

**Bylaws of the
Board of Trustees of the
Teacher Retirement System of Texas
AMENDED September 16, 2022**

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**Bylaws of the Board of Trustees
of the
Teacher Retirement System of Texas
AMENDED July 16, 2021**

**ARTICLE 1
Organization of the Board of Trustees**

1.1 Authority. The Teacher Retirement System of Texas (“TRS” or the “system”) has been established pursuant to Article 16, Section 67 of the Texas Constitution, which requires TRS to have a Board of Trustees (the “Board”) to administer TRS and invest its funds. The assets of the TRS pension fund are required by state and federal law to be held in trust for the exclusive benefit of plan participants and beneficiaries. (See Texas Constitution, Art. 16, Section 67(a); Texas Government Code Sections 825.506 and 825.101; United States Internal Revenue Code Section 401(a).) The Board of Trustees of TRS is the trustee of all plan assets, is responsible for the general administration and operation of TRS and its subsidiaries and affiliates, and is authorized by law to adopt rules for the administration of TRS and the transaction of the business of the Board. (See Texas Government Code chapter 825.) All powers of trusteeship are held in the Board’s fiduciary capacity. The exercise or non-exercise of the Board’s powers are subject to the fundamental duties of prudence, loyalty, and impartiality (Restatement Third, Trust §§ 77-79); to a duty to respect the terms and purposes of the trust (Restatement Third, Trust § 76); and to other fiduciary duties of trusteeship. Although a trustee’s duties, like trustee powers, may be affected by the terms of the trust, the fiduciary duties of trusteeship are subject to minimum standards that require the trustee to act in good faith and in a manner consistent with the purposes of the trust and the interests of the beneficiaries. These fundamental standards of trusteeship are implicit in and normally essential to the trust relationship. (See Restatement Third, Trust §§ 70 and 86.) The Board has similar responsibilities for the health benefits programs under the Texas Public School Retired Employees Group Benefits Act and the Texas School Employees Uniform Group Health Coverage Act and other trusts or programs authorized by law to be administered by TRS.

1.2 Composition. The Board is composed of nine members, who serve for staggered terms of six years each, three of which expire on August 31 of each odd-numbered year. Trustees are appointed in accordance with statutory requirements (Texas Government Code Sections 825.001-.004).

A trustee whose term expires shall continue to perform the duties of the office until his or her successor shall be duly qualified. (Texas Constitution, Art. 16, Section 17; also see Government Code, Section 572.0211). Similarly, a trustee who tenders his or her resignation nonetheless holds over until his or her successor is duly qualified for the office. Limited exceptions may arise, one of which is the removal of an office holder in a quo warranto proceeding (Civ. Prac. & Rem. Code Section 66.001).

1.3 Chairman of the Board of Trustees.

- 1.3.1 The Governor of the State of Texas designates a member of the Board as the presiding officer of the Board. (Texas Government Code Section 825.201.)
- 1.3.2 The chairman shall preside over meetings of the Board and perform such other duties as are assigned by statute, these Bylaws, or other action of the Board.
- 1.3.3 The chairman serves at the pleasure of the Governor.

1.4 Vice Chairman of the Board of Trustees.

- 1.4.1 The Board shall elect a vice chairman who is a member of the Board.
- 1.4.2 In case of the absence, death, resignation, disability, removal, or disqualification of the chairman, the vice chairman shall perform the duties of the chairman until the chairman shall resume his or her office or a successor chairman has been appointed.
- 1.4.3 The vice chairman serves at the pleasure of the Board.

1.5 Absence of Chairman and Vice Chairman. In the case of the absence, death, resignation, disability, removal, or disqualification of both the chairman and vice chairman, the member of the Board with the longest service on the Board (considering all Board service), as certified by the executive director, shall exercise the duties of the chairman, as acting chairman, until the chairman or vice chairman shall resume his or her office or until a successor chairman has been appointed or a successor vice chairman has been elected. In the event there are two or more members with equal length of service, the executive director shall designate one of those members to serve as the acting chairman.

1.6 Elections.

- 1.6.1 Elections for vice chairman and any other positions that require election by the Board shall be conducted annually on or before the Board's first regular meeting of the fiscal year or as soon thereafter as may be practicable.
- 1.6.2 When a position subject to Board election becomes vacant, a special election for the position shall be held as soon thereafter as practicable.
- 1.6.3 Subject to the proviso that such persons serve at the pleasure of the Board, persons elected to positions under this section serve for a term that expires with the next election for that position or upon resignation from the position by the person holding it.

1.6.4 Nominations for the vice chairman of the Board and any other position that requires election by the Board will be made from the floor by Board members at a meeting of the Board or by special committee established for the purpose of making nominations. A Board member may self-nominate for any such position.

1.6.5 Elections conducted in Board meetings shall be conducted in an open meeting by acclamation or by a roll-call vote pursuant to a motion that has been seconded. Unless a different number is required by law, a majority vote of a quorum is required to elect a nominee for each election required by these Bylaws.

