July 2026

GUIDING PRINCIPLES

Governance Committee Meeting

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

All or part of the July 16, 2026, meeting of the TRS Governance Committee and Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have a quorum and the presiding officer of the meeting physically present at the following location, which will be open to the public during the open portions of the meeting: ***4655 Mueller Blvd, 2nd Floor, Boardroom.***

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

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

AGENDA

July 16, 2026 – 10:00 a.m.

1. Call roll of Committee members.

2. Consent Agenda: Consider the following items that may be taken up by consent without discussion– Committee Chair:
   A. Approval of the proposed April 2026 committee meeting minutes (Agenda Item 3);
   B. Recommending to the Board adoption of proposed amendments to the following TRS Rules in Title 34, Part 3, of Chapter 41 of the Texas Administrative Code – Heather Traeger and Roberto Cortes-Moreno (Agenda Item 8):
      i. Subchapter A, Rule 41.17 – Limited-time Enrollment Opportunity for Medicare-eligible Retirees; and
      ii. Subchapter C, Rule 41.38 – Termination Date of Coverage

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

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

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

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

6. Consider recommending to the Board adoption of the proposed amendments to the Member and Employer Outreach plan – Elizabeth Hallmark.

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

8. Consider recommending to the Board adoption of proposed amendments to the following TRS Rules in Title 34, Part 3, of Chapter 41 of the Texas Administrative Code – Heather Traeger and Sandy Mitchell (*Proposed Consent Agenda 2B)*:
   A. Subchapter A, Rule 41.17 – Limited-time Enrollment Opportunity for Medicare-eligible Retirees; and
   B. Subchapter C, Rule 41.38 – Termination Date of Coverage

Minutes of the Governance Committee
April 30, 2026

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

Committee members present:
Mr. John Elliott, Chair
Ms. Brittny Allred
Ms. Laronda Graf
Mr. Robert H. Walls, Jr.
Mr. Elvis Williams

Other TRS Board Members present:
Mr. Michael Ball
Mr. John R. Rutherford

Others who participated:
Brian Guthrie, TRS
Caasi Lamb, TRS
Heather Traeger, TRS
Amanda Jenami, TRS
Jase Auby, TRS
Don Green, TRS
Katherine Farrell, TRS
Roberto Moreno-Cortes, TRS
Nick Gonzalez, TRS
McKenna Begala, TRS
Brad Gilbert, TRS
Dale West, TRS
Suzanne Dugan, Cohen Milstein

Governance Committee Chair, Mr. John Elliott, called the meeting to order at 1:06 p.m.

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

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

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

   A. **Approval of the proposed minutes of the December 2025 Governance Committee meeting (Agenda Item 3);**

B. **Recommend to the Board adopting the proposed changes to the Fiscal Year 2027 – 2031 Strategic Plan Goals, Objectives and Strategies (Agenda Item 4).**

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

3. **Consider the approval of the proposed minutes of the December 2025 Governance Committee meeting (Proposed Consent Agenda 2A).**

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

4. **Consider recommending to the Board adopting the proposed changes to the Fiscal Year 2027 – 31 Strategic Plan Goals, Objectives and Strategies (Proposed Consent Agenda 2B).**

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

5. **Consider authorizing for publication in the Texas Register notice of the proposed amendments to the following TRS Rules in Title 34, Part 3, Chapter 41 of the Texas Administrative Code:**
   A. **Subchapter A, Rule 41.17 – Limited-time Enrollment Opportunity for Medicare-eligible Retirees**
   B. **Subchapter C, Rule 41.38 – Termination Date of Coverage.**

Mr. Roberto Moreno-Cortes explained that the proposed amendment to Rule 41.17 would create another limited-time enrollment opportunity for Medicare-eligible individuals under TRS-Care Medicare Advantage. He stated the purpose was to allow eligible members to take advantage of continued low premiums in the TRS-Care Medicare Advantage plan. He noted the proposal would update the dates in a recently sunsetted rule while keeping the same rule language, and that, if approved, TRS would publish the proposal for 30 days in the Texas Register. He further stated staff anticipated returning to the Board in July, with a targeted August 2026 effective date. The open enrollment opportunity would begin October 1, 2026, and continue through March 31, 2028.

Mr. Moreno-Cortes also presented the proposed amendment to Rule 41.38 relating to the TRS-ActiveCare program. He explained that the rule addresses circumstances under which members may drop coverage. He said staff's proposal deletes the circumstance in subsection (a)(7), which permits members to drop coverage at any time during the year. He stated this provision is not standard in the health insurance industry and can destabilize the plan by affecting risk pools, rate calculations, premium collections, and administrative work. He explained that, if approved, TRS would submit the proposed rule for 30 days of publication in the Texas Register. He anticipated returning to the Board in July, with a targeted August 2026 effective date.

On a motion by Mr. Williams, seconded by Ms. Allred, the committee voted to authorize publication in the Texas Register of notice of the proposed amendments to rules in Chapter 4,1 as presented by staff.

6. **Receive an update on the Rule Review Process and consider authorizing for publication in the Texas Register a Notice of Intentions to Review TRS Rules in Chapters 21 through 51 of Title 34, Part 3 of the Texas Administrative Code.**

Mr. Nick Gonzalez provided an update on TRS' upcoming four-year rule review process and requested authorization to publish in the Texas Register a notice of intention to review all 265 existing TRS rules. Mr. Gonzalez stated that Texas law requires every agency, including TRS, to review all of its rules every four years.

Mr. Gonzalez explained that the rule review process requires TRS to determine whether the original reasons for adopting each rule still exist, review any public comments received during the 30-day comment period, and develop a recommendation for each rule regarding whether to readopt it, readopt it with changes, or recommend repeal. He emphasized that any recommended amendments or repeals do not occur during the rule review process itself. Rather, the rule review identifies recommended rule projects, and those projects would return to the Committee and Board through the proposal and adoption process.

Mr. Gonzalez stated that, if authorized, staff would publish the notice of intention to review in the Texas Register, continue the internal review, and return with staff recommendations. He explained that some updates may be substantive while others may be administrative, such as updating rules that still contain the former TRS headquarters' address.

On a motion by Ms. Allred, seconded by Ms. Graf, the committee voted to authorize publication in the Texas Register of a notice of intention to review TRS rules in Chapters 21 through 51, as presented by staff.

7. **Consider recommending the Board adoption of the proposed amendments to the Investment Policy Statement to address Manager Concentration limit.**

Ms. McKenna Begala stated that staff recommended amendments to Appendix B of the Investment Policy Statement (IPS) concerning manager concentration limits at the Trust. She explained that manager concentration limits establish the maximum amount that may be invested in a single external manager at both the portfolio level and the total Trust level. She stated that staff recommended increasing two limits by two percent each: one concerning public markets and one concerning the total Trust.

Ms. Begala explained that two public markets managers recently exceeded existing concentration limits due to strong investment performance, and that the IPS requires the Investment Management Division to come to the Board with a recommendation or resolution within 90 days. She stated that the violations were passive in nature and prompted staff to reevaluate market value limits that had not changed since 2008. She explained that the proposed updates were intended to reflect the growth of the external public markets program, the liquid nature of public markets investments, and the value of preserving flexibility to allocate capital to high-conviction managers.

Ms. Begala stated that the proposed changes would increase the public market portfolio market value limit to 5 percent and increase the total Trust market value limit, cumulative across portfolios, to 8 percent. She explained that public markets are materially larger than the private markets portfolios and that public market investments are predominantly liquid in nature, allowing TRS to redeem capital at its request. She stated that staff believed the recommended increase was a prudent reflection of the maturity of the external markets program and the nature of public market investments, while preserving diversification and risk frameworks.

In response to Mr. Elliott's inquiry, Ms. Begala confirmed that it did. Mr. Elliott noted that two managers were approaching the existing limits and asked whether the Committee and Board could lower the limit again in the future if needed. Mr. West confirmed that they could and added that TRS could get its capital back relatively quickly from these managers. There were no further questions.

On a motion by Mr. Williams, seconded by Ms. Allred, the committee voted to recommend to the Board adoption of the proposed amendments to the Investment Policy Statement, as presented by staff.

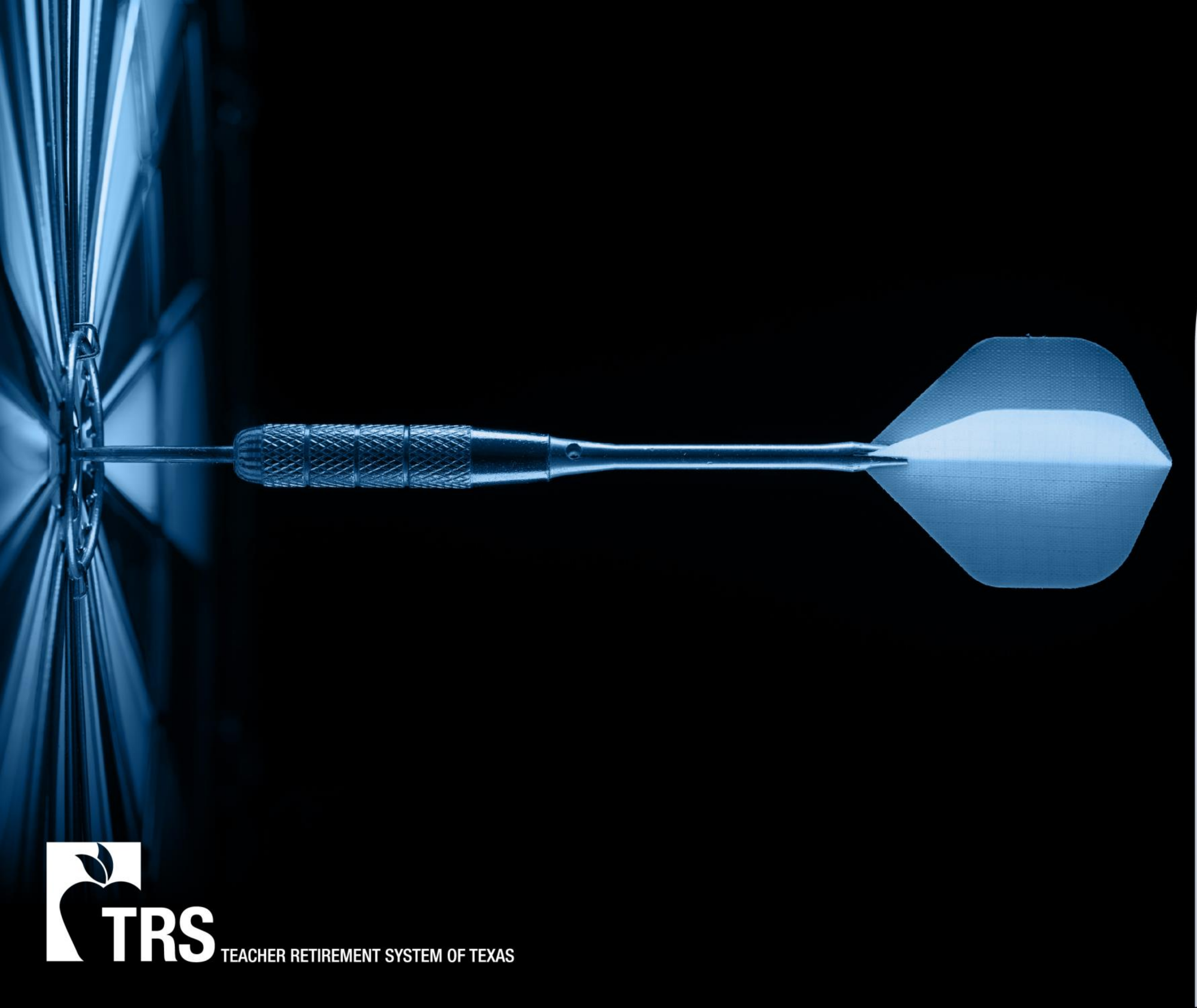
With no further business before the Committee, the meeting adjourned at 1:24 p.m.

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

_______________________________ ________________

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

TAB 4



TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Strategy

Executive Director's Areas of Focus FY 2026 Update and Proposed for FY 2027

July 16, 2026

Brian Guthrie | Executive Director

Don Green | Chief Financial Officer

Michelle Pagán | Director of Enterprise Risk, Strategy & Performance

Agenda

- Background: FY 2026 Areas of Focus
- FY 2026 Areas of Focus Update
- Appendix A: Proposed FY 2027 Areas of Focus
- Appendix B: FY 2026 Areas of Focus (Status as of Q3)

Background: FY 26 Areas of Focus

The Strategic Plan covers a **five-year period.**

The Areas of Focus (AOFs) represent what the Executive Director (and TRS) will accomplish over a **single fiscal year.**

The FY 26 Areas of Focus align with TRS' **Key Accountabilities**

Member Focused
AREA OF FOCUS | FY 26

- Improve the customer service experience for participants and reporting employers. **(G2.O1)**
- Increase the value of TRS-Care and TRS-ActiveCare benefits. **(G3.O**

if a FY 26 AOF aligns with the Strategic Plan, you'll find a reference at the end, like this!

