September 2026

TRUSTEES

TRS Board of Trustees Meeting

Teacher Retirement System of Texas
4655 Mueller Blvd.
Austin, Texas 78723

TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES

AGENDA

September 17, 2026 – 9:00 a.m.
September 18, 2026 – 9:00 a.m.

All or part of the September 17 - 18, 2026 meeting of the TRS Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have the presiding officer and a quorum physically present at the following location, which will be open to the public during the open portions of the meeting: ***4655 Mueller Blvd, 2nd Floor, Boardroom.***

Members of the public may provide virtual public comment by registering first with the Board Secretary by submitting an email to publiccomment@trs.texas.gov identifying the name of the speaker and topic, no later than 5:00 pm on September 17, 2026.

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

NOTE: The Board may take up any item posted on the agenda during its meeting on September 17 - 18, 2026 beginning at the time and place specified on this agenda.

1. Call roll of Board members.

2. Consent Agenda: Consider the following items that may be taken up by consent without discussion– Robert H. Walls, Jr.:
   - A. Approval of the July 2026 proposed meeting minutes (*Agenda Item 3A*);
   - B. Excusing Board Member absences from the July 2026 meeting (*Agenda Item 3B*);
   - C. Setting, rescheduling, or canceling future Board meetings including considering dates for October 2026 and the calendar year 2027; (*Agenda Item 3C*)
   - D. Acceptance of the Procurement and Contracting Report (*Agenda Item 17*).

3. Consider the following administrative matters – Robert H. Walls, Jr.:
   - A. Approval of the July 2026 proposed meeting minutes; (*Proposed Consent Agenda 2A*)
   - B. Excusing the absences of Trustees from the July 2026 meeting; (*Proposed Consent Agenda 2B*)
   - C. Setting, rescheduling, or canceling future Board meetings including considering dates for October 2026 and the calendar year 2027; (*Proposed Consent Agenda 2C*)

4. Resolutions recognizing the service of Trustees Michael Ball and David Corpus – Robert H. Walls, Jr.

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

   A. Administrative operational matters, including updates on financial, audit, legal, staff services, special projects, strategic planning, legislative, personnel matters, and notifications of contract renewals.
   B. Board operational matters, including a review of draft agendas for upcoming meetings.
   C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.

6. Consider the administrative appeal of Herman Martina – Heather Traeger and Tracey Guerra.

7. Consider selecting a qualified public accounting firm to provide independent financial statement auditing services to the Board of Trustees, including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third party - Amanda Jenami and Aundre Petty.

8. Receive an overview of Health Insurance Programs investment proposals including – Meaghan Bludau, Yimei Zhoa; Kirsten Schatten, Segal; Heather Traeger, Jase Auby, James Nield; Colin Bebee and Mika Malone, Meketa:

   A. Review of Reserve Policies for TRS-ActiveCare and TRS-Care;
   B. Review of Strategic Asset Allocation(SAA) educational session and review of TRS-Care Fund strategy; and
   C. Consider delegating authority to the Executive Director to amend and modify the custodian contract, investment advisor contract and other board contracts that may be impacted by the programs' changes, including considering a finding that to deliberate or confer in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third party.

9. Receive an overview of the compensation and evaluation process for Board Direct reports - Shunne Powell; Josh Wilson and Susan Lemke, Marsh formerly Mercer Consulting; and Liz Severyns, Focus Consulting.

10. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the following – Robert H. Walls, Jr.:
   A. Chief Audit Executive;

B. Chief Investment Officer, including succession planning and considering the salary limits listed in the schedule of exempt positions in the General Appropriations Act for the 2026 and 2027 Biennium; and

C. Executive Director, including succession planning and considering the salary limits listed in the schedule of exempt positions in the General Appropriations Act for the 2026 and 2027 Biennium.

11. Review the report of the General Counsel on pending and contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, investment matters and open records and on legal or regulatory matters involving certain TRS vendors, investment managers, or other counterparties– Heather Traeger.

NOTE: *The Board meeting likely will recess after the last item above and will resume September 18, 2026, Friday morning, to take up items listed below.*

12. Provide an opportunity for public comment – Robert H. Walls, Jr.

13. Receive the report of the Benefits Committee on its September 17, 2026 meeting and consider the following:

A. Acceptance of the Medical Board Meeting minutes for May and July 2026 meeting;

B. Approval of the Benefit Payments for June through August 2026;

C. Appointment of the active school administrator position to the Retirees Advisory Committee (RAC);

14. Receive the report of the Investment Management Committee on its September 18, 2026 meeting – Committee Chair.

15. Receive the report of the Governance Committee on its September 18, 2026 meeting and consider adoption of the following: – Committee Chair

A. Proposed continuation and adoption of the Executive Director's Performance Pay Plan, including the Executive Director's Areas of focus for Fiscal Year 2027 ; and

B. Proposed continuation and adoption of the Investment Management Division's and TRICOT's Performance Pay Plans for the 2026 – 2027 Performance Period adoption;

C. Proposed amendments to the Pension Funding Policy; and

D. Proposed amendments to the Bylaws of the Board of Trustees.

16. Receive the report of the Audit, Compliance, and Ethics Committee on its September 18, 2026 meeting including considering the adoption of the following – Committee Chair:

A. Internal Audit's proposed Performance Objectives for FY 2027; and

B. Proposed Audit Plan for FY 2027.

17. Receive the Deputy Director's Report including an update regarding TRS Regional Offices and considering the Procurement and Contracting Report – Caasi Lamb.

18. Receive an annual update on the Member and Employer Outreach Plan activities – Elizabeth Hallmark.

19. Receive Quarterly Data Governance and Information Security Update – Frank Williams.

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

a. Texas Government Code, Section 551.071: Consultation with Attorney;
b. Texas Government Code, Section 551.072: Deliberation Regarding Real Property;
c. Texas Government Code, Section 551.074: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees including but not limited to the Executive Director, Chief Audit Executive, Chief Investment Officer and Ombudsman.
d. Texas Government Code, Section 551.076: Deliberation Regarding Security Devices or Security Audits;
e. Texas Government Code, Section 551.0761: Deliberation Regarding Critical Infrastructure Facility
f. Texas Government Code, Section 551.089: Deliberation Regarding Security Devices or Security Audits; or
g. Texas Government Code, Section 825.115: Applicability of Certain Laws;
h. Texas Government Code, Section 825.3011: Certain Consultations Concerning Investments.

TAB 3

Minutes of the Board of Trustees

July 16, 2026

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

Board members present:

Mr. Robert H. Walls, Jr., Chair
Mr. Elvis Williams, Vice Chair
Ms. Brittny Allred
Mr. John Elliott
Ms. Laronda Graf
Dr. Pete Pape
Mr. Dan West

Others who participated:

Brian Guthrie, TRS
Caasi Lamb, TRS
Heather Traeger, TRS
Amanda Jenami, TRS
Eric Lang, TRS
Barbie Pearson, TRS
Katrina Daniel, TRS
Don Green, TRS
Katherine Farrell, TRS
Suzanne Dugan, Cohen Milstein
Dr. Keith C. Brown, Board Investment Advisor
Colin Bebee, Meketa
Mika Malone, Meketa
Dianne Hastings, (virtual)
Cristie Aguirre, (virtual)
Charlotte Mitchell
Tandi Mitchell
Jeff Batas
Herman Martina
Brock Gregg, TRTA
Tam McCall, UHC
Damian Equivel, UHC
Carlos Telles, CBRE
Victoria Redfern, Express Scripts
Steve Alexander, BCBSTX
Karen Haywood, BCBSTX
Peter Jansen, CBRE
Mary Lynn Moliter, CBRE
Maggie Norman, CBRE
Rebecca Russakow, CBRE
Mohan Balachandra, NISA
Troy Dearing, Kudelski Security

Chair Robert H. Walls, Jr. called the meeting to order at 9:00 a.m. welcoming the two new trustees Mr. Dan West and Dr. Pete Pape.

1. Call roll of Board members.

Ms. Farrell called the roll. A quorum was present, Mr. Rutherford was absent.

2. **Consent Agenda: Consider the following items that may be taken up by consent without discussion:**
   A. Approval of the April 2026 proposed meeting minutes (Agenda Item 3C);

B. Excusing Board member absences from the April 2026 meeting (Agenda Item 3D); and
C. Acceptance of the Procurement and Contracting Report (Agenda Item 7B).

On a motion by Mr. Elliott, seconded by Ms. Allred, the Board approved the consent agenda as presented.

3. Consider administrative matters.
A. Chair appointments of committee members and announcement of committee chairs.

On a motion by Mr. Williams, seconded by Mr. Elliott, the Board approved the Chair's committee appointments.

Committees	Chair; Members
Audit, Compliance and Ethics	Rutherford; Graf, Pape, West, Williams
Benefits	Graf; Allred, Pape, Rutherford, West
Budget	Williams; Pape, Elliott, Walls, West
Investment Management	Allred; Rutherford, Graf, Walls, Williams
Governance	Elliott; Pape, Walls, West, Williams

B. Election of the Board Vice Chair.

Chair Walls nominated Mr. Williams to serve as Vice Chair, seconded by Mr. Elliott, and the Board unanimously voted in favor.

C. April 2026 proposed meeting minutes and Board member absences (Proposed consent agenda item 2A; and
D. Excusing Board Member absences from the April 2026 meeting (Proposed consent agenda item 2B).

These matters were approved as part of the consent agenda under Agenda Item 2.

4. Provide an opportunity for public comment – Robert H. Walls, Jr.

Ms. Cristie Aguirre, representing herself expressed concern regarding the application of TRS Rule 25.31 and requested the Board to consider amending it to prevent pension spiking without also unintentionally penalizing educators in a manner that is inconsistent with its intended purpose. Mr. Guthrie stated that staff intended to review the issue for future consideration.

Ms. Dianne Hastings, representing herself, expressed concerns with UnitedHealthcare, including coverage denials and access to cancer treatment and rehabilitation services. She asked the Board to find a health care insurance that they deserve and worked for many years.

Ms. Charlotte Mitchell, representing herself, expressed concern regarding provider access and reimbursement involving UnitedHealthcare, particularly in rural areas. She asked TRS to consider accountability measures, other carrier options, and whether a Medicare supplement option could be made available.

Mr. Batas, representing himself, expressed concern regarding his former employment with TRS, use of intermittent leave, separation from employment, and a disputed performance pay plan payment.

5. **Resolution recognizing the service of Dr. Keith C. Brown – Robert H. Walls, Jr..**

Chair Walls read the following resolution:

> **Whereas**, Dr. Keith C. Brown is an accomplished finance expert; Distinguished Teaching Professor and Fayez Sarofim Fellow at The University of Texas at Austin; CFA charterholder; and published author who has contributed his extensive academic and professional experience in investment management, capital markets and portfolio analysis to the board's investment-related deliberations for decades; and
>
> **Whereas**, since 1999, his counsel has supported TRS' mission to deliver retirement benefits while maintaining a disciplined and forward-looking approach to investment management; and
>
> **Whereas**, Dr. Brown served TRS across centuries, with five board chairs, five chief investment officers and three executive directors; and
>
> **Whereas**, Dr. Brown's knowledge of investment principles and commitment to best practices has further strengthened the board's ability to navigate evolving market conditions and oversee the modernization and continuing evolution of the Investment Manage-ment Division — including innovation in delegated authority, external management, hedge funds, private markets, and derivatives; and
>
> **Whereas**, through his service, he has demonstrated a steadfast dedication to excellence, professionalism and public service in support of one of the largest public retirement systems in the nation; and
>
> **Whereas**, his contributions through well-reasoned memoranda, educational presentations and inquisitive discourse have complemented the work of the board and staff in advancing the integrity and long-term sustainability of the trust; and
>
> **Whereas**, Dr. Brown's advisory role has provided continuity, insight and an external perspective that has strengthened governance practices and supported the board in carrying out its responsibilities; now, therefore, be it
>
> **Resolved**, that the board extends its profound gratitude for Dr. Brown's commitment to supporting the mission of TRS and the financial security of its members and offers its best wishes for his continued success in all future endeavors;
>
> **And be it further resolved**, that a copy of this resolution be presented to Dr. Keith C. Brown and entered into the record of the board for July 16, 2026.

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

   A. Review administrative operational matters, including updates on legislative, financial, audit, legal, staff services, special projects, investment matters, strategic planning, trustee elections, personnel matters and notification of contract renewals.

   B. Board operational matters, including a review of draft agendas for upcoming meetings.

   C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.

Mr. Brian Guthrie reviewed recent and upcoming public retirement system conferences and trustee education opportunities. He recognized Jennifer Whitman and Rachel Hill for leadership roles with the Public Retirement Information Systems Management organization and congratulated Shunne Powell on receiving a 2026 Outstanding Women in Texas Government leadership award.

Mr. Guthrie provided notice that he intended to renew the Focus Consulting contract for one year under delegated authority.

Mr. Guthrie reviewed anticipated topics and scheduling for the September and December 2026 Board meetings.

7. Receive the Deputy Director's update – Caasi Lamb.
A. Funding Policy.

Ms. Caasi Lamb reviewed the statutory requirement for a written pension funding policy and the contribution increases enacted beginning in 2019. She explained that the policy requires consideration of a contribution increase when the projected unfunded actuarial accrued liability is not expected to begin declining within five years after scheduled contribution increases are fully phased in.

Ms. Lamb reported that current projections would trigger the policy and that staff planned to include a preliminary cumulative contribution rate request of 1.0 to 1.5 percent in the Legislative Appropriations Request. Mr. Guthrie explained that the request would be preliminary because the 2026 actuarial valuation would not be available before the submission deadline and could be revised after later actuarial updates. He stated that TRS would not recommend how the Legislature should allocate the increase among the State, employers, or members.

B. Procurement and Contracting Report.

The Procurement and Contracting Report was accepted as part of the consent agenda under Agenda Item 2.

C. Quarterly AI Governance and Technology Update.

Ms. Lamb reported that the TRS AI Center of Enablement received a Best of Texas award at the 2026 Texas Digital Government Summit.

8. Receive an update and consider leases for a TRS regional office in the Rio Grande Valley area - Caasi Lamb .

Ms. Lamb reported that the property previously selected for the regional office was no longer available. She said staff has identified new location and seeks Board approval for the new location and authority for the Executive Director to negotiate a lease. She stated that, based on current estimates, the regional office could open near the beginning of calendar year 2028.

On a motion by Mr. Williams, seconded by Mr. West, the Board unanimously found that deliberating or conferring in open meeting regarding Agenda Item 8 would have a detrimental effect on the position of the retirement system in negotiations with a third person.

On a motion by Mr. West, seconded by Mr. Elliott, the Board unanimously found that deliberating or conferring in open meeting regarding Agenda Item 16 would have a detrimental effect on the position of the retirement system in negotiations with a third person.

At 10:05 a.m., Chair Walls announced the Board would recess into executive session for agenda item 8 under Sections 551.071 and 825.115(e) of the Texas Government Code to discuss leases for the second regional office lease in the Rio Grande Valley area and to consult with legal counsel as needed; item 16 under Section 551.071 to consult with legal counsel as needed.

16. Review the report of the General Counsel on pending and contemplated litigation.

At 10:49 a.m. Chair Walls reconvened the Board in open meeting.

On a motion by Mr. Elliott, seconded by Dr. Pape, the Board approved the following resolution regarding the regional office in the Rio Grande Valley area:

Resolution of the Board of Trustees
Authorizing Actions Relating to Leasing Commercial Office Space
for the TRS Regional Office in the Rio Grande Valley

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

Whereas, TRS identified a need to improve access to services for members throughout the state, including being able to provide in-person office visit appointments for members who live far from the Austin headquarters;

Whereas, In Fiscal Year 2023, TRS opened its first regional office in El Paso, Texas, to offer member services in an underserved part of the state;

Whereas, TRS conducted a search for properties for a new regional office in the Rio Grande Valley, and after evaluation of the potential properties, the TRS regional office workgroup (Workgroup) identified a potential location, and brought that recommendation to the Board for consideration;

Whereas, the Board, in the September 18, 2025 Resolution (September Resolution) authorized the Executive Director to negotiate with the assistance and advice of legal counsel, a lease for a new regional office at the recommended location, on such terms and conditions and for such period as the Executive Director in his discretion deemed to be advisable and in the best interest of TRS;

Whereas, the Executive Director, as authorized in the September Resolution, concluded that TRS was not reasonably likely to successfully negotiate a lease for the selected location that would be in the best interest of TRS and, as authorized in said Resolution, the Executive Director resumed the search for a new suitable location;

Whereas, the Workgroup worked with a broker to identify new potential locations for a real property lease for TRS' new regional office in the Rio Grande Valley that would best meet the needs of TRS members, and identified three potential locations;

Whereas, The Board delegated authority to the Executive Director to negotiate lease space at one of the top three locations in priority order if deemed, in his or her discretion, to be in the best interest of TRS;

Whereas, The Board's top selection became unavailable and upon reconsideration of the other two locations selected by the Board, the Executive Director determined that neither one was deemed, in his or her discretion, to be in the best interest of TRS at this time;

Whereas, the Workgroup conducted a new search to identify potential locations that would best meet the needs of TRS members and has identified the following lease spaces to bring to the Board for consideration: (i) 3324 North McColl Road, Mission, Texas; and (ii) newly available office space at 200 S 10th Street, McAllen Texas; now, therefore be it

***Resolved**,* That the Board considered the evaluation and recommendation made by TRS staff related to the selection of a location for TRS' new regional office in the Rio Grande Valley;

Resolved, That the Board finds that the lease space at 3324 North McColl Road, Mission, Texas represents the best overall value for TRS based on its location, proposed lease terms and conditions, and other relevant factors;

Resolved, That the Board hereby selects the lease space at 3324 North McColl Road, Mission, Texas for the TRS' new regional office in the Rio Grande Valley, with the newly available lease space at 200 S 10th Street, McAllen Texas selected as an alternate;

Resolved, That the Board hereby authorizes the Executive Director or his designee to negotiate, with the assistance of legal counsel, a lease space at 3324 North McColl Road, Mission, Texas for a term that is in the best interest of TRS to include an initial term of no more than 10 years and any optional renewal period(s) also deemed to be in the best interest of TRS; and, if negotiations are deemed in his or her discretion to be successful, then the Executive Director or his designee is hereby authorized to execute such lease, including future amendments, on such terms and conditions as such officer may deem, in his or her discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including all future extensions or amendments to the contracts, that such officer may deem reasonably necessary or appropriate to effectuate this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to expend funds and take all actions reasonably necessary or advisable with respect to such contracts or amendments on financial terms and conditions deemed by the Executive Director to be in the best interest of TRS.

Resolved, That if for any reason, the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract for lease space at 3324 North McColl Road, Mission, Texas then the Board hereby selects the newly available office space at 200 S 10th Street, McAllen, Texas and authorizes the Executive Director or his designee to negotiate, to the extent still available, with the assistance of legal counsel, a lease for a term that is in the best interest of TRS to include an initial term of no more than 10 years and any optional renewal period(s) also deemed to be in the best interest of TRS; and, if negotiations for the newly available lease space at 200 S 10th Street, McAllen, Texas are deemed successful, then the Executive Director or his designee is hereby authorized to execute such lease, including future amendments, on such terms and conditions as such officer may deem, in his or her discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including all future extensions or amendments to the contracts, that such officer may deem reasonably necessary or appropriate to effectuate this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to expend funds and take all actions reasonably necessary or advisable with respect to such contracts or amendments on financial terms and conditions deemed by the Executive Director to be in the best interest of TRS.

Resolved, That if for any reason, the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract for lease space at either location, the Executive Director or his designee is authorized to conduct a new search, including a preliminary search in other locations in Texas. To the extent a search outside of the Rio Grande Valley is deemed necessary, the Executive Director will bring back to the Board at the next meeting the requisite regional office location research conducted to propose a new regional office.

Resolved, That the Executive Director is authorized to (a) contract and pay for brokerage services and commissions for leases, (b) consider, negotiate, and agree to lease terms that the Executive Director deems reasonable and in the best interest of TRS, and (c) expend such budgeted and available TRS funds and enter any agreements and related documents as the Executive Director deems in his discretion to be reasonably necessary and advisable to achieve the objectives of this resolution;

Resolved, That the Executive Director is directed to report to and update the Board at its regular meetings, as requested, on the actions taken and activities performed under these resolutions; and

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

Chair Walls announced, without objection, taking up agenda 4 to hear further public comments.

4. Provide an opportunity for public comment – Robert H. Walls, Jr.

Mr. Herman Martina , representing himself, expressed concern regarding delayed annuity payments, his request for earnings associated with the delayed amounts, and his experience seeking assistance from TRS.

At 11:00 a.m., Chair Walls announced the meeting would recess to reconvene the same day after taking up the scheduled committee meetings.

At 3:14 p.m., Chair Walls reconvened the Board in open meeting.

9. Resolution recognizing the service of Katrina Daniel – Robert H. Walls, Jr.

Chair Walls read the following resolution recognizing Katrina Daniel for her service to TRS:

Resolution

Whereas, Katrina Daniel joined the Teacher Retirement System of Texas (TRS) on June 15, 2015, bringing extensive experience as a registered nurse since 1990 and a distinguished career in public service; and

Whereas, at TRS, Ms. Daniel provided exceptional leadership of TRS-Care and TRS-ActiveCare, serving more than 620,000 participants and overseeing nearly $6 billion in annual claims; and

Whereas, under her leadership, TRS conducted major procurements, implemented cost containment strategies, and maintained high-quality coverage while achieving significant savings and cost growth below peer organizations; and

Whereas, under her guidance, TRS-ActiveCare was re-engineered to improve competitiveness by transitioning TRS-ActiveCare from required employer participation to an option for employers in the broader health insurance market ; and

Whereas, she led transformative improvements to TRS-ActiveCare by implementing regional rating in 2023 to ensure TRS-ActiveCare offered employers competitively priced plans in all regions of the state and created additional flexibility for employers to join TRS-ActiveCare through transitional plans; and

Whereas, she played a pivotal role in redesigning and stabilizing TRS-Care, enhancing affordability, expanding benefits, and improving satisfaction; and

Whereas, under her management she introduced dental and vision coverage in 2025 with over 106,000 enrollments in the first year;

Whereas, she also advanced innovation and operational excellence by modernizing enrollment systems, expanding digital services, implementing data-driven strategies and insourcing actuarial capabilities; and

Whereas, her leadership extends beyond TRS through service on numerous boards, including the Public Sector Healthcare Roundtable, the National Institute for Public

Employee Health Care Policy (as chair), and the St. David's Foundation, and she has been recognized as the 2025 Benefits Manager of the Year by the State and Local Government Benefits Association; and

Whereas, Ms. Daniel built relationships and engaged directly with school districts, employees and retirees keeping her team grounded in the mission to serve members;

Now, therefore, be it resolved, that the board of trustees and staff of the Teacher Retirement System of Texas recognize and commend Katrina Daniel for her outstanding leadership, dedication and service and express appreciation on behalf of TRS members both present and future;

And be it further resolved, that a copy of this resolution be presented to Katrina Daniel and entered into the record of the board for July 16, 2026.

Ms. Daniel thanked the trustees, executive team, TRS staff, and the Health Division team. Mr. Guthrie expressed appreciation for her leadership, professionalism, commitment to members, and service to TRS.

10. Receive the report of the Governance Committee on its July 16, 2026 meeting – Committee Chair.

Mr. Elliott provided the following Governance Committee report:

The Committee met on 1 July 16, 2026. By consent, the Committee approved the proposed minutes for its April 2026 meeting and recommended that the Board adopt the proposed amendments to TRS rules in Title 34, Part 3, Chapter 41 of the Texas Administrative Code.

The Committee discussed and reviewed the proposed modifications to the Executive Director's areas of focus for fiscal year 2026 and as proposed for fiscal year 2027. The Committee discussed and reviewed the proposed modifications to the Executive Director's performance pay plan for the 2026/2027 performance period.

The Committee recommended to the Board adoption of the proposed amendments to the Member and Employer Outreach Plan. The Committee recommended to the Board adoption of the notice of completed rule review for TRS rules in Title 34, Part 3, of Chapters 21 through 51, Texas Administrative Code.

On motion by Mr. Elliott, the Board voted to adopt the amendments to the Member and Employer Outreach Plan as recommended by the Governance Committee.

On motion by Mr. Elliott, the Board voted to adopt the notice of completed rule review for TRS rules in Title 34, Part 3, Chapters 21 through 51, Texas Administrative Code as recommended by the Governance Committee.

On motion by Mr. Elliott, the Board voted to adopt the proposed amendments to TRS Rules 41.17 and 41.38, related to the limited-time enrollment opportunity for Medicare-eligible retirees and the termination date of coverage, as recommended by the Governance Committee.

11. Receive the report of the Benefits Committee on its July 16, 2026 meeting – Committee Chair.

Ms. Graf provided the following Benefits Committee report:

The Benefits Committee met on July 16, 2026. The committee approved the proposed minutes of the Benefits Committee for the May 1, 2026, meeting.

Ms. Barbie Pearson, Chief Benefit Officer, provided an overview of the Medical Board, including the staff recommendation to appoint Dr. Tiffany Dugas to a two-year term beginning September 1, 2026, and ending August 31, 2028.

Next, Ms. Pearson provided an update on Pension Services operations for the period of September 1, 2025, through May 2026, highlighting key performance metrics and major operational initiatives. Pension Services reported strong service volumes and met 11 of its 12 performance measures, while maintaining a low number of complaints relative to transaction volume. The report also included an update on Inactive Account activities for FY 2026.

Mr. Adam Fambrough, Deputy Chief Benefit Officer for Member Services, and Mr. Scott Murphey, Senior Director of the Contact Center, provided an overview of the Contact Center

Next, Ms. Sunitha Downing and Dr. Rene Paulson of Elite Research presented the results of the 2026 Reporting Employer Survey. The findings highlighted the Reporting Employer Coaches continued strong performance and identified areas for further improvement to strengthen employer satisfaction.

Next Ms. Katrina Daniel, Chief Healthcare Officer and Meaghan Bludau (Blu'-da), Health Division Chief of Staff presented a reduction in TRS-Care Medicare Advantage premiums for the 2027 Plan Year, and highlighted the limited-time enrollment opportunity for Medicare eligible retirees. The TRS-Care Standard rates will remain the same.

Ms. Daniel and Ms. Bludau provided an overview of risk-based rating for new employers entering TRS-ActiveCare, a method to stabilize the financial risk new employers bring in their first two years in the plan.

On motion by Ms. Graf, the Board voted to accept the Medical Board Meeting minutes for March 2026, as recommended by the Benefits Committee.

On motion by Ms. Graf, the Board voted to approve the Benefit Payments for March – May 2026, as recommended by the Benefits Committee.

On motion by Ms. Graf, the Board voted to adopt the following resolution appointing members to the Medical Board, as recommended by the Benefits Committee:

RESOLUTION TO APPOINT TRS MEDICAL BOARD MEMBER

Whereas, Texas Government Code section 825.204 requires the Board of Trustees of the Teacher Retirement System of Texas to appoint a Medical Board composed of three physicians to perform medical board services under contracts with TRS;

Whereas, The term of one of the current three members will expire August 31, 2026;

Whereas, The Board of Trustees designated Dr. Tiffany Dugas as an alternate Medical Board member in July 2025;

Whereas, TRS staff recommends that the Board of Trustees appoint Dr. Tiffany Dugas as a member of the TRS Medical Board effective September 1, 2026, for a two-year term that ends on August 31, 2028; now therefore, be it

Resolved, That the Board of Trustees appoints Dr. Tiffany Dugas to the TRS Medical Board for a two-year term beginning on September 1, 2026 and expiring on August 31, 2028;

Resolved, That the Executive Director, or his designee, is hereby authorized to negotiate, with the assistance and advice of legal counsel, contracts for Medical Board services with Dr. Tiffany Dugas and, if negotiations are deemed by the Executive Director in his discretion to be successful, then the Executive Director or his designee is hereby authorized to execute a contract with Dr. Tiffany Dugas for two years coinciding with the term of her appointment and according to such terms, conditions, and fees as the Executive Director may deem in his discretion to be appropriate and to provide the best overall value for TRS, and to execute and deliver all such other documents that the Executive Director may deem necessary or appropriate to effect this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to incur, approve, and pay any budgeted expenses or costs associated with such contract and deemed in the discretion of the Executive Director to be reasonably necessary or advisable with respect to such contract. Additionally, the Executive Director or his designee is hereby authorized to take any contract actions he may deem appropriate during the contract term, including but not limited to, amending or terminating the contract.