1.7 Responsibilities of the Board. Board members are TRS fiduciaries and shall discharge their duties in the exclusive interest of members and annuitants for the purpose of providing authorized benefits to participants and their beneficiaries. The Board is tasked with the general administration and operation of the retirement system. In order for the Board to monitor and evaluate the effectiveness of the system it shall:

- (a) adopt and periodically review the TRS mission in light of the Board's constitutional and statutory authority and set clear goals for its accomplishment;
- (b) adopt rules, regulations, and bylaws as appropriate or required by law;
- (c) establish committees to make recommendations to the Board and help carry out the Board's responsibilities; however, such committees may not exercise authority required under these Bylaws or by state or federal law to be exercised by the Board as a whole, and the Board may consider or take any action otherwise specified to be taken or considered by a committee created pursuant to article 3 of these Bylaws;
- (d) approve the annual operating budgets;
- (e) adopt and periodically review policies for the operation of the system;
- (f) consider appeals as provided in Board rules;
- (g) be responsible for the following positions:
 - (1) selection, job description, assignment of duties, performance evaluation, compensation, and discipline, including dismissal, of the executive director;
 - (aa) provide oversight and direction to the executive director to ensure that effective management practices are followed in the organization;
 - (bb) delegate to the executive director the responsibility for all administrative functions; and
 - (cc) delegate authority to the staff through the executive director;
 - (2) selection, job description, assignment of duties, performance evaluation, compensation, and discipline, including dismissal, of the chief audit executive in consultation with the Audit, Compliance and Ethics Committee and executive director;
 - (3) selection, job description, assignment of duties, performance evaluation,

compensation, and discipline, including dismissal, of the ombudsman in consultation with the executive director;

- (4) selection, performance evaluation, and establish compensation of the chief investment officer, in consultation with the executive director;
- (h) ensure the establishment of a system for equitable and effective hiring, evaluation, compensation, and termination of employees;
- (i) set not-to-exceed amounts in the exempt salary schedule in consultation with the Compensation Committee and executive director; and
- (j) ensure an adequate working environment for staff members;
- (k) receive reports from the staff, investment consultants and advisors, and others regarding the investment portfolio;
- (l) review investment performance, asset mix, portfolio characteristics, cash flow, transactions, and monitor compliance with investment policies and guidelines;
- (m) select one or more commercial banks, depository trust companies or other entities to serve as custodian(s) of TRS securities and to lend such securities, provided that, for avoidance of doubt, this requirement 1) does not apply to regulated brokerage, clearing, exchange, or similar accounts into which TRS is required to deposit assets or collateral and 2); the selected securities lending entity(ies) may act independently of the selected custodian(s)
- (n) select the following consultants and advisors to the Board:
 - (1) select and evaluate investment consultants or advisors to provide such expert advice and assistance to the Board as the Board deems necessary to exercise its investment and trust administration responsibilities;
 - (2) select and evaluate fiduciary counsel;
 - (3) select and evaluate an actuary;
- (o) appoint members to the following:
 - (1) the Medical Board; and
 - (2) members and officers of the Retirees Advisory Committee.

1.8 Board Travel.

1.8.1 Members of the Board shall be reimbursed for allowable travel expenses while on official TRS business as specified in state law and the “TRS Travel Rules and Guidelines.”

1.8.2 Official TRS business is defined as travel while acting as a designated representative of the Board (such as meeting with elected officials or Board consultants and advisors on behalf of the Board whether within or outside the state), travel to and from meetings of the Board, meetings of Board committees, orientation meetings, or other travel within the state in the capacity of a member of the Board.

1.8.3 In addition to travel on official TRS business as defined in subsection 1.8.2

of this section, it is anticipated that each Board member will receive reimbursement established through the budget process of allowable Board travel expenses to attend conferences and other activities meeting the following criteria:

- (a) The purpose of the expense is related to the business of TRS and the Board; and
- (b) Attendance at the function will benefit the Board or a Board member in the exercise of TRS responsibilities.

1.8.4 Travel allocations are not compensation, nor are they in the nature of an allowance paid regardless of whether travel expenses are incurred. Any international travel must receive advance approval as required by law.

1.8.5 The Executive Director in consultation with the Legal & Compliance Division shall be responsible for developing and administering procedures for travel under sections 1.8.2 and 1.8.3.

1.9 Board Education. Each Board member is encouraged to attend workshops and training sessions on such matters as fiduciary duties, actuarial valuations, investment issues, and benefits delivery, which may enable the Board member to better fulfill trustee responsibilities to the system.

ARTICLE 2

Meetings of the Board

2.1 Meetings of the Board.

2.1.1 The Board shall meet approximately five, but at least four, times per fiscal year. The dates for regular meetings will be approved annually in advance by the Board at the first regular meeting of each fiscal year or as soon thereafter as practicable. When necessary, and in addition to the provisions of subsection 2.1.6 of this article, the Board may add or cancel a regular meeting or change the date, time, or location of a regular meeting by action of the Board.