FY 2026 Areas of Focus Update (1 of 6)

MEMBER Focused

Areas of Focus (FY 26)	Deliverables	Status
Improve the customer service experience for participants and reporting employers. (G2.O1) *see details in Appendix C*	Expand member self-service options within the automated phone system and MyTRS.	In Progress
	Increase engagement with members/participants and reporting employers regarding TRS benefits. (G2.O1.S1)	In Progress
	Expand our services to meet members where they are. (G2.O1.S2)	Complete
	Complete leasing decisions, space build-out, and hiring and training of initial staff in anticipation of Rio Grande Valley regional office opening (fall 2026).	In Progress
Increase the value of TRS-Care and TRS-ActiveCare benefits. (G3.O2) *see details in Appendix C*	Reengineer TRS-ActiveCare to better meet employer needs. (G3.O2.S2)	Complete
	Monitor, evaluate and expand innovative and effective savings initiatives such as member rewards.	In Progress
	Award competitive procurements for enrollment vendor and medical plan administrators.	In Progress
	Implement new TRS-Care dental and vision plans for plan year 2025.	Complete
	Improve communication materials for TRS-ActiveCare and TRS-Care participants.	In Progress

FY 2026 Areas of Focus Update (2 of 6)

LEADERSHIP Effectiveness

Areas of Focus (FY 26)	Deliverables	Status
Enhance stakeholder communication. *see details in Appendix C*	Serve as a trusted resource and engage with policymakers on pension funding and plan design. (G1.O2.S1)	Complete
	Serve as a trusted resource and engage with policymakers on health care funding and plan design. (G3.O1.S1)	Complete
	Increase senior leadership attendance at health fairs, association meetings and other member-related external events.	In Progress
	Implement and monitor the Member and Employer Outreach Plan to better help members and employers fully know and utilize benefits, engage with TRS, plan for retirement, and remain informed postretirement. (G4.O6.S2)	In Progress
Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods. (G1.O1) *see details in Appendix C*	Oversee State Street's commitment to deliver technology and service enhancements as outlined in the Custody Agreement (August 2026).	Complete
	Successful onboarding of new investment advisor for the board of trustees.	Complete
	Completion of Proxy Policy review and Proxy Advisor Request for Proposal (RFP) (March 2027).	In Progress
	Competitively procure board investment consultant services.	Complete

FY 2026 Areas of Focus Update (3 of 6)

TALENT Effectiveness

Areas of Focus (FY 26)	Deliverables	Status
Attract, develop and retain top talent. (G4.O1) *see details in Appendix C*	Continue to evolve as an employer of choice to attract and retain best talent.	Complete
	Maintain workforce planning strategies to align talent needs with organizational goals, enhance learning and development opportunities and expand succession planning initiatives to develop and retain future leaders. (G4.O1.S2)	Complete
	Execute on Return to Office plan and monitor implementation.	Complete

FY 2026 Areas of Focus Update (4 of 6)

OPERATIONAL Effectiveness

Areas of Focus (FY 26)	Deliverables	Status
Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. (G4.O3) *see details in Appendix C*	Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities. (G4.O3.S1)	In Progress
	Expand the governance, risk and compliance (GRC) program to include security and privacy management, risk/fraud forecasting and education in cooperation with Legal & Compliance and appropriate business units. (G4.O3.S2)	In Progress
	Procure and implement a long-term information security fraud prevention solution that aligns with organizational risk appetite and strategic objectives. Partner with Legal & Compliance and key business stakeholders to implement a fraud risk management framework.	In Progress
Implementation of legislation and statutorily required actuarial reviews. *see details in Appendix C*	Plan and execute implementation of new legislation.	Complete
	Conduct pension benefit design studies and submit reports (September 2026).	In Progress
	Successful completion of the Experience Study.	Complete

FY 2026 Areas of Focus Update (5 of 6)

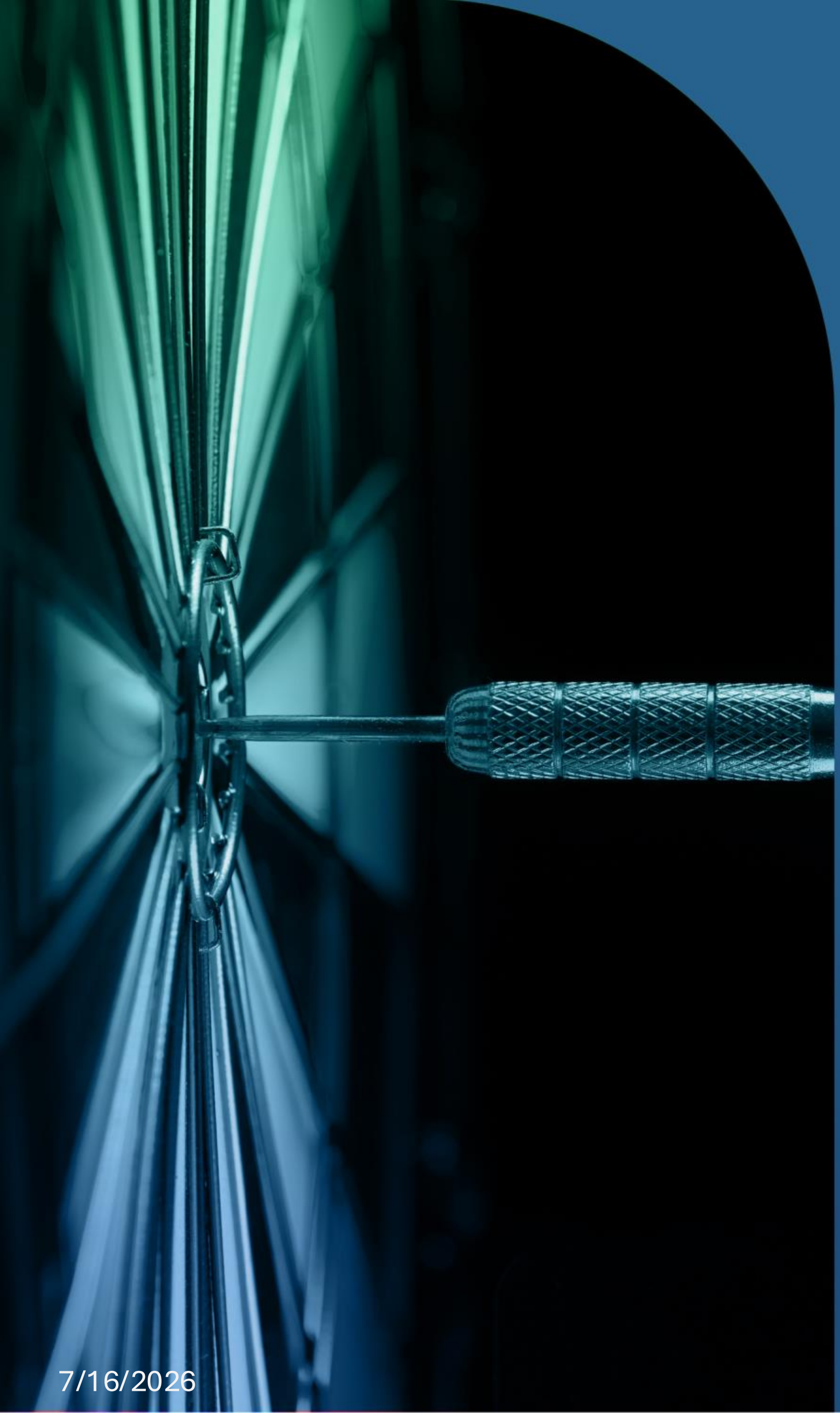
CONTINUOUS Improvement

Areas of Focus (FY 26)	Deliverables	Status
Advance and enhance information technology (IT) systems and services. (G4.O2) *see details in Appendix C*	Develop, maintain and enhance IT systems and infrastructure in support of TRS business needs. (G4.O2.S1)	In Progress
	Implement modern information systems across all lines of business divisions with priority on modernization of legacy systems and strategic digital transformation. (G4.O2.S4)	In Progress
	Deliver Payroll, Benefit Account Adjustment and Tax Reporting (PBT) release per TEAM Roadmap.	Complete
	Initiation of final phase of the TEAM Program: Mainframe decommissioning.	In Progress
	Automate the Retirement Application submitted through MyTRS (Maintenance & Enhancements).	In Progress
	Begin optimization of TEAM Phase One code to enhance stability and performance (Technical Debt).	In Progress
	Deliver first release of Web Self-Service for Health, improving accessibility and user engagement.	Complete

FY 2026 Areas of Focus Update (6 of 6)

CONTINUOUS Improvement

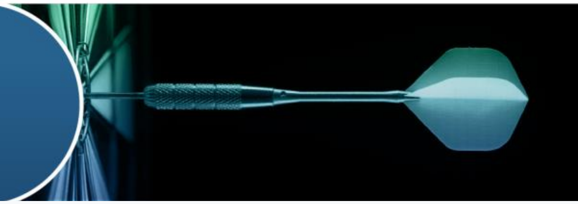
Areas of Focus (FY 26)	Deliverables	Status
Evaluate automation and technology solutions to enhance existing processes. (G4.O7) *see details in Appendix C*	Investigate best practices and feasibility of incorporating artificial intelligence into organizational processes. (G4.O7.S1)	In Progress
	Implement and support business-driven artificial intelligence technology solutions across TRS.	In Progress
	Identify opportunities for improved productivity, process efficiencies and performance monitoring. (G4.O7.S2)	In Progress
	Continue implementation of Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight. (G4.O7.S3)	In Progress



Appendix A

Proposed FY 2027 Areas of Focus

Proposed FY 2027 Areas of Focus



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

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

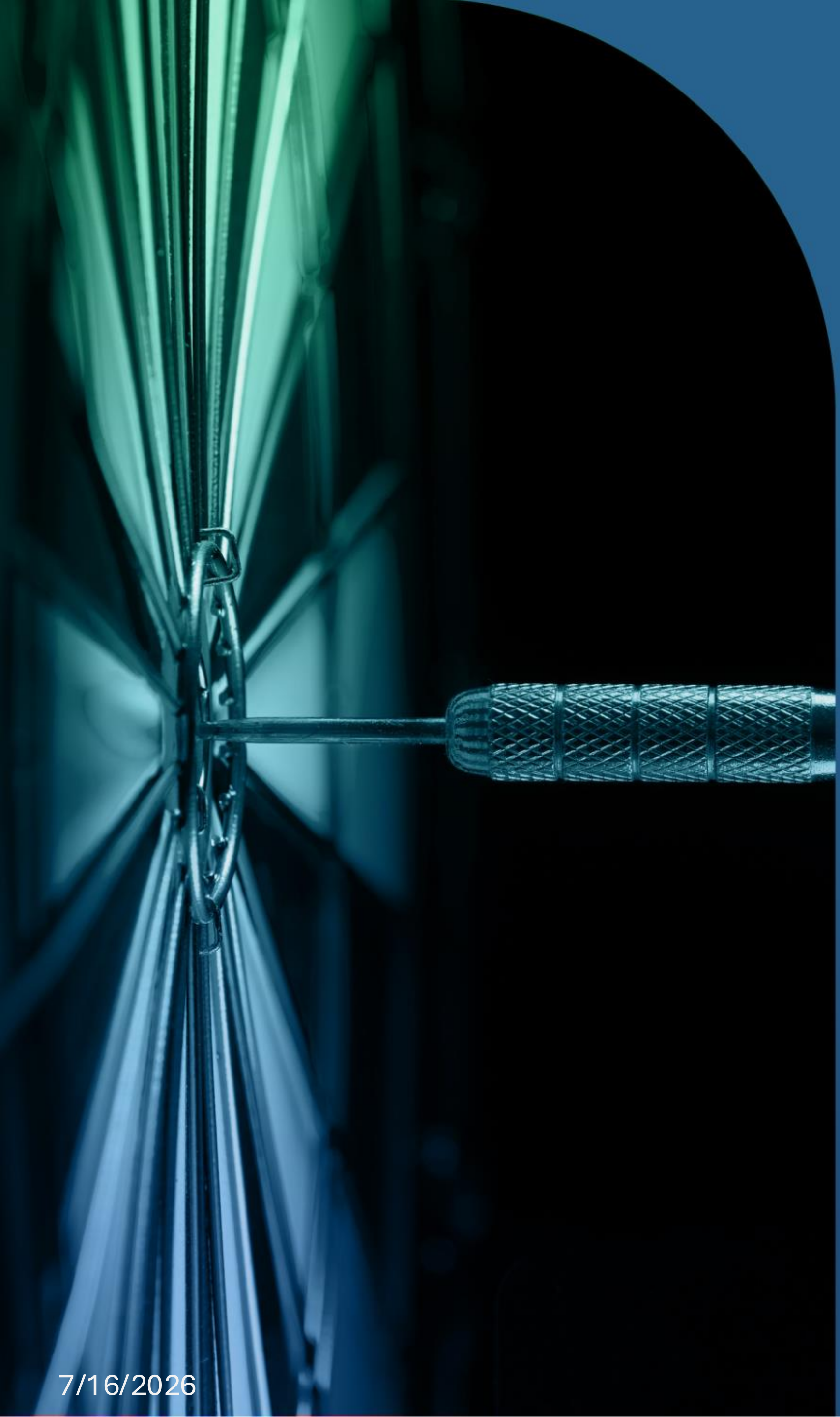
AOF 3	Investments
Grow investment assets prudently	3.1 Achieve the investment rate of return for the pension trust fund. 3.2 Operationalize the Investment Data Modernization Program. 3.3 Complete review of the Investment Policy Statement and General Authority Resolution. 3.4 Expand investment management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

