(e) The date of first eligibility to purchase credit for any year of out-of-state service shall be the latest of the following dates:

(1) the date the member received 5 years' credit for service in the public schools of Texas;

(2) the date state law made the out-of-state service available for TRS service credit;

(3) the date in which the member qualified to deposit payment for each year of out-of-state service under the one for two rule in effect until March 20, 1975;

(4) the date the member completed one year of creditable service in the public schools of Texas after relevant out-of-state service.

(f) No deposits for out-of-state service credit may be made before the member accumulates 5 years of credit for service in the public schools of Texas.

CHAPTER 27. TERMINATION OF MEMBERSHIP AND REFUNDS

§27.8. Reinstatement of Membership and Service Credit by ORP Participants.

(a) ORP participants who elected to return to TRS membership between September 1, 1979, and September 1, 1980, are eligible to reinstate all previously held TRS credit, except student employment credit, under the provisions of this section only. Reinstatement may occur at any time after resumption of membership in TRS. All eligible credit must be reinstated at one time. If the member's account was withdrawn, the member must pay the accumulated contributions plus a reinstatement fee of 10% per year of the amount due compounded annually from the date of withdrawal to the date of repayment. Reinstatement fees will be credited to the state contribution account. Credit will be reinstated upon application by the member on a form prescribed by TRS and the deposit of all required payments. No credit may be established for service in public education while an ORP participant.

(b) Former ORP participants who return or have returned to TRS membership in the retirement system other than by an election under this section must make reinstatement under §27.6 of this title (relating to Reinstatement of an Account).

CHAPTER 31. EMPLOYMENT AFTER RETIREMENT
SUBCHAPTER A. GENERAL PROVISIONS AND PROCEDURES

§31.2. Monthly Certified Statement.

(a) In accordance with the requirements of Government Code § 824.6022, an employer shall submit to TRS a monthly certified statement of employment for all retirees employed by the employer during each month of a school year.

(b) Employers must submit the monthly certified statement and all required employer surcharges under §31.3 of this title (relating to Return-to-Work Employer Pension Surcharges) for each report month from September through July before the eleventh day of the month following the applicable report month. For the monthly certified statement for the report month of August, the employer shall submit the monthly certified statement and all required employer surcharges before the seventh day of September.

(c) If the due date for submission of a monthly certified statement and required employer surcharges under subsection (b) of this section falls on a weekend or federal holiday, an employer shall submit the monthly certified statement and required employer surcharges on the last business day prior to the due date.

(d) An employer that fails to timely submit a monthly certified statement and all required employer surcharges must also pay all applicable interest and late fees provided in subsections (f) and (g) of this section.

(e) A monthly certified statement is not considered submitted to TRS until it is completed. To be complete, the monthly certified statement must include all the following information regarding a retiree employed by the employer during the report month:

(1) the number of hours and days worked by the retiree;

(2) whether the retiree's employment qualifies as one or more of the following types:

(A) substitute employment;

(B) one-half time or less employment;

(C) employment as a tutor under Section 33.913 of the Education Code;

(D) full-time employment;

(E) trial employment of a disability retiree for up to three months; or

(F) any combination of these types;

(3) the amount of gross compensation paid to the retiree during the report month;

(4) the total amount due under §41.4 of this title (relating to Employer Health Benefit Surcharge); and

(5) any other information requested by TRS to administer this chapter.

(f) Employers that fail to timely submit a monthly certified statement, any required employer surcharges, or interest on unpaid amounts as required in this section shall pay to TRS the late fee established in this subsection for each business day that the monthly certified statement is past due. The late fees required to be paid are as follows:

(1) For employers with fewer than 100 employees, the late fee for the first business day the monthly certified statement is past due is $100. For each subsequent business day that the monthly certified statement is past due, the employer shall pay an additional $10.

(2) For employers with at least 100 employees but no more than 500 employees, the late fee for the first business day the monthly certified statement is past due is $250. For each subsequent business day that the monthly certified statement is past due, the employer shall pay an additional $25.

(3) For employers with more than 500 employees but no more than 1,000 employees, the late fee for the first business day the report or documentation is past due is $500. For each subsequent business day that the monthly certified statement is past due, the employer shall pay an additional $50.