2.1.2 Special meetings of the Board may be held either upon the call of the chairman of the Board or the call of at least four members of the Board, or upon action of the Board. A call by the chairman or by other members of the Board must be communicated to the executive director within sufficient time to permit posting of the meeting as required by law. The call or action of the Board, as applicable, shall specify the date of each special meeting and may specify the time and place for each special meeting.

2.1.3 Meetings shall be held at TRS headquarters, in Austin, Texas, unless by call or action of the Board another location is specified.

2.1.4 Regular and special meetings shall begin at a time designated by the chairman

of the Board unless a time has been specified in the call or by action of the Board in setting a particular meeting.

2.1.5 Emergency meetings may be called in the same manner as special meetings.

The Board member who initiates the call for an emergency meeting shall provide the executive director with the reason for the emergency or urgent public necessity. An emergency meeting is one which cannot be posted within the seven day advance notice normally required by the Open Meetings Act (Texas Government Code Chapter 551, Section 551.044, or a successor statute) (the “Act”), but which is needed because of “imminent threats to public health and safety or reasonably unforeseeable situations requiring immediate action by the government body²² or as otherwise defined by the Act, as amended, court decision, or other applicable law. Emergency meetings shall be posted in accordance with applicable law, including Texas Government Code Section 551.045 (or its successor statute), requiring posting for at least two hours before the meeting is convened.

2.1.6 If a catastrophe prevents the Board from convening a properly posted meeting, the Board may, under Texas Government Code Section 551.0411, convene in a convenient location within 72 hours pursuant to Texas Government Code Section 551.045 by giving written notice of the date, hour, place, and agenda of the rescheduled and/or relocated meeting at least two hours before it begins. For the purposes of this subsection, the term “catastrophe” has the meaning assigned in Texas Government Code Section 551.0411. In consultation with the executive director, the chairman of the Board shall specify the date, hour, and place of a meeting rescheduled under this subsection to accommodate as many members of the public, board, and staff as possible.

2.1.7 In addition to the provisions of subsection 2.1.6 of this article, a special or emergency meeting of the Board may be canceled or rescheduled, or the location of the meeting changed, only by action of the Board or by a call of at least four members of the Board communicated to the executive director within sufficient time for TRS to comply with all posting requirements for the meeting. Unless a time has been specified in the call or action of the Board rescheduling the meeting, the chairman may set the time of a rescheduled meeting, though any such time must meet all posting requirements of applicable law.

2.2 Public Comment at Meetings.

2.2.1 The Board will allow reasonable opportunity for public comment to the Board on any issue under the jurisdiction of the Board. The chairman may determine the total time to allot to public comments at a meeting of the Board.

2.2.2 Persons who desire to deliver oral comments at a Board meeting must complete the required sign-in form, preferably before the public comment agenda item is reached during the Board meeting. Persons who desire to

provide oral comments virtually at a Board meeting must complete the required electronic sign-in form preferably by 5:00 pm the day before public comment is scheduled. The chairman of the meeting will specify the length of time to be allowed for each person to speak. Persons wishing to speak before the Board shall provide the following information:

- (a) name and contact information;
- (b) the name of the person or group, if any, the speaker is representing;
- (c) the agenda item upon which the person wishes to speak, if any; and
- (d) if the matter does not relate to an agenda item, a brief description of the nature of the matter to be addressed by the speaker.

If the chairman determines based on the information provided that public comment is made for the purpose of soliciting TRS business and the particular solicitation is not specifically identified on the agenda, the chairman may deny the opportunity to deliver the comment.

2.3 Meeting Agendas.

2.3.1 The agenda for each Board meeting shall be set by the chairman of the Board and when appropriate other Board members in consultation with the executive director. The executive director shall prepare and distribute to the Board the agenda and relevant written materials.

2.3.2 Items may be submitted for inclusion on the agenda of any Board meeting by any Board member or by the executive director prior to posting. The executive director shall determine the initial order of the agenda items prior to posting. Board members desiring to add an agenda item must submit it to the executive director by 5:00 p.m. not later than the tenth TRS business day before the meeting.

2.3.3 Agenda items may be added to a posted agenda by the chairman, by the executive director, or by written request of any Board member, provided that the proposed addition is submitted to the executive director in time to post the amendment to the agenda in compliance with the Open Meetings Act. If the item must be added as an emergency agenda item due to insufficient time to post it as a regular item, the request to add the item must include a valid reason for the emergency, as determined by the executive director in consultation with the general counsel.

2.4 Notice of Meetings. The executive director will cause meeting notices to be posted in compliance with these Bylaws and the Open Meetings Act.

2.5 Auxiliary Aids or Services at Meetings. Persons who do not speak English or persons with disabilities may request auxiliary aids or services to be provided at a meeting, such as language interpreters or interpreters for persons who are deaf or hearing impaired, or readers or large print or Braille texts for persons who are visually impaired. If the request is made to the executive director with adequate advance notice before the meeting, the executive

director shall cause reasonable accommodations to be provided to persons with disabilities to the extent required by law and may exercise discretion to determine any other accommodations to be provided.