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

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

Changes for FY 2027: Highlights

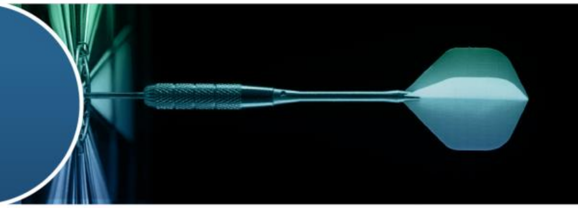
	FY 2026	FY 2027
Structure	By Key Accountability	By High-Level Business Area
Success Measures	Deliverables and KPIs	Key Priorities
Number of Areas of Focus	9	5
Number of Success Measures	52	24



Appendix B

FY 2026 Areas of Focus (Status as of Q3)

Areas of Focus



Member Focused

- Improve the customer service experience for participants and reporting employers. (G2.O1)
- Increase the value of TRS-Care and TRS-ActiveCare benefits. (G3.O2)

MEMBER Focused

DELIVERABLES

Improve the customer service experience for participants and reporting employers. (G2.O1)

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Expand member self-service options within the automated phone system and MyTRS.	In Progress	Completed requirements and development, currently in User Acceptance Testing (UAT) for NICE Autopilot.
Increase engagement with members/participants and reporting employers (RE) regarding TRS benefits. (G2.O1.S1)	In Progress	• Launched TRS Essential webinars. • Recorded and published targeted RE training videos. • Created and delivered Member Education and Resources e-learning for REs.
Expand our services to meet members where they are. (G2.O1.S2)	Complete	• Conducted site visits for Rio Grande Valley regional office and relocation of El Paso regional office. • Board approved Rio Grande Valley regional office space selection and relocation space of El Paso regional office.
Complete leasing decisions, space build-out, and hiring and training of initial staff in anticipation of Rio Grande Valley regional office opening (fall 2026).	In Progress	• Hired Director for the new regional office in the Rio Grande Valley location. • Business terms have full agreement from both parties.

***STATUS CHOICES**: Complete, In Progress, Behind, Not Started

return to summary

MEMBER Focused

KPIs

Improve the customer service experience for participants and reporting employers. (G2.O1)

AOF KPI	Target	Q1 FY 26	Q2 FY 26	Q3 FY 26	Q4 FY 26	FY 26
Pension Benefit calls answered within 3 minutes	**90%**	88%	75%	54%		**72%**
Health Division calls answered within 3 minutes	**90%**	97%	80%	99%		**91%**
Retirees receiving first annuity payment on time	**98%**	99%	99%	99%		**99%**
Death claims payments issued within 31 days of receipt of all required paperwork	**95%**	98%	98%	98%		**98%**
Number of counseling appointments available in Austin (cumulative)	**20,000**	4,645	4,654	5,559		**14,858**
Number of counseling appointments available in El Paso (cumulative)	**7,500**	2,296	1,992	1,903		**6,191**
Attain a reported response time within 48 hours or sooner based on Reporting Employer Satisfaction Survey	**90%**	99%	99%	99%		**99%**

return to summary

MEMBER Focused

DELIVERABLES

Increase the value of TRS-Care and TRS-ActiveCare benefits. (G3.O2)

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Reengineer TRS-ActiveCare to better meet employer needs. (G3.O2.S2)	Complete	Over 99% of participating employers chose to remain in TRS-ActiveCare for plan year 2026, and 25 new employers will join in 2027, including 14 returning a year early under new statutory flexibility. New innovation plans use tiering to steer members toward high-value care, controlling costs while maintaining quality. Employers now receive claims reports in one business day or less to support their decisions.
Monitor, evaluate and expand innovative and effective savings initiatives such as member rewards.	In Progress	TRS implemented a program that rewards members financially for shopping for and selecting lower-cost services, which has saved over $15 million in claims cost while providing over $3 million in rewards to date. Two musculoskeletal pilot programs incentivize members to select high-quality, low-cost providers, and another program waives member out-of-pocket costs when manufacturer assistance is available. TRS is also in the process of implementing two innovation plans that tier providers, offering members lower cost options when choosing more cost-effective providers.
Award competitive procurements for enrollment vendor and medical plan administrators.	In Progress	• The TRS Board of Trustees selected TRS' medical benefit administrators in February. All administrators are under active contract negotiation. • TRS' enrollment administrator was selected and is under active contract negotiation.

***STATUS CHOICES**: Complete, In Progress, Behind, Not Started

return to summary

MEMBER Focused

DELIVERABLES

Increase the value of TRS-Care and TRS-ActiveCare benefits. (G3.O2)

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Implement new TRS-Care dental and vision plans for plan year 2025.	Complete	The TRS-Care Dental and Vision plans remain popular at ~70,000 covered lives each, with rates and benefits unchanged for a third year in 2027.
Improve communication materials for TRS-ActiveCare and TRS-Care participants.	In Progress	TRS continued strengthening communication quality and compliance for TRS-Care and TRS-ActiveCare through more than 668 publication reviews and approvals. Members and employers participated in 89 events, webinars, and trainings. TRS continues building data visualizations to better track communication volume and trends.

***STATUS CHOICES:** Complete, In Progress, Behind, Not Started

return to summary

MEMBER Focused

KPIs

Increase the value of TRS-Care and TRS-ActiveCare benefits. (G3.O2)

AOF KPI	Target	Q1 FY 26	Q2 FY 26	Q3 FY 26	Q4 FY 26	FY 26
Increase the percentage of TRS-ActiveCare enrollees in the primary care driven plans from prior year	**3%**	Annual measure reported using an estimate from September 2025 enrollment.				**8%**
Member engagement metrics as measured by percentage of members who open *The Pulse* email	**25%**	47%	46%	45%		**46%**
Member engagement metrics as measured by percentage of members who open *The Pulse* email and then click to read articles	**3%**	3%	3%	5%		**3.7%**

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Areas of Focus

Leadership Effectiveness

- Enhance stakeholder communication.
- Achieve the trust’s actuarial assumed rate of return as measured on rolling 20-year periods. (G1.O1)

LEADERSHIP Effectiveness

DELIVERABLES

Enhance stakeholder communication.

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Serve as a trusted resource and engage with policymakers on pension funding and plan design. (G1.O2.S1)	Complete	• Presented on pension funding at legislative and association briefings. • Presented on pension plan design at legislative and association briefings.
Serve as a trusted resource and engage with policymakers on health care funding and plan design. (G3.O1.S1)	Complete	• Presented on health care funding at legislative committee hearings. • Presented on health care funding at legislative and association briefings.
Increase senior leadership attendance at health fairs, association meetings and other member-related external events.	In Progress	• 11 senior leaders presented at health fairs. • 13 senior leaders presented at association meetings.

***STATUS CHOICES:** Complete, In Progress, Behind, Not Started

return to summary

LEADERSHIP Effectiveness

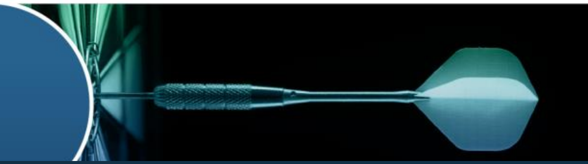
DELIVERABLES

Enhance stakeholder communication.

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Implement and monitor the Member and Employer Outreach Plan to better help members and employers fully know and utilize benefits, engage with TRS, plan for retirement, and remain informed postretirement. (G4.O6.S2)	In Progress	• Continued enhancements to www.trs.texas.gov following 2025 redesign • Targeted outreach for TRS-Care Dental and Vision enrollment, Pension Services webinars, and MyTRS use via social media, streaming media and email • Coordinated with Pension Services and Ombuds for employer presentations related to member resources available online • Developed new podcast with planned summer launch • Launched AI-enabled "Ask the Video" on select member education videos • Developed "TRS to You" agency presentation and coordinated senior leader presentations at TRS health fairs • Optimized digital accessibility on 5K web pages and 300 PDFs for assistive technologies • Increased followers on all primary social media channels • Continued design and content improvements to TRS publications, emails and newsletters with steady engagement

***STATUS CHOICES**: Complete, In Progress, Behind, Not Started

return to summary



LEADERSHIP Effectiveness

KPIs

Enhance stakeholder communication.

AOF KPI	Target	Q1 FY 26	Q2 FY 26	Q3 FY 26	Q4 FY 26	FY 26
Increase engagement with outreach plan communications products	**20%**	<20%*	>20%**	>20%**		**>20%**

*Positive increases in 75% of engagement measures with the highest at 15% and the lowest at 2%. No metric met the 20% target.

**Positive increases in 88% of engagement measures for Q2 with 75% above the target; positive increases in 100% of engagement measures in Q3 with 56% above target.

***STATUS CHOICES:** Complete, In Progress, Behind, Not Started

return to summary

LEADERSHIP Effectiveness

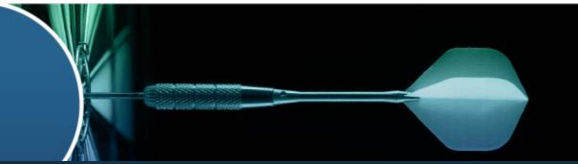
DELIVERABLES

Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods. (G1.O1)

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Oversee State Street's commitment to deliver technology and service enhancements as outlined in the Custody Agreement (August 2026).	Complete	• 98% completion in response to our specific requirements asked in 2022. • 90% completion of new contractual commitments since executed in 2023.
Successful onboarding of new investment advisor for the board of trustees.	Complete	New investment advisor (Meketa) contract started on Sept. 1, 2025. Investment Management Division successfully onboarded Meketa and their first presentation to the board was during the December 2025 meeting.
Completion of Proxy Policy review and Proxy Advisor Request for Proposal (RFP) (March 2027).	In Progress	The Proxy Voting Policy was reviewed and approved by the board at the December 2025 meeting. RFP for Proxy Advisor is active with staff planning to present recommendations to the board at the December 2026 meeting.
Competitively procure board investment consultant services.	Complete	RFP was closed with no selection made.

***STATUS CHOICES**: Complete, In Progress, Behind, Not Started

return to summary



LEADERSHIP Effectiveness

KPIs

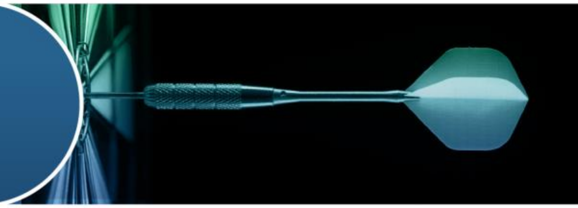
Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods. (G1.O1)

AOF KPI	Target	Q4 CY 25	Q1 CY 26	Q2 CY 26	Q3 CY 26
Trust rate of return measured on a rolling 20-year period	**7.00%**	7.33%	7.07%	Available July/August	
Return in excess of the benchmark return for the total trust (3-year rolling)	**+100bp**	+208bp	+182bp	Available July/August	

***STATUS CHOICES**: Complete, In Progress, Behind, Not Started

return to summary

Areas of Focus



TALENT
Effectiveness

Talent Effectiveness

- Attract, develop and retain top talent. (G4.O1)

TALENT Effectiveness

DELIVERABLES

Attract, develop and retain top talent. (G4.O1)

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Continue to evolve as an employer of choice to attract and retain best talent.	Complete	Expansion of New Employee Orientation (NEO) to include Day 2 NEO focusing on organizational lines of business and employee engagement. Turnover rates for FY25 were 48% below state average. From September 2025-May 2026 16,961 applications have been received. Proactive recruiting strategies include virtual and onsite open houses that introduce prospective candidates, including students, to TRS; targeted sourcing for niche roles; and ongoing cultivation of the talent pipeline through internship and fellowship programs. Organizational Excellence (OE) piloted a partnership with our Employee Assistance Program provider to pilot offering free onsite counseling services and reintroduced an onsite wellness fair.

***STATUS CHOICES**: Complete, In Progress, Behind, Not Started

return to summary

TALENT Effectiveness

DELIVERABLES

Attract, develop and retain top talent. (G4.O1)

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Maintain workforce planning strategies to align talent needs with organizational goals, enhance learning and development opportunities and expand succession planning initiatives to develop and retain future leaders. (G4.O1.S2)	Complete	OE works in close partnership with divisions across the agency to drive workforce planning strategies. The Learning and Development team expanded already robust learning opportunities. Instructor-led training increased by 10% from FY24 to FY25, including a notable increase in leadership-focused sessions. 45 lunch-and-learn sessions were offered, and total training attendance reached 1,009 participants, with 98% of employees reporting a positive impact on their existing skills.109 leadership or executive coaching sessions were provided.
Execute on Return to Office plan and monitor implementation.	Complete	OE continues to holistically support onsite and remote work through administration, tracking, performance management, employee benefits and engagement efforts.