On motion by Ms. Graf, the Board voted to adopt the following resolution setting the premiums for the TRS-Care Medicare Advantage plan including COBRA rates for plan year 2027, as recommended by the Benefits Committee:

RESOLUTION APPROVING BENEFIT AND PREMIUM RATES FOR THE TRS-CARE MEDICARE ADVANTAGE PLAN PY 2027

Whereas, Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as described in the statute;

Whereas, under Section 1575.158(c), Insurance Code, TRS-Care offers a Medicare Advantage Plan which provides coverage to Medicare-eligible participants, which has a fully insured Medicare Advantage component and a self-funded Medicare Prescription Drug component;

Whereas, Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

Whereas, Section 1575.212, Insurance Code, authorizes the trustee to determine premiums to be paid by participants of the TRS-Care Program;

Whereas, TRS staff and the consultants assisting staff ("the Consultants") are not recommending any benefit changes for the TRS-Care MA Plan for the plan year that starts on January 1, 2027, thus recommending the continuation of the benefits adopted by the Board for the previous 2026 plan year;

Whereas, TRS staff and the Consultants are recommending premium changes for the TRS-Care Medicare Advantage Plan, including the COBRA premiums, for the plan year that starts on January 1, 2027, as listed in Exhibit A, attached to this resolution and incorporated herein by reference;

Whereas, the Board considered the information provided by TRS staff and the Consultants and desires to approve the recommendations by TRS staff and the Consultants; now, therefore, be it

Resolved, That the Board hereby authorizes the continuation for the plan year that starts on January 1, 2027, of the benefits adopted by the Board for the TRS-Care Medicare Advantage Plan in the previous 2026 plan;

Resolved, That the Board hereby adopts and authorizes, beginning on the plan year that starts on January 1, 2027, the changes to the premium rates to the TRS-Care Medicare Advantage Plan, including the COBRA premiums, as listed in Exhibit A attached to this resolution and incorporated herein by reference, until further action by the Board; and

Resolved, That the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

EXHIBIT A

TO THE RESOLUTION APPROVING PREMIUM CHANGES FOR THE TRS-CARE MEDICARE ADVANTAGE PLAN, INCLUDING COBRA

TRS-Care Medicare Advantage Plan		
Plan Tier	**2025-2026 Plan Year Rates**	**Proposed 2027 Plan Year Rates**
Retiree only	$75	$50
Retiree and Spouse	$280	$230
Retiree and Child(ren)	$408	$383
Retiree and Family	$613	$563

TRS-Care Medicare Advantage COBRA Rates		
Coverage Tier	**2025-2026 Plan Year Rates**	**Proposed 2027 Plan Year Rates**
COBRA Spouse - Medicare	$349	$326
COBRA Child	$284	$341

On motion by Ms. Graf, the Board voted to adopt the following resolution setting the premiums and benefits for the TRS-Care Standard plan including COBRA rates for plan year 2027, as recommended by the Benefits Committee:

RESOLUTION APPROVING BENEFIT CHANGES AND COBRA PREMIUM RATES FOR THE TRS-CARE STANDARD PLAN PY2027

Whereas, Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program (“TRS-Care Program”), as described in the statute;

Whereas, under Section 1575.158(a), Insurance Code, the TRS-Care Program offers a high deductible health plan which provides coverage to non-Medicare-eligible participants (“TRS-Care Standard Plan”);

Whereas, Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

Whereas, Section 1575.212, Insurance Code, authorizes the trustee to determine premiums to be paid by participants of the TRS-Care Program;

Whereas, in May 2026, the Internal Revenue Service (IRS) released inflation adjustments to the minimum deductibles that high deductible health plans must have for the 2027 tax year to be qualified to work together with health savings accounts (HSAs), so that the funds that participants deposit in those HSAs enjoy a tax-favored status;

Whereas, TRS desires to make adjustments to the current deductibles of the TRS-Care Standard Plan according to the 2027 IRS guidelines, by increasing the deductibles so that the plan continues to be a qualified high deductible health plan under such IRS guidelines;

Whereas, accordingly, TRS staff and consultants assisting TRS staff (the “Consultants”) have recommended the benefit changes to be made to the TRS-Care Standard Plan beginning on the plan year that starts on January 1, 2027, as listed in Exhibit A, attached to this resolution and incorporated herein by reference; -2-

Whereas, TRS staff and the Consultants are recommending changes to the TRS-Care Standard Plan COBRA premiums for the plan year that starts on January 1, 2027, as listed in Exhibit B, attached to this resolution and incorporated herein by reference;

Whereas, the Board considered the information provided by TRS staff and the Consultants and desires to approve the recommendations by TRS staff and the Consultants; now, therefore, be it

Resolved, that the Board hereby adopts and authorizes the benefit changes to the TRS-Care Standard Plan beginning on the plan year that starts on January 1, 2027, as listed in Exhibit A attached to this resolution and incorporated herein by reference, until further action by the Board; and

Resolved, That the Board hereby adopts and authorizes, beginning on the plan year that starts on January 1, 2027, the changes to the TRS-Care Standard Plan COBRA premium rates, as listed in Exhibit B attached to this resolution and incorporated herein by reference, until further action by the Board; and

Further resolved, that the Board authorizes the Executive Director or his designees to take any actions that he or his designees in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

EXHIBIT A

TO THE RESOLUTION APPROVING BENEFIT CHANGES FOR THE TRS-CARE STANDARD PLAN **TRS-Care Standard**

Plan Feature	Current 2026 Plan Year	Proposed 2027 Plan Year

Individual In-Network Deductible	$1,700	$1,750
Family In-Network Deductible	$3,400	$3,500
Individual Out-of-Network Deductible	$3,400	$3,500
Family Out-of-Network Deductible	$6,800	$7,000

EXHIBIT B

TO THE RESOLUTION APPROVING COBRA PREMIUM CHANGES FOR THE TRS-CARE STANDARD PLAN		
TRS-Care Standard COBRA Rates		
Coverage Tier	**Current 2026 Plan Year Rates**	**Proposed 2027 Plan Year Rates**
COBRA Spouse - Non-Medicare	$864	$1,037
COBRA Child - Non-Medicare	$284	$341

On motion by Ms. Graf, the Board voted to adopt the following resolution setting premiums and benefits for the TRS-Care Optional Dental plan for plan year 2027, as recommended by the Benefits Committee:

RESOLUTION APPROVING BENEFITS AND PREMIUM RATES FOR THE TRS-CARE OPTIONAL DENTAL PLAN PY2027

Whereas, Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as described in the statute;

Whereas, Section 1575.1601, Insurance Code, requires TRS to establish or contract for and make available under the TRS-Care Program an optional plan that provides coverage for dental care for retirees, dependents, surviving spouses, and surviving dependent children ("TRS-Care Optional Dental Plan");

Whereas, Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

Whereas, Section 1575.212, Insurance Code, authorizes the trustee to determine premiums to be paid by participants of the TRS-Care Program;

Whereas, TRS staff and the consultants assisting staff ("the Consultants") are not recommending any benefit or premium changes for the TRS-Care Optional Dental Plan for the plan year that starts on January 1, 2027, thus recommending the continuation of the benefits and premiums adopted by the Board for the previous 2026 plan year;

Whereas, the Board considered the information provided by TRS staff and the Consultants and desires to approve the recommendations by TRS staff and the Consultants; now, therefore, be it

Resolved, That the Board hereby adopts and authorizes, beginning on the plan year that starts on January 1, 2027, the continuation of the benefits and premium rates to the

TRS-Care Optional Dental Plan adopted by the Board for the previous 2026 plan year until further action by the Board; and

Resolved, That the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

On motion by Ms. Graf, the Board voted to adopt the following resolution setting premiums and benefits for the TRS-Care Optional Vision plan for plan year 2027, as recommended by the Benefits Committee:

RESOLUTION APPROVING BENEFITS ANDPREMIUM RATES FOR THE TRS-CARE OPTIONAL VISION PLAN PY2027

Whereas, Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as described in the statute;

Whereas, Section 1575.1601, Insurance Code, requires TRS to establish or contract for and make available under the TRS-Care Program an optional plan that provides coverage for vision care for retirees, dependents, surviving spouses, and surviving dependent children ("TRS-Care Optional Vision Plan");

Whereas, Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

Whereas, Section 1575.212, Insurance Code, authorizes the trustee to determine premiums to be paid by participants of the TRS-Care Program;

Whereas, TRS staff and the consultants assisting staff ("the Consultants") are not recommending any benefit or premium changes for the TRS-Care Optional Vision Plan for the plan year that starts on January 1, 2027, thus recommending the continuation of the benefits and premiums adopted by the Board for the previous 2026 plan year;

Whereas, the Board considered the information provided by TRS staff and the Consultants and desires to approve the recommendations by TRS staff and the Consultants; now, therefore, be it

***Resolved*,** That the Board hereby adopts and authorizes, beginning on the plan year that starts on January 1, 2027, the continuation of the benefits and premium rates to the TRS-Care Optional Vision Plan adopted by the Board for the previous 2026 plan year until further action by the Board; and

Resolved, That the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

On motion by Ms. Graf, the Board voted to adopt the following resolution reducing rates for the TRS-Care surcharge for return-to-work retirees, as recommended by the Benefits Committee

RESOLUTION RELATED TO THE TRS-CARE SURCHARGE RATE

Whereas, Chapter 1575, Insurance Code (the Texas Public School Retired Employees Group Benefits Act), authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as described in the statute;

Whereas, Under Sections 1575.204(b), Insurance Code, 825.4092(c), Government Code, and 34 Texas Administrative Code § 41.4, employers who report the employment of a retiree who is enrolled in and receiving coverage under the TRS-Care Program are required to pay a contribution to the TRS-Care Program to be established by TRS (the "surcharge");

Whereas, Section 1575.052, Insurance Code, authorizes the trustee to take actions it considers reasonably necessary to devise, implement, and administer the TRS-Care Program;

Whereas, TRS staff and the consultants assisting staff ("the Consultants") are recommending reducing the surcharge to align with TRS-Care Medicare Advantage premium reductions that reflect the cost of covering retirees under the plan, thus recommending reducing the surcharge from $535 to $450, effective September 1, 2027;

Whereas, the Board considered the information provided by TRS staff and the Consultants and desires to approve the recommendations by TRS staff and the Consultants; now, therefore, be it

Resolved, That the Board hereby adopts and authorizes, beginning on September 1, 2027, and thereafter, the reduction of the TRS-Care surcharge rate from $535 to $450 until further action by the Board; and

Resolved, That the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution until further action by the Board.

12. Receive the report of the Budget Committee on its July 16, 2026 meeting – Committee Chair.

Mr. Williams provided the following Budget Committee report:

The Budget Committee met Thursday, July 16th. The first item of business was approval of the minutes of the April 2026 Budget Committee meeting.

Mr. Don Green presented a high-level overview of the proposed administrative operating budget of $412.6 million for FY27and the associated general provisions. The FY27 budget includes 24 new FTEs and $5.6 million held in contingency to address unforeseen issues. The FY27 budget remains flat year over year and is within the appropriated levels and FTE flexibility provided by the general appropriations act.

Mr. Green then presented the state contribution certifications for TRS-Care and Pension Trust Fund.

Mr. Green concluded by presenting the preliminary Legislative Appropriations Request (LAR) for the 2028-29 biennium.

On motion by Mr. Williams the Board adopted the fiscal year 2027 pension trust fund administrative operations budget, general provisions, and resolution authorizing the transfer of pension trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2027 budget, as recommended by the Budget Committee:

Resolution Authorizing Expenditure and Transfer of Trust Funds for Pension Trust Fund Administrative Operations

Whereas, Section 825.312 of the Government Code provides that the retirement system shall pay from the expense account of the retirement system account for the pension trust fund all administrative expenses of the retirement system that are required to perform the fiduciary duties of the board;

Whereas, Section 825.313(d) of the Government Code provides that the TRS Board of Trustees (board) may authorize transferring from the interest account to the expense account of the retirement system an amount necessary to cover TRS' operating expenses for the fiscal year that are required to perform the fiduciary duties of the board;

Whereas, Rider 15, "Contingent Appropriation of Pension Trust Funds for GASB Statement Implementation," of the TRS bill pattern in the State General Appropriations Act, 89th Legislature provides that upon a finding of fact by the TRS board that additional resources are necessary to implement accounting guidelines related to Governmental Accounting Standards Board statements and pronouncements;

Resolved, That the board approves the amendments to the General Provisions for the Pension Trust Fund Administrative Operations, including a change to the perfomance pay plans maximum award of $61.1 million.

Resolved, That the board finds the expenditure of pension trust funds for operating expenses in Fiscal Year 2027 including the changes listed below are required to perform the fiduciary duties of the board in administering the retirement system in the amount of $372,026,800, as approved today in the Fiscal Year 2027 Budget and General Provisions for the Pension Trust Fund Administrative Operations, as amended, plus such additional amounts as may be necessary for the following expenditures and changes to the General Provisions:

- To pay the actual amount of performance incentive compensation payable up to $61.1 million in Fiscal Year 2027, if any;
- To reimburse reasonable and necessary employee transportation and other expenditures necessary for employees to attend orientation, training and staff development activities conducted at TRS headquarters; and
- To achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by such General Provisions adopted by the board; and to implement GASB statements; and

Resolved, That the staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the retirement system under the approved budget for Fiscal Year 2027, but not to exceed the amount of $372,026,800 plus, any additional amounts necessary to pay performance incentive compensation payable in Fiscal Year 2027 and, as applicable, to achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by the General Provisions adopted by the board.

On motion by Mr. Williams the Board adopted fiscal year 2027 administrative operations budgets and general provisions for the TRS health benefits funds (retired and active plans), as recommended by the Budget Committee.

On motion by Mr. Williams the Board adopted the state contribution certifications for TRS-Care for fiscal years 2027, 2028, and 2029, and the state contribution certifications for the Pension Trust Fund for fiscal years 2028 and 2029 as recommended by the Budget Committee.

13. Receive the report of the Investment Management Committee on its July 16, 2026 meeting – Committee Chair.

Ms. Allred provided the following Investment Management Committee report:

> The Committee met on July 16, 2026. The committee approved the proposed minutes for its April 2026 meeting.
>
> Eric Lang began by presenting the CIO Update. Next, the First Quarter 2026 Performance Review was provided by Colin Bebee and Mika Malone of Meketa.
>
> Following, a review of Private Markets was presented by Eric Lang, Carolyn Hansard, Neil Randall and Grant Walker.
>
> Mr. Chairman, this concludes the report of the Investment Management Committee.

14. Receive the report of the Audit, Compliance and Ethics Committee on its July 16, 2026 meeting – Committee Chair.

Mr. Williams, as the Acting Chair, provided the following Audit, Compliance and Ethics Committee report:

> The Audit, Compliance and Ethics Committee met earlier this morning. The Committee approved the minutes of its April 30, 2026, meeting.
>
> The Committee received State Auditor's Office's (SAO) presentations on:
> A. Results of the Audit of TRS' Fiscal Year 2026 Pension Liability; and
> B. Other Post-Employment Benefits (OPEB) Liability Schedules
>
> The Committee received routine compliance and enterprise risk reports from General Counsel and Chief Compliance Officer and staff.
>
> The Committee received the Chief Audit Executive (CAE) Update, including the status of prior audit recommendations, key performance indicators (KPIs), and FY2026 Audit Plan.
>
> Internal Audit staff presented the results of the review of Real Estate Portfolio Operations.
>
> The Committee then went into executive session to discuss the results of the Audit of Data Loss Prevention and the Review of Cyber Controls.
>
> The Committee reconvened in open session.

15. Receive Quarterly TRS Data Governance and Information Security update – Frank Williams.

There was no discussion on this item.

Adjournment

There being no further business, Chair Walls adjourned the meeting at 3:38 p.m.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE ____ DAY OF SEPTEMBER 2026.

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

Proposed Oct. 2026 and CY 2027 Dates

CY 2026	Proposed CY 2027
Feb. 12 – 13, 2026	Jan. 28 – 29, 2027
April 30 – May 1, 2026	April 29 – 30, 2027
	June 8, 2027* (virtual if needed)
July 16 – 17, 2026	July 15 – 16, 2027
Sept. 17 – 18, 2026	Sept. 16 – 17, 2027
Oct. 9, 2026 (virtual)	
Dec. 10 – 11, 2026	Dec. 9 – 10, 2027

TAB 5

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Executive Director's Report

Presentation Date
September 17, 2026

Presented By
Brian Guthrie

Discussion Topics:

- General Updates
- Honors and Special Acknowledgments
- Upcoming Board Meeting Agendas

Appendix

- Executive Director’s Key Priorities re: Sept. Agenda Items

General Updates

Upcoming Conferences and Meetings:

- September 23 – 25, 2026: NCPERS 2026 Public Pension HR Summit, Phoenix, AZ
- October 3 - 6, 2026: NCTR's 104th Conference, Coeur d'Alene, ID
- October 14 – 16, 2026: TRS SPN, Boston, MA
- November 17 - 18, 2026: NIRS 2026 Visionary Circle Meeting, Nashville, TN

Past Meetings and Updates:

- August 8 – 12, 2026: NASRA Annual Conference, Boston, MA
- August 18, 2026: House Committee on Pensions, Investments & Financial Services, Austin, TX
- September 1, 2026: House Select Committee on Health Care Affordability Hearing, Austin, TX
- September 9, 2026: TRS Joint Budget Hearing, Austin, TX

Teacher Retirement System of Texas
40
Years of Service

Congratulations

Barbie Pearson

TRS Chief Benefit Officer

Thank you for your decades of member-focused dedication!

Upcoming Board Meeting Agendas

October 9, 2026**
Virtual Board Meeting

- Special Transitional Rates for employers entering TRS-ActiveCare Program on Jan. 1, 2027

December 10 – 11, 2026**
Board & Committee Meetings

- Adoption of Proposed Rules
- Proposed Bylaw Amendments
- Proxy Voting Advisor
- Board Training Policy
- Review ACFR
- Actuarial Valuation

2027 Educational Meeting
Board Meeting

- Seeking Trustee input for topics
- Ombud's Annual Report
- Ethics Training

Recurring activities at each meeting:

- Exec. Director Report
- Deputy Director Report
- Litigation Report
- Info. Security Report
- AI Update
- Committee Reports

Blue font – action items, green font – informational item
** Indicates possible one day board meeting

Appendix

NCTR 2026 Agenda Summary

Saturday, Oct. 3	Sunday, Oct. 4	Monday, Oct. 5 (Investment Focused)	Tuesday, Oct. 6 (Plan Administration Focused)
Committee Meetings	General Session	General Session	General Session
	Key Note: Amy Walter, National Editor of the Cook Political Report	Key Note: Mark Blyth, Political Economist, Brown University	Federal Relations Discussion
	Trustee Education and Advocacy Workshop	CIO Panel	NCTR Cybersecurity & AI Annual Survey Results
	Teacher of the Year Dinner and Keynote Address		NCTR Annual Business Meeting

September Board Agenda Items by Area of Focus

MEMBER Focused

LEADERSHIP Effectiveness

TALENT Effectiveness

OPERATIONAL Effectiveness

CONTINUOUS Improvement

Area of Focus					Meeting Date	Committee	Agenda Item
MF	LE	TE	OE	CI			
✓	✓	✓			Sept. 17	Board Meeting	3. Executive Director's Report
✓	✓				Sept. 17	Board Meeting	8. Overview of Health Insurance Programs Investment Proposals
✓	✓		✓		Sept. 17	Board Meeting	17. Deputy Director's Report including Regional Offices and Considering Procurement & Contracting Report
✓	✓				Sept. 17	Board Meeting	18. Annual Update on Member and Employer Outreach Plan Activities
			✓	✓	Sept. 17	Board Meeting	19. Quarterly Update on Data Governance & Information Security
✓				✓	Sept. 17	Benefits	4.C. Operational Update on Pension Services including Overview of Benefit Operations Support Department
✓	✓			✓	Sept. 17	Benefits	5. Update on TRS-Care and TRS-ActiveCare Programs and Considering Approval of Retirees Advisory Committee (RAC) Member Appointment for Vacated Position
✓			✓		Sept. 18	Governance	5. Consider Recommending Proposed Amendments to Pension Funding Policy

Area of Focus					Meeting Date	Committee	Agenda Item
MF	LE	TE	OE	CI			
	✓	✓		✓	Sept. 18	Investment Management	3. CIO Update
	✓				Sept. 18	Investment Management	4. Second Quarter 2026 Performance Review
	✓				Sept. 18	Investment Management	6. Semi-Annual Risk Report
	✓		✓		Sept. 18	ACE	4. Receive Compliance Reports including Ethics & Fraud, Conflicts of Interest, Investment Policies, and Enterprise Risk Management
✓	✓		✓		Sept. 18	ACE	5. Consider Recommending Adoption of Internal Audit's Proposed Performance Objectives for FY27 and Proposed Audit Plan for FY27
✓			✓		Sept. 18	ACE	6. Receive Chief Audit Executive Update
✓			✓		Sept. 18	ACE	7. Receive Internal Audit Report on Audit of TRS Reporting Entity Portal

These presentation topics align with the Executive Director's FY 26 Areas of Focus.

TAB 8

TRS-Care Reserve Policy and Investment Plan

Meaghan Bludau, *Chief Health Care Officer*

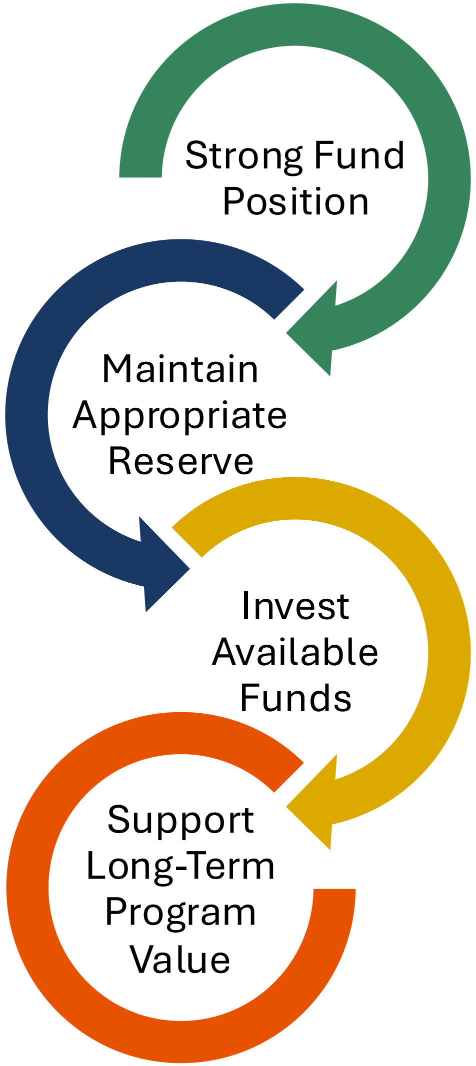
Yimei Zhao, *Deputy Chief of Finance, TRS Health*

Kirsten Schatten, *Senior Vice President, Consulting Actuary, The Segal Group*

Strong Fund Position Creates a Strategic Opportunity

TRS-Care's strong financial position creates an opportunity to enhance long-term fund value, driven by:

- Legislative changes in 2018
- Recent federal changes to Medicare
- TRS' thorough plan management



- TRS-Care's fund balance has grown to **more than $6 billion in 2026.** The fund is projected to continue growing until 2031
- Reserve ensures sufficient funds to support claims obligations and financial stability
- A portion of the fund could be invested to pursue returns for the benefit of the program and members in terms of sustaining benefit levels and premium affordability.

TRS-Care Reserve Policy

The annual reserve components include:

- ➢ Claims fluctuation reserve (CFR)
  - Uses risk-based capital (RBC) requirements as guidelines
- ➢ Operating capital
  - Reflects historical cash flow experience
  - Incurred-but-not-reported claims

Together, these ensure the statutory requirement to reserve 60 days of claims expenses in a Contingency Reserve Account is met.

Guiding Principles

ADEQUACY | STABILITY | PRUDENCE

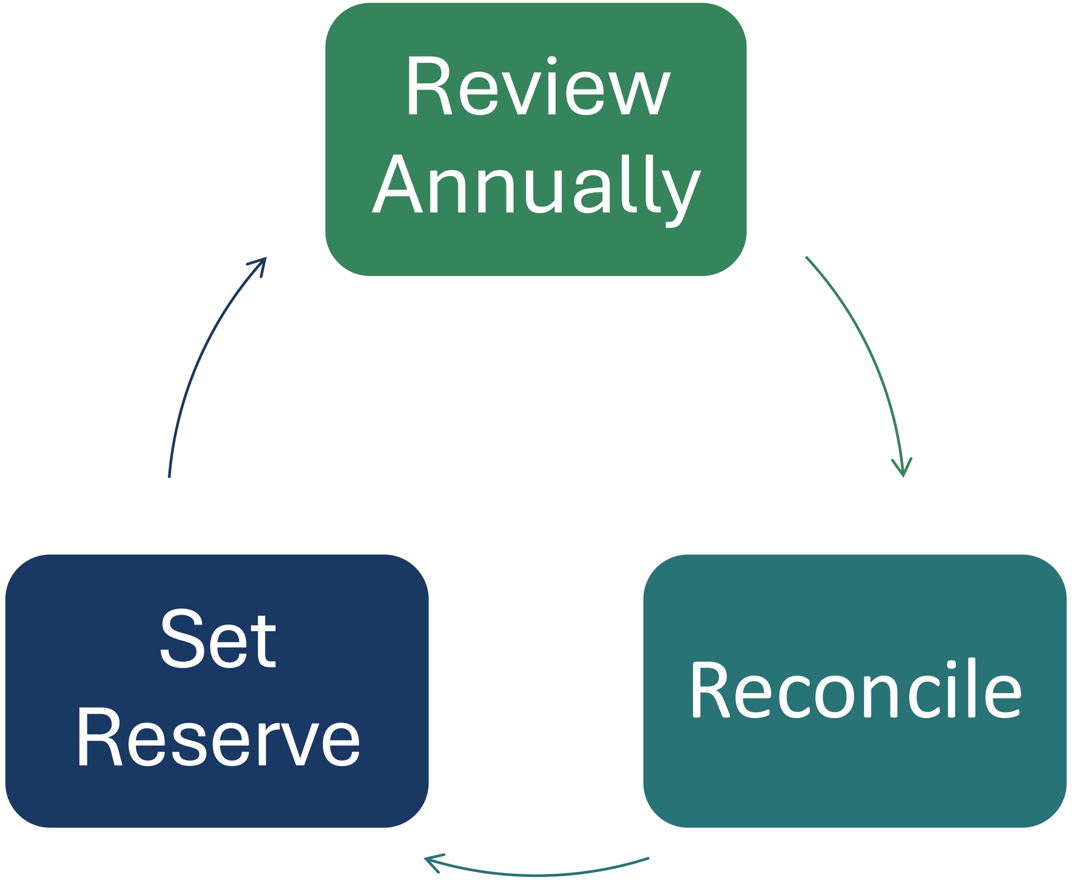
FYs 2027-2028

- Uses 400% of RBC on CFR to provide conservative protection against adverse claims experience
- Allows for initial base investment of more than $5B
- Maintains sufficient funds to meet claims obligations, supporting year-to-year funding stability

Annual Review and Governance

Annual Review and Reserve Setting

- TRS-Care fund and projected Reserve reviewed annually by Board as part of rates and benefits setting
- Actual program experience reconciled each year
- Communicate Reserve to IMD by September 30
- IMD will ensure that cash balance meets or exceeds the Reserve balance by January 1
- TRS Board may direct IMD to invest all or part of the TRS-Care fund other than the Contingency Reserve Account.



Phased Board Decision-Making

Sept. 2026

Review the TRS-Care Reserve Policy

Review the TRS-Care Investment Framework

Consider contract amendment authority

Dec. 2026

Consider the TRS-Care Reserve Policy

Review the TRS-Care Investment Policy Statement

Consider the TRS-Care Investment Framework

Feb. 2027

Consider the final TRS-Care Investment Policy Statement

Consider other investment policies (as applicable)

July 2027

Adopt TRS-Care Rates and Benefits

Sept. 2027

Begin first investments

Board reviews and adopts Reserve Policies every five years

TRS-ActiveCare Reserve Policy

TRS-ActiveCare Reserve Policy

Distinct structure and position of the TRS-ActiveCare fund

Reserve reviewed annually along with rates and benefits and factored into rates

TRS-ActiveCare rates will reflect a lower risk-based capital (i.e., 250%), consistent with industry standards

Objectives

- Ensure timely payment of claims
- Manage financial risk
- Support program stability in a dynamic, employer contribution - driven financial environment

Appendix

TRS-ActiveCare Fund Balance Projection

Financial History and Projection through FY2029 as of May 31, 2026

	Contributions							Expenditures					
Fiscal Year	**State/District Contributions**	**Supplemental Appropriations**	**Employee Contributions**	**HMO Contributions**	**LTC**	**Other Income**	**Total Revenue**	**Medical Incurred**	**Drug Incurred (includes**	**HMO Premium Payments**	**Administrative Costs**	**Total Expenses**	**Ending Balance (Incurred Basis)**
FY 2017	$754,034,435		$1,141,916,735	$230,628,896	$145,792	$4,844,126	$2,131,569,985	$1,426,394,600	$306,703,364	$227,088,896	$127,129,189	$2,087,316,049	$97,804,829
FY 2018	$934,605,313		$1,003,203,754	$240,692,840	$110,090	$7,033,199	$2,185,645,196	$1,589,245,112	$275,730,514	$237,386,929	$124,795,087	$2,227,157,640	$56,292,384
FY 2019	$1,049,243,657		$881,998,119	$246,513,026	$146,090	$11,162,989	$2,189,063,880	$1,459,520,631	$254,168,852	$243,198,667	$123,514,885	$2,080,403,035	$164,953,230
FY 2020	$1,035,176,542		$870,173,250	$260,364,669	$145,265	$8,121,853	$2,173,981,579	$1,522,489,616	$271,480,529	$256,850,839	$119,814,483	$2,170,635,466	$168,299,343
FY 2021	$1,011,525,120		$850,291,777	$176,981,437	$142,718	$1,853,676	$2,040,794,727	$1,615,822,471	$285,092,897	$173,297,782	$78,637,967	$2,152,851,116	$56,242,954
FY 2022	$1,033,743,705	$638,337,761	$868,968,802	$149,833,847	$0	$1,656,095	$2,692,540,210	$1,690,700,579	$293,845,034	$146,752,232	$69,945,345	$2,201,243,189	$547,539,975
FY 2023	$952,097,761		$800,336,918	$85,603,456	$0	$27,739,322	$1,865,777,457	$1,683,988,310	$288,020,255	$83,782,801	$73,689,100	$2,129,480,467	$283,836,966
FY 2024	$1,088,669,143	$588,518,000	$757,221,705	$67,899,516	$0	$48,200,848	$2,550,509,213	$1,741,530,426	$251,690,274	$72,524,931	$80,123,736	$2,145,869,368	$688,476,811
FY 2025	$1,205,306,611	$369,224,574	$838,348,669	$7,653,508	$0	$39,982,705	$2,460,516,067	$1,961,981,400	$275,892,828	$7,555,813	$84,806,577	$2,330,236,617	$818,756,260
FY 2026	$1,296,599,134		$901,383,385	$1,837,086	$0	$39,833,256	$2,239,652,862	$2,038,544,556	$305,731,354	$1,817,556	$85,447,737	$2,431,541,203	$626,867,919
FY 2027	$1,492,898,000		$1,038,382,300	$0	$0	$24,376,427	$2,555,656,727	$2,299,194,163	$355,173,534	$0	$90,501,453	$2,744,869,150	$437,655,496
FY 2028	$1,669,866,882		$1,161,472,662	$0	$0	$14,886,265	$2,846,225,809	$2,477,680,185	$405,225,510	$0	$92,975,504	$2,975,881,199	$308,000,105
FY 2029	$1,833,129,903		$1,275,029,938	$0	$0	$9,862,863	$3,118,022,704	$2,620,146,796	$452,895,088	$0	$93,901,839	$3,166,943,723	$259,079,086

NOTES

- Invoice data through May 31, 2026
- Medical trend: 6.0% trend in FY26, 6.2% trend assumed in FY27 to account for new districts
- Pharmacy trend: 9.0% trend in FY26, 9.7% trend assumed in FY27 to account for new districts
- Prior to FY2018: State contributions are equal to $75 PEPM. District contributions are equal to $150 PEPM.
- FY2018 and Forward: State/District Contributions are based on September actual contributions.
- Interest rate assumed in FY26 is 4.5%. Rate decreases by a factor of 25% each year with a minimum of 0.5%.
- FY27 rates are updated to reflect a 9.9% rate increase.
- The ActiveCare Fund balance is managed to prevent a deficit through premium and benefit adjustments.