2.6 Procedure.

2.6.1 A quorum of the Board is a majority of the number of members fixed by statute, unless otherwise defined by applicable law. A quorum is required for the board to conduct business. Unless otherwise provided by law, a majority vote of the board (i.e., a majority vote of the members present and voting at a meeting where a quorum is present) is required for action or decision by the Board, and at least a majority of the minimum number of members needed to constitute a quorum must vote in favor of the action or decision for it to be approved by the Board. Abstentions are not counted in determining the outcome of a vote but are counted in determining a quorum. The most recent edition of *Robert's Rules of Order Newly Revised*, when not in conflict with other Board-adopted rules of procedure, these Bylaws, or applicable law, shall be the rules of parliamentary procedure and order for the Board and its committees. The TRS general counsel shall assist and advise the chairman of the Board or of a committee regarding interpretation and application of the rules of parliamentary procedure.

2.6.2 The minutes of the Board shall contain each subject of discussion and deliberation, all motions, seconds, if any, and the vote, if any, on such motions. Each Board member shall be given an opportunity to record in the minutes his or her vote on a motion and to have included in the minutes the reasons stated in the meeting for his or her vote.

ARTICLE 3 Committees

3.1 Standing Committees. In accordance with section 1.7 of these Bylaws, the Board may establish standing committees by amendment of this article. A quorum of a standing committee shall be a majority of the members of the committee. Any committee may convene in joint session with any other committee. The committees shall normally meet on a quarterly basis or at the call of its chairman. Standing committees may perform other activities related to the committees' responsibilities as requested by the Board.

3.1.1 Audit, Compliance, and Ethics Committee. The Board shall have an Audit, Compliance, and Ethics Committee. The responsibilities of the Audit, Compliance, and Ethics Committee shall be as follows:

- (a) Purpose
 - (1) To assist the Board in fulfilling its fiduciary oversight responsibilities for
 - (aa) the financial reporting process;
 - (bb) the risk management and internal control system;

- (cc) the internal audit process;
 - (dd) the external audit process;
 - (ee) the process for monitoring compliance with laws, regulations, and policies, and
 - (ff) reporting and other activities.
- (2) To coordinate and interface with the Board regarding Audit, Compliance, and Ethics Committee activities and other pertinent matters.
- (b) Financial Reporting Process
- (1) Review and understand significant accounting and reporting matters requiring judgment (including those involving complex or unusual transactions), consider recent professional and regulatory pronouncements, and understand the impact of such matters and pronouncements on financial statements.
 - (2) Review with management and the external and internal auditors the results of audits, including any difficulties encountered.
 - (3) Review all significant suggestions for improved financial reporting made by the external financial statement auditor and by the internal auditor.
 - (4) Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
 - (5) Review with management and the auditors all matters required to be communicated to the committee under generally accepted auditing standards.
- (c) Governance, Risk Management, and Internal Control Activities
- (1) Receive reports on and discuss the internal and external auditors' assessment of the effectiveness of the organization's governance, risk management, and internal control activities, including technology governance and fraud risk prevention activities.
 - (2) Obtain reports from internal and external auditors and compliance staff on significant findings and recommendations relating to governance, risk management, and internal control activities, together with management's response, including receiving reports regarding any violation of portfolio risk management standards as required by the Investment Policy Statement of the Board for (1) any passive violation of prescribed portfolio policy limits as the result of changing market or credit conditions, and (2) any active violation of prescribed portfolio policy limits as a result of entering into an agreement or investment that breaches a policy limit at inception and the corrective action plan implemented to cure such violation.
- (d) Internal Audit Process
- (1) Assure and maintain, through the organizational structure and by

other means, the independence of the internal audit process. Ensure there are no unjustified restrictions or limitations on the internal audit function.

- (2) Ensure that internal auditors have access to all documents, information and systems in the organization that are reasonably needed to accomplish the purpose of the audit, unless any such information is subject to a legally applicable and properly asserted privilege.
 - (3) Review with management and the chief audit executive the charter, plans, activities, budget, staffing, qualifications and organizational structure of the internal audit function. Recommend to the Board an internal audit charter or modifications to such charter.
 - (4) Review and recommend audit plans for approval by the Board.
 - (5) Review all internal audit reports and management letters.
 - (6) Review the responsiveness and timeliness of management's follow-up actions pertaining to any reported audit recommendations.
 - (7) Receive periodic reports of advisory and consulting activities by internal auditors.
 - (8) Authorize audits or investigations into any matters within the committee's scope of responsibilities and provide appropriate reports to the Board.
 - (9) Provide input and advice to the Board in the appointment, replacement, dismissal and the annual evaluation of the performance and compensation of the chief audit executive in consultation with the executive director.
 - (10) Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and Texas Government Code Chapter 2102 (the Texas Internal Auditing Act).
 - (11) Designate the chief audit executive as the primary point of contact for handling audit-related matters pertaining to audits, examinations, investigations or inquiries of the State Auditor's Office, other appropriate state or federal agencies, and other external audit groups.
- (e) External Audit Process
- (1) Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
 - (2) Review the performance of the external auditors, and, upon request, recommend to the Board the appointment or discharge of the external auditors. Obtain input from management, the chief audit executive, and other parties as appropriate.
 - (3) Review the independence of the external auditors by obtaining

statements from the auditors on relationships between the auditors and the organization, including any non-audit services, and discussing the relationship with the auditors.

