

July 2025

GUIDING PRINCIPLES

Governance Committee Meeting



TEACHER RETIREMENT SYSTEM OF TEXAS MEETING

BOARD OF TRUSTEES

AND

GOVERNANCE COMMITTEE

*All or part of the July 17, 2025, 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 17, 2025, meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the meeting is provided at www.trs.texas.gov. A recording of the meeting will be available at www.trs.texas.gov.

AGENDA

July 17, 2025 – 3:30 p.m.

1. Call roll of Committee members.
2. Consider the approval of the proposed minutes of the April 2025 committee meeting – Committee Chair.
3. Discuss and review of Proposed Modifications to IMD and TRICOT's Performance Pay Plan (PPP) for the 2025 - 2026 Performance Period - Katy Hoffman.
4. Discuss and review the Executive Director's Areas of Focus for Fiscal Year 2025 and proposed for Fiscal Year 2026 – Brian Guthrie and Michelle Pagán.
5. Consider recommending to the Board adoption of the proposed amendments to TRS Rule 25.131 in Subchapter J, Chapter 25 of Title 34, Part 3 of the Texas Administrative Code, related to Required Service – Heather Traeger and Nicholas Gonzalez.
6. Consider recommending to the Board adoption of the proposed amendments to TRS Rule 41.12 in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, related to Eligibility for the Alternative Plan for Medicare-Eligible Participants – Heather Traeger and Roberto Cortes-Moreno.

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.

7. Consider authorizing for publication in the Texas Register notice of proposed amendments to the following TRS Rules in Chapter 27 and Chapter 29 of Title 34, Part 3 of the Texas Administrative Code – Heather Traeger and Nick Gonzalez:
 - A. 27.6 Reinstatement of an Account;
 - B. 29.9 Survivor Benefits; and
 - C. 29.56 Minimum Distribution Requirements.

Minutes of the Governance Committee April 10, 2025

The Governance Committee of the Board of Trustees of the Teacher Retirement System of Texas met on April 10, 2025, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

Committee members present:

Mr. John Elliott, Chair
Ms. Brittny Allred
Ms. Laronda Graf
Mr. James Dick Nance
Mr. Robert H. Walls, Jr.

Other TRS Board Members present:

Mr. Michael Ball
Mr. David Corpus
Mr. John Rutherford
Mr. Elvis Williams

Others who participated:

Brian Guthrie, TRS
Caasi Lamb, TRS
Don Green, TRS
Heather Traeger, TRS
Amanda Jenami, TRS
Barbie Pearson, TRS
Katrina Daniel, TRS
Nick Gonzalez, TRS
Roberto Cortes Moreno, TRS
Katherine Farrell, TRS
Suzanne Dugan, Cohen Milstein

Governance Committee Chair, Mr. John Elliott, called the meeting to order at 5:55 p.m.

1. Call roll of Committee members.

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

2. Consider the approval of the proposed minutes of the December 2024 Policy Committee meeting, the September 2024 Strategic Planning Committee and September 2024 Compensation Committee meetings – Chair.

On a motion by Ms. Allred, seconded by Mr. Nance, the committee voted to approve the proposed minutes for the Policy, Strategic Planning and Compensation Committee meetings, as presented.

3. Consider recommending to the Board adoption of proposed amendments to the Resolution Authorizing the Executive Director to Designate Persons Authorized to Approve and Sign Vouchers – Don Green.

Mr. Don Green stated that pursuant to the policy review schedule, the resolution authorizing certain persons to sign vouchers is to be reviewed every three years, the last policy review occurred in April 2022. He said staff recommends the resolution be re-adopted as it continues to serve the purpose for which it was adopted.

On a motion by Ms. Graf, seconded by Mr. Nance, the committee voted to recommend to the Board adoption of the resolution authorizing the Executive Director to designate persons authorized to approve and sign vouchers, as presented by staff.

4. Receive an update on and consider proposed changes to the Fiscal Year 2025 - 29 Strategic Plan Goals, Objectives and Strategies – Don Green and Michell Pagan.

Mr. Don Green reported the Strategic Plan is developed every even-numbered year, one year ago the 2025 to 2029 was adopted by the Board. He said for every odd-numbered year updates to the plan are considered. He said staff proposes to reduce the number of objectives by one and strategies by three. He provided a high level overview of the other proposed changes which included wording changes.

On a motion by Mr. Nance, seconded by Ms. Allred, the committee voted to recommend to the Board adoption of the proposed changes to the fiscal year 2025 to 2029 Strategic Plan goals, objectives and strategies, as presented by staff.

5. Consider authorizing for publication in the Texas Register notice of the proposed amendments to TRS Rule 25.131 in Subchapter J, Chapter 25 of Title 34, Part 3 of the Texas Administrative Code, related to Required Service -Heather Traeger and Nick Gonzalez.