TRS-Care Fund Balance Projection

Financial History and Projection through FY2037 as of May 31, 2026

	Contributions							Expenditures			
Fiscal Year	Retiree Contributions	State Contributions	Supplemental Appropriations	Active Employee Contributions	District Contributions	Investment Income	CMS, Part D and EGWP Subsidies	Medical Expenses	Drug Expenses	Administrative Costs	Ending Balance (Incurred Basis)
FY 2017*	$373,229,610	$328,063,352	$15,559,552	$213,241,179	$191,057,800	$5,225,993	$195,396,219	$807,831,048	$734,805,874	$51,885,051	$368,737,886
FY 2018	$488,069,004	$425,625,726	$394,600,000	$221,325,377	$266,061,322	$10,930,281	$183,159,406	$840,420,584	$669,082,906	$50,430,879	$798,574,633
FY 2019	$517,965,033	$437,189,334	$73,641,562	$227,338,454	$273,110,251	$25,046,771	$321,106,153	$688,148,611	$648,749,351	$45,051,884	$1,292,022,346
FY 2020	$499,057,861	$468,330,999	$230,756,971	$243,532,120	$292,411,364	$25,396,789	$317,440,892	$659,668,989	$668,307,637	$44,654,785	$1,996,317,930
FY 2021	$533,592,849	$481,564,562	$5,520,343	$250,413,572	$299,803,511	$9,226,940	$311,771,512	$604,926,549	$705,239,916	$38,802,284	$2,539,242,470
FY 2022	$399,788,260	$506,388,630	$83,000,000	$263,328,449	$315,688,282	$13,499,534	$288,606,867	$551,595,432	$694,534,457	$45,475,384	$3,117,937,219
FY 2023	$477,018,666	$533,605,088	$0	$277,468,284	$334,703,238	$151,354,211	$354,575,016	$590,029,372	$714,251,845	$52,615,305	$3,889,765,200
FY 2024	$469,319,251	$558,086,044	$0	$290,204,743	$351,169,597	$202,197,475	$395,494,793	$607,212,304	$690,449,243	$41,929,243	$4,816,646,313
FY 2025	$376,630,174	$567,207,577	$0	$294,947,940	$357,176,773	$220,852,534	$507,069,348	$649,683,033	$872,609,166	$48,447,996	$5,569,790,466
FY 2026	$333,533,632	$618,750,000	$0	$321,750,000	$371,250,000	$229,518,584	$577,252,117	$701,253,608	$989,067,256	$57,591,581	$6,273,932,352
FY 2027	$304,951,500	$631,125,000	$0	$328,185,000	$378,675,000	$193,099,158	$701,397,719	$770,389,111	$1,071,143,106	$58,366,321	$6,911,467,192
FY 2028	$292,128,064	$643,747,500	$0	$334,748,700	$386,248,500	$157,847,750	$761,639,221	$871,465,041	$1,152,138,377	$61,327,336	$7,402,896,172
FY 2029	$295,620,165	$656,622,450	$0	$341,443,674	$393,973,470	$150,381,579	$815,500,335	$955,710,095	$1,242,410,662	$64,522,270	$7,793,794,818

NOTES

- Invoice data through May 31, 2026
- The purpose of this report is to project revenue and expenses on an incurred basis and should not be used as a projection of cash flow.
- Cash flow projections are usually less than incurred primarily due to a delay in receipt of federal subsidies.
- State Contribution rate of 1.25%; District Contribution rate of 0.75%; and Active Contribution rate of 0.65% beginning 9/1/2017.
- Medical trends: 6.75% through FY2026; and 6.5% in FY2027
- Pharmacy trends, Non-Part D: 9% in 2026 and reduced by 0.25% each year thereafter.
- Pharmacy trends, Part D: -1.4% in 2026 and 6% in 2027.
- Interest rate is set to match current returns and reduced by 25% a year with a floor of 0.5%.

*Note that there was a prior period adjustment to retiree contributions FY2017. This number will not tie to the ACFR as the adjustment is reflected here.

DATE: Sept. 17, 2026

TO: TRS Board of Trustees

THROUGH: Brian Guthrie, Executive Director

FROM: *Meaghan Bludau, Chief Health Care Officer*
Yimei Zhao, Deputy Chief of Health Finance

RE: *Reserve Policies for TRS-Care and TRS-ActiveCare*

Item Type: *Informational*

Executive Summary

The Board will review the proposed TRS-Care and TRS-ActiveCare reserve policies, which establish the methodology for determining the amount of funds that should be held to meet claims obligations and protect the program from adverse claims experience. Specific to TRS-Care, the policy also provides the framework for identifying funds that may be available for investment. The reserve methodology uses risk-based capital standards as a benchmark while maintaining reserves above the statutory contingency reserve requirement for TRS-Care.

The policy supports the Board's broader effort to optimize management of the TRS-Care fund. With TRS-Care assets exceeding $6 billion and continued growth projected, a formal reserve policy provides clear governance for reserve-setting decisions and supports future consideration of investing a portion of the fund to enhance returns while maintaining financial stability.

Background

The TRS-Care fund is currently in a strong position, growing to more than $6B in 2026, following legislative changes to the program in 2018, changes related to Medicare benefits and funding, and thorough plan management, with continued growth anticipated until 2031. This creates an opportunity for TRS-Care funds to invest a portion of the funds for an enhanced return, for the betterment of the fund and members.

Reserve Policy for TRS-Care Fund
The reserve policy serves as board direction to internal and consulting actuaries and memorializes the principles used by actuaries in setting reserves, to ensure sufficient funds to meet claims obligations. The reserve will include 1) incurred but not reported reserves held to cover the cost of services already provided by not yet paid for, 2) claims fluctuation reserves that provide a financial buffer when claims costs exceed actuarial estimates, and 3) operating capital, thereby supporting funding stability. More details regarding the methodology are provided in the attached actuarial memorandum for TRS-Care from Segal Consulting.

Annual Review and Reserve Setting
TRS reviews the position of the TRS-Care fund annually to coincide with the annual rate and benefit setting processes. TRS will include in its recommendation to the Board rates and benefits for plans that reflect the reserve for the upcoming plan year and, thereafter, set the reserve. TRS proposes to bring the reserve policies for board review and adoption every five years.

The projected TRS-Care reserve would allow for a base investment of more than $5B as of Sept. 1, 2027. TRS projects the fund balance would continue to grow until 2031 with a minimal amount of projected net outflows over the next five years, using conversative funding and enrollment assumptions and not factoring in additional investment returns above Treasury returns. This creates an opportunity for the TRS-Care Fund to invest in assets other than cash to earn an incremental return, while still having time to recover from a potential drawdown.

Reserve Policy for TRS-ActiveCare
There are separate policies for TRS-Care and TRS-ActiveCare due to the distinct structure of the funds and programs. TRS reviews the position of the TRS-ActiveCare fund annually to coincide with the annual rate and benefit setting processes. TRS will include in its recommendation to the Board rates and benefits for plans that reflect the reserve for the upcoming plan year. TRS-ActiveCare rates will reflect a lower risk-based capital ratio than TRS-Care. More details regarding the methodology are provided in the attached actuarial memorandum for TRS-ActiveCare from Segal Consulting.

PowerPoint Presentation: Yes

Attachments: (if applicable)
TRS-ActiveCare Reserve Policy
TRS-Care Reserve Policy
TRS-ActiveCare Reserve Actuarial Memo
TRS-Care Reserve Actuarial Memo

Purpose:

The purpose of this policy is to establish the principles and guidelines governing the TRS-Care Program reserve account ("Reserve") to ensure the timely payment of claims, manage financial risk, and support program stability.

Values:

This policy reflects TRS's values of Accountability and Member Focus, ensuring responsible stewardship of TRS-Care Program funds while maintaining the stability and reliability of the Program for members and participants.

References:

- Tex. Gov't Code § 825.103 (Administering System Assets); Tex. Gov't Code § 825.301 (Investment of Assets)
- Tex. Ins. Code § 1575.052 (Authority to Adopt Rules and Procedures; Other Authority); Tex. Ins. Code § 1575.303 (Payments from Fund); Tex. Ins. Code § 1575.305 (Investment of Fund); Tex. Ins. Code § 1575.307 (Contingency Reserve Account)

Applies to:

Texas Public School Retired Employees Group Benefits Program ("TRS-Care Program"), as established by Chapter 1575, Insurance Code.

Definitions:

Claims fluctuation reserve ("CFR"): A reserve to absorb differences between expected and actual claims experience, providing a financial buffer when claims costs exceed actuarial estimates, thereby supporting funding stability.

Contingency Reserve Account: A statutory reserve requiring the TRS-Care Program to estimate a minimum of at least an average 60 days of claims and administration expenses, before the first day of each state fiscal biennium.

Incurred but not reported ("IBNR") claims: An estimated cost of services already provided but not yet reported and paid for because of the normal lag time between the provision of services and the submission of a claim for the services.

Operating capital reserve: A reserve maintained to address timing differences between cash inflows and outflows and ensure sufficient liquidity to meet ongoing obligations.

Risk-based capital ("RBC"): A framework developed by the National Association of Insurance Commissioners and used by regulators to determine the appropriate level of capital for an insurer to hold to support its operations and write coverage. Although the

TRS-Care Program is not subject to regulatory RBC requirements applied to health insurance companies, these regulations can be used as a guideline when considering an appropriate claims fluctuation reserve target.

Policy Statement:

The Reserve for the TRS-Care Program will ensure sufficient funds are available to meet claims obligations, absorb adverse experience, and ensure Program stability on an annual basis. The Reserve will reflect the unique funding structure of the TRS-Care Program and the level of control TRS has over Program revenues and expenses as a self-insured risk bearer. Consistent with statutory requirements, TRS-Care will include an estimate of the Contingency Reserve Account amount in its biennial Legislative Appropriation Request ("LAR").

The guiding principles for the Reserve include the following:

- Adequacy: Maintaining reserves sufficient to meet claim expenses, administrative expenses, and statutory obligations.
- Stability: Supporting long-term Program viability.
- Prudence: Applying actuarially sound methods and conservative assumptions where appropriate.

The Reserve will be a combination of reserve types, including the CFR and Operating capital reserves. To calculate the CFR, TRS will apply the RBC methodology, using a ratio of 400% to provide a conservative level of financial protection against adverse claims experience. TRS will reserve an additional amount for operating capital, which includes IBNR claims, as determined by historical experience. The Reserve will be no less than the amount statutorily required for the Contingency Reserve Account.

Governance and Oversight

Annual Review and Reserve Setting

The TRS Health Division ("Health") will review the financial position of the TRS-Care Program and reconcile actual program experience to the Reserve annually as part of the annual rate and benefit setting process. Generally, in the July Board meeting, Health will recommend TRS-Care Program rates and benefits that incorporate the projected Reserve for the upcoming plan year.

The Board's health actuary will provide the TRS-Care Program long-term financial projections and Reserve amount for the upcoming plan year to the Board and the Investment Management Division ("IMD") by September 30.

Actual Reserve balances are expected to fluctuate throughout the year and may deviate from the Reserve. In creating the Reserve, Health will consider the preceding principles and considerations, along with any enrollment, market, regulatory and statutory developments that may affect the TRS-Care Program.

Investment

The Board may direct the IMD to invest all or part of the TRS-Care Program funds other than the Contingency Reserve Account, as authorized in the Investment Policy Statement. IMD will ensure that the cash balance for TRS-Care meets or exceeds the Reserve by January 1.

Cross Reference/Related Documents:

- TRS Health Benefits Annual Report
- TRS Biennial Legislative Appropriations Request
- TRS Investment Policy Statement

Policy Type: Board	First Issued:
Contact:	Last Review:
Department Sponsor(s): Meaghan Bludau, Health Division	Next Review Due Date:
Reviewing Department(s): Executive, Financial Services, Investment Management, Legal and Compliance	Version Number:
Review Cycle: Every 5 years	Version Approved Date:
Intranet Location:	

Segal

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F 678.669.1887
segalco.com

September 17, 2026

Mr. Brian Guthrie
Executive Director
Teacher Retirement System of Texas
4655 Mueller Blvd.
Austin, Texas 78723

Re: TRS-Care Reserve Policy

Dear Mr. Guthrie:

This letter summarizes the proposed TRS-Care Reserve Policy. The policy was developed collaboratively by TRS and Segal actuaries and establishes a framework for determining and maintaining reserve levels necessary to ensure sufficient funds are available to meet claims obligations, absorb adverse experience, and support the long-term financial stability of the TRS-Care program. The policy is intended to provide consistent guidance for annual rate and benefit recommendations and ongoing financial management of the program.

Under the proposed policy, the TRS-Care reserve will consist of three components:

- Incurred But Not Reported (IBNR) Reserve covers claims that have been incurred but not yet processed and paid.
- Claims Fluctuation Reserve (CFR) provides a financial buffer against unfavorable claims experience.
- Operating Capital Reserve addresses timing differences between cash inflows and outflows and maintains adequate liquidity.

The policy uses the National Association of Insurance Commissioners' Risk-Based Capital (RBC) framework as a guideline in establishing reserve adequacy. Although TRS-Care is not subject to regulatory RBC requirements, the proposed methodology targets a 400% RBC ratio for the Claims Fluctuation Reserve as a conservative benchmark for protection against adverse claims experience. A 250% RBC ratio is common for health plans that can make regular funding adjustments; however, TRS-Care's unique funding structure and longer timeline for responding to adverse experience support a more conservative 400% RBC target. Given the program's current financial strength, the higher reserve provides additional protection and stability without requiring additional funding. Together, the Claims Fluctuation and Incurred But Not Reported reserve components are designed to maintain sufficient funds to meet claims obligations, support year-to-year funding stability, and maintain a reserve level greater than the statutory 60-day Contingency Reserve Account standard established under Tex. Ins. Code § 1575.307. The Operating Capital Reserve is intended to ensure sufficient cash is available to pay claims and administrative expenses as they come due.

TRS staff will review the reserve annually as part of the rate and benefit setting process and incorporate the projected reserve position into recommendations presented to the Board. Actual reserve levels may vary throughout the year as claims experience and program conditions evolve.

Actuarial Opinion

In Segal's opinion, the proposed TRS-Care Reserve Policy provides a reasonable, consistent, and actuarially appropriate framework for maintaining reserve levels that support funding adequacy, financial stability, and prudent stewardship of program assets. The policy reflects sound actuarial practices and provides an appropriate basis for annual reserve setting and ongoing financial management of the TRS-Care program.

By signing below, I certify that I am a qualified actuary by education and experience to evaluate the adequacy of health insurance reserves. I am an Associate of the Society of Actuaries and a member of the American Academy of Actuaries and certify that all analysis was conducted in accordance with all applicable Actuarial Standards of Practice.

Please let us know if you have any questions or need any additional information.

Sincerely,

Kirsten R. Schatten

Kirsten R. Schatten, ASA, FCA, MAAA
Senior Vice President, Consulting Actuary

Purpose:

The purpose of this policy is to establish principles and guidelines governing the TRS-ActiveCare Program reserve account ("Reserve") to ensure the timely payment of claims, manage financial risk, and support program stability.

Values:

This policy reflects TRS's values of Accountability and Member Focus, ensuring responsible stewardship of TRS-ActiveCare Program funds while maintaining the stability and reliability of the Program for members and participants.

Reference:

- Tex. Gov't Code § 825.103 (Administering System Assets); Tex. Gov't Code § 825.301 (Investment of Assets)
- Tex. Ins. Code § 1579.052 (Authority to Adopt Rules; Other Authority); Tex. Ins. Code § 1579.304 (Investment of Fund)

Applies to:

Texas Public School Employees Uniform Group Benefits Program ("TRS-ActiveCare Program"), as established by Chapter 1579, Insurance Code.

Definitions:

Claims fluctuation reserve ("CFR"): A reserve to absorb differences between expected and actual claims experience, providing a financial buffer when claims costs exceed actuarial estimates, thereby supporting funding stability.

Incurred but not reported ("IBNR") claims: An estimated cost of services already provided but not yet reported and paid for because of the normal lag time between the provision of services and the submission of a claim for the services.

Operating capital reserve: A reserve maintained to address timing differences between cash inflows and outflows and ensure sufficient liquidity to meet ongoing obligations.

Risk-based capital ("RBC"): A framework developed by the National Association of Insurance Commissioners and used by regulators to determine the appropriate level of capital for an insurer to hold to support its operations and write coverage. Although the TRS-ActiveCare Program is not subject to regulatory RBC requirements applied to health insurance companies, these regulations can be used as a guideline when considering an appropriate claims fluctuation reserve target.

Policy Statement:

The Reserve for the TRS-ActiveCare Program will ensure sufficient funds are available to meet claims obligations, absorb adverse experience, and ensure Program stability on an annual basis. The Reserve will reflect the unique funding structure of the TRS-ActiveCare Program and the level of control TRS has over Program revenues and expenses and employer participation dynamics as a self-insured risk bearer.

The guiding principles for the Reserve include the following:

- Adequacy: Maintaining reserves sufficient to meet claim expenses, administrative expenses, and statutory obligations.
- Stability: Supporting long-term Program viability.
- Prudence: Applying actuarially sound methods and conservative assumptions where appropriate.

The Reserve will be a combination of reserve types, including the CFR and Operating capital reserves. To calculate the CFR, TRS will apply the RBC methodology, using a ratio of 250% to provide a conservative level of financial protection against adverse claims experience. TRS will reserve an additional amount for operating capital, which includes IBNR claims, as determined by historical experience.

The Reserve will reflect the variability associated with employer participation, employee contribution decisions, and changing risk mix. Further, in determining the Reserve, consideration may be given to the impact of entities entering and exiting the Program, balanced against the experience of continuously participating employers, to support rate adequacy, reserve sufficiency, and program stability.

Governance and Oversight

Annual Review and Reserve Setting

The TRS Health Division ("Health") will review the position of the TRS-ActiveCare Program and reconcile actual program experience to the Reserve annually as part of the annual rate and benefit setting process. Health will recommend TRS-ActiveCare Program rates and benefits that incorporate the projected Reserve on an annual basis to the Board.

Actual Reserve balances are expected to fluctuate throughout the year and may deviate from the Reserve. In creating the Reserve, Health will consider the preceding principles and considerations, along with any enrollment, market, regulatory and statutory developments that may affect the TRS-ActiveCare Program.

Cross Reference/Related Documents:

- TRS Health Benefits Annual Report

Policy Type: Board	First Issued:
Contact:	Last Review:

Department Sponsor(s): Meaghan Bludau, Health Division	Next Review Due Date:
Reviewing Department(s): Executive, Financial Services, Investment Management, Legal and Compliance	Version Number:
Review Cycle: Every 5 years	Version Approved Date:
Intranet Location:	

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September 17, 2026

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Executive Director
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4655 Mueller Blvd.
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Re: TRS-ActiveCare Reserve Policy

Dear Mr. Guthrie:

This letter summarizes the proposed TRS-ActiveCare Reserve Policy. The policy was developed collaboratively by TRS and Segal actuaries and establishes a framework for determining and maintaining reserve levels necessary to ensure sufficient funds are available to meet claims obligations, absorb adverse experience, and support the long-term financial stability of the TRS-ActiveCare program. The policy is intended to provide consistent guidance for annual rate and benefit recommendations and ongoing financial management of the program.

Under the proposed policy, the TRS-ActiveCare reserve will consist of two components:

- Incurred But Not Reported (IBNR) Reserve covers claims that have been incurred but not yet processed and paid.
- Claims Fluctuation Reserve (CFR) provides a financial buffer against unfavorable claims experience.

The policy uses the National Association of Insurance Commissioners' Risk-Based Capital (RBC) framework as a guideline in establishing reserve adequacy. Although TRS-ActiveCare is not subject to regulatory RBC requirements, the proposed methodology targets a 250% RBC ratio for the Claims Fluctuation Reserve as a benchmark for protection against adverse claims experience. The 250% RBC target for TRS-ActiveCare is consistent with industry practice for health plans that establish rates annually based on emerging claims experience. Because TRS-ActiveCare premiums can be adjusted each year to reflect changing costs, the program has an effective mechanism to address adverse experience without maintaining a larger reserve balance. As a result, a 250% RBC target provides an appropriate balance between financial protection and premium affordability.

TRS staff will review the reserve annually as part of the rate and benefit setting process and incorporate the projected reserve position into recommendations presented to the Board. Actual reserve levels may vary throughout the year as claims experience and program conditions evolve.

Actuarial Opinion

In Segal's opinion, the proposed TRS-ActiveCare Reserve Policy provides a reasonable, consistent, and actuarially appropriate framework for maintaining reserve levels that support funding adequacy, financial stability, and prudent stewardship of program assets. The policy reflects sound actuarial practices and provides an appropriate basis for annual reserve setting and ongoing financial management of the TRS-ActiveCare program.

By signing below, I certify that I am a qualified actuary by education and experience to evaluate the adequacy of health insurance reserves. I am an Associate of the Society of Actuaries and a member of the American Academy of Actuaries and certify that all analysis was conducted in accordance with all applicable Actuarial Standards of Practice.

Please let us know if you have any questions or need any additional information.

Sincerely,

Kirsten R. Schatten

Kirsten R. Schatten, ASA, FCA, MAAA
Senior Vice President, Consulting Actuary

TRS-Care Fund
Investment Framework

Jase Auby, Chief Investment Officer
James Nield, Chief Risk Officer
Colin Bebee and Mika Malone, Meketa

September 2026

TRS
TEACHER RETIREMENT SYSTEM OF TEXAS
INVESTMENT
MANAGEMENT DIVISION

Special Topic Overview

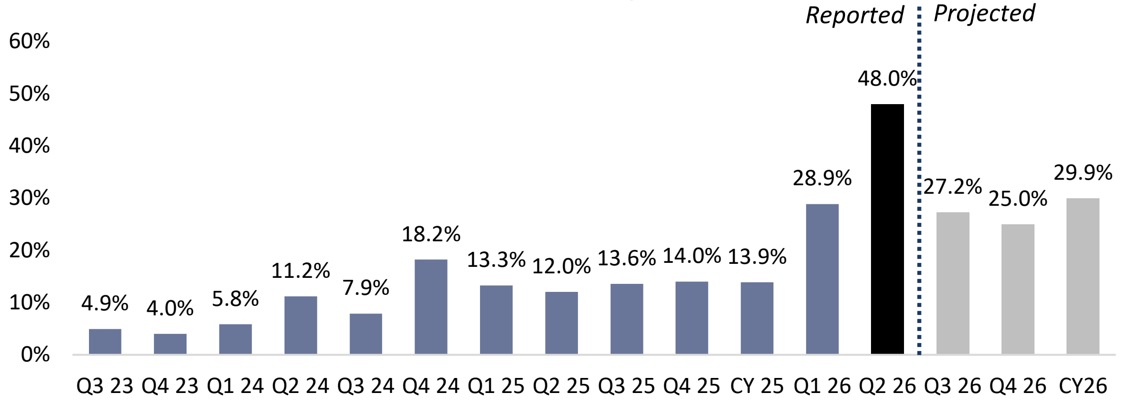
Special Topics

	Topic	Date		Topic	Date
1	Recession	September 2017	**11**	Sentiment	September 2022
2	Growth	February 2018	**12**	Foreign Currency	February 2023
3	Inflation	September 2018	**13**	Artificial Intelligence	September 2023
4	Strategic Asset Allocation	February 2019	**14**	Strategic Asset Allocation	February 2024
5	Value	September 2019	**15**	Corporate Earnings	September 2024
6	Diversification	February 2020	**16**	US Federal Debt	February 2025
7	Interest Rates	September 2020	**17**	Artificial Intelligence (Pt. 2)	September 2025
8	Long-Term Investing	February 2021	**18**	Total Portfolio Approach	February 2026
9	Commodities	September 2021	**19**	TRS-Care Fund SAA	September 2026
10	China	February 2022			

Corporate Earnings (Topic 15)

As of 07/31/26

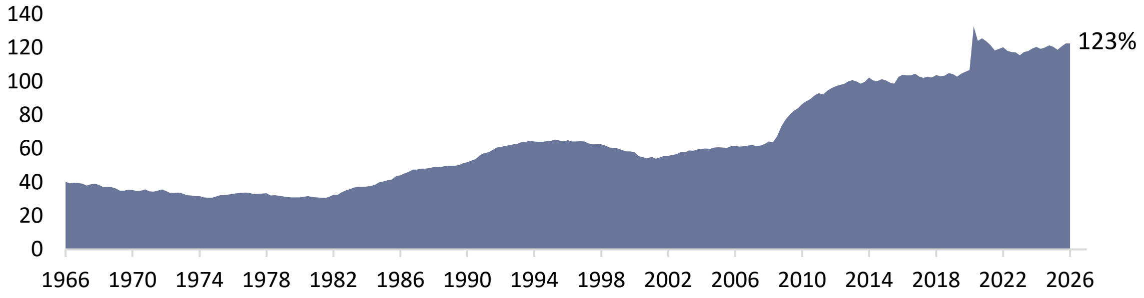
S&P 500 YoY Earnings Growth



US Federal Debt (Topic 16)

As of 7/31/26

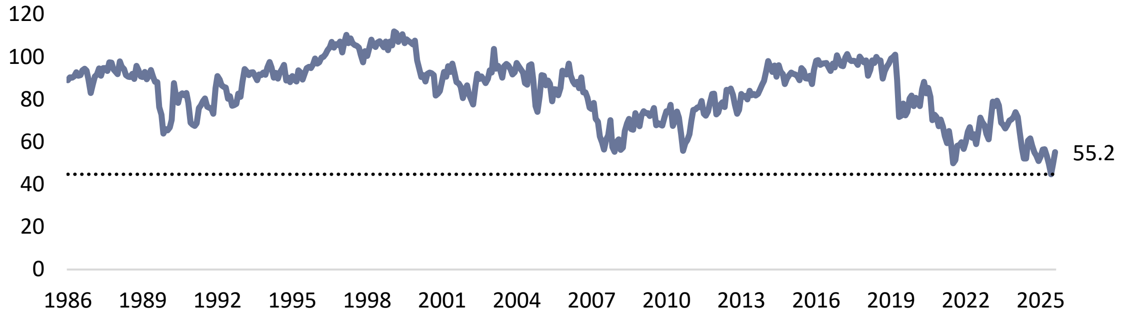
Total Public Debt as Percent of GDP



Sentiment (Topic 11)