***STATUS CHOICES:** Complete, In Progress, Behind, Not Started

return to summary

TALENT Effectiveness

KPIs

Attract, retain and develop a diverse and highly competent staff. (G4.O1)

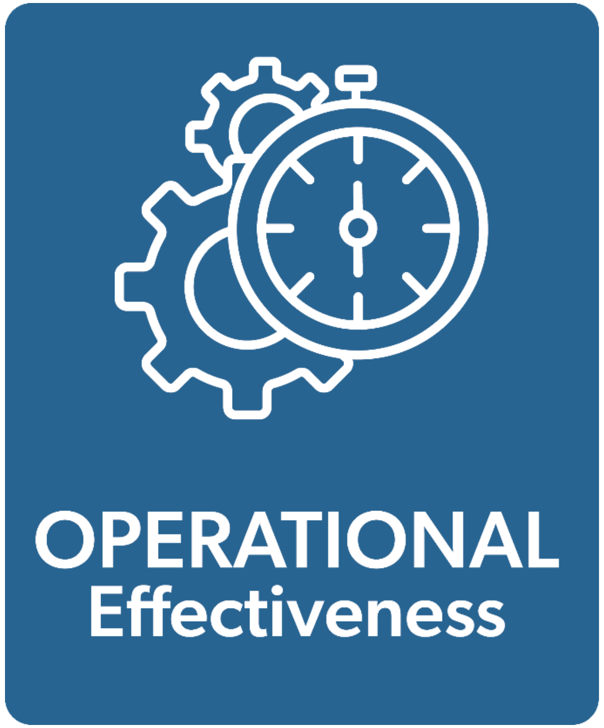
KPI	Target	Q1 FY 26	Q2 FY 26	Q3 FY 26	Q4 FY 26
Employee engagement score	**4.0 or greater**	Survey is administered from July-August 2026			
TRS voluntary turnover rate vs. state turnover rate	**A minimum of 25% below state average**		TRS Voluntary Turnover Rate (through Q2) 2.9% State Voluntary Turnover Rate (through Q2) 4.7% ***TRS percentage below state average: 62.6%**	Available July 2026	

*Percentage below state average is calculated by using the TRS voluntary turnover rate (2.9%) divided by the state turnover rate (4.7%).

***STATUS CHOICES**: Complete, In Progress, Behind, Not Started

return to summary

Areas of Focus



Operational Effectiveness

- Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. (G4.O3)
- Implementation of legislation and statutorily required actuarial reviews.

OPERATIONAL Effectiveness

DELIVERABLES

Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. (G4.O3)

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities. (G4.O3.S1)	In Progress	• Implementation of CrowdStrike Complete as a Managed Service Partner • Completed 4 penetration tests on public facing products • Updated/upgraded key systems in the Security Incident and Event Management Program (Netwrix/LogRhythm)
Expand the governance, risk and compliance (GRC) program to include security and privacy management, risk/fraud forecasting and education in cooperation with Legal & Compliance and appropriate business units. (G4.O3.S2)	In Progress	• Established and operationalized PERS-ISAO, including governance structure, subcommittees, and intelligence-sharing protocols to enable proactive fraud risk awareness across participating pension systems. • Reduced third-party risk assessment timelines by upskilling staff to support the process and accepting recognized attestations (SOC 2 Type II, ISO 27001, CSA CAIQ). • Expanded security awareness efforts by introducing ongoing, continued awareness programming while addressing and reinforcing expected behaviors.

***STATUS CHOICES:** Complete, In Progress, Behind, Not Started

return to summary

OPERATIONAL
Effectiveness

DELIVERABLES

Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. (G4.O3)

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Procure and implement a long-term information security fraud prevention solution that aligns with organizational risk appetite and strategic objectives. Partner with Legal & Compliance and key business stakeholders to implement a fraud risk management framework.	In Progress	• Executed contract for member fraud tool (AKA - SAFETY Tool) upgrade. • Selected replacement member authentication tool; implementation scheduled for FY 27.

***STATUS CHOICES**: Complete, In Progress, Behind, Not Started

return to summary

OPERATIONAL Effectiveness

DELIVERABLES

Implementation of legislation and statutorily required actuarial reviews.

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Plan and execute implementation of new legislation.	Complete	• Determined complete universe of new laws that impact TRS either directly or indirectly. • Met with all impacted departments to determine how and by when legislation is to be implemented. • Reported on progress made toward completing implementation.
Conduct pension benefit design studies and submit reports (September 2026).	In Progress	Deputy Director has presented updates of the report to the board. A draft is expected to be completed by early July.
Successful completion of the Experience Study.	Complete	Completed and accepted by the board of trustees in February 2026.

***STATUS CHOICES:** Complete, In Progress, Behind, Not Started

return to summary

Areas of Focus

Continuous Improvement

- Advance and enhance information technology (IT) systems and services. (G4.O2)
- Evaluate automation and technology solutions to enhance existing processes. (G4.O7)

CONTINUOUS Improvement

DELIVERABLES

Advance and enhance information technology (IT) systems and services. (G4.O2)

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Develop, maintain and enhance IT systems and infrastructure in support of TRS business needs. (G4.O2.S1)	In Progress	• Initiated the configuration testing phase for the Investment Data Modernization Program. • Advanced IVR AI enhancement initiatives, with release targeted for summer 2026. • Health Web Self-Service Phase Two on track for a June 2026 release.
Implement modern information systems across all lines of business divisions with priority on modernization of legacy systems. (G4.O2.S4)	In Progress	• New integration services platform to replace legacy Enterprise Service Bus (ESB) technology on schedule for June 2026 release. • Initiated the migration of the Microsoft CRM platform to the cloud, positioning the solution for enhanced capability and scalability. • Launched procurement for a new identity verification platform (Socure) to replace Experian, strengthening security and enhancing the MyTRS member experience.
Deliver Payroll, Benefit Account Adjustment and Tax Reporting release per TEAM Roadmap.	Complete	Went live with final TEAM Roadmap release – Payroll, Benefit Annuity Adjustment and Tax (PBT) in March 2026.
Initiation of final phase of the TEAM Program: Mainframe decommissioning.	In Progress	Began retirement of the remaining mainframe systems, on track for full decommissioning by summer 2026.

***STATUS CHOICES**: Complete, In Progress, Behind, Not Started

return to summary

CONTINUOUS Improvement

DELIVERABLES

Advance and enhance information technology (IT) systems and services. (G4.O2)

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Automate the Retirement Application submitted through MyTRS (Maintenance & Enhancements).	In Progress	Retirement application process automation on track for a June 2026 release.
Begin optimization of TEAM Phase One code to enhance stability and performance (Technical Debt).	In Progress	• Launched initiative to optimize and modernize the application codebase and technical infrastructure. • Initiated upgrades to the Java development platform to enhance performance, stability, and future scalability.
Deliver first release of Web Self-Service for Health, improving accessibility and user engagement.	Complete	Successfully delivered Health Web Self-Service Phase One, with go-live completed in October 2025.

***STATUS CHOICES**: Complete, In Progress, Behind, Not Started

return to summary

CONTINUOUS Improvement

DELIVERABLES

Evaluate automation and technology solutions to enhance existing processes. (G4.O7)

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Investigate best practices and feasibility of incorporating artificial intelligence into organizational processes. (G4.O7.S1)	In Progress	• Developed and launched TRS AI Roadmap 2.0, aligning enterprise priorities and use cases across all business units. • Established and expanded the AI Center of Enablement, building foundational governance, training, and adoption capabilities.
Implement and support business-driven artificial intelligence technology solutions across TRS.	In Progress	• Deployed Microsoft 365 Copilot across the organization, enabling workforce productivity and accelerating AI adoption. • Launched GitHub Copilot for IT and Business Engineering teams, enhancing developer efficiency. • Developed the organization's first enterprise AI agent to simplify policy search and improve speed and accuracy of information retrieval.

***STATUS CHOICES**: Complete, In Progress, Behind, Not Started

return to summary

CONTINUOUS Improvement

DELIVERABLES

Evaluate automation and technology solutions to enhance existing processes. (G4.O7)

AOF Deliverable	Status of FY 26 Tasks	Accomplishments
Identify opportunities for improved productivity, process efficiencies and performance monitoring. (G4.O7.S2)	In Progress	• Delivered Phase Two of the ServiceNow Agile implementation, improving work management efficiency, transparency and reporting. • Launched Data Classification and Labeling Program to classify and protect data. • Launched Development Data Protection project to enhance member data protection during the development lifecycle.
Continue implementation of Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight. (G4.O7.S3)	In Progress	Advanced the Investment Data Modernization program into the testing phase, including: o Initiation of configuration testing o Development of System Integration Testing (SIT) and User Acceptance Testing (UAT) plans

***STATUS CHOICES**: Complete, In Progress, Behind, Not Started

return to summary

TAB 5

Performance Pay Plan Updates

Presentation Date
July 16, 2026

Presented By
Shunne Powell, Chief Organizational Excellence Officer

Performance Pay Plan Annual Processes

Plan Year Begins (Oct. 1)	Q1: Oct-Dec	Q2: Jan-Mar	Q3: Apr-Jun	Q4: Jul-Sep	Plan Year Ends (Sept. 30)
Plan Review and Approval					
		-Feedback on plan changes solicited -Initial discussions about potential plan changes begin (March) -TRS touchpoint with Board Compensation Consultant	-Potential plan changes reviewed by Board Compensation Consultant and Fiduciary Counsel -Plan changes formalized and sent for legal review	-Board briefed on plan updates during July meeting	**-Board Compensation Consultant and Fiduciary Counsel prepare memos on the plan process** **-Board approves plans during the September meeting**
Plan Administration					
-Salary actions effective Oct. 1 determine participant salary rates for new plan year -Plan calculations for prior year begin	-Final plan calculations completed (December) - Performance Pay notification letter sent to Governor's Office and Legislative Budget Board (must be sent by Dec. 15)	-Performance pay awards processed effective Jan. 1	**-Evaluation process begins for TRS Board direct reports**	-IMD and Legal & Compliance conduct annual merit process for eligible employees	**-Evaluations for TRS Board direct reports presented** **-Board reviews compensation for ED and CIO** **-Board determines performance pay for ED if applicable**

Note: Items in bold represent key activities for Board members

Annual Review of Performance Pay Plans

IMD and TRICOT Plan Updates

- Updates to performance plan year
- No substantive changes

Executive Director Plan Updates

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

Appendix

Overview of Performance Pay Framework

	IMD and Teacher Retirement Investment Company of Texas (TRICOT)	Executive Director
Established	• 2007 (IMD) • 2021 (TRICOT)	• 2015 (8-month pilot program) • 2016 (Fully adopted)
Employees Covered	• IMD (227) • Legal & Compliance (17) • TRICOT (3)	• Executive Director (1)
Purpose	• Based on the IMD's compensation philosophy which is designed to attract and retain a talented investment organization • Awards emphasize longer-term result and alignment with TRS members	• Rewards the Executive Director for exceeding TRS benchmarks in leadership and investment oversight, emphasizing total compensation • Focused on enterprise-wide strategies across five areas of focus

Key Features	• <u>Three components:</u>
	  • Performance relative to benchmarks
	  • Performance relative to peers
	  • Individual performance as assessed by manager
	• Total trust performance drives meaningful portion of the award (30% minimum) while promoting importance of asset class performance
	• Longer term results prioritized with 67% of the award based on three-year results and 33% on one-year results
	• Awards paid only when trust return is positive
		• <u>Two components:</u>
		• Leadership Performance
		  • Based on areas of focus (AOF), 360 assessments, and key accountabilities
		    • Member Focused
		    • Continuous Improvement
		    • Operational Effectiveness
		    • Leadership Effectiveness
		    • Talent Effectiveness
		• Investment Management Oversight
		  • Calculated using percent of target alpha achieved (PTAA)

Maximum Award Opportunity (MAO)	• Ranges from 5% to 175% of base salary	• 100% of base salary

Comparison of Plan Components

Investments and TRICOT

Performance relative to benchmarks
50%*

Performance relative to peers
30%

Individual Performance (Qualitative Score)
20%*

*For junior positions mix is 30/30/40

Comparison

Both plans include a component based on investment performance relative to board selected benchmarks

For investments, performance is also measured relative to peer pension plans

Both plans have a qualitative component determined during the annual evaluation processes. For the ED, this is driven by his Areas of Focus (AOF) and determined by the TRS Board.

Executive Director (ED)

Investment Management Oversight
50%

Leadership Component (Qualitative Score)
50%**

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

Plan Updates – 2021 to Present*

Plan Year	IMD and TRICOT	Executive Director
2021	• Created TRICOT plan for direct hires (mirrors IMD Plan) • Removed Deputy CIO and Sr. Investment Manager titles • Directly linked team portfolio performance for Public Markets • Increased share of peer performance across groups	• Eliminated duplicative survey for TRS Board members • Combined leadership categories and adjusted corresponding weights • Updates to scoring matrices
2022	• **Changed payout frequency from two-year to annual payments** • Increased qualitative awards for junior titles	• **Changed payout frequency from two-year to annual payments** • **Consolidated 360 assessment, evaluation and performance pay determination into one process** • **Aligned leadership performance category with Areas of Focus (AOF) and Key Accountabilities** • **Adjusted MAO from 30% (Leadership and Investment Management Oversight) to 50% for each category**
2023	• **Adjusted excess return targets** • Removed Senior Director title • Changed Private Equity and Real Estate peer universe	• **Updated investment management oversight component to align with adjusted excess return targets in IMD plan**
2024	• Technical changes	• Technical changes
2025	• Consolidate Public Market groups • Add a peer set for Public Markets • Adjust Trading team peer calculation • Correct conflicting language related to death/disability of participant	• Technical changes

*Note: the IMD plan was first established in 2007, TRICOT was added in 2021. The ED plan was piloted in 2015 and the first full year approved in 2016.