- (4) Review the audited financial statements, associated management letters, attestations on the effectiveness of the internal control structure and procedures for financial reporting, and required communications.
 - (5) Review all external audit reports and management letters.
 - (6) Review the responsiveness and timeliness of management's follow-up actions pertaining to any reported audit recommendations.
- (f) Compliance Process
- (1) Access the effectiveness of the system for monitoring compliance with laws, regulations and policies, and the results of management's follow-up actions pertaining to any reported instances of non-compliance.
 - (2) Review the findings and recommendations of any examinations by oversight agencies and compliance and auditor observations.
Obtain regular updates and reports from the chief compliance officer and, as appropriate, management regarding compliance matters.
- (g) Ethics Process
- (1) Recommend, as deemed advisable, reports regarding conflict of interest disclosures from the chief compliance officer or reports that are submitted directly to the chairman of the committee as prescribed in an applicable ethics policy;
 - (2) Recommend to the Board waivers of any disclosed conflict of interest or a waiver of the prohibition against involvement in any matter affected by a disclosed conflict of interest, at a meeting held in compliance with the Open Meetings Act;
 - (3) Recommend to the Board or the executive director the prudence of contracting on behalf of TRS with any entity or a controlled affiliate of such entity that employs or is represented by a former trustee or former employee;
 - (4) Recommend, as deemed advisable, reports from the executive director of any approval given for outside employment by key employees, including the nature of the employment;
 - (5) Recommend to the Board approval in advance of any outside employment by the executive director;
 - (6) Recommend, as deemed advisable, reports from the executive director of any disciplinary action disclosed by key employees; and
 - (7) Recommend, as deemed advisable, reports of violations of a TRS ethics policy and any resulting disciplinary actions.

- (h) Reporting and Other Activities
 - (1) At least quarterly, report to the Board about committee activities, issues, and related recommendations.
 - (2) Provide an open avenue of communication among management, internal audit, external auditors, compliance, and the Board.

3.1.2 Benefits Committee. The Board shall have a Benefits Committee. The purpose of the committee is to assist the Board in carrying out its responsibility for delivery of benefits under programs administered by TRS. The Benefits Committee shall:

- (a) review and make recommendations to the Board related to programs within its oversight;
- (b) receive recommendations from the Retirees Advisory Committee regarding TRS-Care, and recommend related actions to the Board;
- (c) recommend to the Board persons to serve on the Retirees Advisory Committee;
- (d) establish performance standards for professional benefits consultants and participate in performance evaluations of those consultants;
- (e) recommend to the Board persons to serve on the Medical Board;
- (f) review periodic reports by TRS staff or consultants on benefit delivery services, benefit-related trends, and other significant benefit topics; and
- (g) receive reports and make recommendations regarding customer service standards and satisfaction;
- (h) the chair of the committee serves as the point of contact for the ombudsman, in consultation with the executive director, regarding member issues that occur in between committee meetings; and
- (i) provide input and advice to the Board in the appointment, replacement, dismissal and the annual evaluation of the performance and compensation of the ombudsman in consultation with the executive director.

3.1.3 Budget Committee. The Board shall have a Budget Committee. The purpose of the committee is to assist the Board in carrying out its fiduciary responsibility for budgeting and accounting for all expenses of the systems' funds. The Budget Committee shall:

- (a) recommend to the Board annual operating budgets;
- (b) recommend intra-budget transfers and budget amendments for approval by the Board; and
- (c) monitor implementation of the operating budgets of the pension trust and other programs.

3.1.4 Investment Management Committee. The Board shall have an Investment Management Committee. The purpose of the Committee is to assist the Board in carrying out its responsibilities to invest and reinvest the system's assets. The Investment Management Committee shall:

- (a) recommend individual investments and investment- related action to the Board when the recommendation is required by the Board's Investment Policy Statement or resolutions adopted by the Board;
- (b) recommend to the Board overarching strategies for all TRS investments, and to monitor those strategies;
- (c) recommend to the Board or an applicable committee investment objectives, the establishment of performance and risk measurement and attribution standards for plan assets, each asset class and component portfolios, and risk parameters and controls, and to monitor those that the Board approves;
- (d) monitor the retirement system's investment processes and consider recommending to the Board or an applicable committee proposed changes to the system's investment processes;
- (e) monitor the investment performance of the overall fund, receive investment reports, and recommend to the Board or an applicable committee policies for appropriate reporting and communication mechanisms to keep the committee and the Board appropriately informed about TRS investments;
- (f) receive reports from staff regarding compliance with portfolio risk management standards as required by the Investment Policy Statement of the Board;
- (g) recommend to the Board approval of action plans submitted by staff to cure passive violations of prescribed policy limits when it is necessary to extend the cure period beyond the time allowed by policy for staff to cure such violation;
- (h) review proposed new or amended investment policies and make recommendations relating to any investment policy, including reporting and communication requirements, to the Policy Committee
- (i) recommend to the Board or the staff, as applicable, that TRS engage professional independent service providers, advisors, or consultants to review internal investment operations and render advice as appropriate. The committee may review responsive proposals and recommend engagement of one or more firms to the Board or the staff, as applicable; and