As of 7/31/26

University of Michigan Consumer Sentiment



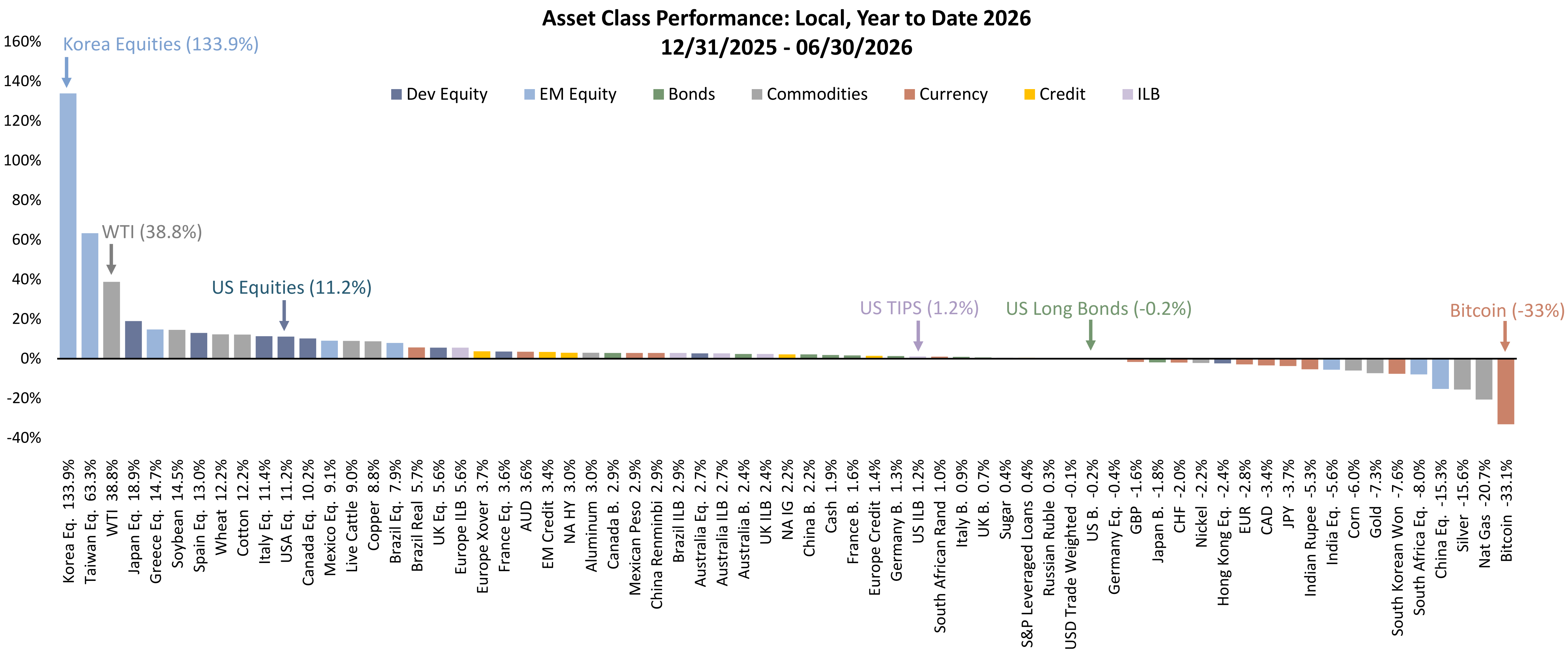
Source: Bloomberg, Factset, FRED

TRS TEACHER RETIREMENT SYSTEM OF TEXAS INVESTMENT MANAGEMENT DIVISION

CIO Special Topic

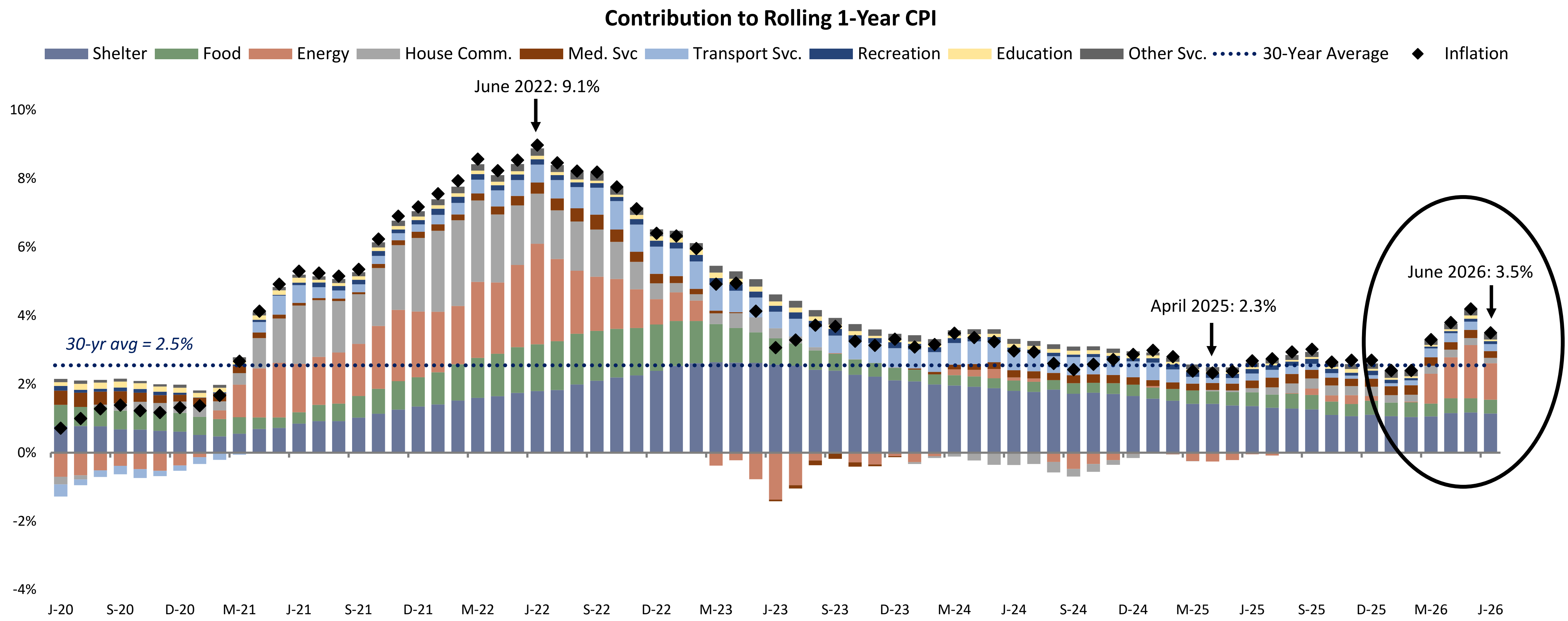
Mid-Year 2026 Market Update

Emerging markets and commodities lead markets in 2026



Source: Bloomberg

Inflation remains above average, recently pressured by high energy prices



Source: Bloomberg, BLS

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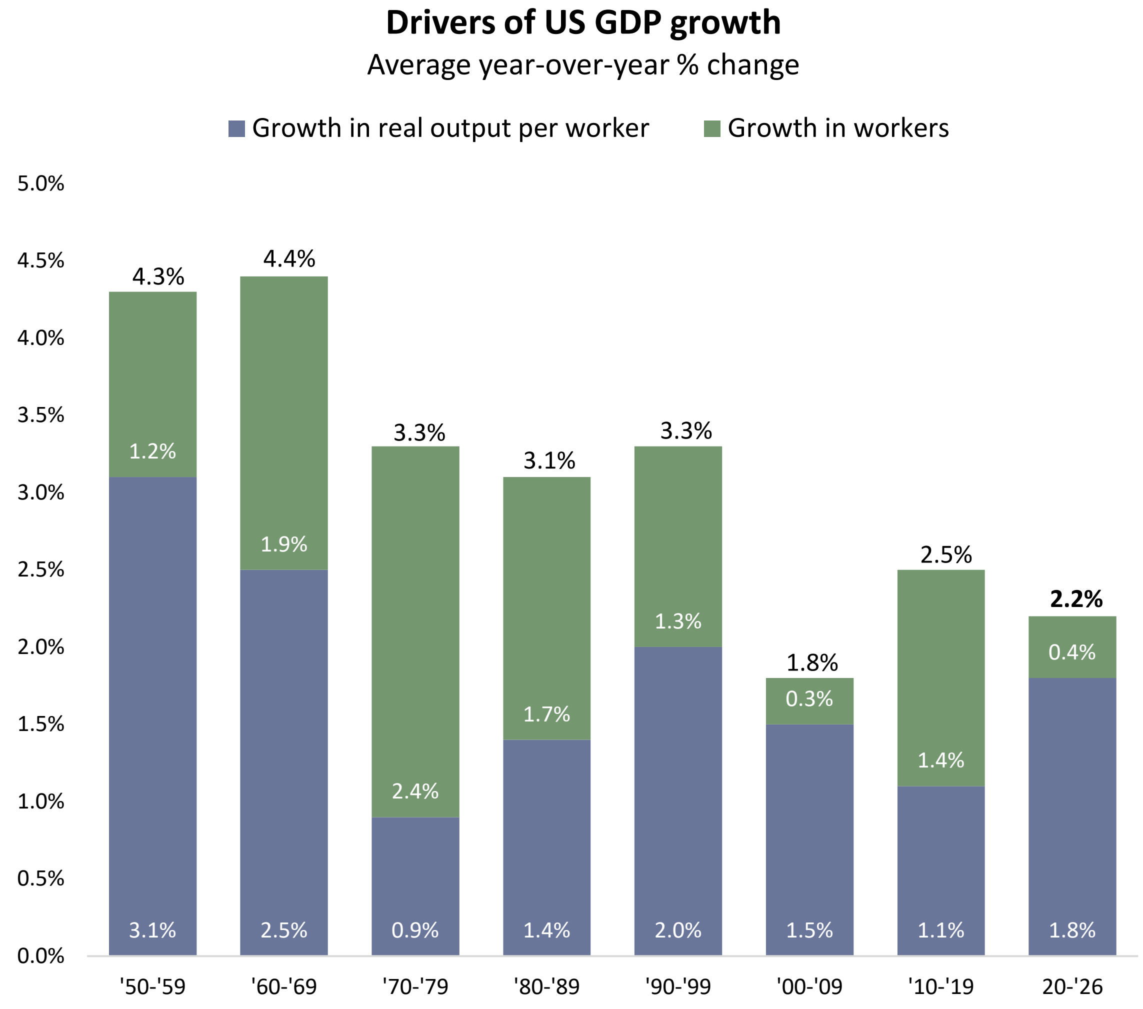
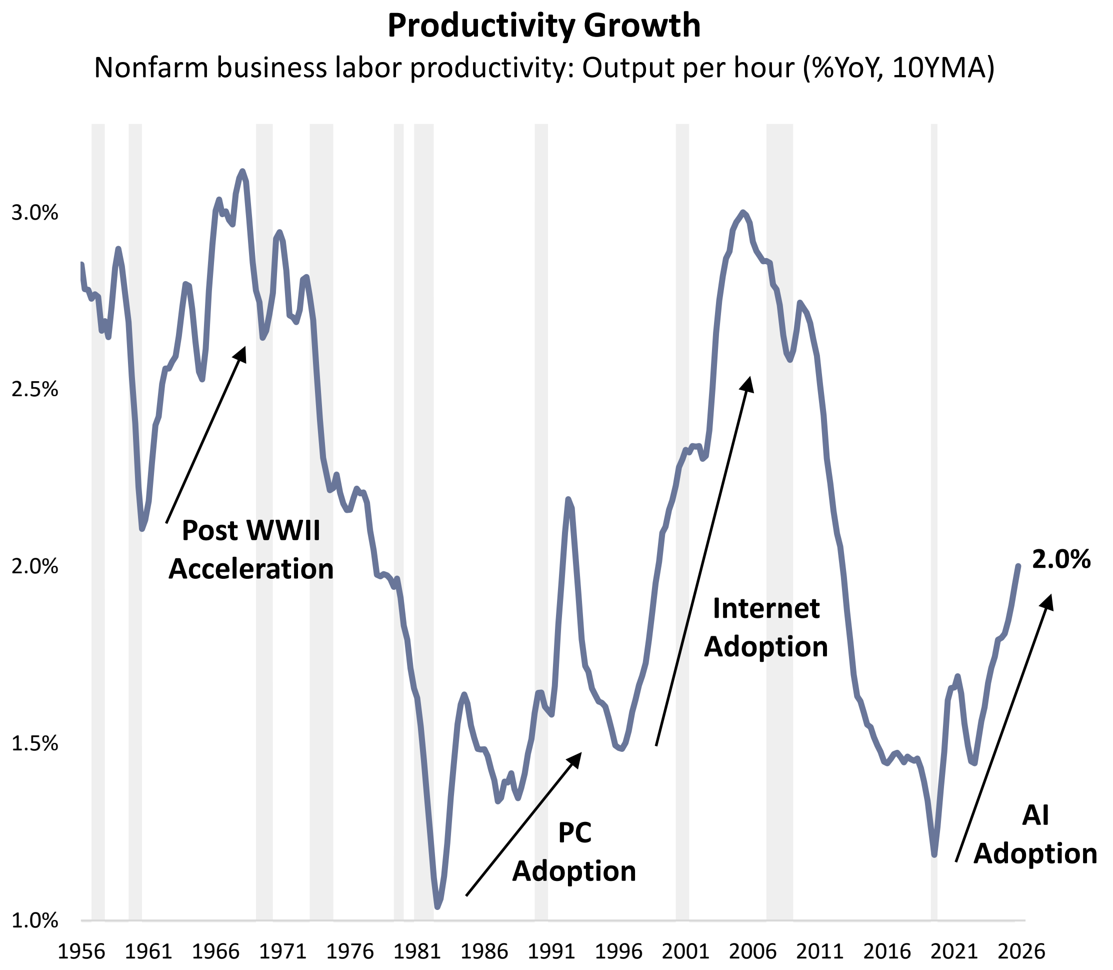
Growth remains at 2% but signs emerging that AI could boost productivity





Source: BEA, FRED

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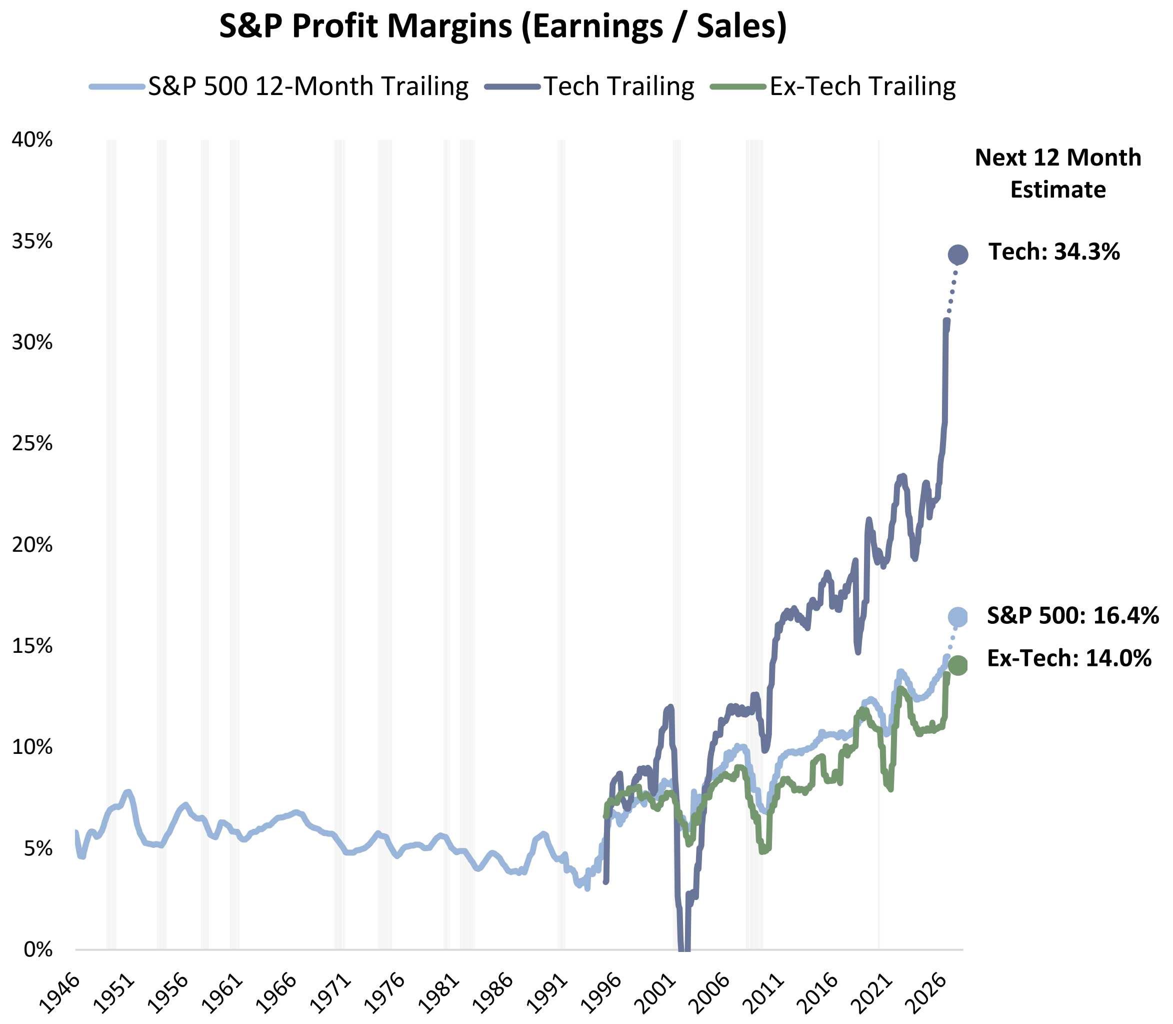
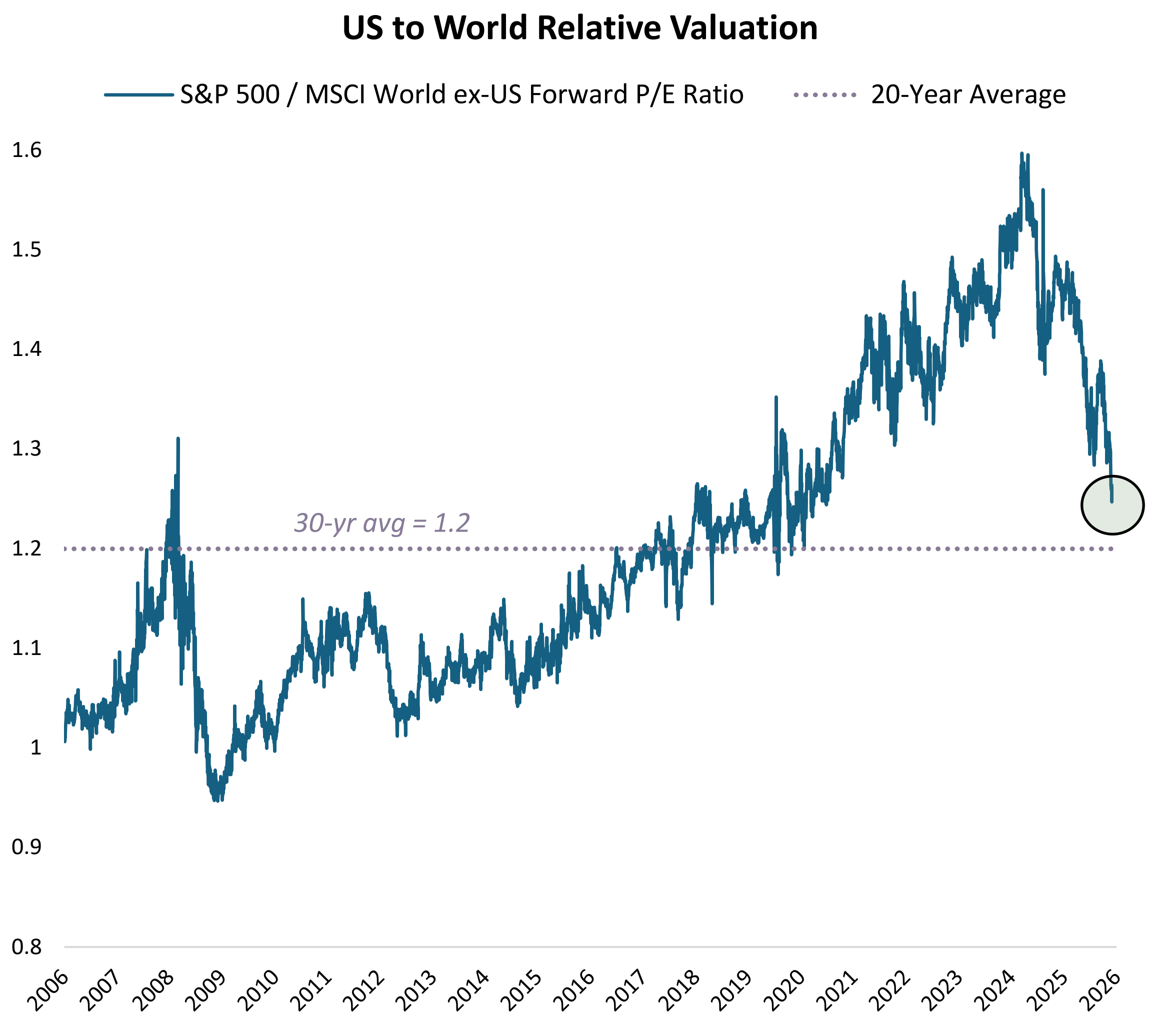
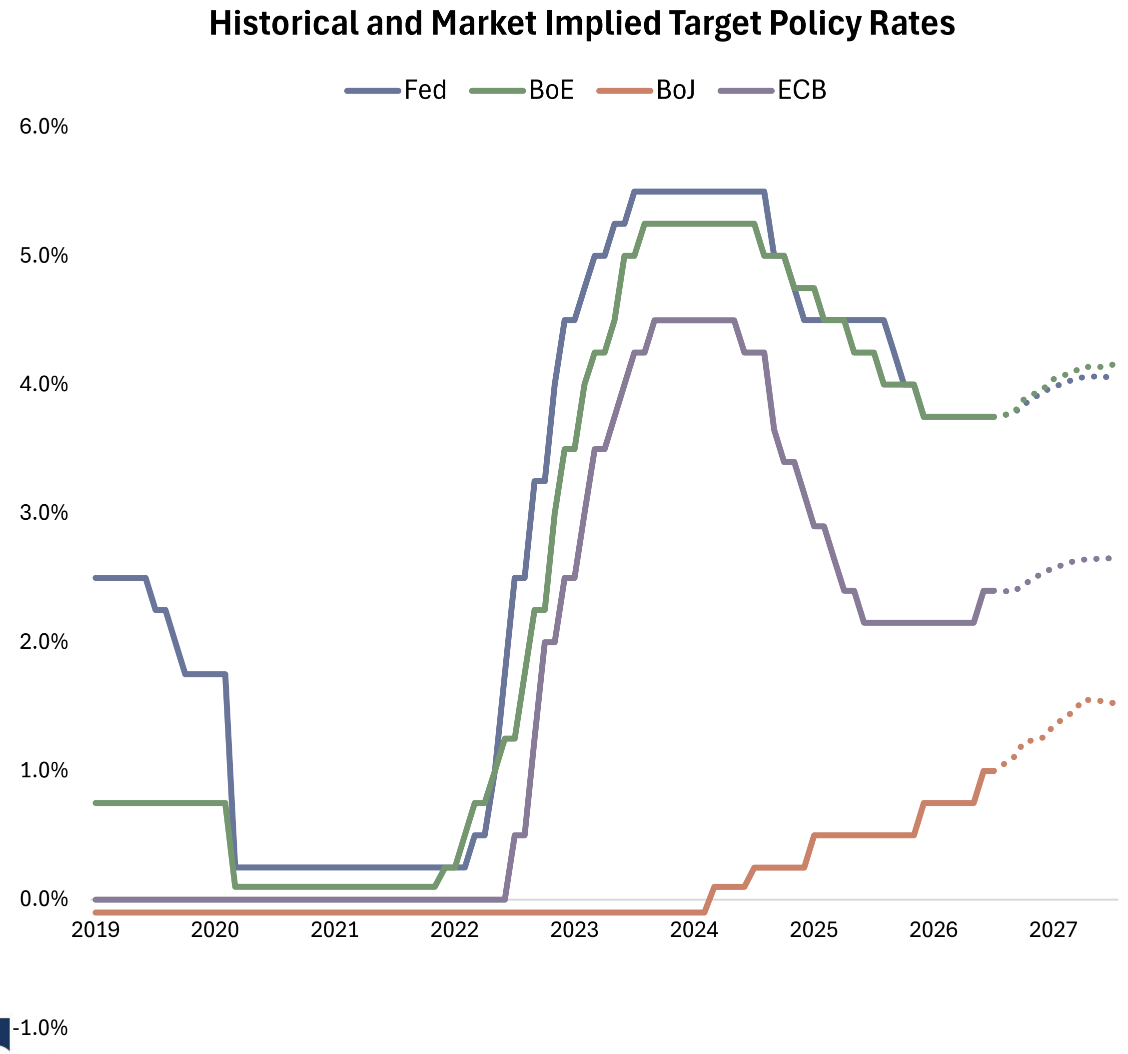
Surging profitability is normalizing US equity valuations versus the world

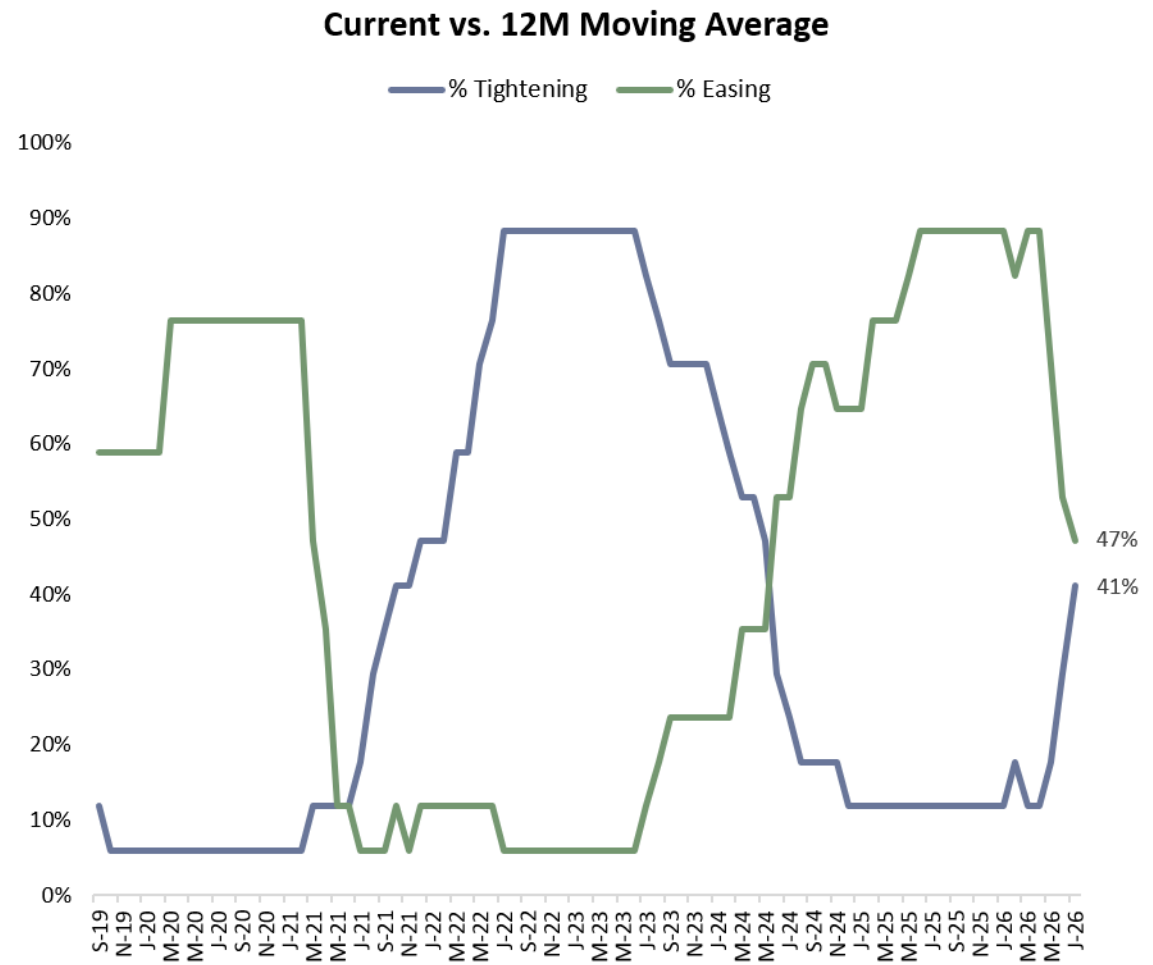




Source: Bloomberg, Factset

New Fed leadership meets a higher for longer challenge amidst sticky rates





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Source: Bloomberg

CIO Special Topic

TRS-Care Fund SAA

TRS-Care fund IMD timeline

Sep. 2026	Dec. 2026	Feb. 2027	Sep. 2027
• TRS-Care long term objectives • Asset-liability considerations • SAA best practices • Capital market assumptions • Asset class and peer review • Risk tolerance and analysis • Alternative allocations	• Benchmark and risk metrics review • IMD recommendation • Draft TRS-Care Investment Policy Statement	• Other necessary policy updates • Final IPS and Advisor memos • Board decision	• First investments