TAB 6

Governance Committee - Board of Trustees

DATE: *July 16, 2026*

FROM: *Elizabeth Hallmark, Chief Communications Officer*

RE: *Consider amendments to the Member and Employer Outreach Plan*

Item Type: Action

Executive Summary: TRS' Member and Employer Outreach Plan (Plan) is due for review. Staff have proposed minor edits to the Plan to streamline it, update numbers, and fully reflect current feedback practices.

Background: As a result of the Texas Sunset Advisory Commission review of TRS completed in 2021 and pursuant to Government Code §825.601, TRS must adopt and maintain a Board-approved member and employer outreach plan to help prepare members for retirement. The plan must be reviewed at least every five years. It was last updated in December 2022. Implementation of the Plan is part of TRS' Strategic Plan (Goal 4, Objective 5, Strategy 2).

TRS recognizes that members are at different career stages and have different communication preferences, so outreach is tailored for early career, mid-career, ready-to-retire, and retired members. The Plan also aims to equip employers with resources to best support members.

Plain language and accessibility are central with a focus on reducing complexity and offering information in multiple formats. TRS uses member and employer satisfaction surveys, in-person events, stakeholder feedback, and website input to shape priorities. As required by the Plan, the Communications Department provides a fiscal-year report to the Board on implementation, metrics and planned activities for the new fiscal year.

Proposal for Committee Consideration: Recommend approval to the Board of amendments to the Member and Employer Outreach Plan as presented by staff.

PowerPoint Presentation: No

Attachments: Redline and clean versions of updated plan.

MEMBER AND EMPLOYER OUTREACH PLAN

OVERVIEW

Pursuant to Government Code §825.601, the Teacher Retirement System (TRS) Board of Trustees is required to develop and adopt an Outreach Plan (Plan) designed to assist active members and retirees (members), and as appropriate ~~members'~~ employers, in effectively planning for the member's retirement.

TRS aims to ensure its members have the information and support needed to make well-informed, life-changing decisions about their ~~retirement~~ pension and health care benefits. The Plan lays out a multi-faceted ~~two-pronged~~ approach to improving communications regarding member benefits and~~. It calls for improvements in the areas of employer training and member retirement benefit counseling and it~~ ensur~~es~~inges that up-to-date, accurate information relating to TRS ~~investments, pension and health care plans~~ is readily available in a variety of formats.

Goals

The overarching goals of this plan are to:

- Build and enhance trust and communication with all TRS members and employers across the state
- Update and produce outreach materials in a variety of accessible formats to accommodate varying member and employer informational needs
- Provide information, to the extent permitted by law and without providing legal or financial advice, to help members make their retirement decisions
- Help members at different stages of their career understand the value of their TRS pension and health care benefits
- Equip employers with the training and resources they need to ~~meet reporting requirements~~ best serve members from a pension and health care benefits perspective
- Share TRS resource information with employers, including but not limited to ~~retirement planning~~pension benefits, health care enrollment, and employment after retirement
- Educate members on available TRS resources and the importance of maintaining current contact information as a member responsibility
- Use plain language whenever possible, avoiding overly legalistic and complex explanations, while providing accurate information

Plan Schedule

At a minimum, the P~~p~~lan will be reviewed and updated every five years to meet member and employer informational needs. The Plan was initially approved in July 2021 and most recently reviewed and updated in December 2022. The Communications Department will provide the TRS Board of Trustees with an annual fiscal-year update on plan implementation along with an annual schedule of planned activities in alignment with the P~~p~~lan.

TRS Communications

Background

A review by the Texas Sunset Advisory Commission initiated in 2019 included a recommendation that TRS develop an outreach plan to better help members and members' employers plan for retirement. This p~~P~~lan dovetails with, and builds on, a Member Engagement Policy adopted by the TRS Board of Trustees in December 2020 that was reapproved with minor updates in December 2024.

The Member Engagement Policy commits to annually surveying TRS membership on communication preferences, incorporating survey feedback into communication efforts and using clear, plain language when possible.

Consistent with the Sunset Commission's recommendation and the Member Engagement Policy, planned communication efforts will focus on various retirement readiness topics, including personal savings, anticipated expenses in retirement, health care, and the benefits of ~~a~~ TRS membership.

Target Audiences

TRS serves ~~a diverse membership of about~~more than 2 million active employees and retirees. These members not only live in Texas, but throughout the United States and in other countries. TRS staff recognize that members may prefer to receive information via different channels depending on where they live, their status as an active member or retiree~~d member~~, and where they are in their career. Some members may be more comfortable accessing digital communications such as social media and videos, while others may prefer to read a print document or attend an in-person meeting. To accommodate varying member preferences, TRS staff will deliver communications using a mix of communication channels.

In developing this plan, TRS staff took a deliberate approach to understanding what is most important to members at different stages in their career. This ongoing process will continue to include engaging with members, ~~member associations and~~ employers and other stakeholders such as member associations to gather feedback on the specific information needs of TRS members. These planned communication efforts are designed to provide tailored messages to the following membership cohorts:

1. Early career
2. Mid-c~~C~~areer
3. Ready to retire
4. Retired

Challenges

TRS members lead busy lives. In providing information, TRS competes for member time and attention with a barrage of competing messages and distractions. In order to grab and sustain members' attention, messaging must be relevant, clear and to the point. Key messages must also be repeated, using a variety of methods.

Active members are balancing careers with life events, and ~~such as getting married, having children, buying a first home, etc. R~~retirement may seem far off and not top of mind~~ for them~~. As a result, active members may not adequately understand, anticipate and prepare for their future retirement needs. Additionally, they may make last-~~-~~minute decisions on retirement and health care options, leading to possible delays.

~~Members in rural areas may not have access to reliable high-speed internet and may live long distances from Austin or locations where TRS offers in-person group presentations, making it difficult to connect with them. While TRS shifts the locations of the presentations and field counseling every year, there are areas of the state TRS is unable to visit regularly.~~

TRS members may change addresses without notifying TRS, making it challenging to reach them by mail. As part of the normal reporting employer process, addresses are supplied to TRS. Additionally, TRS utilizes quarterly reports provided by the postal service to update mailing addresses. Any undeliverable mail that is returned to TRS is imaged to the member's file and researched by a TRS employee. TRS then utilizes other locator services as necessary. However, it remains important to ensure members understand their vital role in maintaining current contact information.

T~~Lastly, t~~here are varying levels of pension benefit, financial, and health care literacy across the membership, and with employers. To restate, the focus of this plan is to meet members where they are as much as possible.

TRS recognizes that some members may not have access to reliable high-speed internet and staff travels annually around the state to provide either retirement or health care presentations. TRS shifts locations every year, but there may be areas of the state TRS is unable to visit regularly.

Lastly, as technology continues to evolve and change how people search for and ask for information, it is critical to ensure that TRS' communications efforts are focused on taking the right steps so that TRS remains an authoritative and consistent source of accurate information.

Methodology

In planning communication efforts, TRS analyzes the results of both its annual member satisfaction and employer satisfaction surveys to determine the most appropriate, effective channels to use. Consistent results of the surveys include the following findings:

- Members prefer communications written in plain language.
- Social media engagement has opportunities for ongoing growth.
- Email is a preferred communication channel.
- Website content is a valuable communication mechanism.

Additionally, TRS staff regularly attend in-person events such as retiree health fairs, Retiree Advisory Committee meetings, and association meetings where TRS seeks input on TRS communication materials and approaches. TRS also actively considers member and employer feedback on website enhancements to ensure needs are met.

~~Additionally, in the fall of 2020, TRS staff hosted four online exchanges with district benefits administrators to gather their feedback on what TRS-related topics members are most interested in as well as their preferred means for receiving communications from TRS.~~

~~TRS staff also conducted a similar exchange with representatives from the following associations and select key teams and individuals:~~

- ~~Association of Texas Professional Educators~~
- ~~Texas American Federation of Teachers~~
- ~~Texas Association of School Administrators~~
- ~~Texas Association of School Business Officials~~
- ~~Texas Classroom Teachers Association~~
- ~~Texas Retired Teachers Association~~
- ~~Texas State Teachers Association~~

~~Key takeaways from the exchanges bear out the findings of the annual member satisfaction survey. Exchange participants expressed a desire for TRS communications to use simpler language, include specific scenarios and examples to help build understanding, and communicate using a blend of digital and traditional methods.~~

Key M~~m~~essages

This plan identifies the following key messages:

1. Plan for sufficient income and post retirement expenses ~~in retirement~~ and understand that income needs above what is provided by the TRS lifetime defined benefit is a personal responsibility
2. Understand the benefits of a TRS membership, including pension and health care benefits and how they factor into retirement needs, as well as recognize the importance of maintaining current contact information as an important member responsibility
3. Understand the three pillars of retirement:
   - Pension (TRS Retirement)
   - Personal savings and other assets, and
   - Social S~~s~~ecurity (if applicable)
4. Items to consider when determining if you are "retirement ready." Retirement readiness suggests understanding an individual's unique financial, health care, and other needs. Being financially prepared for retirement means a member is on target to meet their retirement goals so their standard and quality of living enjoyed while working will be maintained after retirement.
5. Understand Employment After Retirement laws and considerations~~restrictions~~

Measurement and R~~r~~eporting

In alignment with the plan, TRS will implement multiple mechanisms to measure member and employer satisfaction and engagement with communications and outreach activities. These will include the following:

- Analyzing website traffic to key materials on the TRS website
- Using short online ~~"pulse"~~ surveys for direct feedback on materials
- Measuring the growth of email subscribers to TRS notices
- Monitoring social media engagement and interactions, to include growth in followers
- Analyzing annual results from the member and employer satisfaction surveys with respect to communications
- Seeking informal feedback during in-person meetings, and
- Implementing new ways to seek member and employer feedback during the material development process

The Communications Department will provide an annual report to the TRS Board of Trustees to include an update on plan activities from the previous fiscal year, as informed and measured by feedback mechanisms, as well as a yearly plan of ongoing, new and updated activities. These annual planned activities will be included as an Appendix to the Member and Employer Outreach Plan on a fiscal year~~ly~~ basis for reference.

MEMBER AND EMPLOYER OUTREACH PLAN

OVERVIEW

Pursuant to Government Code §825.601, the Teacher Retirement System (TRS) Board of Trustees is required to develop and adopt an Outreach Plan (Plan) designed to assist active members and retirees (members), and as appropriate employers, in effectively planning for the member's retirement.

TRS aims to ensure its members have the information and support needed to make well-informed, life-changing decisions about their pension and health care benefits. The Plan lays out a multi-faceted approach to improving communications regarding member benefits and ensuring that up-to-date, accurate information relating to TRS is readily available in a variety of formats.

Goals

The overarching goals of this plan are to:

- Build and enhance trust and communication with all TRS members and employers across the state
- Update and produce outreach materials in a variety of accessible formats to accommodate varying member and employer informational needs
- Provide information, to the extent permitted by law and without providing legal or financial advice, to help members make their retirement decisions
- Help members at different stages of their career understand the value of their TRS pension and health care benefits
- Equip employers with the training and resources they need to best serve members from a pension and health care benefits perspective
- Share TRS resource information with employers, including but not limited to pension benefits, health care enrollment, and employment after retirement
- Educate members on available TRS resources and the importance of maintaining current contact information as a member responsibility
- Use plain language whenever possible, avoiding overly legalistic and complex explanations, while providing accurate information

Plan Schedule

At a minimum, the Plan will be reviewed and updated every five years to meet member and employer informational needs. The Plan was initially approved in July 2021 and most recently reviewed and updated in December 2022. The Communications Department will provide the TRS Board of Trustees with an annual fiscal-year update on plan implementation along with an annual schedule of planned activities in alignment with the Plan.

TRS Communications

Background

A review by the Texas Sunset Advisory Commission initiated in 2019 included a recommendation that TRS develop an outreach plan to better help members and members' employers plan for retirement. This plan dovetails with, and builds on, a Member Engagement Policy adopted by the TRS Board of Trustees in December 2020 that was reapproved with minor updates in December 2024.

The Member Engagement Policy commits to annually surveying TRS membership on communication preferences, incorporating survey feedback into communication efforts and using clear, plain language when possible.

Consistent with the Sunset Commission's recommendation and the Member Engagement Policy, planned communication efforts will focus on various retirement readiness topics, including personal savings, anticipated expenses in retirement, health care, and the benefits of TRS membership.

Target Audiences

TRS serves more than 2 million active employees and retirees. These members not only live in Texas, but throughout the United States and in other countries. TRS staff recognize that members may prefer to receive information via different channels depending on where they live, their status as an active member or retiree, and where they are in their career. Some members may be more comfortable accessing digital communications such as social media and videos, while others may prefer to read a print document or attend an in-person meeting. To accommodate varying member preferences, TRS staff will deliver communications using a mix of communication channels.