(4) For employers with more than 1,000 employees, the late fee for the first business day the monthly certified statement is past due is $1,000. For each subsequent business day that the monthly certified statement is past due, the employer shall pay an additional $100.

(g) In determining the number of employees for purposes of assessing the late fee in subsection (f) of this section, TRS shall base the fee on the number of employees reflected on the employer's monthly certified statement for May of the preceding school year. New employers will pay late fees for the first school year as provided in subsection (f)(1) of this section.

§31.3. Return-to-Work Employer Pension Surcharge.

(a) For each report month a retiree is employed by an employer for more than 92 hours in a calendar month and that retiree is not exempt from surcharge under subsection (b) of this section, the employer shall pay to TRS a surcharge based on the compensation paid to the retiree during that report month. The criteria used to determine if a retiree is working more than 92 hours in a calendar month are the same as the criteria for determining one-half time employment under §31.13 of this title (relating to One-half Time Employment) even if the retiree's employment also qualifies for an exception under §31.14 of this title (relating to Full-time Employment after 12 Consecutive Month Break in Service), or §31.15 of this title (relating to Tutors under Education Code §33.913).

(b) Employers are not required to submit employer surcharges based on the employment of a retiree during a calendar month if:

(1) the retiree works 92 hours or less during the applicable report month;

(2) the retiree retired prior to September 1, 2005;

(3) the retiree is employed solely as a substitute and that employment meets all the requirements §31.12 of this title (relating to Substitute Service) even if the retiree's substitute employment also qualifies for another exception under Subchapter B of this chapter (relating to Employment After Retirement Exceptions); or

(4) the retiree is employed in multiple positions during the calendar month and does not exceed the limits for such combined employment under §31.19 of this title (relating to Combining EAR Exceptions and Employer Surcharges).

(c) The amount of the employer surcharge that an employer must contribute to TRS for each retiree subject to surcharge under this section is equal to the sum of the compensation paid to the retiree during the report month multiplied by the member contribution rate in effect for the report month plus the compensation paid to the retiree during the report month multiplied by the state contribution rate in effect for that report month.

(d) If a retiree is employed concurrently in more than one position, the employer surcharge is owed if the combined employment exceeds the monthly limits described by §31.19 of this title. If the employment is with more than one employer, the employer surcharge is owed by each employer.

CHAPTER 31. EMPLOYMENT AFTER RETIREMENT
SUBCHAPTER B. EMPLOYMENT AFTER RETIREMENT EXCEPTIONS

§31.12. Substitute Service.

(a) In this section, "substitute' means a retiree employed by a Texas public educational institution and paid no more than the daily rate of pay for substitutes as set by the employer to work:

(1) on a temporary basis in the place of a current employee(s); or

(2) in a vacant position for no more than 20 days if the retiree was not the last person to hold the vacant position and the retiree has not previously been employed in that vacant position during the same school year.

(b) A retiree may be employed in a month solely as a substitute in a public educational institution without forfeiting the annuity payment for that month.

(c) A retiree who reports for duty as a daily substitute during any day and works any portion of that day shall be considered to have worked one day.

(d) A disability retiree may not be employed as a substitute under this section for more than 90 days in a school year. A disability retiree who works more than 90 days in a substitute position shall forfeit the disability retiree's annuity for the month during which the disability retiree exceeded 90 days and in each subsequent month during the same school year that the disability retiree is employed by a Texas public educational institution.

§31.13. One-half Time Employment.

(a) A retiree may be employed by a Texas public educational institution in any position, other than as a substitute, on as much as a one-half time basis without forfeiting annuity payments for the applicable months of employment. In this section, one-half time basis means no more than 92 hours in a calendar month. The total number of hours allowed for that month may be worked in any arrangement or schedule.

(b) Paid time-off, including sick leave, vacation leave, administrative leave, and compensatory time for overtime worked, is employment for purposes of this section and must be included in determining the total amount of time worked in a calendar month and reported to TRS as employment for the calendar month in which it is taken.

(c) For the purpose of this section, employment as an instructor for actual course or lab instruction with an institution of higher education (including community and junior colleges and online coursework) in classes taken by students for college credit or classes that are taken to prepare students for college level work shall be counted as a minimum of two clock hours for each clock hour of instruction or time in the classroom or lab in order to reflect instructional time as well as preparation, grading, and other time typically associated with one hour of instruction. If the employer has established a greater amount of preparation time for each hour in the classroom or lab, the employer's established standard will be used to determine the number of courses or labs a retiree may teach under the exception to loss of annuity provided by this section. The equivalent clock hours computed under this subsection must be equal to or less than the number of work hours authorized in subsection (a) of this section for the retiree to be considered as working on a one-half time basis.