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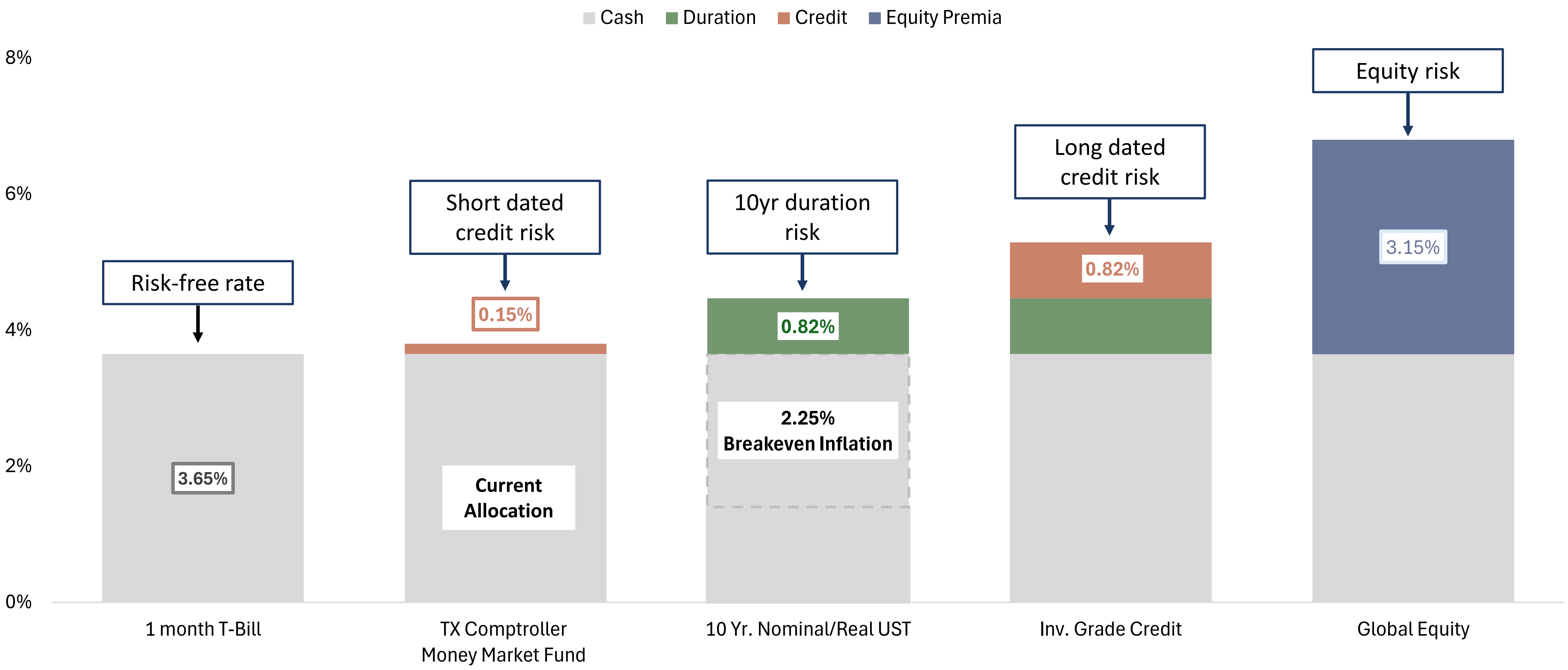
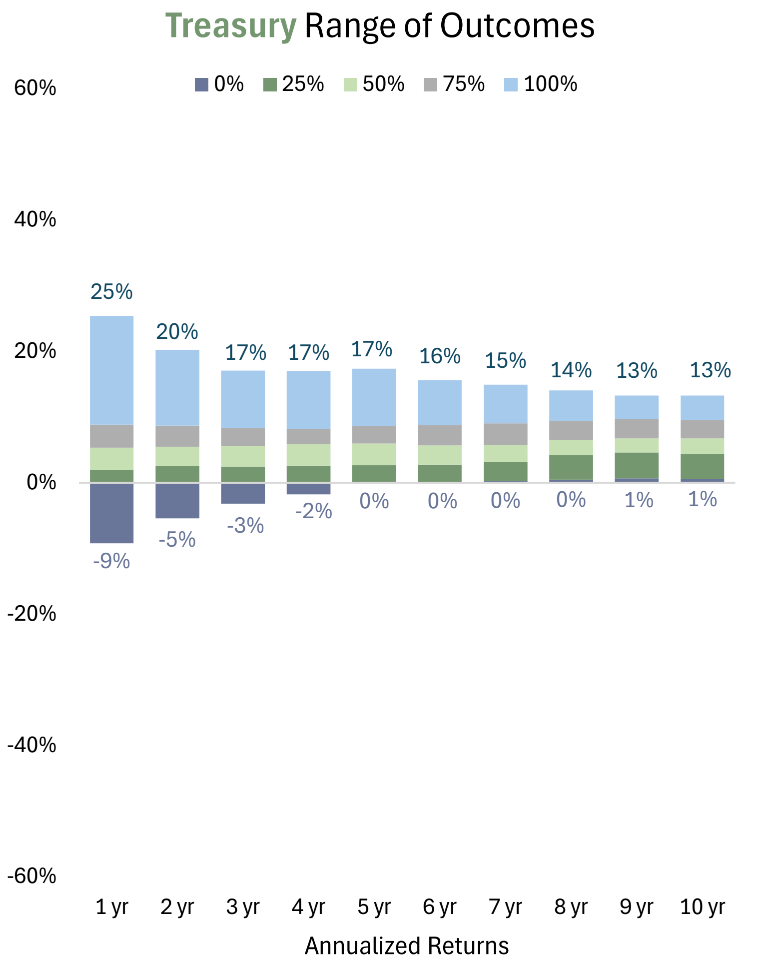
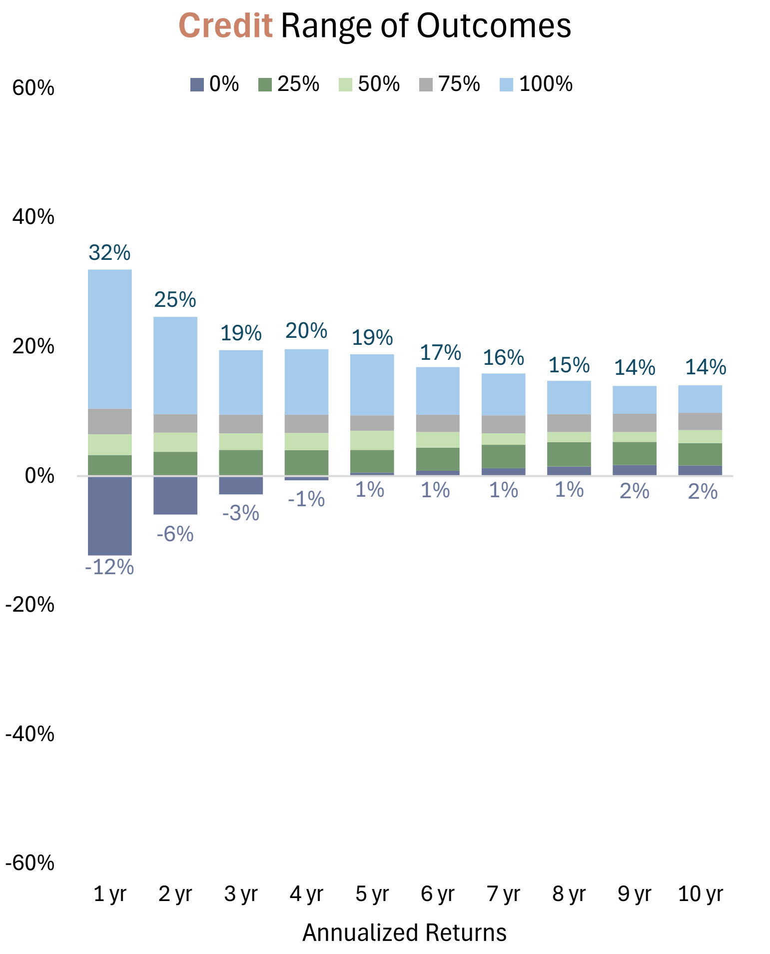
Opportunity exists to earn additional return in the TRS-Care fund

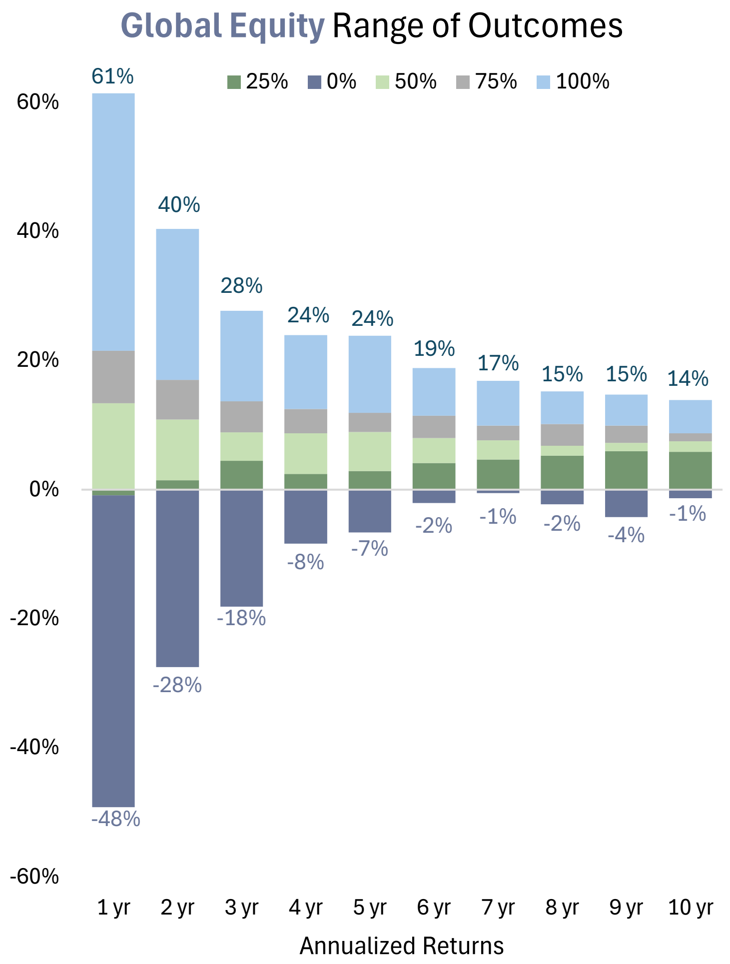


Source: Bloomberg, Texas Comptroller, TRS IMD as of 6/30/26. IG credit spreads based on 5-10 year IG credit index (BCR5). Global Equity based on internal Capital Market Assumptions.

Time can be our friend

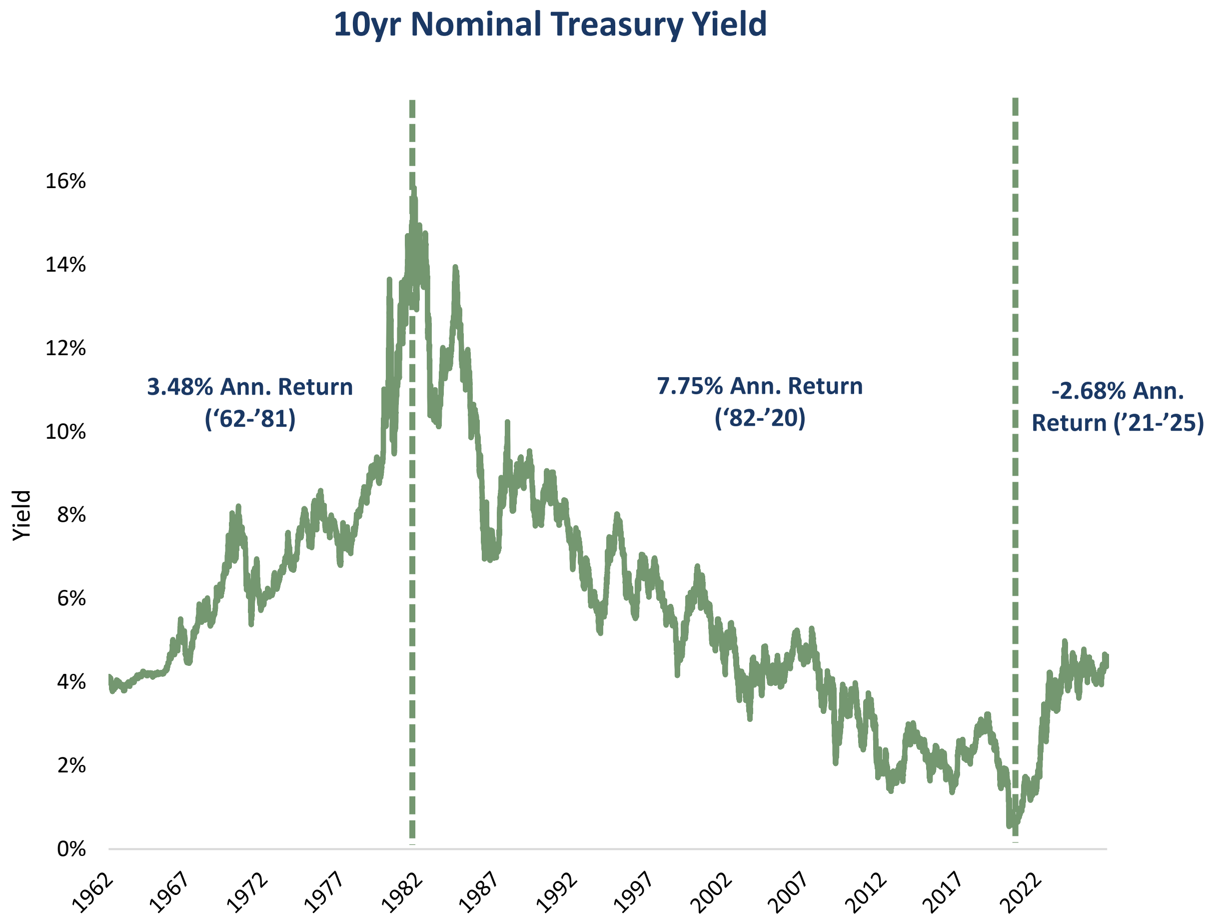






Source: Bloomberg, AQR. Data from 1973 - June 2026. Treasuries 1-10 year index, Credit 1-10 year index, Equities MSCI World with supplemental data from AQR prior to 1994

Treasury returns have declined since 2020



- 10-year Treasury bonds offered a yield of 4.47% as of June 30, 2026
- Bond yields had been steadily declining since 1980 as inflation concerns abated
- Bond yields have increased since 2020 as inflation concerns re-emerged
  - Treasuries have not performed well as a result
- Current considerations:
  - US debt levels
  - Inflation
  - Fiscal expenditures

Source: Bloomberg; USGG10yr Index as of 6/30/26, NYU Stern School of Business

In summary

- Opportunity exists to earn additional return in TRS-Care fund
- A longer investment time horizon can lessen impact of drawdowns
- Treasuries have declined since 2020 with increased uncertainty today
- Next steps:
    - Collect feedback from today's presentations and return in December with a recommendation

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Meketa

Introduction

→This section seeks to provide a high-level overview on various topics:

- Health care vs. retirement plan considerations
- Strategic asset allocation development best practices
- Capital market assumptions

→TRS-Care is in a unique position across multiple facets, which will be discussed in this section.

→The concepts in this section support the preliminary direction that has been developed by IMD for managing the TRS-Care assets.

Thinking about Objectives

→Every portfolio of assets is associated with a specific set of objectives:

- Retirement income
- College/tuition planning
- Health care costs
- Home downpayment

  - All investment portfolios are effectively "liability aware"
  - Constructed to maximize the probability that objectives, or liabilities, are met

→The more specific the objectives, the more accurate measuring success/shortcoming becomes.

→Constraints and other considerations form key parameters for designing an asset allocation:

- Risk tolerance
- Inflow/outflow predictability
- Regulatory/statutory factors
- Time horizon
- Available resources

High-level Categories for Retirement/Health Care Assets

Lower contributions today ⟷ Higher contributions today

Funding Approach	Pay-as-you-go	Prefunded	
Investing Approach	**Short-term Cash-flow Matching**	**Total Return**	**Liability Driven**
	- **Common for retiree health care plans.** - Contributions for a given year are matched to the expenses required for the year's benefits. - Lower funding cost today is offset by higher total funding cost over the life of the plan. - Little-to-no investment risk (i.e., cash).	- **Typical for public DB retirement systems.** - Moderate investment risk is taken to grow the assets over time. - While plan is open, year-to-year cash outflows are a small % of assets. - Investment returns are expected to decrease the total funding costs over the life of the plan. - Investment return variability can change contribution requirements over time (e.g., variable funded status).	- **Common approach for corporate DB retirement plans.** - Investment portfolio is oriented around high-quality fixed income. - Year-by-year outflow requirements are approximately matched with equivalent maturity bonds. - Asset and liability values are explicitly linked, leading to low funded status volatility. - Typically, lower expected investment returns compared to a total return structure.

High-level Categories – Additional Details

		Prefunded	
	Pay-as-you-go	Total Return	Liability Driven
Funding Mechanism	Current benefits are paid directly from current sponsor revenues or active worker contributions.	Contributions are made in advance and invested in a trust to build a large, compounding asset pool.	Contributions are made in advance, and the asset pool is explicitly managed to match the liability's duration and cash flows.
Primary Goal	Sustain cash flow to meet immediate retiree obligations as they come due.	Maximize long-term investment returns to minimize the required cash contributions over time.	Minimize funded status volatility and immunize the plan from market and interest rate shocks.
Discount Rate Basis	Variable, depends on the governing body.	Expected long-term return on plan assets (e.g., 6.5% - 7.5%).	High-quality corporate bond yields (e.g., 4.5% - 6.0%).
Typical Asset Allocation	Minimal or zero assets held; relies on cash equivalents if any reserves exist.	Growth-oriented, highly diversified across equity, fixed income, and alternatives (e.g., private equity, real estate).	Bond heavy, utilizing long-duration corporate bonds, Treasuries, and derivatives to hedge interest rate risk.
Sponsor Contribution Volatility	Low-to-moderate (changes are driven by demographics and benefit structure, not market shocks).	High (highly sensitive to market downturns, sequence-of-returns risk, and missed return assumptions).	Low (once fully funded, the portfolio is structurally hedged against market and rate movements).

TRS-Care | Which Framework?

→TRS-Care is in a unique position.

- It is not explicitly pre-funded, but it has notable assets compared to most pay-as-you-go plans.
- The current asset base is projected to modestly grow (currently at cash rates) before declining over time as outflows occur.

→In effect, TRS-Care shares characteristics with each of three high-level frameworks.

→**Meketa and IMD recommend an investment strategy that is a hybrid of the approaches.**

- Cash-oriented for near-term outflows.
- Develop a “laddered” portfolio for subsequent outflow projections.
- Investment portfolio is fairly conservative, incorporating Treasuries, Credit, and Equity.
- Adjust the SAA each year based on outflow projections.
- Focus on simplicity to start.

Health Care vs. Retirement Plans | Predictability

→Defined benefit retirement plans tend to be more predictable than retiree health care plans.

- This is largely due to a higher degree of external factors with health care plans:
  - Regulations
  - Health care costs and health care utilization trends
  - Pre-Medicare vs. Medicare costs and associated subsidies
  - Etc.

→For retirement plans, forecasting demographics and salary trends follow sound actuarial projections.

→For health care plans, forecasting health care variables is more challenging.

Health Care Plan Asset Allocations

→Public defined benefit retirement plans exhibit a high degree of comparability among peers.

- Narrow variability among funding approaches, benefit structures, demographics, etc.

→Meketa works with 25+ retiree health care plans.

→There is a high degree of variability among asset allocations, driven largely by the following:

- Funded status (e.g., 0% funded, or pay-as-you-go, to 150%+ funded)
- Benefit structure, retiree premium flexibility and retirement age eligibility
- Self-insured vs. offset to insurance company
- Seniority in plan sponsor's capital structure (e.g., statutory requirement?)

→Peer health care asset allocation comparisons are difficult with limited utility.

- However, compared to pensions, asset allocations tend to be less complex and more liquid.

→When not explicitly pre-funded, portfolio risk is often defined as the probability of generating negative absolute or real returns over a 3-10 year horizon.

Strategic Asset Allocation Design

→Strategic asset allocation ("SAA") is the process of accepting and managing both risk and opportunity.

- Explicitly, it is the decision of how much to invest in distinct asset classes
- Implicitly, it is also the determination of how much and what types of risks you are willing to accept.

→SAA is informed by overall objectives, risk tolerance, beliefs, and constraints.

- The focus is on the overall portfolio, not asset classes in isolation.

→The critical quantitative inputs for SAA are capital markets assumptions ("CMAs").

→CMAs are forward-looking projections (e.g., 10-years) for expected returns, volatilities, correlations of the asset classes under consideration.

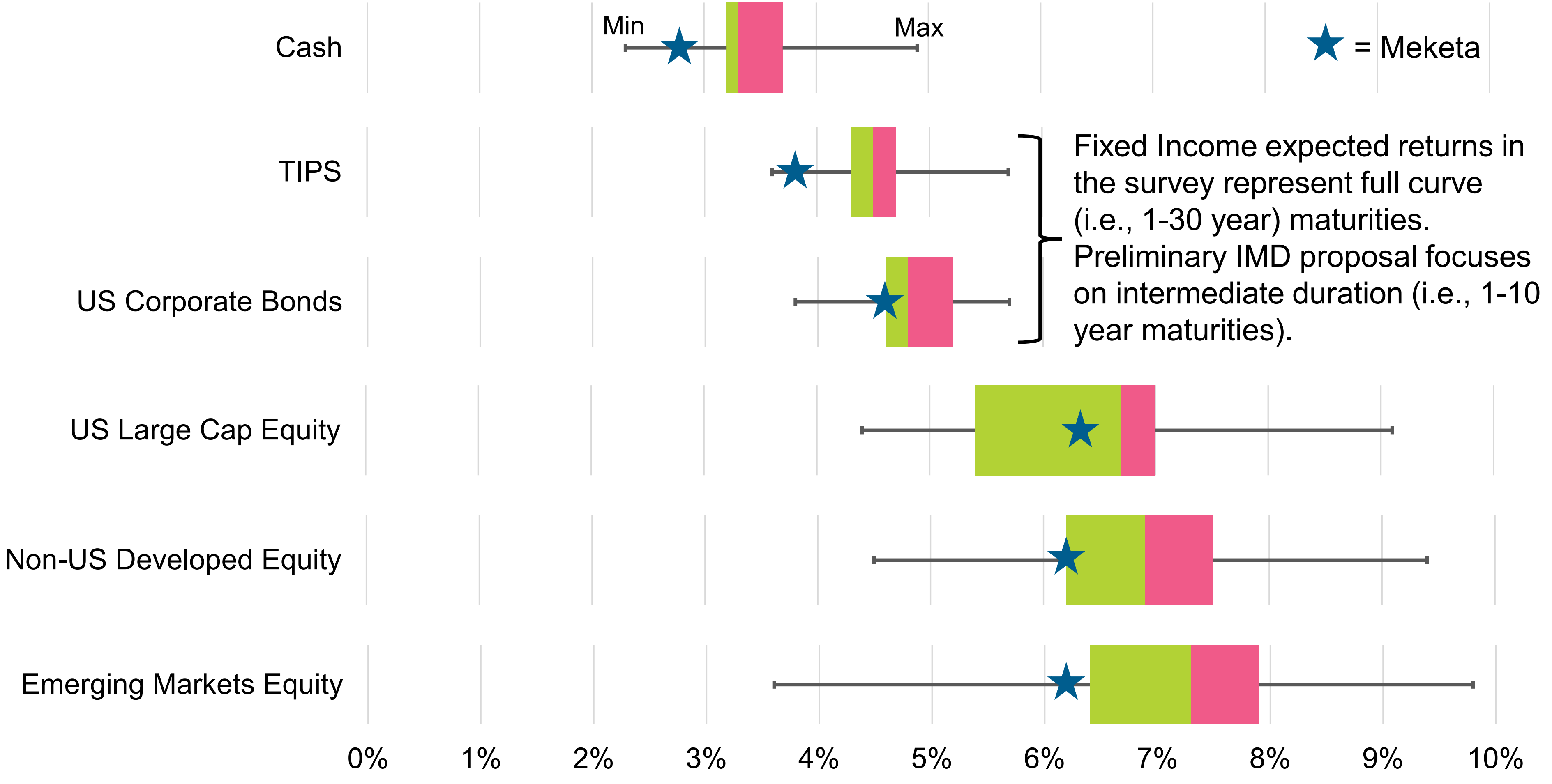
Meketa's Capital Market Assumptions

- There are three general methods for developing CMAs: 1) history, 2) capital structure, and 3) fundamental models
- Our 10-year forecasts are largely based on fundamental models, which are focused on the most important factors that drive returns for that asset class.

Asset Class Category	Major Factors
Equities	Dividend Yield, Earnings Growth, Valuation
Bonds	Yield to Worst, Default Rate, Recovery Rate
Commodities	Collateral Yield, Roll Yield, Inflation
Infrastructure	Public IS Valuation, Income, Growth, Leverage
Natural Resources	Price per Acre, Income, Public Market Valuation
Real Estate	Cap Rate, Yield, Growth, Leverage
Private Equity	EBITDA Multiple, Leverage, Public VC Valuation
Hedge Funds and Other	Leverage, Alternative Betas

- The common components for expected return calculations are income, growth, and valuation.
- All expected returns should also reflect required management costs and leverage levels/costs.

2026 Expected Returns – Horizon Actuarial Services Survey | 10-year Horizon



- 2026 Horizon Actuarial Survey of Capital Market Assumptions includes CMA projections from 43 firms.
- The asset classes shown represent a sample from the survey.
- Meketa's 2026 expected returns tend to be lower in the distribution(s) compared to the other surveyed firms.

Next Steps

→Meketa and IMD have discussed the preliminary direction for TRS-Care.

→In the next section, IMD will provide details on the potential construction of the investment portfolio, including:

- Objectives and constraints
- Base allocation framework
- Preliminary modeling outcomes

→This conversation will continue at the December Board meeting.

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TRS-Care Fund Investment Framework

Objective and considerations

- **Objective:**

  Invest TRS-Care assets in a prudent manner to:

  1. Seek excess return over cash
  2. Minimize/manage risk of large drawdowns
  3. Provide appropriate liquidity to meet Reserve Policy cash flow needs

- **Considerations:**

  1. Short-term cash flow needs are minimal relative to current AUM but projected to increase over time
  2. Liquid assets are preferred due to uncertainty around future cash flows
  3. Provide sufficient flexibility for stakeholders to make changes as needed

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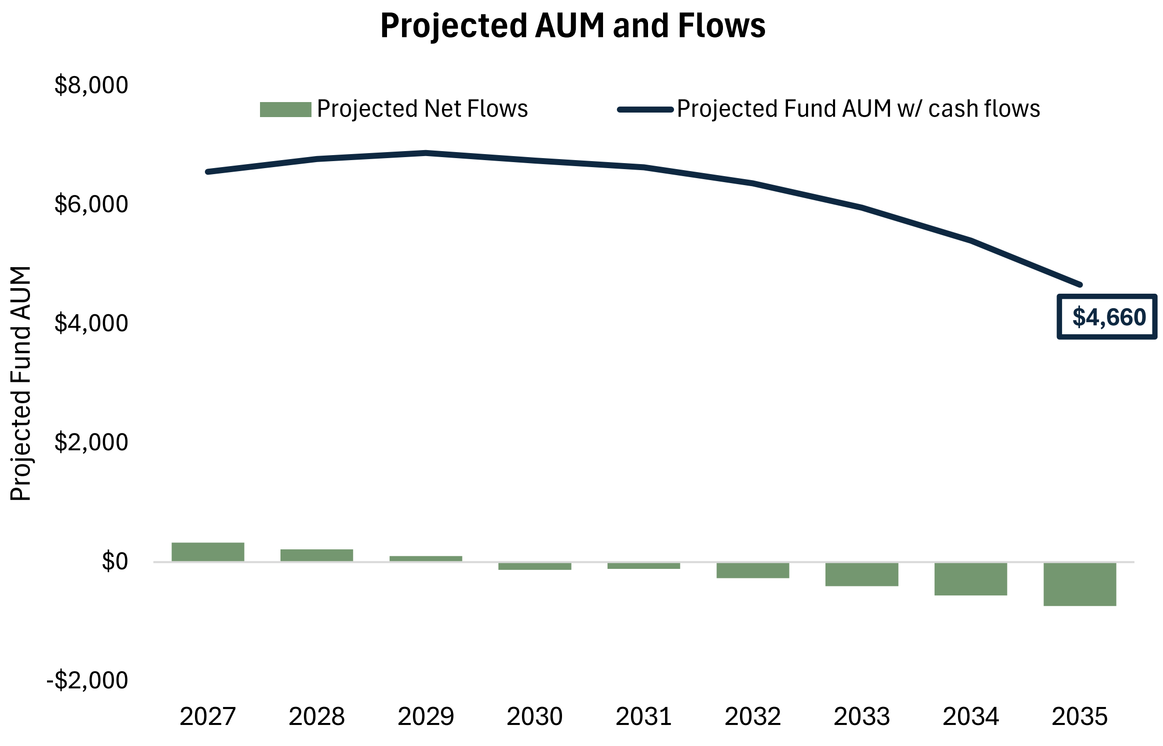
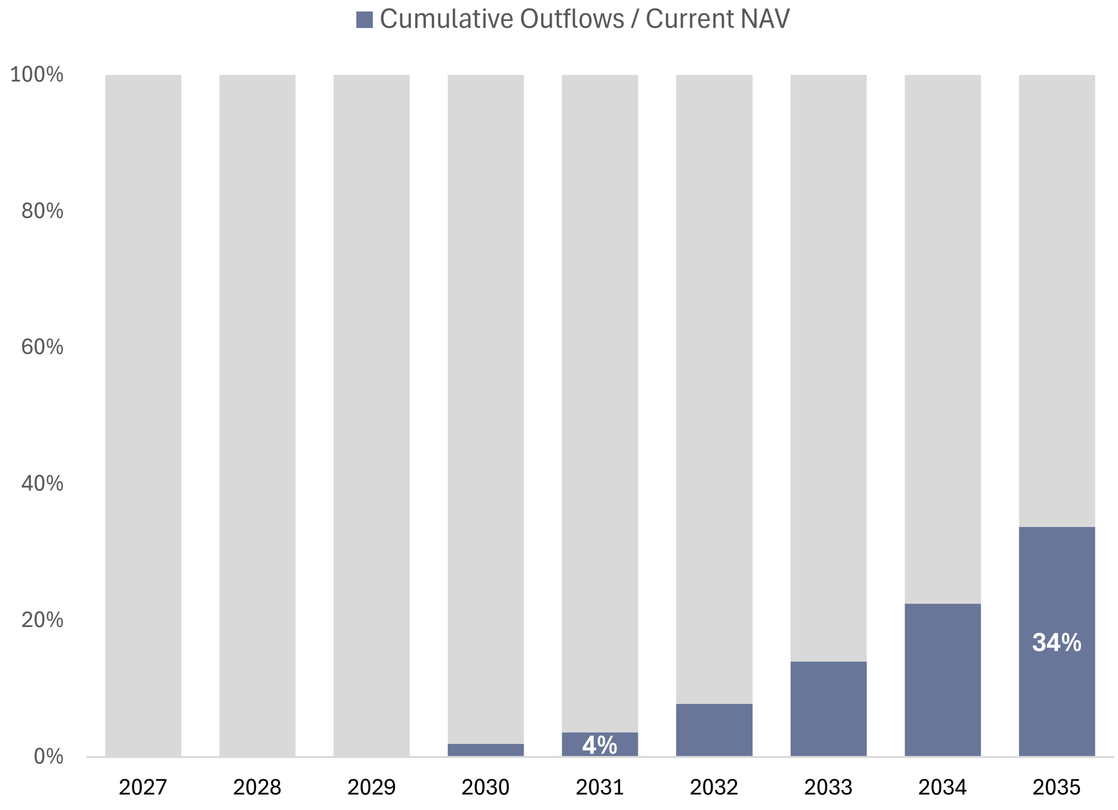
Liquidity considerations

- No net outflows projected until 2030
- Liquidity needs are expected to be a more important consideration in future years



- At inception, projected outflows account for less than 5% of current AUM over next five years



Source: TRS actuary; projected fund AUM assumes 2% return on cash held in reserves only.