In developing this plan, TRS staff took a deliberate approach to understanding what is most important to members at different stages in their career. This ongoing process will continue to include engaging with members, employers and other stakeholders such as member associations to gather feedback on the specific information needs of TRS members. These planned communication efforts are designed to provide tailored messages to the following membership cohorts:

1. Early career
2. Mid-career
3. Ready to retire
4. Retired

Challenges

TRS members lead busy lives. In providing information, TRS competes for member time and attention with a barrage of competing messages and distractions. In order to grab and sustain members' attention, messaging must be relevant, clear and to the point. Key messages must also be repeated, using a variety of methods.

Active members are balancing careers with life events, and retirement may seem far off and not top of mind. As a result, active members may not adequately understand, anticipate and prepare for their future retirement needs. Additionally, they may make last-minute decisions on retirement and health care options, leading to possible delays.

TRS members may change addresses without notifying TRS, making it challenging to reach them by mail. As part of the normal reporting employer process, addresses are supplied to TRS. Additionally, TRS utilizes quarterly reports provided by the postal service to update mailing addresses. Any undeliverable mail that is returned to TRS is imaged to the member's file and researched by a TRS employee. TRS then utilizes other locator services as necessary. However, it remains important to ensure members understand their vital role in maintaining current contact information.

There are varying levels of pension benefit, financial, and health care literacy across the membership, and with employers. To restate, the focus of this plan is to meet members where they are as much as possible.

TRS recognizes that some members may not have access to reliable high-speed internet and staff travels annually around the state to provide either retirement or health care presentations. TRS shifts locations every year, but there may be areas of the state TRS is unable to visit regularly.

Lastly, as technology continues to evolve and change how people search for and ask for information, it is critical to ensure that TRS' communications efforts are focused on taking the right steps so that TRS remains an authoritative and consistent source of accurate information.

Methodology

In planning communication efforts, TRS analyzes the results of both its annual member satisfaction and employer satisfaction surveys to determine the most appropriate, effective channels to use. Consistent results of the surveys include the following findings:

- Members prefer communications written in plain language.
- Social media engagement has opportunities for ongoing growth.
- Email is a preferred communication channel.
- Website content is a valuable communication mechanism.

Additionally, TRS staff regularly attend in-person events such as retiree health fairs, Retiree Advisory Committee meetings, and association meetings where TRS seeks input on TRS communication materials and approaches. TRS also actively considers member and employer feedback on website enhancements to ensure needs are met.

Key Messages

This plan identifies the following key messages:

1. Plan for sufficient income and post retirement expenses and understand that income needs above what is provided by the TRS lifetime defined benefit is a personal responsibility
2. Understand the benefits of a TRS membership, including pension and health care benefits and how they factor into retirement needs, as well as recognize the importance of maintaining current contact information as an important member responsibility
3. Understand the three pillars of retirement:
    - Pension (TRS Retirement)
    - Personal savings and other assets, and
    - Social Security (if applicable)

4. Items to consider when determining if you are “retirement ready.” Retirement readiness suggests understanding an individual’s unique financial, health care, and other needs. Being financially prepared for retirement means a member is on target to meet their retirement goals so their standard and quality of living enjoyed while working will be maintained after retirement.
5. Understand Employment After Retirement laws and considerations

Measurement and Reporting

In alignment with the plan, TRS will implement multiple mechanisms to measure member and employer satisfaction and engagement with communications and outreach activities. These will include the following:

- Analyzing website traffic to key materials on the TRS website
- Using short online surveys for direct feedback on materials
- Measuring the growth of email subscribers to TRS notices
- Monitoring social media engagement and interactions, to include growth in followers
- Analyzing annual results from the member and employer satisfaction surveys with respect to communications
- Seeking informal feedback during in-person meetings, and
- Implementing new ways to seek member and employer feedback during the material development process

The Communications Department will provide an annual report to the TRS Board of Trustees to include an update on plan activities from the previous fiscal year, as informed and measured by feedback mechanisms, as well as a yearly plan of ongoing, new and updated activities. These annual planned activities will be included as an Appendix to the Member and Employer Outreach Plan on a fiscal year basis for reference.

TAB 7

Legal & Compliance

Four-year Rule Review: 2026

Presentation Date

July 16, 2026

Presented By

Heather Traeger, General Counsel
Nick Gonzalez, Senior Pension Counsel

State Law Requires Four-year Rule Review

Four-year Review Requirement
Government Code 2001.039 requires that TRS review all its existing rules not later than:

- The fourth anniversary of the rule taking effect; and
- Every four years after that date.

Historic Review Dates
TRS completed its prior reviews on the following dates:

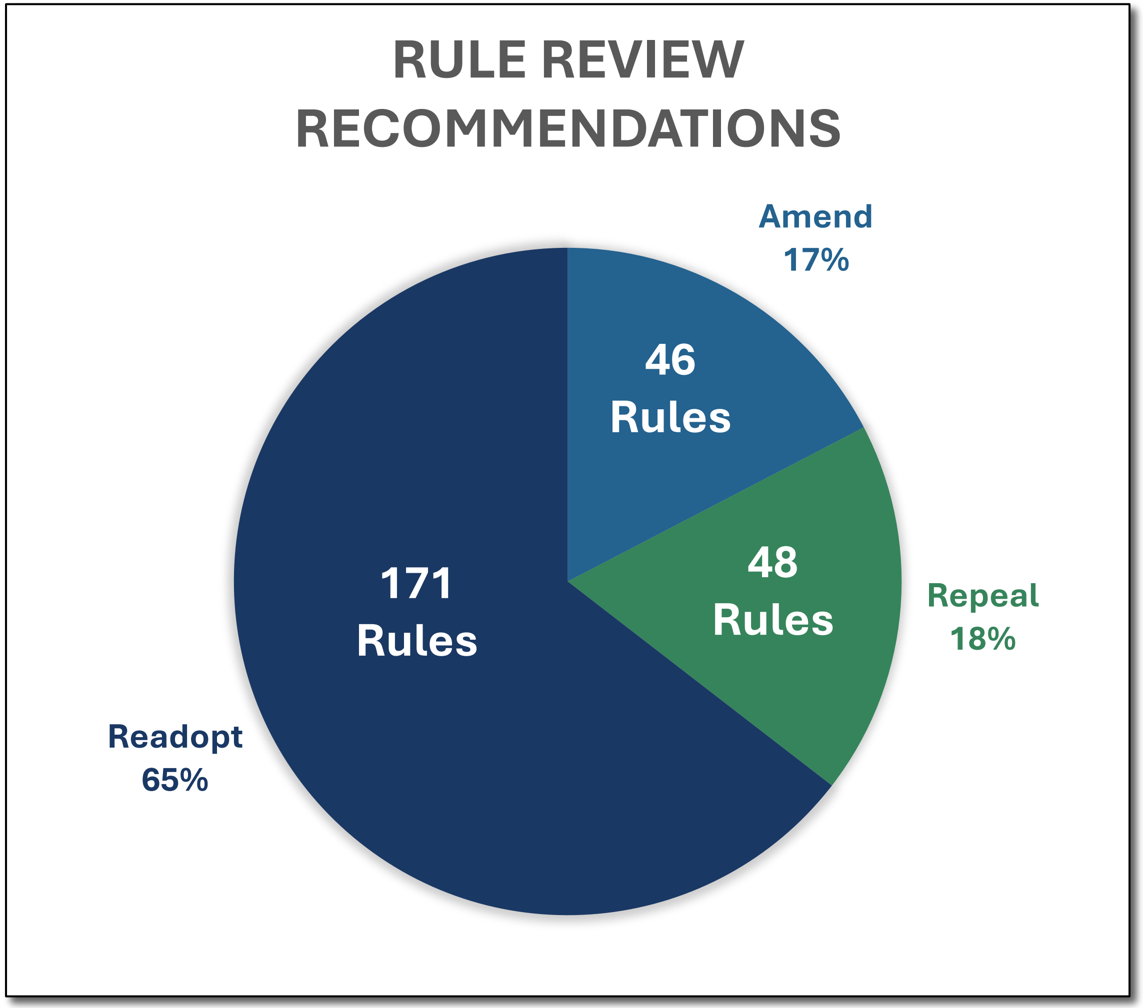
Feb. 21, 2003	Feb. 16, 2007	Dec. 28, 2010
Nov. 24, 2014	Sept. 27, 2018	July 29, 2022

TRS Published Proposed Rule Review: June 5, 2026
(one public comment received)

Target Rule Review 2026 Complete Date: July 27, 2026

Adopted Rule Review: Staff Recommendations

Staff reviewed all **265** of TRS' existing rules and recommend either repealing or readopting with changes **94 rules,** which is over **one-third** of TRS' current rules.



Recommended Repeals & Future Changes

Of the 46 rules recommended for readoption with changes:

- **25** include only minor updates or revisions;
- **21** include substantial policy improvements
  (**one** in response to public comment [Rule 25.31]).

Of the 48 rules recommended for repeal:

- **40** are repeals of obsolete or unnecessary rules;
- **8** are shorter rules recommended to be repealed and combined with existing rules;
- **Two chapters** are also recommended for repeal (Chapters 21 and 39).

Amendment Reason	Number
Policy Improvements	21
Delete obsolete provisions	14
Update existing provisions	5
Simplify/Improve Language	6

Repeal Reason	Number
Obsolete/Unnecessary	40
Repeal & readopt to combine with other rules	8

Recommended Amendments and Repeals by Chapter											
Ch. 21	Ch. 23	Ch. 25	Ch. 27	Ch. 29	Ch. 31	Ch. 33	Ch. 39	Ch. 41	Ch. 43	Ch. 47	Ch. 51
1	5	26	1	2	8	6	1	6	33	1	4

Rule Review 2026: Next Steps

1. TRS submits Notice of Readoption (Adopted Rule Review) to the *Texas Register*. Four-year Rule Review is complete.

2. TRS coordinates with Texas Regulatory Efficiency Office (TREO) to conduct a Regulatory Efficiency Review of its existing rules.

3. TRS proceeds with any rulemaking projects based on the recommendations made during the internal and TREO reviews. All projects will be presented to the Governance Committee and TRS Board of Trustees.

4. Next four-year rule review begins in 2030.

TEACHER RETIREMENT SYSTEM OF TEXAS

Legal & Compliance

Memorandum

DATE:	July 16, 2026
TO:	Governance Committee of the Board of Trustees
FROM:	Heather Traeger, General Counsel
COPY:	Brian Guthrie, Executive Director
RE:	Four-Year Rule Review for Chapters 21, 23, 25, 27, 29, 31, 33, 35, 39, 41, 43, 47, 49, and 51

REQUESTED ACTION

Staff asks the Governance Committee to make a recommendation to the TRS Board of Trustees to authorize the Executive Director or his designee to submit to the *Texas Register* for publication the Adopted Rule Review of TRS Chapters 21, 23, 25, 27, 29, 31, 33, 35, 39, 41, 43, 47, 49, and 51.

WHY THE ACTION IS REQUESTED

Texas Government Code Section 2001.039 requires all state agencies to review their rules every four years and consider whether the rules should be readopted. As part of this review, state agencies are instructed to consider whether the reasons for initially adopting each rule continues to exist. The agency must then decide whether to readopt, readopt with amendments, or repeal each rule.

TRS must review a rule not later than the fourth anniversary of the date on which the rule takes effect and every four years after that date. TRS completed its last statutory review of all TRS rules in Chapter 21 through Chapter 51 on July 29, 2022. On April 30, 2026, the Governance Committee authorized publication of the Proposed Rule Review Notice, and that notice was published in the Texas Register on June 5, 2026. One public comment was received in response to the notice to review.

BACKGROUND FOR REQUESTED ACTION

Staff has completed a thorough review of 265 rules contained in the chapters under review. This project was led by the Legal & Compliance team with significant input from each TRS business division that is affected by the rules.

In addition, TRS received and considered one public comment on its proposed rule review regarding TRS Rule 25.31, which places percentage limits on salary increases for members in their final years of employment before their retirement to protect the fund from disproportionate benefit outcomes.

The commenter agrees with the purpose of the rule but states that the rule should be amended to exclude salary increases for members who were previously compensated on a district's teacher salary schedule; moved to a lower-paying position off the salary schedule; then returned to a position subject to the district's salary schedule in their final years before retirement. The commenter also requests that TRS apply the exception retroactively.

Staff recommends that, in light of the comment, TRS agree to consider amending TRS Rule 25.31 to possibly exempt salary increases related to position changes, but TRS must also ensure that any potential new exceptions to §25.31 would not expose the fund to unexpected negative actuarial impacts. Staff also recommends that TRS disagree with applying any future amendment to §25.31 retroactively. A full summary of the comment, and Staff's recommended response are included in Appendix B.

In addition to consideration of this public comment, Staff has made the following conclusions and recommendations based on a thorough, internal review:

- The reasons for originally adopting 171 of TRS' rules continue to exist and should be readopted without changes.

- The reasons for originally adopting 46 of TRS' rules continue to exist and should be readopted but also marked for future change.

    - Of these 46 rules marked for future change, 25 include only minor updates or revisions related to deleting obsolete provisions, updating references or improving language;
    - The 21 remaining rules include substantial policy improvements, including one rule (TRS Rule 25.31) recommended for amendment in response to a public comment.