(d) Employment as an instructor of continuing education, adult education, or classes offered to employers or businesses for employee training, that is not measured or expressed in terms of the number of courses; semester or course hours/credits; or instructional units or other units of time rather than clock hours and for which the students or participants do not receive college credit, must be counted based on the number of clock hours worked.

(e) A disability retiree may not be employed on as much as a one-half time basis under this section for more than 90 days in a school year. A disability retiree who works more than 90 days on as much as one-half time basis under this section shall forfeit the disability retiree's annuity for the month during which the disability retiree exceeded 90 days and in each subsequent month during the same school year that the disability retiree is employed by a Texas public educational institution.

(f) For the purposes of calculating the number of days worked by a disability retiree has worked during a school year under this section, working any part of a day counts as working the entire day.

§31.15. Tutors under Education Code §33.913.

(a) Except as provided by §31.18 of this title (relating to Combining EAR Exceptions) and subsection (b) of this section, a retiree may be employed by a Texas public educational institution in a tutoring position that meets the requirements of Section 33.913 of the Education Code for any number of hours or days during a month without being subject to the forfeiture requirements of §31.4 of this title (relating to Employment Resulting in Forfeiture of Retirement Annuity).

(b) A disability retiree may not be employed as a tutor under this section for more than 90 days in a school year. A disability retiree who works more than 90 days as a tutor under this section shall forfeit the disability retiree's annuity for the month during which the disability retiree exceeded 90 days and in each subsequent month during the same school year that the disability retiree is employed by a Texas public educational institution.

(c) For the purposes of calculating the number of days worked by a disability retiree has worked during a school year under this section, working any part of a day counts as working the entire day.

§31.18. Combining EAR Exceptions.

(a) If, during a calendar month, a retiree works in a position subject to more than one exception under this subchapter or in multiple positions subject to different exceptions under this subchapter and the retiree does not qualify for the twelve-month separation exception under §31.14 of this title (relating to Full-time Employment after 12 Consecutive Month Break in Service), TRS shall use the following standards to determine whether the retiree's employment still meets the requirements of each applicable exception or if the retiree is subject to §31.4 of this title (Employment Resulting in Forfeiture of Retirement Annuity) based on that employment.

(b) If a retiree combines substitute service under §31.12 of this title (relating to Substitute Service) with one-half time employment under §31.13 of this title (relating to One-half Time Employment) in a calendar month and the retiree's employment in either position does not qualify for any other exceptions under this subchapter, then the retiree may not work more than 11 days combined during that month in the two or more positions.

(c) If, during a calendar month, a retiree works in more than one position and each qualifies as one-half time employment under §31.13 of this title and the retiree's employment in either position does not qualify for any other exceptions under this subchapter, then the retiree may not work more than 92 total hours in the combined positions.

(d) If a disability retiree combines substitute service under §31.12 of this title, one-half time employment under §31.13 of this title, or employment as a tutor under §31.15 of this title (relating to Tutors under Education Code §33.913) in a school year, each day worked under any of those three exceptions counts toward the maximum of 90 days that a disability retiree may work under any of the exceptions so that a disability retiree may never work more than a total of 90 days combined under the three exceptions.

(e) If, during a calendar month, a retiree works more than one-half time in a position that qualifies for the tutor exception under §31.15 of this title, then the retiree may not work in any other position for a Texas public educational institution without being subject to the forfeiture requirements of §31.4 of this title unless the other position qualifies as substitute service and all the retiree's employment under the tutor exception under §31.15 of this title also qualifies as substitute service.

(f) If, during a calendar month, a retiree works in a position that qualifies as substitute or as one-half time or less employment and that position also qualifies for the tutor exception under §31.15 of this title, then the retiree may combine work in that position with any other work that qualifies under the substitute exception under §31.12 of this title and one-half time employment under §31.13 of this title provided the retiree's combined work during the calendar month does not exceed the limits provided by subsection (b) and (c) of this section, as applicable.