Five asset classes at launch

Investable Universe

14
TRS Asset Classes

\+

5
Additional Peer Asset Classes

Four Filters

Liquidity

Duration

Risk Premium

Complexity

Preliminary TRS-Care Portfolio Assets

Cash
Liquidity

1–10 yr Govt Bonds – Nominal (Treasury)
Duration

1–10 yr Govt Bonds – Real (TIPS)
Inflation protection

1–10 yr Investment Grade (IG) Credit
High-quality corporate yield

Global Equity
Growth

- TRS-Care liabilities on a ~10-year time horizon vs. 30-year horizon for Pension Fund
- IG Credit adds return over Government Bonds while typically requiring less time to recover than equities

Allocation framework

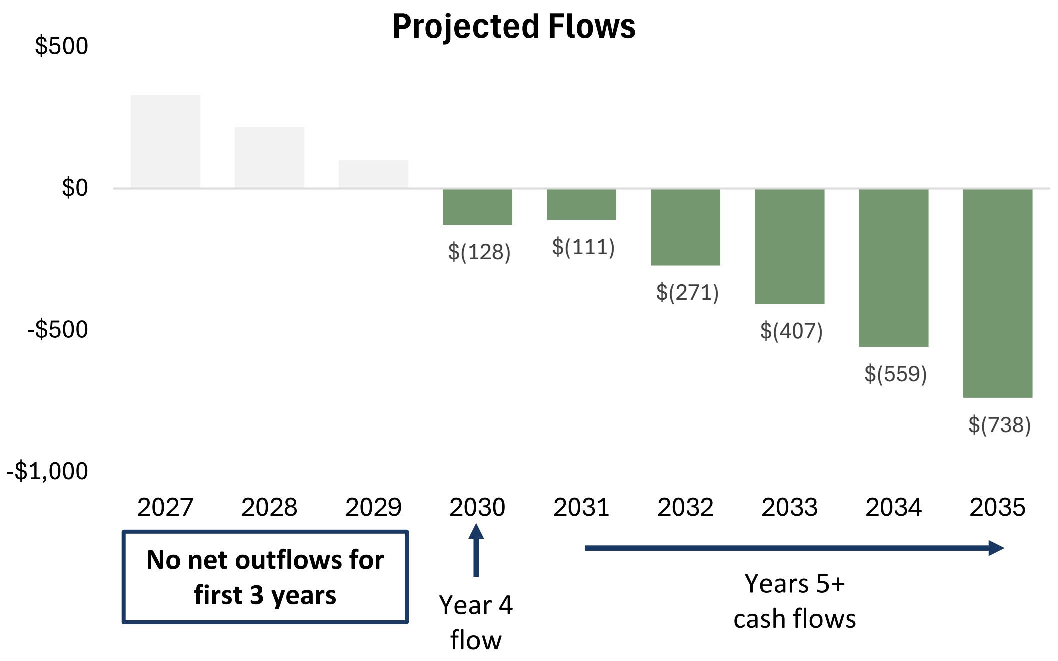
In order to deliver on fund objectives to:

1. Outperform cash;
2. Manage drawdown risk; and
3. Provide liquidity as needed

…the asset allocation framework seeks to maximize returns subject to **two main criteria:**

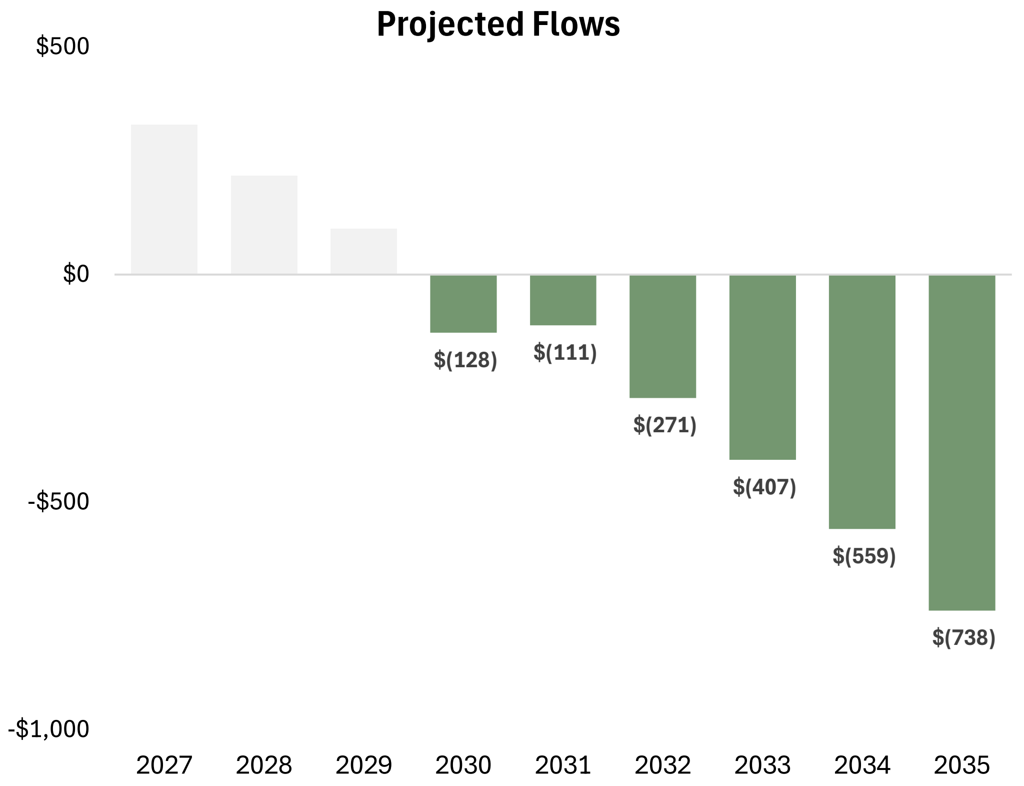
1. 1% chance or less of a **drawdown worse than -15%** in a year
2. 1% chance or less of five-year **annualized returns less than -5%**

- Similar to a target date fund, create **sub portfolios** based on expected cash flows that are then combined together:
  - Cash flows needed in the short term are invested in a less risky portfolio (e.g. more Cash and Treasuries)
  - Cash flows not needed for 5+ years are invested in a portfolio that takes some equity and credit risk

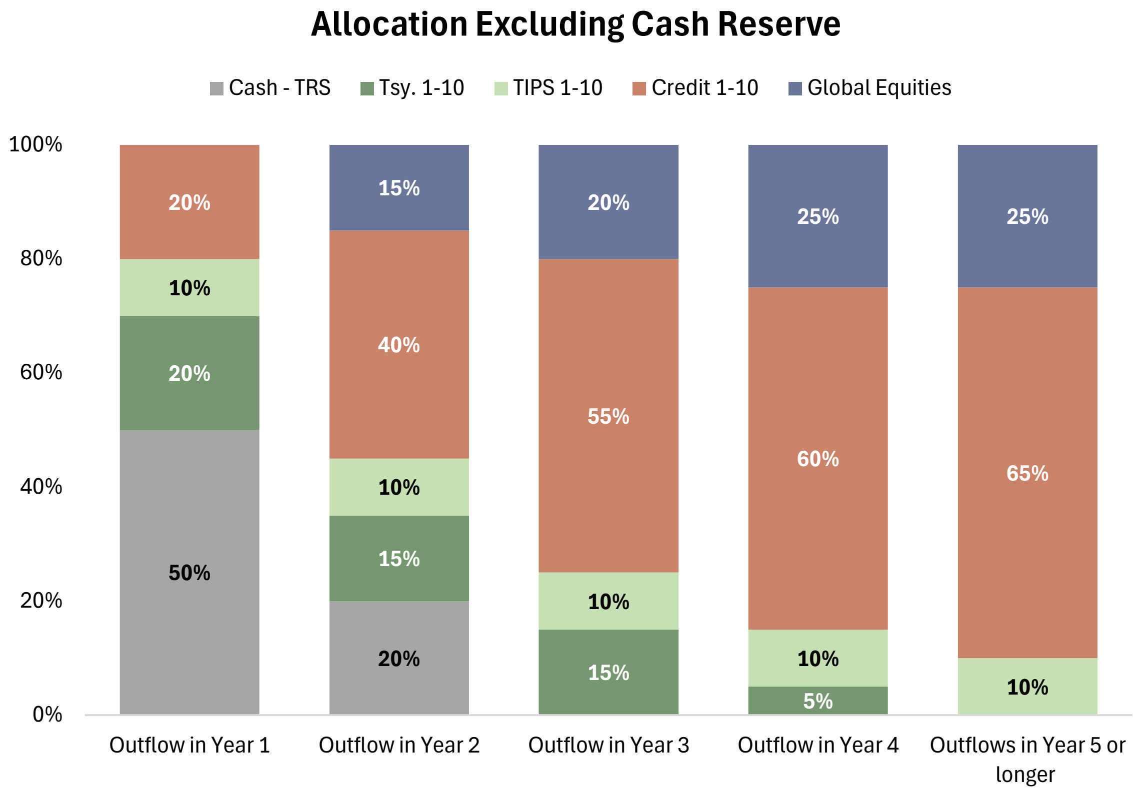


Source: TRS IMD. Note: probability of drawdowns and annualized returns based on historical simulations since 1973

Preliminary portfolio allocation



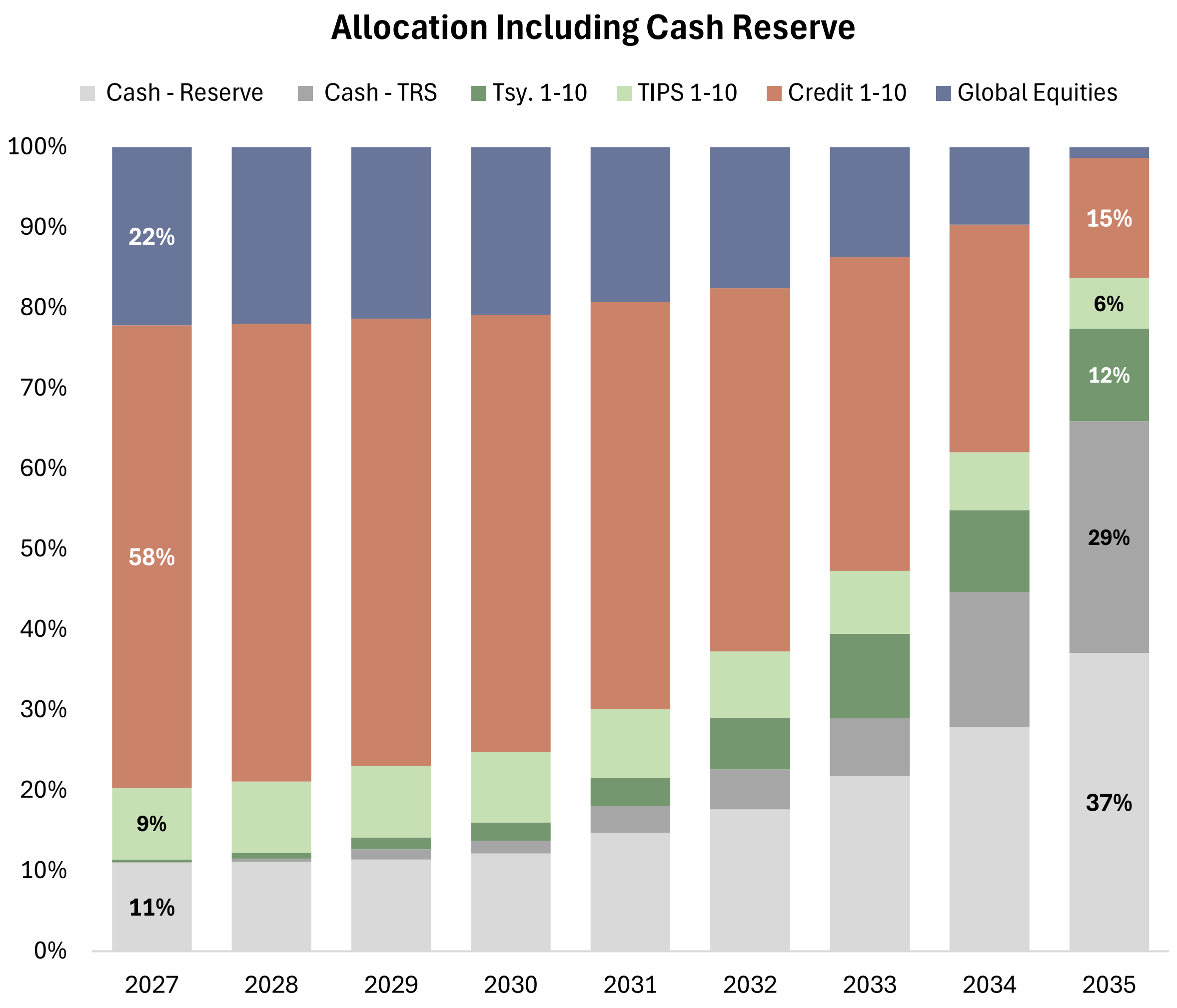
Outflows in Yrs 1-3	Yr 4	Outflows in Yrs 5+
$0	$128	$6,720

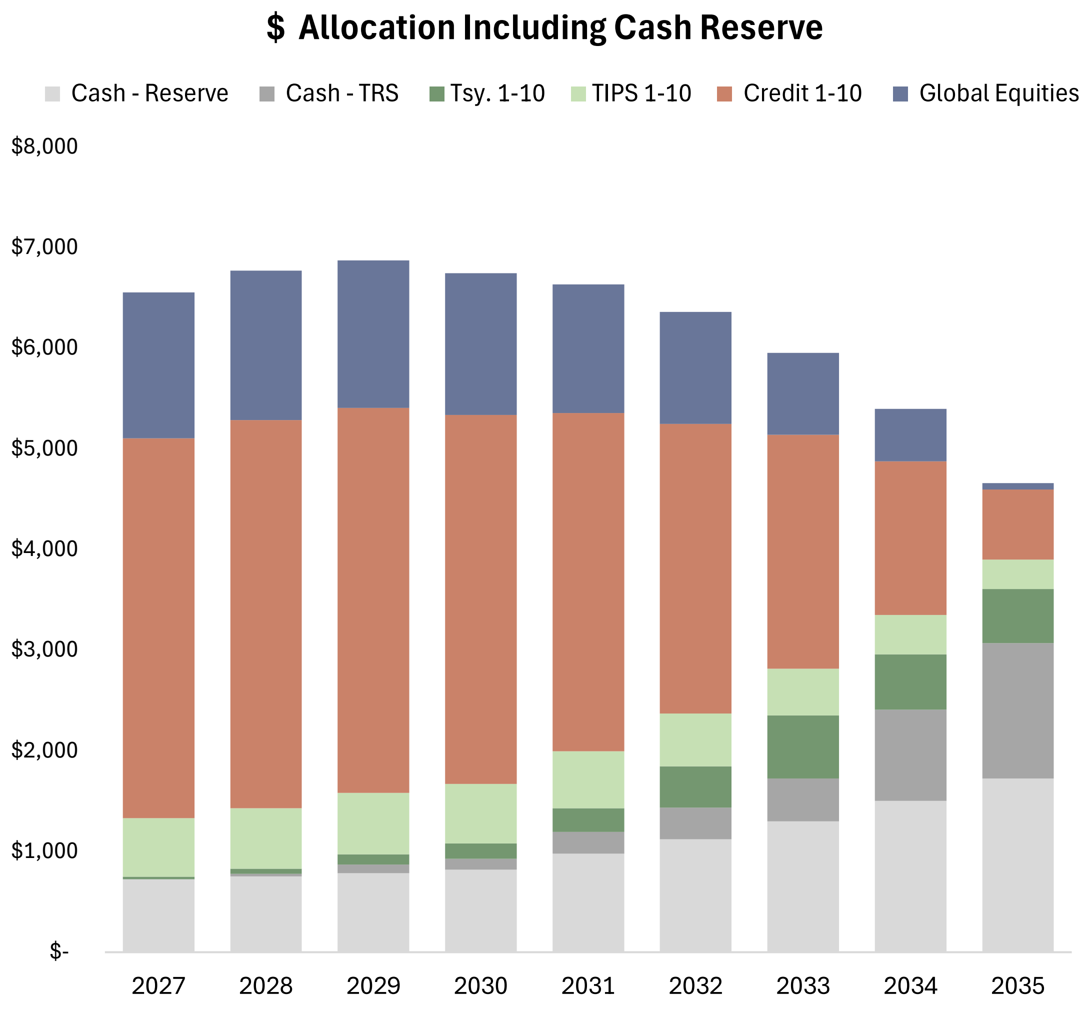


Dollars invested in each sub-portfolio				
$0	$0	$0	$128	$6,720

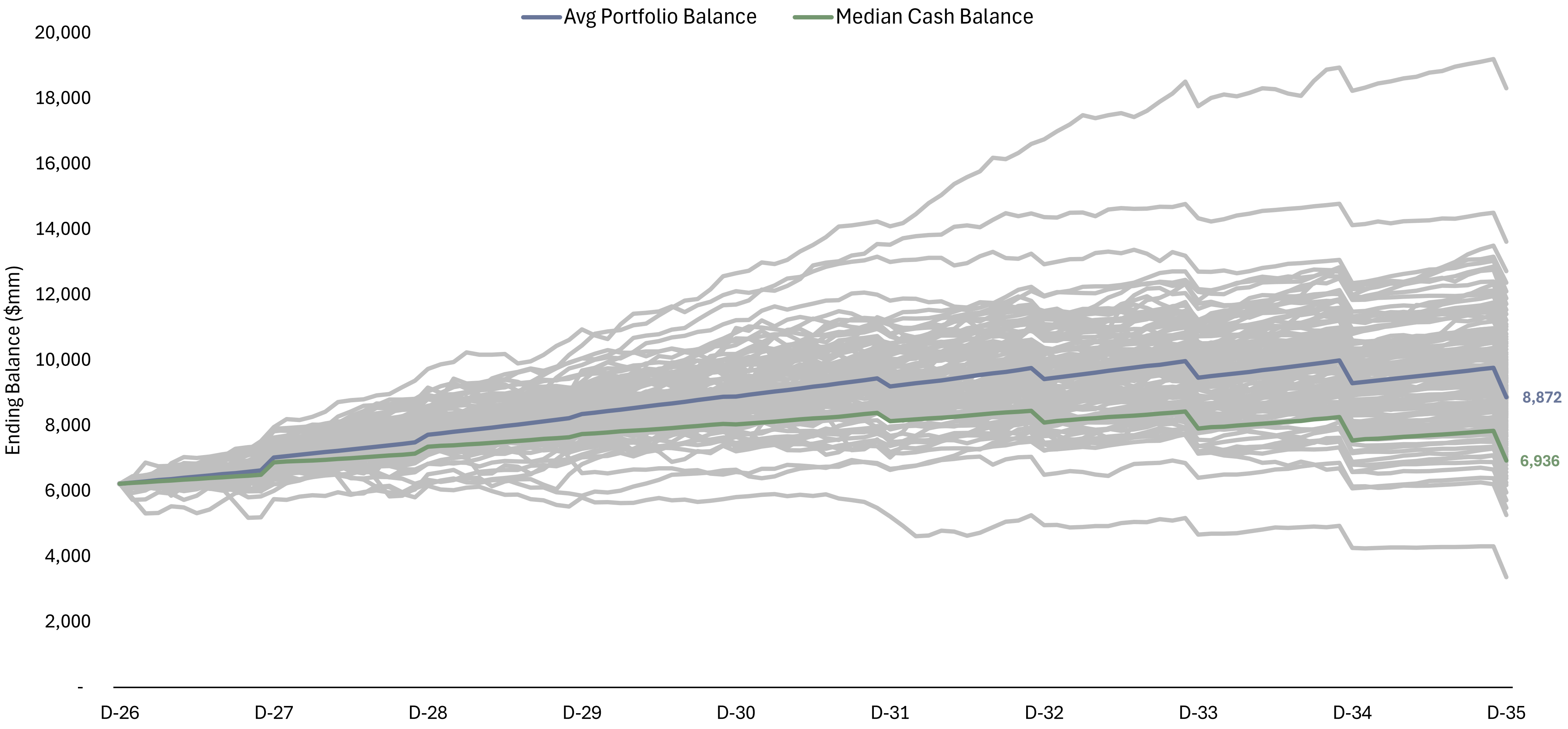
Source: TRS IMD. Note Total estimated AUM in 2030 = $6,848mm.

Projected allocation through time



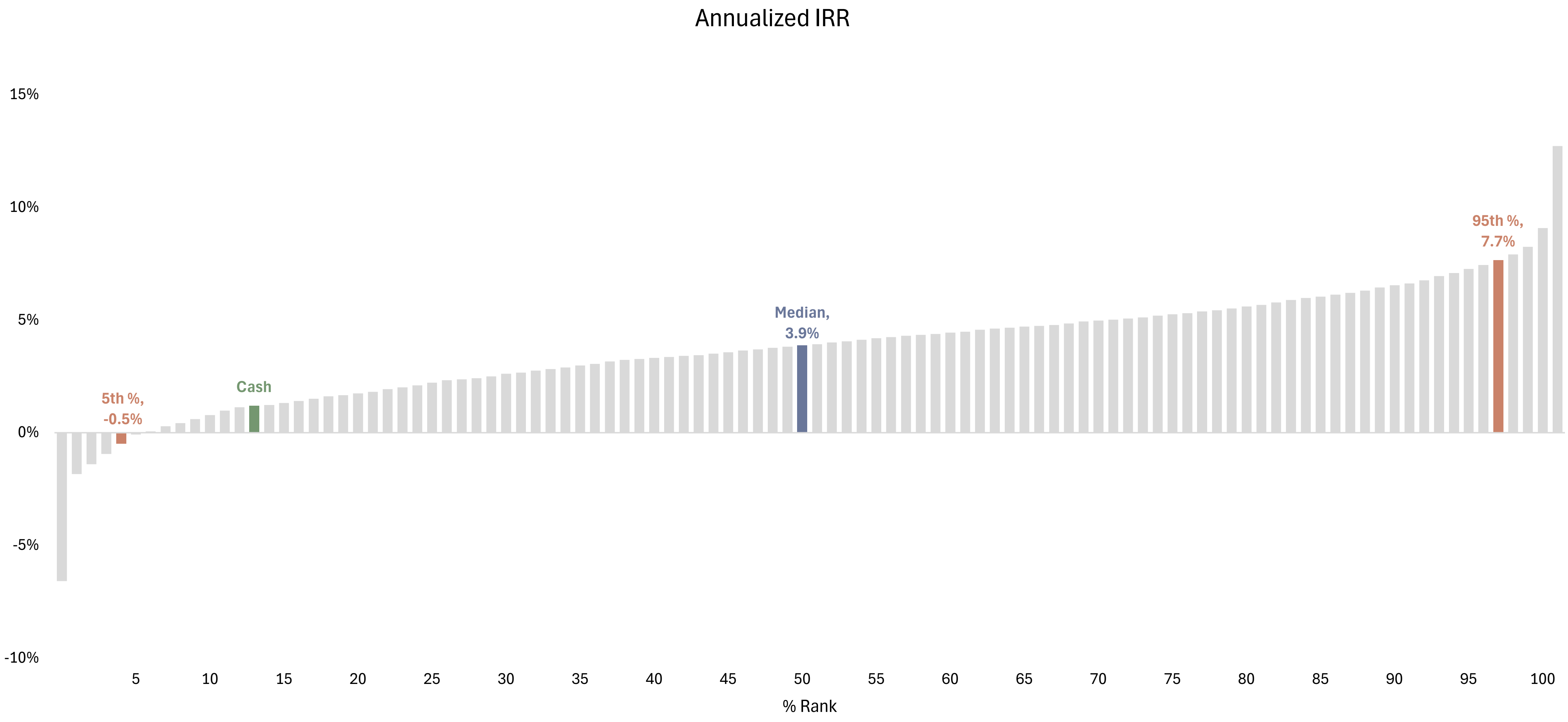


Distribution of simulated portfolio balances



Source: TRS IMD. Graph shows 100 samples based on percentage rank out of 1000 simulations. Simulation used random consecutive 12-month returns using historical data back to 1973 with projected annual net flows.

Distribution indicates high probability of outperforming cash



Source: TRS IMD. Graph shows IRRs for the simulations on the prior slide.