- 48 of TRS' rules are recommended for repeal.

    - 40 are repeals of obsolete or unnecessary rules;
    - 8 are shorter rules recommended to be repealed and combined with existing rules for readability purposes;
    - Two chapters are also recommended for repeal (Chapters 21 and 39) because the only rule in each chapter is recommended for repeal (Rules 21.1 and 39.1, respectively).

If the board approves these recommendations, they will be included as adopted findings in the Notice of Readoption (adopted rule review) that TRS will file with the *Texas Register* for publication. The publication of the Notice of Readoption will conclude the current four-year rule review and restart the four-year time clock for TRS's next rule review in 2030. Any recommended amendments or repeals will take place through separate rulemaking proceedings presented to the board at upcoming board meetings over the course of the next four years.

In addition, these separate rulemaking projects may also include proposed amendments or repeals based on recommendations from the Texas Regulatory Efficiency Office (TREO). Housed within the Office of the Governor and established on Sept. 1, 2025, by Senate Bill 14 (89th Texas Legislature), TREO reviews state agency rules and makes recommendations for changes to reduce regulatory burdens and unnecessary rules. TRS is currently coordinating with TREO on a Regulatory Efficiency Review (RER) of TRS' rules for these purposes. The final recommendations of the RER will likely have substantial overlap with the recommendations of TRS' rule review, and, to the extent TREO and TRS agree on additional changes or repeals, those recommended changes or repeals will also lead to additional rulemaking that will be presented to the board at future meetings.

A complete list of all recommended amendments and repeals is attached to this memorandum as Appendix A. A draft of the Notice of Readoption that will be submitted to the *Texas Register* is attached as Appendix B.

APPENDIX A:
2026 FOUR-YEAR RULE REVIEW - RECOMMENDED AMENDMENTS AND REPEALS

CHAPTER 21. PURPOSE AND SCOPE [REPEAL]

Rule	Title	Recommendation	Primary Reason
§21.1	Statement of Policy	Repeal	Obsolete/Unnecessary

CHAPTER 23. ADMINISTRATIVE PROCEDURES

Rule	Title	Recommendation	Primary Reason
§23.4	Public Participation in Adoption of Rules	Amend	Policy Improvement
§23.5	Nomination for Appointment to the Board of Trustees	Amend	Policy Improvement
§23.7	Code of Ethics for Contractors	Amend	Update references
§23.8	Expenditure Reporting by Certain Contractors	Amend	Update references
§23.9	Communicating Information Electronically	Amend	Policy Improvement

CHAPTER 25. MEMBERSHIP CREDIT

Subchapter A. Service Eligible for Membership

Rule	Title	Recommendation	Primary Reason
§25.1	Full-time Service	Amend	Policy Improvement
§25.4	Substitutes	Amend	Policy Improvement
§25.10	Student Employment	Amend	Policy Improvement

Subchapter B. Compensation

Rule	Title	Recommendation	Primary Reason
§25.21	Compensation Subject to Deposit and Credit	Amend	Policy Improvement
§25.24	Performance Pay	Amend	Obsolete Provisions
§25.26	Annual Compensation Creditable for Benefit Calculation	Amend	Obsolete Provisions
§25.28	Payroll Report Dates	Amend	Policy Improvement
§25.31	Percentage Increases on Compensation Increases	Amend	Policy Improvement
§25.34	Membership Waiting Period	Repeal	Obsolete/Unnecessary
§25.36	Employer Payments for Certain Employed Members	Repeal	Obsolete/Unnecessary
§25.37	Employer Payments from Public Junior Colleges and Public Junior College Districts	Repeal	Obsolete/Unnecessary

APPENDIX A: RECOMMENDED AMENDMENTS AND REPEALS

Subchapter E. Military Service

Rule	Title	Recommendation	Primary Reason
§25.66	Application for Military Credit	Amend	Update References

Subchapter F. Veteran's (USERRA) Service Credit

Rule	Title	Recommendation	Primary Reason
§25.75	Application for Eligible Active Member Service under the USERRA	Amend	Update References

Subchapter G. Purchase of Credit for Out-of-State Service

Rule	Title	Recommendation	Primary Reason
§25.81	Out-of-State Service Eligible for Credit	Amend	Policy Improvement
§25.82	Cost	Amend	Obsolete Provisions
§25.84	Crediting Fees	Repeal	Obsolete/Unnecessary
§25.86	Computing Average Compensation	Repeal	Obsolete/Unnecessary

Subchapter I. Verification of Service or Compensation

Rule	Title	Recommendation	Primary Reason
§25.121	Employer Verification	Amend	Improve Language
§25.122	Affidavit	Repeal & Readopt	Improve Language
§25.123	Certification	Repeal & Readopt	Improve Language

Subchapter J. Creditable Time and School Year

Rule	Title	Recommendation	Primary Reason
§25.131	Required Service	Amend	Policy Improvement

Subchapter L. Other Special Service Credit

Rule	Title	Recommendation	Primary Reason
§25.163	Service Credit Purchase	Repeal	Obsolete/Unnecessary

Subchapter N. Installment Payments

Rule	Title	Recommendation	Primary Reason
§25.183	Nonpayment	Amend	Improve Language
§25.184	Refund for Nonpayment	Repeal & Readopt	Improve Language
§25.185	Amounts Not Refundable	Repeal & Readopt	Improve Language
§25.191	Time Period to Complete Service Credit Purchase	Amend	Improve Language

CHAPTER 27. TERMINATION OF MEMBERSHIP AND REFUNDS

Rule	Title	Recommendation	Primary Reason
§27.8	Reinstatement of Membership and Service Credit by ORP Participants	Amend	Obsolete Provisions

APPENDIX A: RECOMMENDED AMENDMENTS AND REPEALS

CHAPTER 29. BENEFITS

Subchapter A. Retirement

Rule	Title	Recommendation	Primary Reason
§29.26	Discontinuance of Disability Benefits	Amend	Policy Improvement

Subchapter E. Deferred Retirement Option Plan

Rule	Title	Recommendation	Primary Reason
§29.63	Deadline for Purchase of Special Service Credit	Repeal	Obsolete/Unnecessary

CHAPTER 31. EMPLOYMENT AFTER RETIREMENT

Subchapter A. General Provisions and Procedures

Rule	Title	Recommendation	Primary Reason
§31.2	Monthly Certified Statement	Amend	Obsolete Provisions
§31.3	Return-to-Work Employer Pension Surcharge	Amend	Obsolete Provisions

Subchapter B. Employment After Retirement Exceptions

Rule	Title	Recommendation	Primary Reason
§31.12	Substitute Service	Amend	Obsolete Provisions
§31.13	One-half Time Employment	Amend	Improve Language
§31.15	Tutors under Education Code § 33.913	Amend	Improve Language
§31.16	Federally-funded COVID-19 Personnel	Repeal	Obsolete/Unnecessary
§31.18	Combining EAR Exceptions	Amend	Obsolete Provisions
§31.13	Combining EAR Exceptions and Employer Surcharges	Amend	Obsolete Provisions

CHAPTER 33. LEGAL CAPACITY

Rule	Title	Recommendation	Primary Reason
§33.1	Selection of Plan for Payment of Death Claim for a Minor Child	Amend	Improve Language
§33.2	Transactions on Behalf of a Minor Child or Incapacitated Person	Repeal & Readopt	Improve Language
§33.3	Selection of Plan for Payment of Death Claim for an Incapacitated Person	Repeal & Readopt	Improve Language
§33.4	Selection of Retirement Plan for an Incapacitated Person	Repeal & Readopt	Improve Language
§33.5	Approval of Designated Beneficiary	Repeal & Readopt	Improve Language
§33.6	Power of Attorney	Amend	Policy Improvement

APPENDIX A: RECOMMENDED AMENDMENTS AND REPEALS

CHAPTER 39. PROOF OF AGE [REPEAL]

Rule	Title	Recommendation	Primary Reason
§39.1	Establishment of Date of Birth	Repeal	Obsolete/Unnecessary

CHAPTER 41. HEALTH CARE AND INSURANCE PROGRAMS

Subchapter A. Retiree Health Care Benefits (TRS-CARE)

Rule	Title	Recommendation	Primary Reason
§41.13	One-Time Reenrollment Opportunity	Repeal	Obsolete/Unnecessary

Subchapter C. Texas School Employees Group Health (TRS-ACTIVECARE)

Rule	Title	Recommendation	Primary Reason
§41.33	Definitions Applicable to the Texas School Employees Uniform Group Health Coverage Program	Amend	Policy Improvement
§41.34	Eligibility for Coverage under the Texas School Employees Uniform Group Health Coverage Program	Amend	Policy Improvement
§41.36	Enrollment Periods for TRS-ActiveCare	Amend	Policy Improvement
§41.50	Appeals Relating to Claims or Other Benefits	Amend	Policy Improvement
§41.53	Special Transitional Plan	Amend	Policy Improvement

CHAPTER 43. CONTESTED CASES

Subchapter A. General Administration

Rule	Title	Recommendation	Primary Reason
§43.1	Applicability	Amend	Obsolete Provisions
§43.2	Definitions	Amend	Obsolete Provisions
§43.3	Filing of Documents	Amend	Obsolete Provisions
§43.5	Extensions	Amend	Obsolete Provisions

Subchapter B. Requests for Adjudicative Hearing

Rule	Title	Recommendation	Primary Reason
§43.105	Authority to Grant Relief	Amend	Obsolete Provisions

Subchapter C. Hearings Not Docketed at SOAH [REPEAL]

Rules	Title	Recommendation	Primary Reason
§§43.201 – 43.228	Hearings Not Docketed at SOAH	Repeal	Obsolete/Unnecessary

APPENDIX A: RECOMMENDED AMENDMENTS AND REPEALS

CHAPTER 47. QUALIFIED DOMESTIC RELATIONS ORDERS

Rule	Title	Recommendation	Primary Reason
§47.16	Effective Date of TRS Review of Orders	Repeal	Obsolete/Unnecessary

CHAPTER 51. GENERAL ADMINISTRATION

Rule	Title	Recommendation	Primary Reason
§51.5	Waiver of Deadline to Remit Deposits and Documentation	Amend	Policy Improvement
§51.11	Historically Underutilized Businesses	Amend	Update References
§51.14	Enhanced Contract Monitoring Procedures	Amend	Policy Improvement
§51.15	Contract Monitoring Roles and Responsibilities	Amend	Policy Improvement

APPENDIX B: NOTICE OF READOPTION

Teacher Retirement System of Texas

Title 34, Part 3

Adopted Rule Review

The Teacher Retirement System of Texas (TRS) adopts the four-year review of its rules in Texas Administrative Code, Title 34, Part 3 Chapters 21, 23, 25, 27, 29, 31, 33, 35, 39, 41, 43, 47, 49, and 51. TRS conducted its review in accordance with the requirements set forth in § 2001.039 of the Government Code. TRS received one comment on its proposed review, which was published in the June 5, 2026 issue of the *Texas Register* (51 TexReg 3821).

Specifically, the commenter stated that TRS should amend §25.31 of this title (relating to Percentage Limits on Compensation Increases) to exclude salary increases for members who were previously compensated on a district's teacher salary schedule; moved to a lower-paying position off the salary schedule; then returned to a position subject to the district's salary schedule for teachers. The member states that such an exclusion does not interfere with the rule's intended purpose of preventing artificial salary spiking prior to retirement but still permits routine salary progression under a district's board-approved salary schedule. The commenter also asks that the rule be applied retroactively to any members who meet the requirements of the commenter's recommended exception.

TRS agrees with the comment to consider amending §25.31 at a later date. TRS agrees with the commenter's premise that §25.31 generally should not interfere with routine salary progression under salary schedules approved by school districts or normal career progression. TRS will review the rule for this purpose in light this comment.

TRS, however, declines to commit to any specific exception or amendment to §25.31 at this time as TRS must ensure that any potential exceptions to §25.31 would not expose the fund to unexpected negative actuarial impacts or other impacts that could interfere with the rule's ability to protect the fund. Salary increases due to position changes can still create potentially disproportionate benefit outcomes even if the increases were not due to intentional "spiking." Government Code §825.110, which requires TRS to adopt a percentage limitation on salary increases before retirement, does not limit application of the percentage limitations to such cases of intentional salary spiking.

Lastly, TRS disagrees with applying any future amendment to §25.31 retroactively. TRS does not have the authority to adopt a rule that would retroactively credit compensation to modify members' benefits after they have retired. Further, TRS refunds member contributions based on any compensation excluded under §25.31, so, for retired members, TRS no longer has contributions for the excluded compensation.

Based on this comment and TRS' internal review of its rules, TRS makes the following findings as a result of its rule review.

APPENDIX B: NOTICE OF READOPTION

Relating to the review of Chapter 21, TRS finds that the reasons for adopting Chapter 21 no longer exist. For this reason, Chapter 21, including §21.1, will be repealed in a separate rulemaking proceeding in accordance with the Texas Administrative Procedure Act (APA).

Relating to the review of Chapter 23, TRS finds that the reasons for adopting Chapter 23 continue to exist and readopts the rules at this time without changes. At a later date, §§23.4, 23.5, 23.7, 23.8, and 23.9 will be amended in separate rulemaking proceedings in accordance with the APA.