3.1.5 Policy Committee. The Board shall have a Policy Committee. The purpose of the Policy Committee is to assist the Board in fulfilling its policy-making responsibilities, in accordance with Texas Government Code Sections 825.102 and 825.113. The Policy Committee shall:

- (a) make or review policy proposals, including those made by staff through procedures established by the executive director, and recommend new

written Board policies and modifications to existing written policies as needed;

- (b) recommend new rules and rule amendments as needed and review existing rules periodically as required by law;
- (c) adopt and follow a plan of review for each fiscal year to ensure that all written TRS Board policies are reviewed periodically; and
- (d) ensure that proposed Board policies or policy changes have been appropriately reviewed, including by staff pursuant to procedures established by the executive director or by consultants as necessary.

3.1.6 Strategic Planning Committee. The Board shall have a Strategic Planning Committee. The purpose of the committee is to assist the Board in its oversight responsibilities relating to strategic planning, including related risks, opportunities, and major projects. The Strategic Planning Committee shall:

- (a) receive reports from staff regarding the development and execution of strategic planning, including regular updates on TRS' medium and long-term initiatives, the TRS Strategic Plan, key performance indicators, and the identification and mitigation of strategic plan risks and vulnerabilities;
- (b) provide input and guidance regarding:
 - (1) assessment of the internal and external forces and variables that impact TRS' strategic planning;
 - (2) formulation and execution of strategic goals and objectives; and
 - (3) alignment of the organization behind the agency's strategic goals and objectives, including alignment with major projects, resource allocation, and the Executive Director's goals and objectives;
- (c) review and make recommendations to the Board on the TRS mission and vision statements and the strategic plan goals and objectives;
- (d) provide enterprise risk oversight by discussing and considering matters relating to the identification, prioritization, management, and monitoring of critical risks;
- (e) receive reports from staff regarding the identification, evaluation, and management of risk across the enterprise;
- (f) receive reports from staff regarding major project development and execution;
- (g) provide input and guidance to TRS staff on the development and execution of major projects;
- (h) make such other recommendations to the Board as the committee deems necessary pertaining to any matters regarding enterprise risk mitigation, tolerance levels, and reduction strategies; and

3.1.7 Compensation Committee. The Board shall have a Compensation Committee.

The purpose of the Committee is to assist the Board in its responsibilities to establish a system for the equitable and effective compensation of employees. The Compensation Committee shall:

- (a) review the Performance Pay Plans and when needed make recommendations concerning it to the Board;
- (b) provide direction to the executive director and make recommendations to the Board on the compensation of TRS staff and other compensation matters referred to the Compensation Committee by the Board chair;
- (c) recommend to the Board adoption of not-to-exceed amounts in the exempt salary schedule in consultation with the executive director; and
- (d) monitor efficiency and effectiveness of the TRS classification system to attract and retain a qualified workforce.

3.2 Special Committees. Special committees other than standing committees established in section 3.1 may be created by action of the Board, which shall establish the purpose and responsibilities of the committee and may establish the term for which it shall exist.

3.3 Composition of Committees. A committee will be composed of five members of the Board unless otherwise provided by action of the Board or these Bylaws. The chairman of the Board annually shall appoint committee members subject to the consent of the Board on or before the Board's first regular meeting of the fiscal year or as soon thereafter as may be practicable. The chairman of the Board shall designate the chairman of each committee. Committee chairmen serve as chairmen at the pleasure of the chairman of the Board. The term of a committee member expires on the earlier to occur of the date of the Board's consent to the appointment of a successor committee member to fill the member's position or the date on which the member's term as a Board member has expired according to law and the person is no longer holding over and serving as a member of the Board. The chairman of the Board may appoint an interim successor to the committee for a member whose Board term has expired, who is holding over as a Board member, but who has resigned his or her committee position. Any such interim successor member of a committee may serve until the meeting of the Board at which the Board votes to consent to the appointment of committee members.

3.4 Advisory and Auxiliary Committees. If authorized or required by state law or Board policy, the Board shall appoint advisory or auxiliary committees of non-board members to assist TRS. These committees may be composed of volunteers, independent contractors, or employees. Such committees include the Medical Board and the Retirees Advisory Committee for TRS-Care. The terms, qualifications, and methods of appointment of these committees shall be governed by relevant state law or Board policy. The Board shall

designate the chairman and vice chairman, if any, of each such committee.

3.5 Committee Agendas. The agenda for each committee meeting shall be set in a manner similar to a Board meeting agenda, but with the committee chairman and members having the same authority with regard to the committee agenda of committee meetings that the Board chairman and members have with regard to the Board agenda of Board meetings.