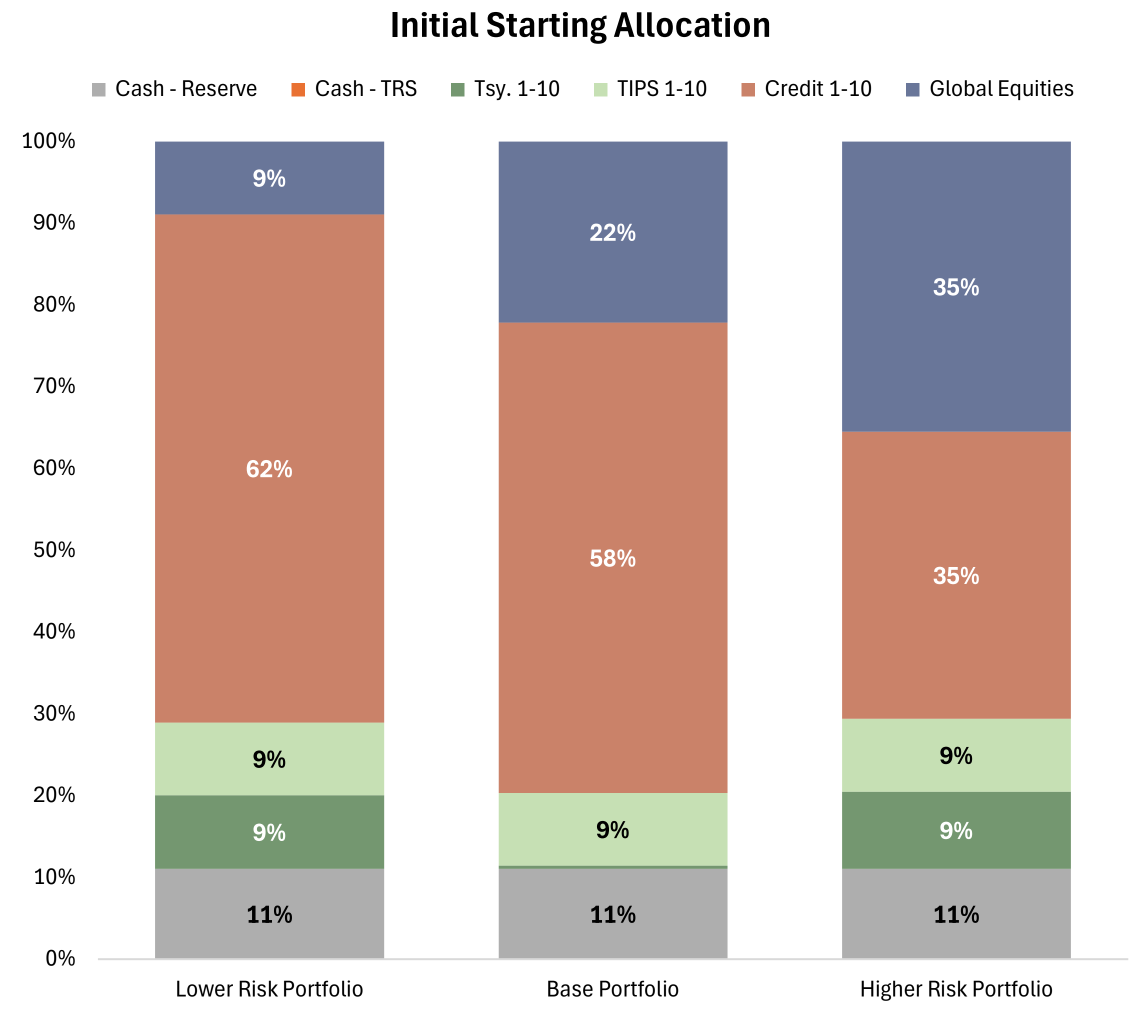
Examined two other portfolios – lower and higher risk

Used same **two general criteria, but with an adjusted drawdown metric:**

1. 1% chance or less of a **drawdown worse than below %** in a year:

Portfolio	Drawdown
Lower Risk	**10%**
Base Portfolio	15%
Higher Risk	**20%**

2. 1% chance or less of five-year annualized returns less than -5%



Summary Metrics

Metric	Cash Portfolio	Lower Risk Portfolio	Base Portfolio	Higher Risk Portfolio
CMA Performance Metrics				
Projected Yr. 1 Portfolio Return	3.3%	4.4%	4.7%	5.1%
Projected Yr. 1 Return ($mm)	$210	$275	$300	$320
Simulated Absolute Return Metrics				
95% Percentile IRR	--	7.3%	7.6%	8.3%
Yr. 1 Volatility	--	5.7%	6.4%	7.3%
Yr. 1 Dollar Volatility ($mm)	--	$360	$400	$450
% Scenarios > Cash Return	--	87.2%	87.2%	82.3%
% Scenario Returns >0%	--	95.0%	94.1%	90.1%

1
2
3

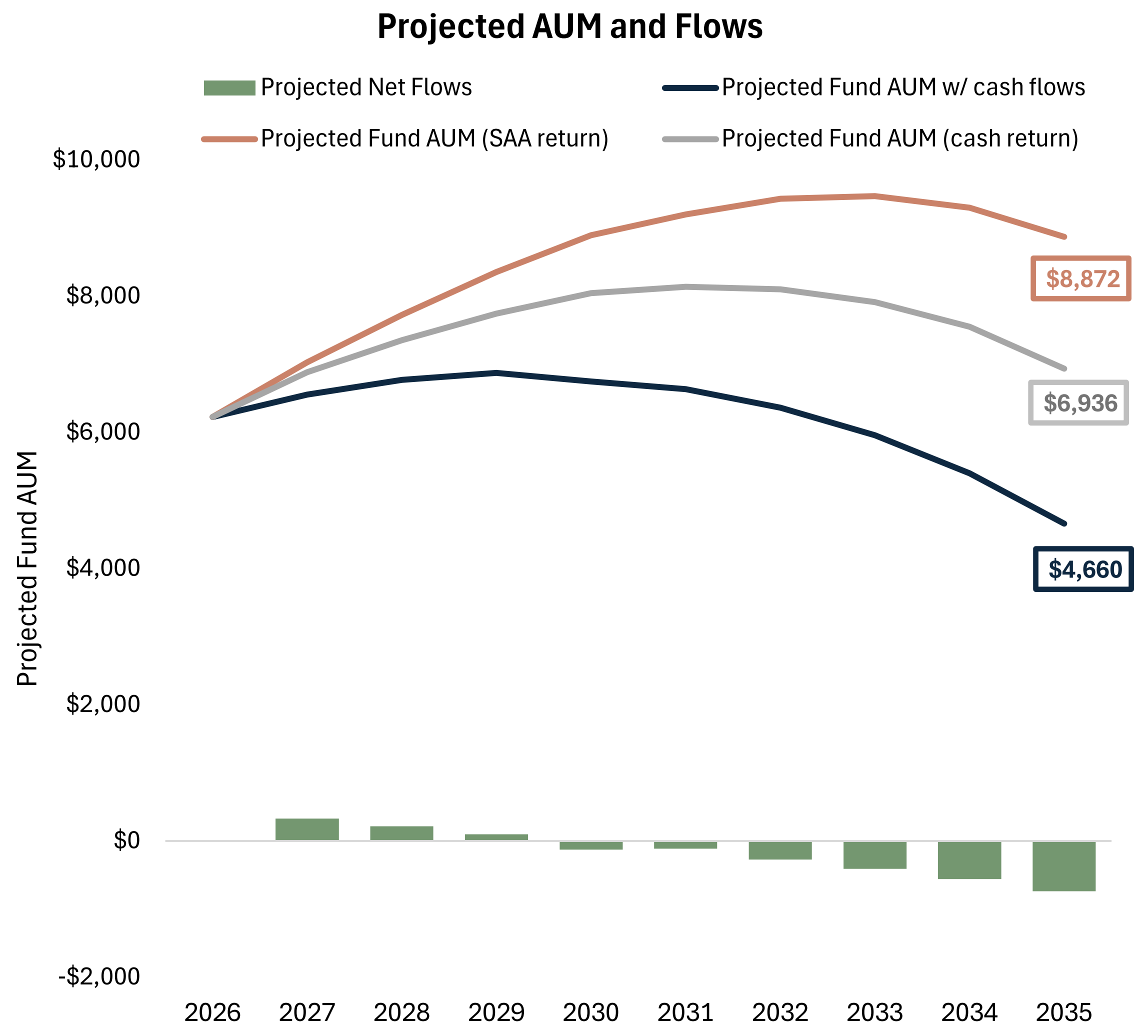
Base Portfolio Key Metrics

1. Expected **absolute return in year one of 4.7%** with a simulated portfolio volatility of 6.4%
   - In dollar terms, this equates to +$300mm of absolute return which could deviate by +/- $400mm
   - Expected range of absolute returns in year 1 is therefore -$100mm to +700mm
2. Expected **return above cash of $90mm or 1.4%**
3. Base portfolio beat cash in 87% of simulations and had positive returns 94% of the time

Source: TRS IMD. All metrics above are reflected after net flows except for CMAs. Data based on simulated returns using historical data from 1973 – 2026. Note: The $400mm portfolio volatility reflects a move equal to one standard deviation; the portfolio is therefore expected to move by less than +/- $400mm in roughly two out of three years.

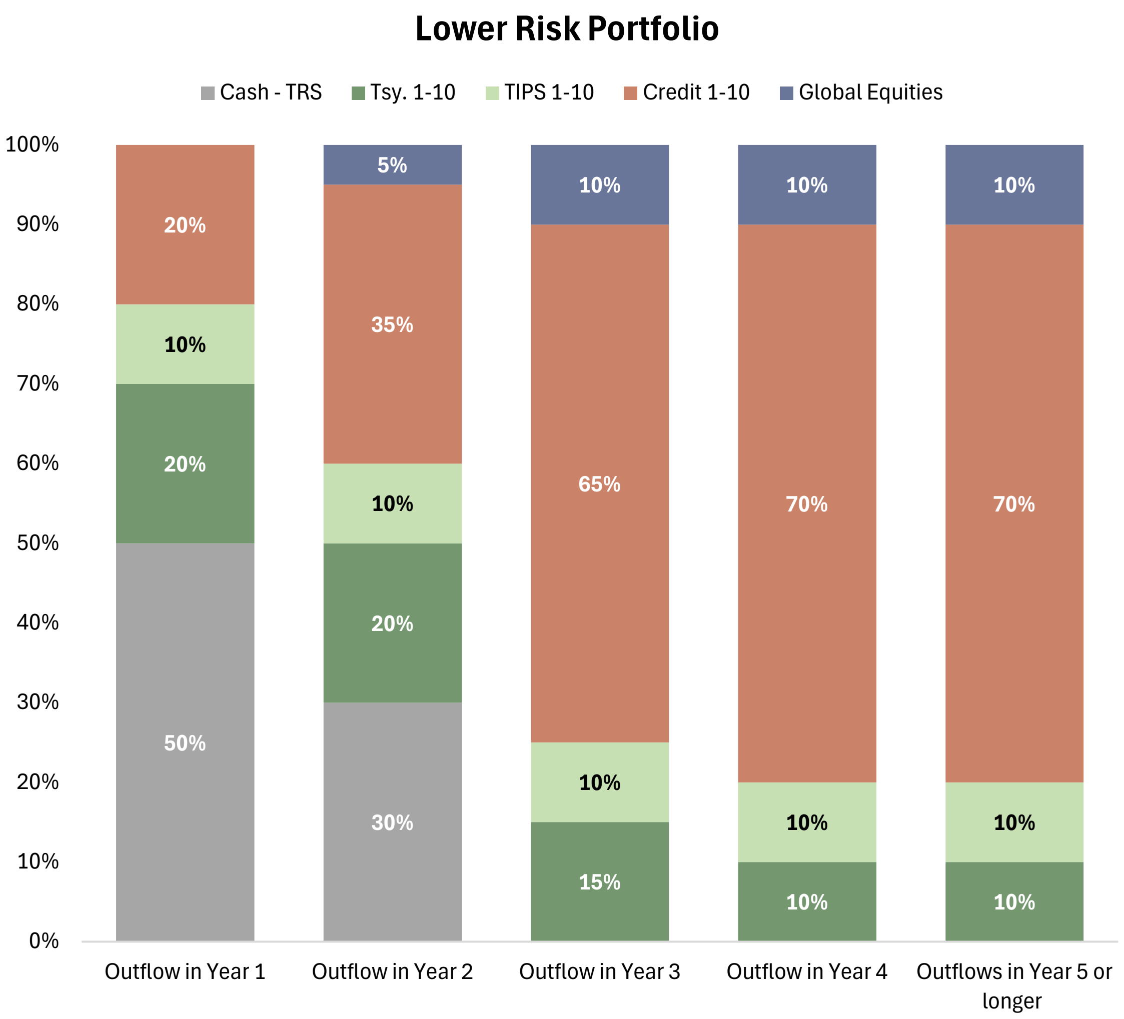
Summary

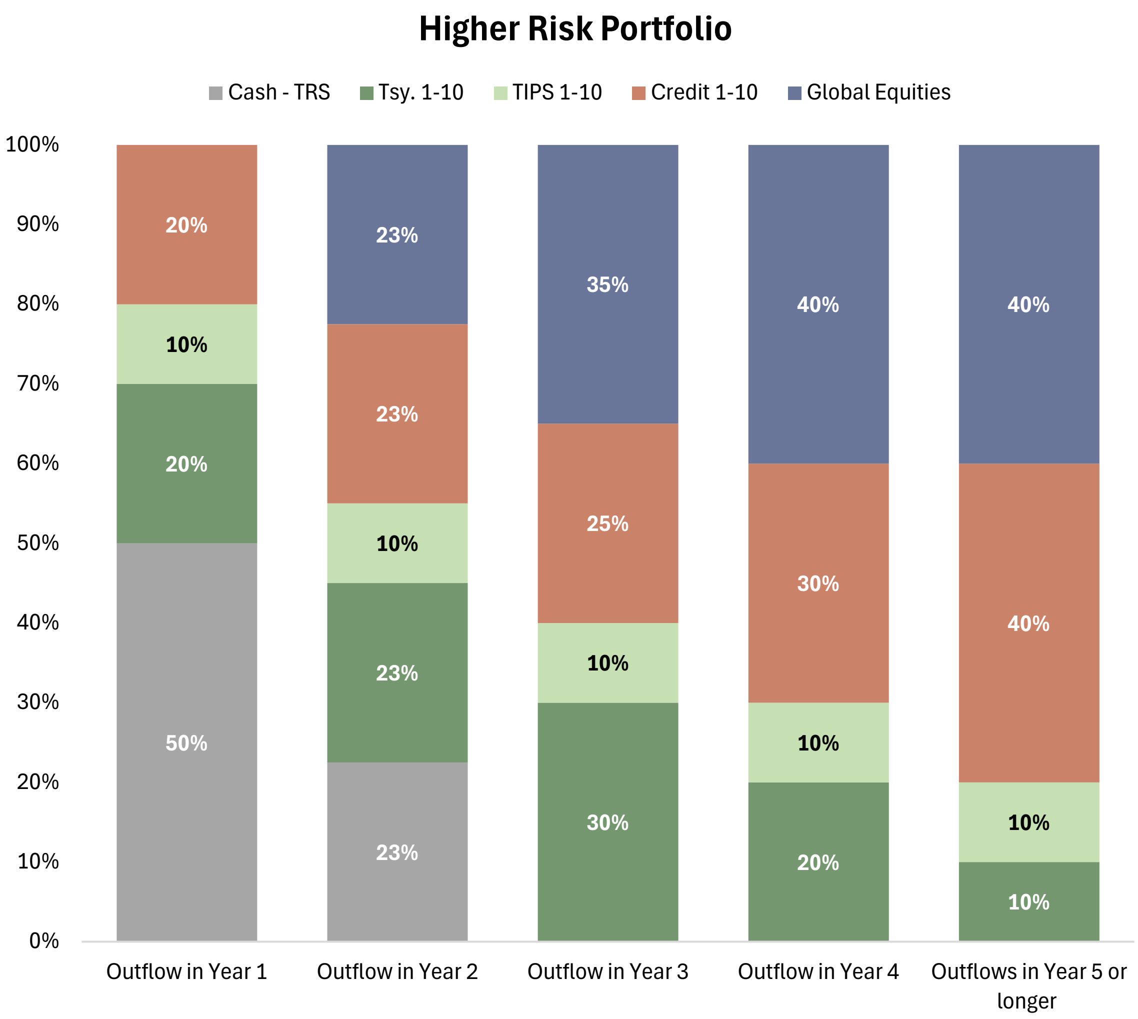
1. Invest in other assets besides cash to earn additional return given TRS-Care fund time horizon
2. Initially include five asset classes to meet liquidity, diversification and return objectives
   - Market conditions and inflation concerns could warrant a change in allocation
3. Adjust SAA glide path every year to account for updated projected flows
4. Provide recommendation at December Board meeting



Appendix

Lower and higher risk portfolio weights





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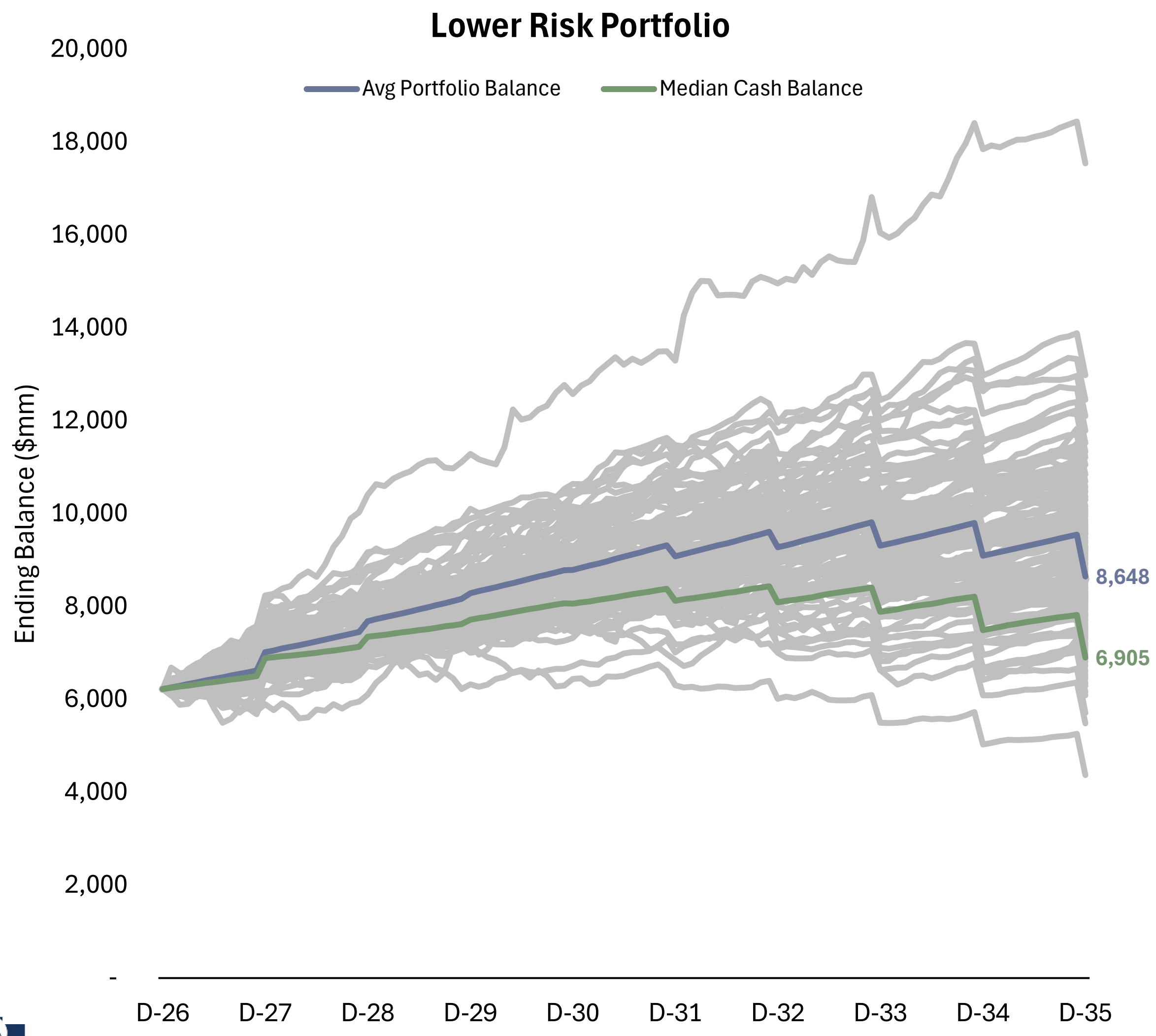
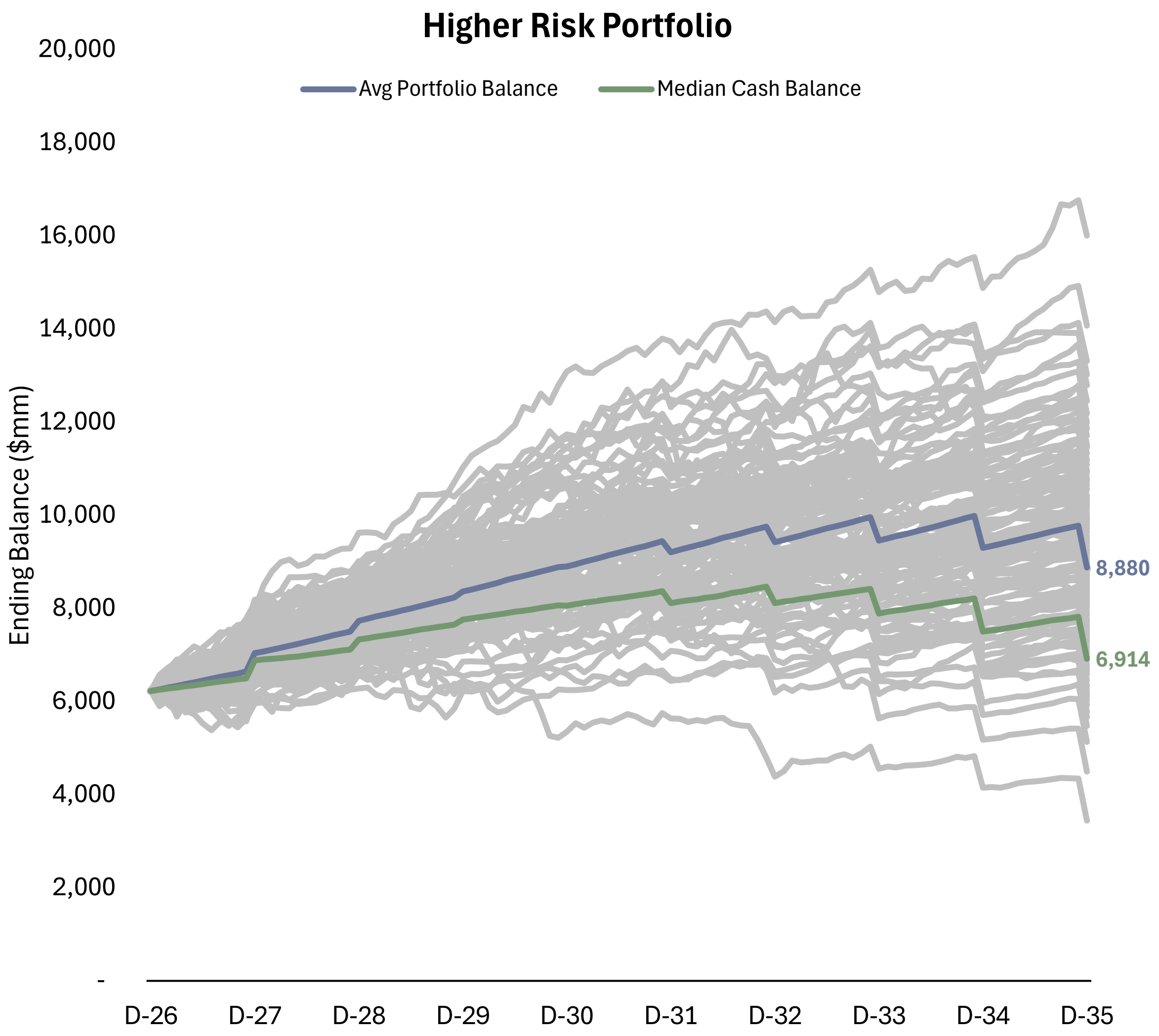
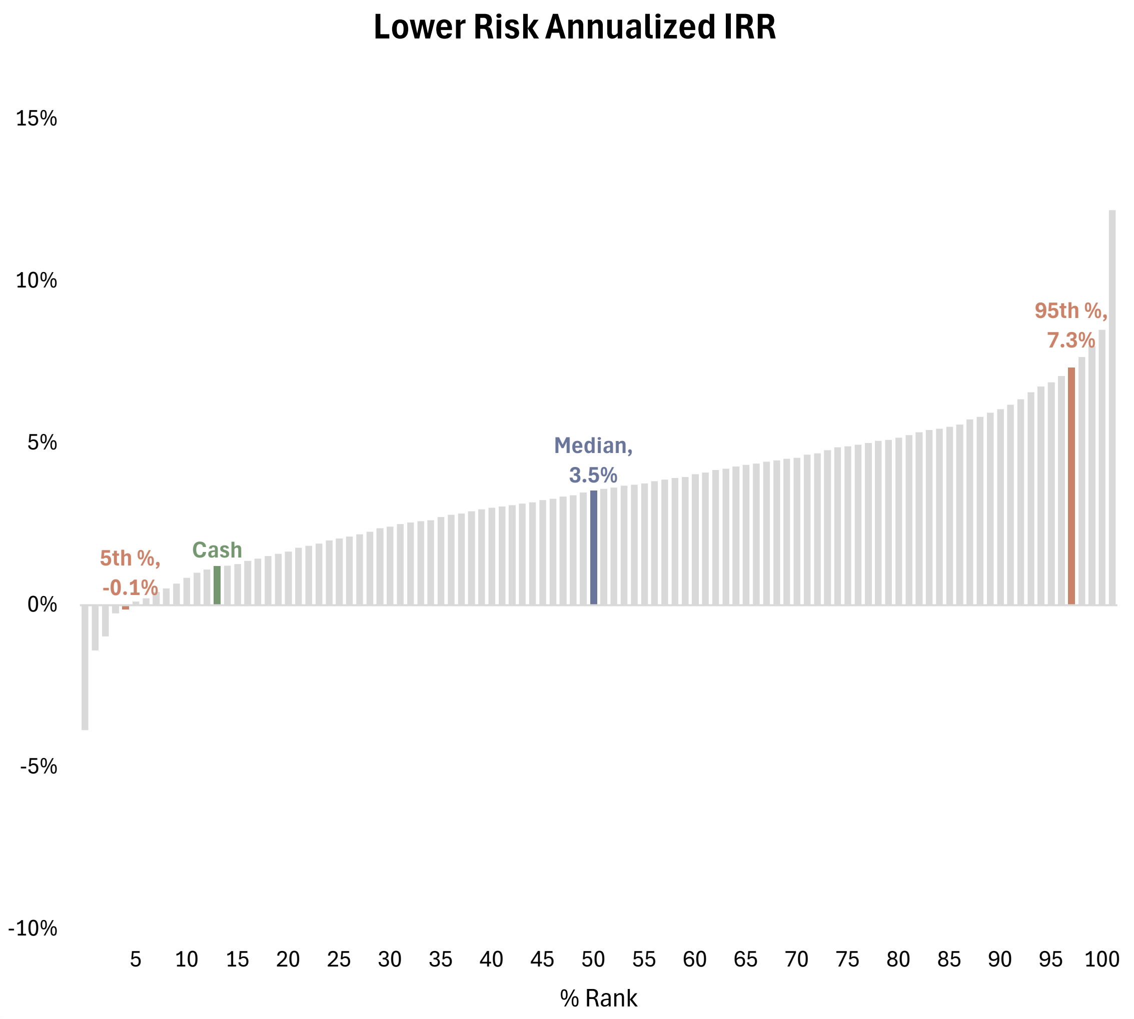
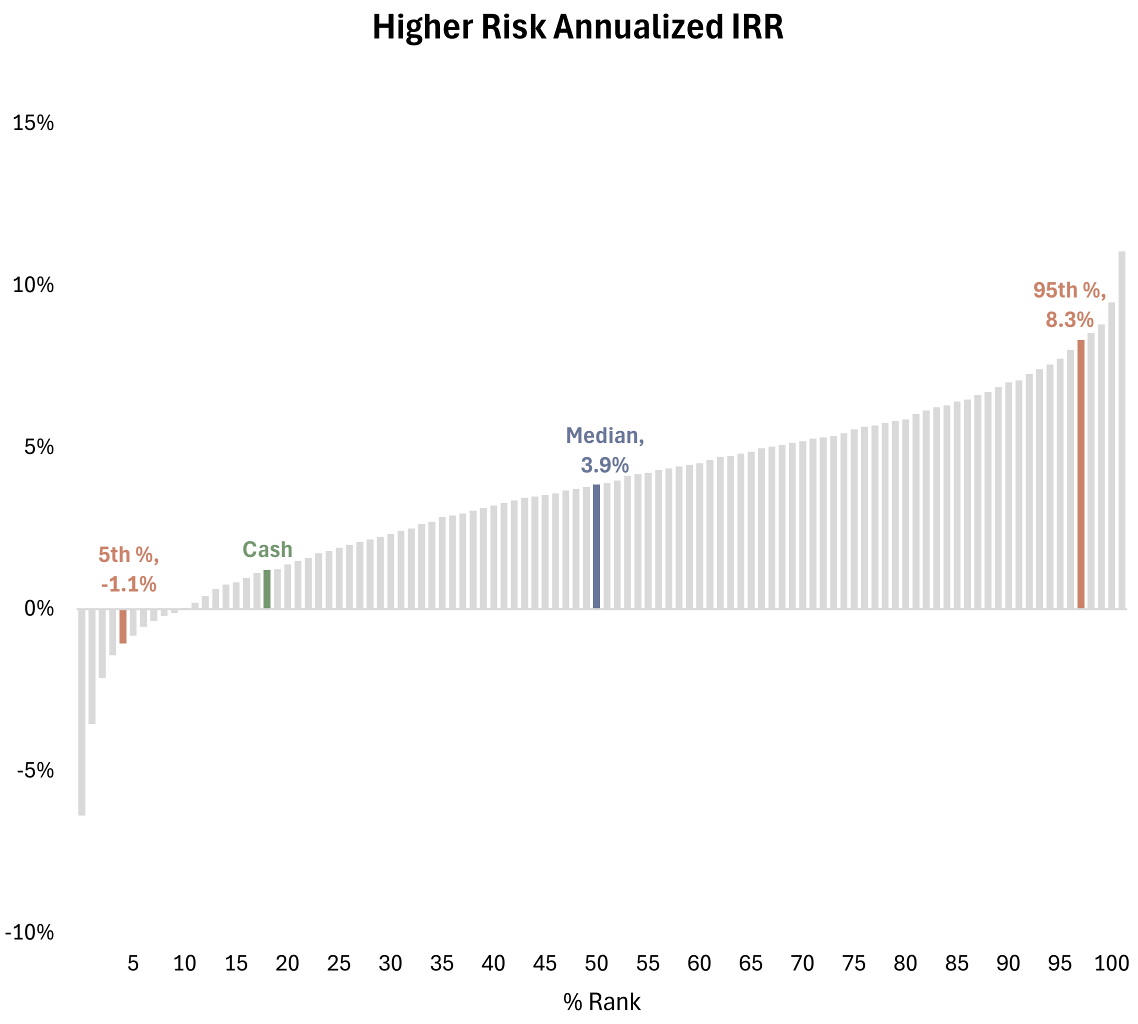
Range of outcomes for lower and higher risk portfolios





