



COMMISSION CREDITS POLICY

(rev. effective December 5, 2025)

1. Introduction

The Board hereby approves the expenditure of commissions and credits (including soft dollars, commission sharing agreements and cash recapture agreements (together “Commission Credits”) based on this Policy.

For purposes of this Policy, (a) “soft dollars” refers to the use of a credited portion of brokerage commissions incurred for securities or futures trade execution to obtain goods, services, or research through a securities or futures broker or futures commission merchant (each, a “broker”), (b) commission recapture arrangements (“CRAs”) refer to an institutional brokerage discount resulting from a negotiated rebate of commissions and (c) “commission sharing arrangements” (“CSAs”) are a category of soft dollars that refers to the use of a cash account administered by a TRS custodian or broker which is funded from a portion of its brokerage commissions so that such custodian or broker may obtain, at TRS’ instruction, investment research services from such broker or custodian, an executing broker or other third parties.

Fiduciary prudence requires that TRS employees, when deciding whether to use Commission Credits, must determine in good faith that the commissions that will be incurred are reasonable in light of the value of the goods, services, and research (as applicable) that will be received under the arrangement and that TRS will realize their benefits. The generation of any Commission Credits shall be incidental to the brokerage transactions originating such credits.

2. General Principles

2.1. Background. Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”) provides a “safe harbor” for investment advisers who incur higher commissions for discretionary client accounts they manage in order to receive brokerage and research services that may or may not benefit those clients. Since Section 28(e) is a safe harbor, it cannot be violated. Although TRS invests only for its own account and does not manage accounts for others, it must still take care to receive best value and execution when trading securities and futures. Thus, Section 28(e) and SEC releases and publications under Section 28(e) provide useful guidance (see also Section 3.1(b)).

2.2. General Principles. Purchases using Commission Credits must support the investment decision-making function of TRS. Section 28(e) guidance provides examples of “brokerage and research services” that may qualify for the safe harbor. Under Section 28(e)(3), brokerage and research services generally include (see also Section 3.2):

- a. Analysis and advice, either directly or through publications or writings, as to the value of securities, the advisability of investing in or purchasing or selling securities, or the availability of securities or purchasers or sellers of securities;

- b. Analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts; or
- c. Services affecting securities transactions and performing functions pertaining to securities transactions (such as clearance, settlement and custody) or required in connection with securities transactions by rules of the SEC or a self-regulatory organization such as a stock exchange.

3. COMMISSION CREDITS GUIDELINES

3.1. Requirements

- a. In determining what purchases may be made using Commission Credits, the investment staff shall be mindful of SEC guidance under Section 28(e). Legal and Compliance will assist in analyzing specific questions regarding eligibility under SEC guidance. Departures from the SEC guidance with respect to Commission Credits from securities transactions are permitted only when they are consistent with fiduciary requirements and the best interests of TRS, applicable law, and TRS policies and procedures. In addition, TRS will apply Section 28(e) guidance to futures transactions, with any appropriate adjustments.
- b. Trades may not be created solely to generate Commission Credits and best trade execution must not be sacrificed with respect to Commission Credits. Employees must use their best efforts to ensure that all TRS transactions are executed in such a manner that the total cost or proceeds (including market impact costs and the value of any research to be acquired) in each transaction is the most favorable under the circumstances and benefits TRS. When selecting brokers, employees must take into account trade characteristics, the full range and quality of the broker's services, including but not limited to the broker's execution capabilities, the value of the research, services or goods to be acquired (if any), commission rates, financial responsibility, and the broker's responsiveness to TRS.
- c. Commission Credit arrangements will be documented and approved in accordance with policies, guidelines and procedures approved by the Executive Director or his designee. Commission Credits allocations and disbursements shall be made in accordance with internal guidelines and procedures approved by the Chief Financial Officer (or, in the absence of the CFO, the Executive Director or his designee). The Investment Division shall post the internal guidelines and procedures for Commission Credits to the board management site in the Resource Center under the Commission Credit Policy.
- d. Whenever possible, any acquisition using Commission Credits for which TRS normally employs competitive procedures will be handled using the procedures that will ensure that TRS will obtain the best value, taking all factors into account, including trade execution.
- e. All Commission Credits expenditures shall be documented in written agreements consistent with contracting guidelines.

3.2. Examples of Eligible Research, Goods and Services

Notwithstanding any other provision of this Policy, Commission Credits may be expended for any eligible research, goods, or services under this Policy, including the following:

- a. **Investment Research:** furnished either directly by a broker's investment research department, through subscription-based publications, or by an independent research or advisory firm. Investment research includes advice as to the value of securities or futures; the advisability of investing in, purchasing or selling securities or futures; the availability of securities or futures or purchasers or sellers of securities or futures; and analyses and reports concerning issuers, industries, securities, futures, economic factors and trends, portfolio strategy, and portfolio performance.
- b. **Data Services, Magazines, Journals, Reference Materials:** subscriptions to electronic data feeds, exchanges, data services, databases, magazines (including popular magazines relevant to securities analysis), professional journals and reference materials.
- c. **Seminars/Conferences:** fee-paid attendance at investment seminars or conferences and other fees or study materials for investment staff, provided, that soft dollars may not be used for travel and lodging.
- d. **Portfolio Management Assistance, Professional Services, and Institutional Memberships:** third-party services or institutional memberships that support TRS investment processes and portfolio management by providing TRS with direct advice, assistance or support, including without limitation pricing or valuation services and performance measurement services.
- e. **Information Systems:** communications equipment or access (including high bandwidth services) that supports the investment decision-making process or portfolio management, including trading and investment accounting systems.
- f. Any other items useful in aiding in the investment decision-making process.

3.3. Annual Commission Credits Budget

- a. **Annual Budget:** An annual Commission Credits budget will be developed and presented to the Board for approval with the TRS annual budget or in a budget amendment adopted by the Board of Trustees, unless the Board provides otherwise by resolution. Soft dollar, CRA and CSA uses shall each be stated separately in the annual budget. The CSA and CRA budget line items may aggregate the total estimated amount to be expended for research during the applicable fiscal year.
- b. **Commission Credits Balances:** Credit balances may be used as needed in accordance with the annual Commission Credits budget. Only one CSA and one CRA account may be established to hold Commission Credits and to expend funds for eligible research, goods, or services authorized in accordance with this Policy. No other funds may be commingled with the CSA or CRA funds in the CSA or CRA account, nor may such funds be used for any other purpose.
- c. **Expenditure Internal Accounting & Control:** Commission Credit expenditures will be made under the same general internal controls as operating budget expenditures.

- d. **Reporting and Disclosure:** The custodian or administrator of the CSA or CRA account or an authorized TRS broker shall provide electronic access to commissions received, account balances, deposits, disbursements/expenditures and aging of deposits. A report of expenditures will be included with all financial and budget information presented to the Board. The Comprehensive Annual Financial Report will disclose fiscal year Commission Credits expenditures.