3.6 Committee Attendance. Any member of the Board may attend a meeting of a committee of which he or she is not a member but shall not vote. Because the attendance of five or more trustees at a Board committee meeting constitutes a quorum of the full Board, public notice of a committee meeting is also posted as a Board meeting under the Open Meetings Act (Texas Government Code Chapter 551) in anticipation of a quorum of the full Board possibly attending the meeting. Also in compliance with the Open Meetings Act, a record is kept of the attendance of a quorum of the full Board at a Board committee meeting. The attendance of a quorum of the full Board at a Board committee meeting is not a regular, special, or emergency Board meeting under Article 2 of these Bylaws, relating to meetings of the Board. In addition, the attendance of a quorum of the full Board at a Board committee meeting is not a regularly scheduled Board meeting under Texas Government Code Section 825.010(a)(5), relating to grounds for removal of a trustee because of absence from Board meetings.

ARTICLE 4

Executive Director

4.1 Responsibilities of Executive Director. The Board shall employ an executive director as required by law, with such duties as may be required by law of the chief executive officer and chief administrative employee of TRS and with such other duties as may be established by the Board in its policies, resolutions, and other actions. In these Bylaws, the term “executive director” means the person appointed by the Board pursuant to Texas Government Code Section 825.202 (or a successor statute) and these Bylaws.

- 4.1.1** With respect to the operations of the Board itself the executive director shall:
- (a) make preparations, including trustee travel arrangements, for all meetings of the Board and its committees;
 - (b) under the direction of the chairman of the Board or a relevant committee, prepare and distribute the agendas and appropriate documentation for all meetings of the Board and its committees;
 - (c) under the direction of the chairman of the Board or of a relevant committee, post notices of all meetings and the subject matter thereof as may be required by law;
 - (d) cause the secretary to the Board to record, prepare, and index the official minutes of the Board and its committees;
 - (e) file and preserve all official documents, correspondence, and proceedings of the Board and its committees;

- (f) ensure proper custody, access and use of the TRS official seal and any counterparts consistent with section 5.9 of these Bylaws;
- (g) maintain the official copy of these Bylaws;
- (h) as directed by the Board, establish routine reporting mechanisms and procedures to the Board and prepare special reports to the Board; and
- (i) carry out other policies adopted by the Board.

4.1.2 The executive director is the chief executive officer of TRS and is responsible to the Board for the general administration of TRS in accordance with relevant state laws and policies adopted by the Board. The executive director shall:

- (a) manage the daily operations of TRS as its chief executive officer;
- (b) assume managerial responsibility and leadership for the planning, operation, supervision, and evaluation of programs and services;
- (c) assume authority and responsibility for the selection, job description, assignment of duties, performance evaluation, promotion, compensation, and discipline, including dismissal of all TRS personnel except for:
 - (1) the chief audit executive as provided in subsections 1.7 and 3.1.1 of these Bylaws;
 - (2) the selection of the chief investment officer as provided in subsection 1.7 of these Bylaws. The executive director shall evaluate the chief investment officer in consultation with the Board and have full authority and responsibility for all other personnel matters, including the chief investment officer's assignment of duties and discipline, including dismissal; and
 - (3) the ombudsman as provided in subsection 1.7 of these Bylaws. .
- (d) prepare and submit annual operating budgets for consideration by the Board;
- (e) prepare recommendations for policies to be considered by the Board and oversee the implementation of adopted policies;
- (f) recommend to the Board, either directly or through a designee, the selection and evaluation of the actuary, custodian for securities and for securities lending, investment consultant or advisor to the Board, and fiduciary counsel to the Board,;
- (g) organize TRS to accommodate its mission; and
- (h) develop programs designed to create a culture of diversity, inclusion, and equity at TRS, including in the organization's recruitment, retention, position, pay and procurement practices.

4.2 Miscellaneous Duties.

4.2.1 The executive director shall annually provide to members of the Board information regarding their qualification for office, including Texas Government Code Sections 825.002, -.003, -.0032, and -.010, and their responsibilities under applicable laws relating to standards of conduct for state

officers including Texas Government Code Sections 553.002, 572.005, 572.051, 572.056, 572.058, 825.0032, 825.210-.212, and 2254.032, and Texas Penal Code Sections 32.43, 32.45, 36.02, 36.08, 36.10, 39.01, and 39.03, and any amended, new, or successor statutes.

4.2.2 The executive director shall annually provide to TRS employees information regarding their qualification for employment, including Texas Government Code Sections 573.001-.084 and 825.0032 and their responsibilities under applicable laws relating to standards of conduct for state employees including Texas Government Code Sections 553.002, 572.051, 572.005, 825.0032, 825.210-.212, and 2254.032, and Texas Penal Code Sections 32.43, 32.45, 36.02, 36.08, 36.10, 39.01, and 39.03, and any amended, new, or successor statutes.

4.2.3 In accordance with Texas Government Code Section 825.010(c), the executive director shall notify the chairman of the Board if he has knowledge that a potential ground for removal of a trustee exists. The chairman shall then notify the appropriate appointing officer or body that a potential ground for removal exists.