(g) A service retiree employed under the twelve-month separation exception under §31.14 of this title may be employed up to full-time by one or more Texas public educational institutions in one or more positions without limit under this section.

(h) If, during a calendar month, a retiree's position qualifies for more than one exception under this subchapter, the retiree's position shall be subject to all monthly limits on that position under all applicable exceptions. If the limit under the applicable exceptions conflict or if one exception is more restrictive than the other, the least restrictive exception on a retiree's employment after retirement shall apply.

(i) For the purposes of this section, a retiree who works part of a day is considered to have worked the entire day.

§31.19. Combining EAR Exceptions and Employer Surcharges.

(a) If, during a calendar month, a retiree works in a position subject to more than one exception under this subchapter or in multiple positions subject to different exceptions under this subchapter, TRS shall use the following standards to determine whether the retiree's employment requires an employer to pay the return-to-work pension surcharge under §31.3 of this title (relating to Return-to-Work Employer Pension Surcharges).

(b) If a retiree combines substitute service under §31.12 of this title (relating to Substitute Service) with one-half time employment under §31.13 of this title (relating to One-half Time Employment) in a calendar month, then the employer employing the retiree must remit the employer surcharge to TRS if the retiree works more than 11 total days in both positions combined.

(c) If, during a calendar month, a retiree combines substitute service under §31.12 of this title with work that qualifies for the tutor exception under §31.15 of this title (relating to Tutors under Education Code §33.913), then the employer must remit the employer surcharge to TRS based on that combined employment unless:

(1) all of the retiree's employment under the tutor exception also qualifies as substitute service; or

(2) the retiree's non-substitute employment under the tutor exception does not exceed 92 hours in the calendar month when not combined with the retiree's substitute service and the retiree's total employment does not exceed 11 total days worked under both exceptions during the month.

(d) If, during a calendar month, a retiree combines one-half time employment under §31.13 of this title with non-substitute work under the tutor exception under §31.15 of this title, the employer must remit the employer surcharge to TRS if the retiree works more than 92 combined hours in all positions. If the retiree's employment under the tutor exception also qualifies as substitute service, then the employer must remit the employer surcharge if the retiree works more than 11 total days during the month in the combined tutor position and the non-tutor one-half time position.

(e) If, during a calendar month, a retiree's employment in a position that qualifies for as substitute service under §31.12 of this title and another exception under this subchapter that is subject to surcharge, work performed in that position is not subject to surcharge so long as the work continues to qualify as substitute service and is not combined with work in another position that is subject to surcharge during the same month.

(f) For the purposes of this section, a retiree who works part of a day is considered to have worked the entire day.

CHAPTER 43. CONTESTED CASES
SUBCHAPTER A. GENERAL ADMINISTRATION

§43.1. Applicability.

(a) The procedures of this chapter apply only to administrative decisions, appeals, and adjudicative hearings relating to the TRS pension plan, unless rules relating to other programs specifically adopt by reference the provisions of this chapter.

(b) The procedures of this chapter do not apply to determinations of whether a domestic relations order is a qualified domestic relations order (QDRO) under Chapter 47 of this title (relating to Qualified Domestic Relations Orders). Appeals relating to QDROs are subject to the requirements of Chapter 47.

(c) If a contested case under this chapter is referred to the State Office of Administrative Hearings (SOAH) for adjudicative hearing, then during the period of time the case is before SOAH, the procedural rules for SOAH (1 TAC Chapter 155) shall apply unless inconsistent with applicable statutes or constitutional provisions.

§43.2. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise:

(1) Administrative law judge--An individual appointed to conduct the adjudicative hearing in a contested case.

(2) Appeal--A formal request to the executive director or board, as applicable under this chapter, to reverse or modify a final administrative decision by the chief benefit officer or the Medical Board on a matter over which TRS has jurisdiction and authority to grant relief.

(3) Board--The Board of Trustees of TRS.

(4) Chief Benefit Officer--The Chief Benefit Officer of TRS or person acting in that position.

(5) Contested case--A proceeding in which the legal rights, duties, or privileges of a party are to be determined by TRS after an opportunity for adjudicative hearing on a matter over which TRS has jurisdiction and authority to grant relief and the relief sought does not conflict with the terms of the pension plan.

(6) Deputy Director--The Deputy Director of TRS or person acting in that position.