Payoff profile for lower and higher risk portfolios





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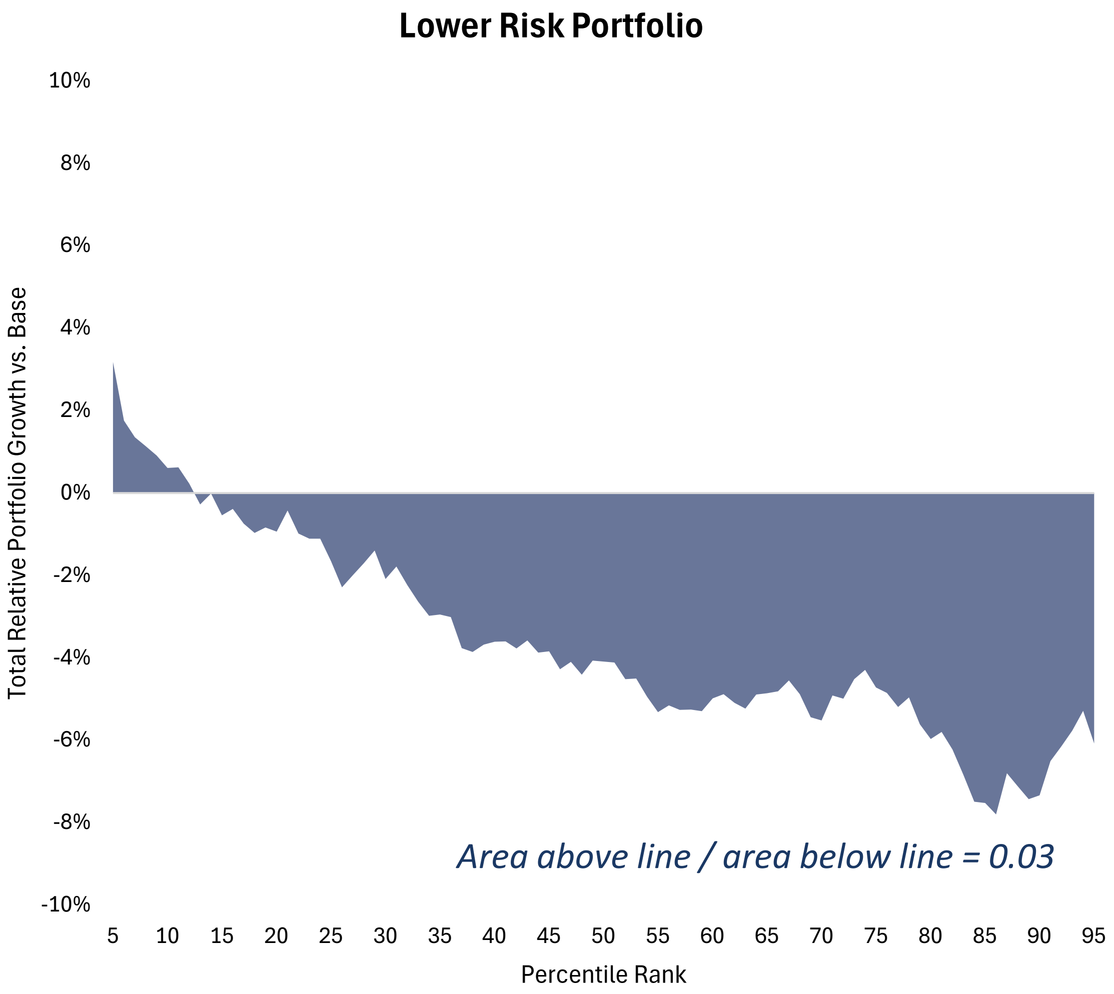
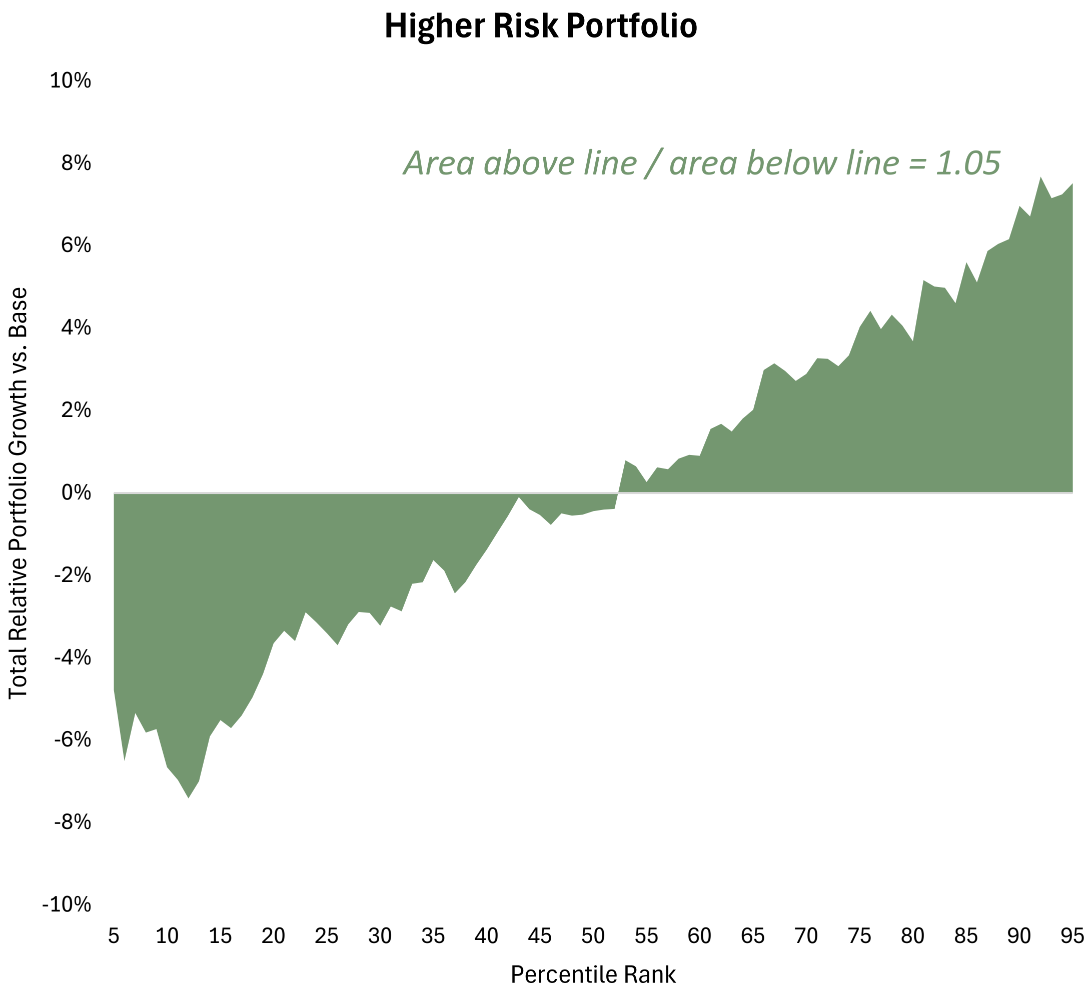
Payoff comparison of lower and higher risk portfolios vs. base portfolio





Source: TRS IMD. Includes the 5th to 95th percentile outcomes.

TAB 9

FOCUS
CONSULTING GROUP INC.

Teacher Retirement System of Texas

Board Overview

Executive Assessment Process

September 2026

Presented by:
Liz Severyns
Partner

Assessment Process Steps and Timeline

May	Process Overview
June	Data Collection Online assessment and Interviews
July	Report Generation and Data Analysis
August	Report Review Participants
September	Report Review TRS Board

FOCUS CONSULTING GROUP INC.

September 2026

TRS Executive Compensation Methodology

Josh Wilson, Partner

Susan Lemke, Senior Principal

Aimee Kudela, Principal

Methodology

- Mercer was asked to benchmark three positions which report directly to the Board of Trustees:
  - Chief Audit Executive
  - Chief Investment Officer
  - Executive Director

- Mercer gathered data from the following sources:

Mercer Public Pension Plan Survey	Mercer Benchmark Database	McLagan Public Pension Survey (CIO)
McLagan Private Company Survey (CIO)	WTW Salary Survey	TRS Custom Survey of Other State Pension Plans

- Data from different sources is not averaged, but rather shown separately for the Board's understanding
- Historical data was gathered from TRS OE
- Board and other evaluation input to be discussed qualitatively this year rather than through numeric competency scores
- All data was aged to 8/1/2027 using aging factor of 3.5% for 2025 and 2026 and 3.25% for 2027

MARSH

We are leaders in risk, strategy and people. One company, with four global businesses, united by a shared purpose to build the confidence to thrive through the power of perspective.

TAB 17

Deputy Director Report

Presentation Date
09/18/26

Presented By
Caasi Lamb

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Topics for Discussion

Regional Offices Update

Appendix

- AI Governance and Technology Update
- Procurement and Contracting Report

El Paso Regional Office Update

Current Status
Lease executed for new location; former bank branch in downtown El Paso

Next Steps
Finalize design and construction timeline

Estimated Completion
Tentative opening January 2028

Sept 2025
- Site tours

Feb 2026
- Board approves new location
- Begin lease negotiations

Aug 2026
- Lease executed

Sept 2026
- Finalize design and construction timeline

Jan 2028
- Tentative office opening

Rio Grande Valley Regional Office Update

Current Status — Business terms agreed to with landlord; started lease negotiations

Next Steps — Finalize lease and develop construction timeline

Estimated Completion — Tentative opening January 2028

Sept - Oct 2025
- Board approves RGV region
- Rider 20 finding executed

Jan – Feb 2026
- Initial site offer retracted
- Tour alternative sites
- Board approves new location plan
- Begin negotiations

Apr – May 2026
- Facility Condition Assessment (FCA) completed
- FCA report sent to landlord
- Continue negotiations

June 2026
- Final business terms agreed
- Selected site leased to another tenant
- TRS site visits
- Preferred site identified

Jul - Aug 2026
- Seek approval from Board to negotiate alternatives
- Begin negotiations on new sites

Appendix

AI Governance and Technology Update

Quarterly Update in Board Book

Key highlights:

- Positive member feedback on NiCE Autopilot improvements rolled out in July to route calls more efficiently
- Started a new Developer Center of Enablement for IT and business-led AI development
- Launched first enterprise AI agent to help TRS employees quickly find internal "study hall" materials for IT self-knowledge resources

AI Governance and Technology - Quarterly Board Update

Date: September 17, 2026 **Reported by:** Deputy Director

AI in Action

On Track
Overall status*

Key Accomplishments

- **Improved Member Service Experience**
  Implemented NiCE Autopilot to streamline call routing and connect members to the right resources faster and more efficiently.
- **Positioning TRS for Future AI Adoption**
  Approved budget to support emerging AI technologies and resources to support strategic planning.
- **Enhanced AI Search Visibility**
  Identified opportunities to improve how TRS information and FAQs are surfaced through AI-powered search platforms, informing future digital strategies.
- **Improved Employee Access to AI Resources**
  Launched a redesigned AI Transformation Portal, providing an enhanced centralized hub for AI tools, guidance, initiatives, and resources for employees.
- **Empowering Developers**
  Established a Developer Center of Enablement to provide standards, guidance, and best practices for IT and business-led development.
- **First Enterprise AI Agent**
  Deployed the Study Hall Agent, TRS' first production Copilot Studio enabling staff to quickly locate and understand IT self-service knowledge resources.

Strategic Initiatives Underway

- **AI Governance and Compliance**
  Advancing compliance with new Texas Department of Information Resources AI requirements and standards for responsible AI use.
- **Next Generation Safety Monitoring**
  Preparing the Fall 2026 release of the SAFETY 2.0 tool to strengthen AI governance, monitoring, and oversight.
- **AI/Generative Engine Optimization (GEO) Assessment**
  Evaluating how TRS content is sourced for TRS-related questions on public AI/generative search platforms to improve visibility, accuracy and content strategy.
- **Preparing for Evolving AI Licensing Models**
  Developing readiness and planning for Microsoft's GitHub transition to a token-based consumption model.
- **Building the Foundation for AI-Powered Member Support**
  Strengthening knowledge management to prepare for NiCE Copilot, including a new Pension Services Management Analyst role to build and maintain a centralized knowledge base that will support Member Services, Health Operations, and future AI-assisted services.
- **Advanced AI Platform Modernization**
  Migrating TeReSAI and Intelligence GPT to Microsoft Foundry to enable scalable AI solutions, advanced agent capabilities, and deeper Microsoft ecosystem integration.

AI Impact and Numbers

"It is short, precise, and to the point. It got me over to you, a real person quickly." - Member Testimony

NiCE Autopilot was implemented in July 2026 which provides for streamlined routing of calls to telephone counselors, and we are hearing positive member feedback.

AI Usage:

- Licensed Microsoft 365 Copilot users: **1010**
- Active usage rate: **94%**

AI Catalog Overview:

- Approved AI Technologies: **103**
- Pending AI Governance or Technical Evaluation: **20**

Program Pillars

Strategy
AI-focused objectives and supporting strategies as outlined in TRS' Strategic Plan.

Planning
Business-driven input to drive implementation initiatives that support AI strategy.

Governance
Assessing risk, verifying compliance and promoting responsible, ethical, and safe AI use.

Member-focus
Leveraging AI to best serve our members today and in the future.

Communications
Ensuring TRS' use of AI is communicated effectively and transparently.

Resources
Identifying current and future AI-related resource needs to ensure strategic priorities are met.

Workforce readiness
Building workforce capability through change management, continuous learning, collaboration, and upskilling.

*Risks and Watch Items

Agentic and autonomous capabilities are emerging across AI technologies that require higher levels of monitoring, governance and security. Ongoing discussions on how to continue to safely mature our AI technologies in alignment with our AI Policy and Responsible Use Guidelines.

Successfully executing this roadmap requires **dedicated skills, capacity, and funding** across technology, data, and business teams.

Quarterly Contract Report – Q4 FY 26

Solicitations and Contracts with a Value of $1 Million or More per Year

Type	Q1	Q2	Q3	Q4	Total
New Executed Contracts	1	3	0	1	5
New Executed Health Contracts	0	0	0	0	0
New FY 26 Solicitations	0	1	1	1	3
New FY 26 Health Solicitations	0	0	0	0	0

BOARD PROCUREMENT POLICY

For those contracts that are to be brought to the Board for approval solely because they exceed an estimated value of $1 million or more per year, ***TRS staff will present a report to the Board at each quarterly meeting*** *summarizing the key information for the proposed procurement. The Board may* ***accept*** *the report in its entirety or identify specific procurements for additional discussion or direct selection or approval by the Board.*

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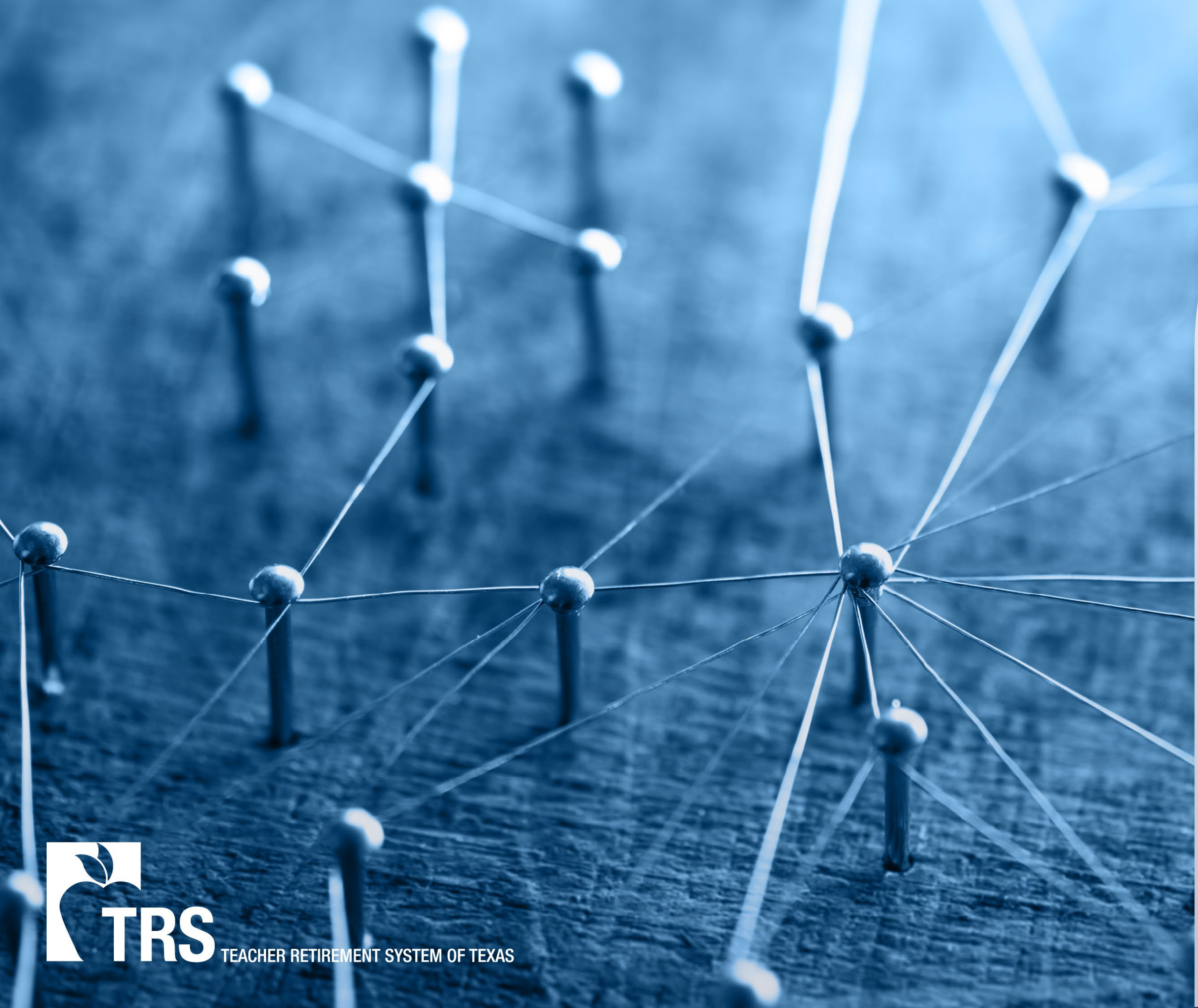
TAB 18



Member & Employer Outreach Plan

Communications Annual Update

Sept. 18, 2026

Elizabeth Hallmark
Chief Communications Officer

Rob Maxwell
Media Relations Program Manager

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

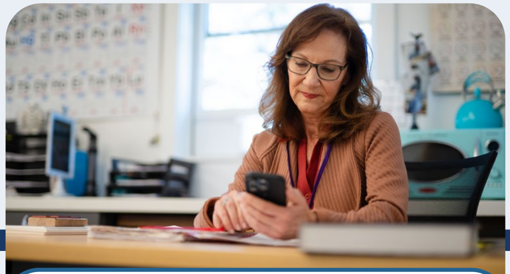
Meeting Members Where They Are

TRS delivered all planned outreach activities in FY26 with measurable reach across web, email, video, social, newsletters, health communications, and employer resources.

FY27 builds on the FY26 plan, with added emphasis on AI-era content strategies.

Resources and outreach for **every career stage**

Early-Career
New member education & MyTRS sign-up



Mid-Career
Benefit awareness & annual statements

Late-Career
Retirement presentations & counseling

Retirement
TRS-Care & retiree communications

Guided by the board-approved plan with a focus on plain language, accessibility, multiple formats, and ongoing feedback.

FY26: What the Metrics Tell Us

Digital communications count

11M website views in FY26 and 30M+ individual email bulletins sent. MyTRS registration and FAQ pages among the most-visited destinations as promoted. Video content helped expand reach with nearly 200K YouTube views in FY26.

11M

website views

Social media remains key

Social media engagement rose to 3.5% per post (from 3.25% in FY25) with focused and actionable messaging. Social media impressions reached 1.76M and impressions were further enhanced with streaming audio.

3.5%

engagement rate, up from 3.25%

Employer resources matter

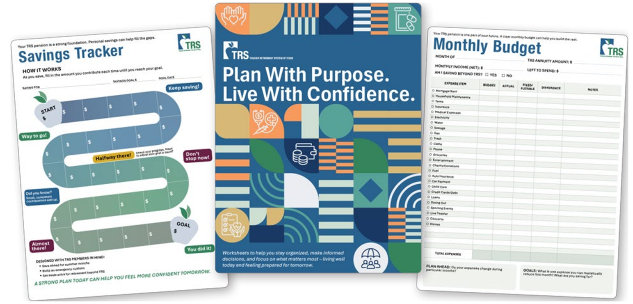
Employer satisfaction with the website and TRS information rose, supported by new tools: a searchable Reporting Tips library and enhanced content in the monthly *Update* newsletter.

94%

of employers were 'satisfied' or 'very satisfied' with the *Update* newsletter

FY26 Plan Spotlights

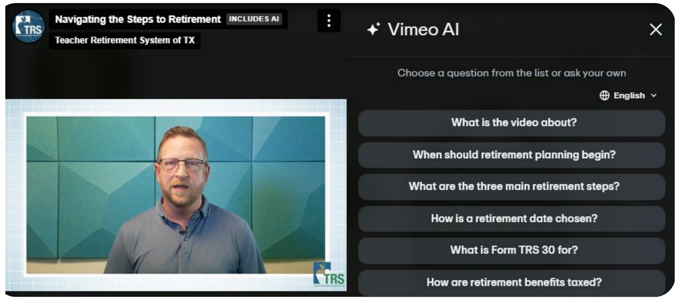
Three new ways to meet members where they are.



Peace of Mind Resources

New life-planning hub with three resource sets: Plan with Purpose worksheets, Retire in Place resources and resources for caregivers.

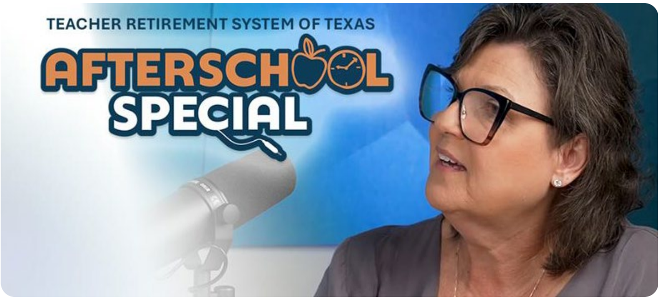
Plan with purpose. Live with confidence.



Ask AI Video

19 educational videos **now AI-enabled** — viewers can ask questions directly of a video, with instant translation and subtitles.

One video can now answer hundreds of individual questions and save time.



TRS Afterschool Special

TRS' **first official podcast**, launched August 2026; on Apple, Spotify, iHeart and YouTube, with a dedicated subscriber list.

A new channel for members who learn by listening — on their own time.

FY27: What's Next - Building on What Works

NEW
AI-Era Content Strategy

- Establish a baseline to measure how publicly available AI tools answer standard TRS benefits questions
- Strengthen TRS content so AI platforms are more likely to source and cite official TRS sources
- Leverage approved AI with human stewardship to simplify and streamline information

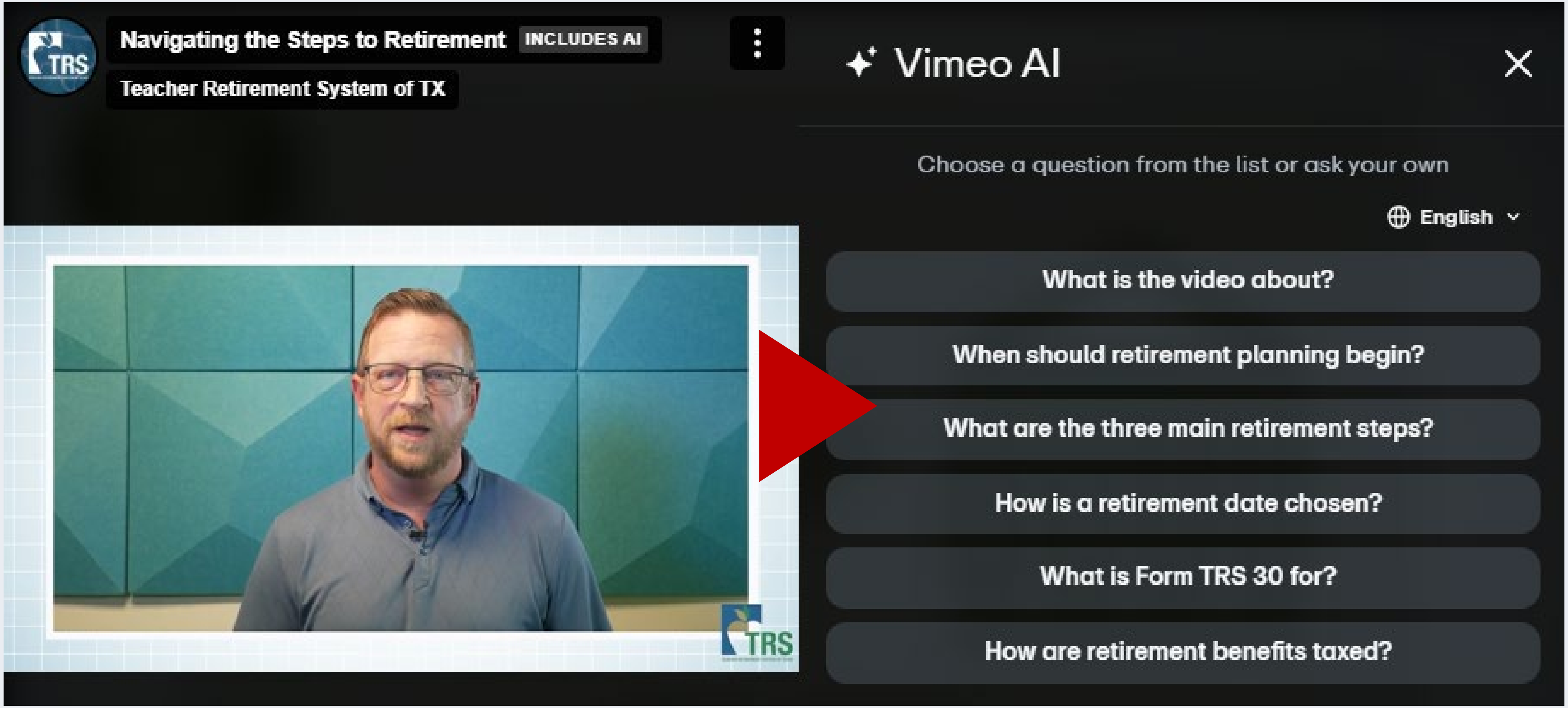
EXPANDING

- Monthly podcast episodes
- Interactive video and web elements

CONTINUING

- Accessibility and plain language
- Targeted TRS-Care & MyTRS communications
- Employer outreach, resources and training information

Demo – AI-enabled Videos



To: Board of Trustees

DATE: *Sept. 18, 2026*

FROM: *Elizabeth Hallmark, Chief Communications Officer*

RE: *Annual Update on Member and Employer Outreach Plan Activities*

Item Type: Informational

Executive Summary: This item is an annual update on the Member and Employer Outreach Plan, including a fiscal year 2026 recap and an overview of planned fiscal year 2027 activities.

In FY26, TRS expanded its efforts to ensure members are able to make the most of their pension and health benefits, with measurable reach across web, email, video, social media, newsletters, health communications, and employer resources. All planned FY26 activities were completed. FY27 activities will build on this foundation with a focus on AI-era content strategies, multimedia resources, continued plain language and accessibility improvements, targeted benefit communications, and practical tools for members and employers.

Background: Pursuant to Texas Gov't Code Section 825.601, TRS maintains a board-approved Member and Employer Outreach Plan to help prepare members for retirement and to support reporting employers who work with members. The plan recognizes that members are at different career stages and have different communication preferences and needs. It also emphasizes plain language, accessibility, multiple communication formats, and ongoing feedback for continuous improvement.

Fiscal Year 2026 Recap:

Takeaway	Highlights
Multimedia and social **reach** remained key	Social content generated 1.76M impressions, 22K+ link clicks, and 53K+ reel views. Featured videos supported early career, mid-career, retiree, dental/vision, and Medicare Advantage outreach. A new podcast series and new life-planning website resources were launched.

Video and **AI-enabled content** offered opportunities for enhancement, improved accessibility	YouTube generated nearly 200K views and 6.8K watch hours. TRS reviewed all 218 videos in its library and made updates where needed and enabled 19 educational videos with AI features, with nearly 2K views of these from March through July. TRS completed a thorough digital accessibility review of 5K web pages and PDFs to ensure standards.
Online service channels and **digital communications** remained a priority for reach	The TRS website recorded 11M views. Key destinations included the homepage at 4.1M views, Contact TRS at 424K, TRS Forms at 406K, Search Results at 334K, Register for MyTRS at 248K, and the MyTRS FAQs at 210K. More than 30M individual email bulletins sent. Email campaigns had an average open rate of 44% and a clickthrough rate of nearly 6%.
Employer resources improved and expanded	Reporting Employer pages received 93K+ visits. The *Update* newsletter averaged a 57% open rate and 28% click rate. The new searchable Reporting Tips library, Child Nutrition Calculator, regional map, handouts, Ombuds webinars and resource improvements strengthened employer support.

FY26 also included direct outreach through TRS to You in-person presentations at 16 annual fall health fairs, Member Center video wall messaging, annual statement awareness, MyTRS promotions, regional office communications and board summary updates.

Communications for TRS-Care Dental and Vision, TRS-Care Medicare Advantage, *The Pulse*, and the Health Annual Report reached members, retirees, employers, district leaders, and partner associations through email, web, publications, social media, mailers, webinars, and presentations.

Fiscal Year 2027 Planned Activities:

FY27 activities will focus on further refining outreach efforts and strengthening effective approaches. This includes continuing to make TRS information easier to find and understand. It also positions TRS to be recognized as a trusted source of accurate information by AI/generative search engines that members and retirees are using to learn more about their benefits and retirement planning.

FY27 Focus	Planned activities
AI-era content strategy	Improve the structure, clarity, and authority of TRS benefits information, so public AI search platforms are more likely to cite official TRS sources. Establish a baseline and measure how AI tools answer standard

	TRS benefits questions and help members verify AI-generated answers against official TRS information.
Multimedia and interactive learning	Continue to expand videos, reels, podcasts, newsletter embeds, email promotion, website promotion, QR-linked handouts, and interactive web/video elements. Build on monthly podcast for pension and health benefit topics and expand on popular topics.
Accessibility and plain language	Continue systematic accessibility reviews, multi-language and web improvements, plain language initiatives, and responsible use of AI where helpful to simplify complex pension and health benefit information.
Focused benefit communications	Meet members where they are via effective and informed outreach and communications for TRS-Care Dental and Vision, lower-premium TRS-Care Medicare Advantage enrollment, annual statement mailings, MyTRS self-service and security, regional offices, investment education, Board summaries, and the biannual TRS Value Report.
Reporting employer support	Continue to improve online resources for employers and access to training materials, promote the *Update* newsletter archive, cross-promote key content, assist with the Health Annual Report, develop *The Pulse*, and raise awareness of topic-based employer trainings.

Summary

FY26 results demonstrated continued reach, improved accessibility, growing multimedia use, digital communication engagement, and improved employer resources. FY27 activities will maintain this member-centered direction while adding an additional and important focus on AI search readiness, customized communications and the ongoing development of effective and innovative outreach strategies to support pension and health benefit communications.

No board action is requested. This item is provided as an annual update.

PowerPoint Presentation: Yes