4.3 Absence of Executive Director. If the executive director will be away from the TRS headquarters for a brief period, as contemplated by section 4.4 of this article, the executive director may designate the deputy director to act in his or her stead generally or for a particular purpose. If the deputy director is also unavailable, the executive director may designate the chief financial officer to act for the executive director. In the absence of the executive director due to incapacity or otherwise when the duration of the absence is unknown and the absence may be extended or permanent, the deputy director shall perform such duties as are necessary to the administration of the system and shall have the responsibility and authority of the executive director until the Board designates the person succeeding to the responsibilities and authority of the executive director. In the absence of the executive director and the deputy director, the chief financial officer shall perform such duties as are necessary to the administration of the system and shall have the responsibility and authority of the executive director and the deputy director until the earlier of the following events: the executive director or the deputy director has resumed his or her duties; or the Board has designated the person succeeding to the responsibilities and authority of the executive director or the deputy director.

For no longer than the duration of an emergency situation, the chairman of the Board shall designate the person succeeding to the responsibilities and authority of the executive director pending approval by the Board of Trustees. A designee under this section shall have the responsibility and authority of the executive director. The chairman of the Board or the deputy director shall notify the Texas Ethics Commission whenever there is a change in the person named to the position of executive director. A member of the Board is not eligible for temporary designation or permanent appointment to serve in the capacity of the executive director under Texas law.

4.4 Delegating Responsibilities. The executive director shall designate an employee of TRS to serve as secretary to the Board to assist in the execution of duties enumerated in subsection 4.1.1 of this article and may assign other employees of TRS as necessary to assist in carrying out these and other duties.

ARTICLE 5

Miscellaneous Organizational Provisions

5.1 Administration of TRS. The administration of TRS is governed by these Bylaws, Board policies, and applicable laws. In the event of a conflict between these Bylaws and applicable state law, the applicable state law shall govern to the extent necessary to resolve the conflict.

5.2 Investments of TRS. TRS investments are authorized to be made only in accordance with policies adopted by the Board and applicable state, federal, and foreign law.

5.3 Custody of TRS Assets. TRS trust assets shall be entrusted to one or more custodians only in accordance with policies and other actions of the Board and applicable state law. The Board shall select the custodian or custodians to hold TRS assets.

5.4 Budgets and Fiscal Year. The budgets of the pension trust fund and any other trust funds administered by TRS are adopted by the Board and may be amended by the Board in subsequent meetings. The TRS fiscal year shall begin September 1 and shall end the following August 31.

5.5 Title to and Ownership of Assets. Accounts or assets of TRS may be held in the name of TRS, a nominee, or other agent in accordance with state law. The assets of TRS shall not be considered at any time to be assets of the state or any employer of TRS members but are to be held in trust for the exclusive benefit of TRS members, annuitants, beneficiaries, or other trust participants.

5.6 Authority to Act for TRS. The Board delegates authority for the following matters:

- (a) investment decisions, in accordance with actions of the Board, including investment policies and applicable state law;
- (b) contracts for the purchase of goods and services, to the executive director or his designee in accordance with the budget, subject to applicable actions of the Board;
- (c) release of assets held in the name of TRS, its nominees, or other agents, in accordance with actions of the Board;
- (d) approval of retirement, death, and survivor benefit payments and refunds to the executive director and his or her designees, in accordance with actions of the Board and applicable state law;
- (e) execution of vouchers for payment of TRS funds, in accordance with actions of the Board; and
- (f) initiation, defense, and settlement of lawsuits and other claims, to the executive

director or his designee, subject to applicable actions of the Board.

5.7 TRS Rules. The executive director is authorized to draft and submit proposed rules for TRS to the Texas Secretary of State to be considered by the Board for adoption in accordance with state law.

5.8 Personnel Policies. TRS personnel policies shall be issued and disseminated to all employees by the executive director and revised from time to time, in compliance with Board policies and state law. TRS is an at-will employer.

5.9 Official Seal of TRS. The form of the official seal of TRS shall consist of a five-point star surrounded by a pair of branches and two concentric circles with the name “Teacher Retirement System of Texas” displayed in the space between the two circles. The seal may be either embossed or stamped. The executive director may designate in writing those TRS employees, in addition to and not in lieu of the secretary to the Board, who are authorized to use and affix the seal to TRS documents when the secretary is absent, incapacitated, or otherwise unavailable. Such a designated employee is authorized, in the capacity of an assistant secretary to the Board, to attest, to affix the seal, or to certify as to any matter as to which the secretary to the Board could attest, affix the seal, or certify. Purchase and use of identical counterparts of the seal is authorized when each counterpart is held by an authorized designee of the executive director. Affixing the TRS seal is not necessary to authenticate or attest a TRS document unless the seal is required by applicable law.

ARTICLE 6

Amendment of Bylaws

6.1 Amendment of Bylaws. These Bylaws may be amended only by a majority vote of the Board at any duly posted meeting of the Board for which notice of consideration of the proposed amendment has been properly given under the Open Meetings Act. At least every four years, these Bylaws shall receive a full review to determine necessity and adequacy of their need.