Relating to the review of Chapter 25, TRS finds that the reasons for adopting the following rules no longer exist: §§25.34, 25.36, 25.37, 25.84, 25.86, and 25.163. For this reason, these rules will be repealed at a later date in a separate rulemaking proceeding in accordance with the APA. TRS also finds that reasons for adopting the remaining rules in Chapter 25 continue to exist and readopts these rules at this time without changes. At a later date, §§25.1, 25.4, 25.10, 25.21, 25.24, 25.26, 25.28, 25.31, 25.66, 25.75, 25.81, 25.82, 25.121, 25.122, 25.123, 25.131, 25.183, 25.184, 25.185, and 25.191 will be amended or repealed and readopted for organizational purposes in separate rulemaking proceedings in accordance with the APA.

Relating to the review of Chapter 27, TRS finds that the reasons for adopting Chapter 27 continue to exist and readopts the rules at this time without changes. At a later date, §27.8, will be amended in a separate rulemaking proceeding in accordance with the APA.

Relating to the review of Chapter 29, TRS finds that the reasons for adopting §29.63 no longer exist and, for this reason, this rule will be repealed at a later date in a separate rulemaking proceeding in accordance with the APA. TRS also finds that reasons for adopting the remaining rules in Chapter 29 continue to exist and readopts these rules at this time without changes. At a later date, §29.26 will be amended in separate rulemaking proceedings in accordance with the APA.

Relating to the review of Chapter 31, TRS finds that the reasons for adopting §31.16 no longer exist and, for this reason, this rule will be repealed at a later date in a separate rulemaking proceeding in accordance with the APA. TRS also finds that reasons for adopting the remaining rules in Chapter 31 continue to exist and readopts these rules at this time without changes. At a later date, §§31.2, 31.3, 31.12, 31.13, 31.15, 31.18, and 31.19 will be amended in separate rulemaking proceedings in accordance with the APA.

Relating to the review of Chapter 33, TRS finds that the reasons for adopting Chapter 33 continue to exist and readopts the rules without changes. At a later date, §§33.1, 33.2, 33.3, 33.4, 33.5, and 33.6, will be amended or repealed and readopted for organizational purposes in a separate rulemaking proceeding in accordance with the APA.

Relating to the review of Chapter 35, TRS finds that the reasons for adopting Chapter 35 continue to exist and readopts the rules without changes.

APPENDIX B: NOTICE OF READOPTION

Relating to the review of Chapter 39, TRS finds that the reasons for adopting Chapter 39 no longer exist. For this reason, Chapter 39, including §39.1, will be repealed in a separate rulemaking proceeding in accordance with the APA.

Relating to the review of Chapter 41, TRS finds that the reasons for adopting §41.13 no longer exist and, for this reason, this rule will be repealed at a later date in a separate rulemaking proceeding in accordance with the APA. TRS also finds that reasons for adopting the remaining rules in Chapter 41 continue to exist and readopts these rules at this time without changes. At a later date, §§41.33, 41.34, 41.36, 41.50, and 41.53 will be amended in separate rulemaking proceedings in accordance with the APA.

Relating to the review of Chapter 43, TRS finds that the reasons for adopting the rules under Subchapter C of Chapter 43 (relating to Hearings Not Docketed at SOAH) no longer exist and, therefore, at a later date, §§43.201 through 43.228 will be repealed in a separate rulemaking proceeding in accordance with the APA. TRS also finds that the rules under Subchapter A (relating to General Administration), Subchapter B (relating to Requests for Adjudicative Hearing) and Subchapter D (relating to Final Decisions of TRS) of Chapter 43 continue to exist and readopts those rules without changes. At a later date, §§43.1, 43.2, 43.3, 43.5, and 43.105 will be amended in separate rulemaking proceedings in accordance with the APA.

Relating to the review of Chapter 47, TRS finds the reasons for adopting §47.16 no longer exist and, for this reason, this rule will be repealed at a later date in a separate rulemaking proceeding in accordance with the APA. The Board also finds that reasons for adopting the remaining rules in Chapter 47 continue to exist and readopts these rules at this time without changes.

Relating to the review of Chapter 49, TRS finds that the reasons for adopting Chapter 49 continue to exist and readopts the rules without changes.

Relating to the review of Chapter 51, TRS finds that the reasons for adopting Chapter 51 continue to exist and readopts the rules at this time without changes. At a later date, §§51.5, 51.11, 51.14 and 51.15 will be amended in separate rulemaking proceedings in accordance with the APA.

This concludes the review of Texas Administrative Code, Title 34, Part 3 Chapters 21, 23, 25, 27, 29, 31, 33, 35, 39, 41, 43, 47, 49, and 51.

Brian K. Guthrie
Executive Director
Teacher Retirement System of Texas

TAB 8

Legal & Compliance

Presentation Date
07/16/2026

Presented By
Heather Traeger, General Counsel

Roberto Cortes-Moreno, Director of Legal & Compliance, Healthcare

Proposed Amendment to TRS Rule §41.38

Texas Administrative Code

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 41	HEALTH CARE AND INSURANCE PROGRAMS
SUBCHAPTER C	TEXAS SCHOOL EMPLOYEES GROUP HEALTH (TRS-ACTIVECARE)

TRS Rule §41.38 Termination Date of Coverage

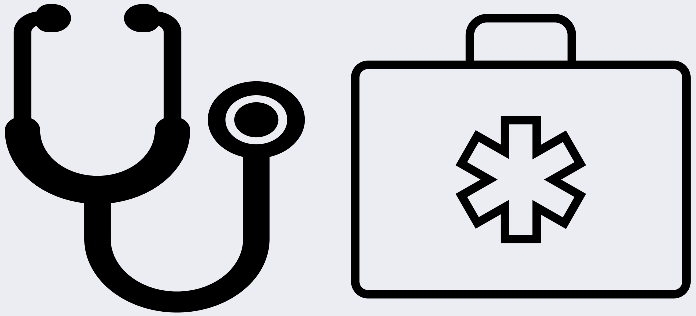
Proposed Amendment to TRS Rule §41.38

§41.38(a)(7) uniquely permits voluntary mid-year coverage termination at any month's end

Consequences:	
Less accurate and unstable risk pools; rate calculation; premium collection	Claims burdens shifted to remaining participants
Inconsistent with industry standards	Greater administrative burdens and costs to the program

Changes to the Proposed Amended TRS Rule §41.38

TRS Rule §41.38
Delete §41.38(a)(7) from TRS Rule §41.38
Renumber subsequent provisions of TRS Rule §41.38 accordingly



Amended Rule: Next Steps

- The proposed amended rule was published in the *Texas Register* (51 TexReg 3692 – 3694) on May 29, 2026
- No comments were received in response to the proposed amended rule
- If adopted, the rule will be published in the Texas Register targeting an August 2026 effective date

Legal & Compliance

Memorandum

DATE: July 16, 2026

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

FROM: Heather Traeger, General Counsel and Chief Compliance Officer

COPY: Brian Guthrie, Executive Director

RE: Adoption of Proposed Amended Rule: TRS Rule 34 T.A.C. § 41.17

Requested Action

The Teacher Retirement System of Texas ("TRS") staff request the Governance Committee recommend to the board of trustees ("board") the adoption of the following proposed amended rule as published in the May 29, 2026, issue of the *Texas Register*:

- § 41.17 (relating to a *Limited-Time Enrollment Opportunity for Medicare-eligible Retirees*)

Background

At the board meeting on April 30, 2026, TRS staff asked the board to authorize publication in the Texas Register of proposed amended Rule §41.17. The board authorized publication and the proposed amended Rule was published in the *Texas Register* on May 29, 2026 (51 TexReg 3690 – 3692). TRS did not receive any public comments on the proposed amended Rule.

Summary of Rule Amendment

TRS is proposing the adoption of amended Rule §41.17 regarding Limited Time Enrollment Opportunity. In 2024, TRS received correspondence from legislative leadership directing TRS to use the growth in the TRS-Care fund to reduce premiums and allow for a one-time enrollment opportunity for eligible TRS-Care Medicare Advantage (TRS-Care MA) participants. Considering the legislators' request, TRS reduced the premiums of the TRS-Care MA plan for the 2025 plan year and created Rule §41.17. Rule §41.17 offered Medicare-eligible retirees and their eligible dependents, surviving spouses and surviving dependent children who had dropped TRS-Care MA coverage a limited-time enrollment opportunity to return to the program and take advantage of those reduced premiums. Rule §41.17 addressed the duration of the limited-time enrollment opportunity, eligibility, and effective dates of coverage. This initial limited-time enrollment opportunity expired on March 31, 2026.

As the TRS-Care trust fund continues to experience significant growth, TRS intends to maintain low premiums for the upcoming 2027 TRS-Care MA plan year. Therefore, TRS staff requests the adoption of amended Rule §41.17 to offer another limited-time enrollment opportunity that will begin on Oct. 1, 2026, and end on March 31, 2028. The proposed adopted amendment also makes a nonsubstantive change to correct a typographical spacing error in the existing rule language.

The board is authorized to adopt this amended rule pursuant to Insurance Code §§ 1575.051-.052, which charges TRS with the duty to devise, implement and administer the TRS-Care program; and authorizes TRS to adopt rules, plans, procedures, and orders considered reasonably necessary to accomplish that purpose, including periods of enrollment and selection of coverage and procedures for enrolling and exercising options under the group program. Pursuant to this mandate, TRS issued rule §41.2(c) which states that TRS may establish enrollment opportunities during which an eligible individual may enroll in TRS-Care.

Conclusion

If adopted, amended Rule §41.17 will take effect 20 days after it is filed with the secretary of state.

A draft of the amended Rule §41.17 for adoption is attached as Attachment 1, and a clean version is attached as Attachment 2.

ATTACHMENT 1

Texas Administrative Code

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
SUBCHAPTER A	RETIREE HEALTH CARE BENEFITS (TRS-CARE)
RULE §41.17	Limited-Time Enrollment Opportunity for Medicare-eligible Retirees

§41.17. Limited-time Enrollment Opportunity for Medicare-eligible Retirees.

(a) Eligibility.

(1) Retiree. A retiree who is eligible to enroll in the Medicare Advantage plan offered under TRS-Care in accordance with Section 1575.1582(b), Insurance Code (hereinafter referred to as "MA plan") and who is not currently enrolled in the MA plan, may enroll in the MA plan if the retiree applies for enrollment during the limited-time enrollment period. For the purpose of this section, the limited-time enrollment period is the period that begins on October 1, 2026[~~2024~~], and extends through March 31, 2028[~~2026~~].

(2) Surviving spouses or surviving dependent children. If a retiree has passed away, the retiree's surviving spouse or the retiree's surviving dependent child may enroll under this section, as long as:

(A) The surviving spouse or surviving dependent child qualifies as such under Section 1575.003, Insurance Code, and

(B) The surviving spouse or surviving dependent child is eligible for Medicare and is eligible to enroll in the MA plan offered under TRS-Care in accordance with Section 1575.1582(b),[~~Section1575.1582(b),~~] Insurance Code.

(3) Dependents. If the retiree's or surviving spouse's application to enroll under this section is approved, the retiree or surviving spouse may also enroll any eligible dependents.

(4) Single enrollment opportunity. A retiree, surviving spouse, or surviving dependent child may only enroll one time during the limited-time enrollment period.

(b) Effective Date of Coverage.

(1) January 1, 2027[~~2025~~]. For those applications received and approved before January 1, 2027[~~2025~~], coverage shall be effective on January 1, 2027[~~2025~~].

(2) After January 1, 2027[~~2025~~]. For those applications received after January 1, 2027[~~2025~~], the effective date of coverage shall be the first day of the month after TRS receives and approves the request to enroll.

(3) Range. In no event shall the effective date be prior to January 1, 2027[~~2025~~], or after April 1, 2028[~~2026~~].

ATTACHMENT 2

Texas Administrative Code

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
SUBCHAPTER A	RETIREE HEALTH CARE BENEFITS (TRS-CARE)
RULE §41.17	Limited-Time Enrollment Opportunity for Medicare-eligible Retirees

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(2) Surviving spouses or surviving dependent children. If a retiree has passed away, the retiree's surviving spouse or the retiree's surviving dependent child may enroll under this section, as long as:

(A) The surviving spouse or surviving dependent child qualifies as such under Section 1575.003, Insurance Code, and

(B) The surviving spouse or surviving dependent child is eligible for Medicare and is eligible to enroll in the MA plan offered under TRS-Care in accordance with Section 1575.1582(b), Insurance Code.

(3) Dependents. If the retiree's or surviving spouse's application to enroll under this section is approved, the retiree or surviving spouse may also enroll any eligible dependents.

(4) Single enrollment opportunity. A retiree, surviving spouse, or surviving dependent child may only enroll one time during the limited-time enrollment period.

(b) Effective Date of Coverage.

(1) January 1, 2027. For those applications received and approved before January 1, 2027, coverage shall be effective on January 1, 2027.

(2) After January 1, 2027. For those applications received after January 1, 2027, the effective date of coverage shall be the first day of the month after TRS receives and approves the request to enroll.

(3) Range. In no event shall the effective date be prior to January 1, 2027, or after April 1, 2028.