(7) Executive director--The executive director of TRS or person acting in that position; when the executive director determines that a need exists, the executive director at his or her discretion may designate a person to accomplish the duties assigned in this chapter to the executive director.

(8) Final administrative decision--An action, determination, or decision by the chief benefit officer or the Medical Board, as applicable, based on review of a person's request on an administrative basis (i.e., without an adjudicative hearing).

(9) Final decision of TRS--A decision that may not be appealed further within TRS, either because of exhaustion of all opportunities for appeal within TRS or because of a failure to appeal the decision further within TRS in the manner provided for in this chapter.

(10) Medical board--The medical board appointed by the TRS board of trustees under Government Code §825.204.

(11) Member--A person who is a member, retiree, or beneficiary of TRS.

(12) Order--The whole or a part of the final disposition of an appeal, whether affirmative, negative, injunctive, or declaratory in form, of the executive director, deputy director, or the board in a contested case.

(13) Party--Each person named or admitted in a contested case.

(14) Person--Any natural person or other legal entity.

(15) Pleading--A written document that is submitted by a party, by TRS staff, or by a person seeking to participate in a case as a party and that requests procedural or substantive relief, makes claims or allegations, presents legal arguments, or otherwise addresses matters involved in a contested case.

(16) SOAH--The State Office of Administrative Hearings.

(17) State Office of Administrative Hearings--The state agency established by Chapter 2003, Government Code, which may serve as the forum for the conduct of an adjudicative hearing upon referral of an appeal by TRS.

(18) Third party respondent or petitioner--A person joined as an additional party to a proceeding; a party shall be designated as either a third party respondent or third party petitioner based on whether the person opposes the action requested in the petition or supports it or whether the person's interests are aligned with petitioner or respondent.

(19) TRS--The Teacher Retirement System of Texas.

(20) Trustee--One of the members of the board.

(21) With prejudice--Barring a subsequent contested case on the same claim, allegation, or cause of action.

§43.3. Filing of Documents.

(a) All documents relating to any appeal of a final administrative decision shall be filed with the deputy director at TRS, PO Box 149676, Austin, Texas 78714-0185. A document may be filed with TRS by hand-delivery, courier-receipted delivery, facsimile transmission, or regular, certified, or registered mail. A document is deemed filed when mailed if it is received by TRS within a timely manner under Rule 5 of the Texas Rules of Civil Procedure and the sender provides adequate proof of the mailing date.

(b) If the deputy director has docketed an appeal and referred it for adjudicative hearing at SOAH, documents shall be filed in accordance with the procedural rules of SOAH and served upon TRS in accordance with those rules.

§43.5. Extensions.

(a) Unless otherwise provided by statute, the time for filing pleadings or other documents may be extended, upon the filing of a motion, prior to the expiration of the applicable period of time, showing that there is good cause for such extension of time and that the need for the extension is not caused by the neglect, indifference, or lack of diligence of the party making the motion.

(b) A copy of any such motion shall be served upon all other parties of record to the proceeding contemporaneously with its filing.

(c) In the case of filings that initiate a proceeding or that are made before an appeal has been referred for an adjudicative hearing, the deputy director will determine whether good cause exists and whether an extension should be granted.

(d) In the case of filings made in a proceeding after TRS has referred the appeal for an adjudicative hearing, rules governing hearings before SOAH will control so long as the matter is before SOAH.

(e) For matters returned by an administrative law judge to TRS, either through dismissal from the adjudicative hearing docket or through issuance of a proposal for decision, the executive director may determine whether good cause exists and whether an extension should be granted.

(f) The executive director is authorized to rule on motions for extensions on matters directed to the Board if no Board meeting is scheduled before the expiration of the applicable period of time.

CHAPTER 43. CONTESTED CASES
SUBCHAPTER B. REQUESTS FOR ADJUDICATIVE HEARING

§43.106. Authority to Grant Relief.

(a) At any time before an appeal is referred for adjudicative hearing, the chief benefit officer or, in the matter of certification for disability retirement, the Medical Board may grant the relief sought by the petitioner and dismiss the appeal, provided that the interests of other individual parties are not adversely affected and the relief does not conflict with the terms of the pension plan.

(b) If the granted appeal has been referred to SOAH, the parties shall request that the SOAH administrative law judge dismiss the case from the SOAH docket in accordance with SOAH rules.