Mr. Nick Gonzalez provided an overview of the proposed amendments to TRS Rule 25.131, regarding service credit. He said the proposed amendments clarifies ambiguity regarding those members who work a four day week, the nonstandard work week, and the final fall semester rule. In response to Mr. Elliott's question, Mr. Gonzalez affirmed the proposed amendment was member friendly.

On a motion by Ms. Graf, seconded by Ms. Allred, the committee unanimously voted to authorize for publication in the Texas Register notice of the proposed amendments to TRS Rule 25.131 in Subchapter J, Chapter 25 of Title 34, Part 3, of the Texas Administrative Code, related to required service, as presented by staff.

6. Consider authorizing for publication in the Texas Register notice of the proposed amendments to TRS Rule 41.12 in Chapter 41 of Title 34, Part 3 of the Texas

Administrative Code, related to Eligibility for the Alternative Plan for Medicare-Eligible Participants – Heather Traeger, Katrina Daniel and Roberto Moreno-Cortes.

Mr. Roberto Moreno-Cortes provided an overview of the proposed amendments to TRS Rule 41.12 relating to the Alternative Plan for Medicare-Eligible Participants. He said based upon the recent repeal of certain federal laws and the expansion of Medicare Advantage provider networks in rural areas, the Alternative Plan’s existence has lost its practical purpose. He said the proposal is to close the enrollment to the Alternative Plan beginning January 1, 2026, while continuing to allow the current participants to remain in the Alternative Plan. He said the proposed rule will require Medicare-eligible TRS-Care participants to enroll and maintain Medicare Part B coverage to be able to enroll in the TRS-Care Medicare Advantage plan. effective January 1, 2026,.

On a motion by Mr. Walls, seconded by Mr. Nance, the committee voted to authorize for publication in the Texas Register notice of the proposed amendments to TRS Rule 41.12 in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code, related to the eligibility for Alternative Plan for Medicare-eligible participants, as presented by staff.

With no further business before the Committee, the meeting adjourned at 6:23 p.m.

Approved by the Governance Committee of the Board of Trustees of the Teacher Retirement System of Texas on July _____, 2025.

Katherine H. Farrell
Secretary of the TRS Board of Trustees

Date

TAB 3

Review of proposed changes to IMD Performance Pay Plans

Katy Hoffman, Chief of Staff

July 2025



Introduction

- The Board annually reviews the Performance Pay plans (PPP) for IMD and TRICOT
 - A formal proposal will be presented in September to the Governance Committee for consideration in making a recommendation to the Board to adopt
 - Mercer and Fiduciary Counsel will provide memorandums in September discussing their views
- IMD is proposing four modifications to the plans for Board feedback
 - These changes would be made in both IMD plans (IMD and TRICOT)
 - Addendum A outlines the calculation methodology for benchmark performance measures
 - Addendum B outlines the calculation methodology for peer performance measures

Modification #	Proposed Modifications
1	Consolidate public market groups and portfolios in Addendum A
2	Add a peer set for the Public Markets All Country portfolio to Addendum B
3	Remove Trading Management peer set and adjust Trading team peer calculation in Addendum B
4	Conform language between the existing plan and legislation for participants that have died or have become disabled

Modification #1

Consolidate Public Markets groups and portfolios in Addendum A

Proposal

- Consolidate three portfolios (Internal Fundamental, Quantitative Equity and External Public) for benchmark comparison purposes
- Separate Special Opportunities Absolute Return portfolio from overall Active Public Markets in the benchmark comparison calculation

Rationale

- The total public equity portfolio is managed as a single portfolio; a single benchmark comparison provides better alignment among the teams and on the Trust's overall goal
 - Each of the teams investing in equities may implement strategies that do not map directly to policy asset classes (regional, target capitalization or niche strategies), introducing basis risk to the policy benchmark that resolves at the aggregate portfolio level
- A separate Absolute Return calculation provides a more direct incentive to the Special Opportunities team
 - The Special Opportunities team has limited influence on the equity portfolios

Modification #2

Add peer set for Public Markets All Country in Addendum B

Proposal

- Add “TUCS Total Equity Returns >\$10 Billion Universe” as a Peer Group comparison for the Public Markets All Country public equity portfolio

Rationale

- The All Country portfolio is a Global Portfolio and significant portion of Public Markets performance
- The TUCS Total Equity Returns >\$10 Billion Universe is a valid peer comparison with similar asset allocation to the All Country portfolio
 - The absence of China and Hong Kong from the All Country portfolio is a remaining difference
 - The peer universe is robust, averaging over 20 observations during the last three years

Background Information

- Employees in the Public Markets group have not historically had a Peer Group comparison in the plan because overall portfolio results were driven largely by regional allocations set at the IPS level
 - As a global portfolio, the All Country portfolio does not have those regional allocation distortions
- TUCS > \$10 Billion Universe is currently used for peer comparisons for Total Trust, Private Equity and Real Estate

Modification #3

Remove Trading Management peer set and update Trading team calculation in Addendum B

Proposal

- Remove Trading Management peer set from Addendum B
- Update Trading team calculation for Addendum B as shown below:

	Trust	Trade Management	All Country	Private Equity	Real Estate	Risk Parity Portfolio
Current	30%	70%	N/A	0%	0%	0%
Proposed	30%	0%	30%	10%	10%	20%

Rationale

- Trading Management peer set benchmark provider (Virtu) is phasing out the existing benchmark and a new potential measure is still in development
- Proposed allocation for the Trading team peer calculation better matches their current involvement

Background Information

- Trading team assists Private Markets with their public stock distributions and hedging activities

Modification #4

Conform plan language with legislation

Proposal

- Update existing 4.7d to align with legislation by delaying payment when Trust return is below 0%
 - Currently the plan requires payment for participants that have died or become disabled or were let go in a Reduction in Force (RIF) regardless of Trust return
 - New provision includes forfeiture of an award, in these cases, if the Trust return is negative for three performance periods
- Remove reference to RIF from the plans

Rationale

- Revised language conforms to the law
- The new forfeiture provision delays tax liability for the participant until payment is made
- IMD has never used Reduction in Force

Background

- Payments associated with this provision require special handling by staff and involvement of the participant's estate

APPENDIX

Existing Addendum A

ADDENDUM A Performance Payout Allocation and Maximum Payout Targets vs. Passive Benchmark

	Total Fund	Active Public Markets(1)	Internal Fundamental	External Public Markets	Multi-Asset Strategies Group	Special Opportunities	Private Equity	Real Estate	Energy Natural Resources Infrastructure	Total
Index	Total Fund Policy Composite Index	Daily Weighted Excess Return Based on Actual Portfolio Weights and Investment Policy Statement					State Street Private Equity Index	NCREIF ODCE	40% Cambridge Natural Resources, 40% Cambridge Infrastructure, 20% CPI	
Excess Return Target	75 bps	75 bps	75 bps	75 bps	75 bps	150 bps	125 bps	150 bps	125 bps	
Executive	100%									100%
Risk and Portfolio Management	100%									100%
Internal Fundamental	30%	50%	20%							100%
External Public Markets	30%	50%		20%						100%
Multi-Asset Strategies Group	30%	50%			20%					100%
Special Opportunities	30%	50%				20%				100%
Private Equity	30%						70%			100%
Real Estate	30%							70%		100%
Energy Natural Resources & Infrastructure	30%								70%	100%
Trade Management	60%	40%								100%
Investment Operations	100%									100%
IMD Legal & Compliance	100%									100%

Revised Addendum A

ADDENDUM A Performance Payout Allocation and Maximum Payout Targets vs. Passive Benchmark

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

Existing & Revised Addendum B

ADDENDUM B

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

Fund Level	Total Fund	Trade Management	Private Equity	Real Estate	Risk Parity Portfolio	Total
Index	TUCS Public Funds >\$10 Billion Universe	Virtu Financial	TUCS Private Equity > \$10 billion Universe	Real Estate vs. TUCS Real Estate > \$10 billion Universe	Risk Parity Benchmark	
Excess Return Target:	75 bps	9 bps	175 bps	150 bps	30 bps	
Executive	60%	10%	10%	10%	10%	100%
Risk and Portfolio Management	30%	10%	10%	10%	40%	100%
Public Markets	90%	10%				100%
Private Equity	30%		70%			100%
Real Estate	30%			70%		100%
Energy Natural Resources & Infrastructure	30%		35%	35%		100%
Trade Management	30%	70%				100%
Investment Operations	60%	10%	10%	10%	10%	100%
IMD Legal & Compliance	60%	10%	10%	10%	10%	100%

ADDENDUM B

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

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

IMD Compensation Philosophy

“To remain competitive in its efforts to attract and retain high caliber investment Division staff, the TRS strives to offer a competitive compensation package.

Performance incentive pay is an industry standard practice in the private sector investment arena and is rapidly becoming a standard practice in the public sector. By offering both a competitive base salary and performance incentive pay, TRS enhances its ability to fulfill the mission to ‘prudently invest and manage the assets held in trust for members and beneficiaries in an actuarially sound system administered in accordance with applicable fiduciary principals.

Therefore, pursuant to the laws governing TRS, the TRS Board of Trustees has determined that establishing and expending funds for this Performance Incentive Pay Plan is required to perform the fiduciary duties of the Board in administering the retirement system.”

- Investment Incentive Compensation Plan,
Plan Purpose and Authorization Adopted by
TRS Board of Trustees

- In 2007, the Board approved a compensation philosophy for the IMD and created the IMD Performance Pay Plan
 - The Board completed a comprehensive review of the philosophy in 2024 with no changes
 - IMD’s compensation philosophy is designed to attract and retain a talented investment organization
- Board Compensation Philosophy for IMD
 - Base Pay targets 1st quartile among leading public funds
 - Performance Pay targets 4th quartile among private sector firms
- Awards emphasize longer-term results and alignment with TRS members
 - 67% on 3-year results/33% on 1-year results
 - Paid only when Trust returns are positive
- Compensation evaluations occur on a regular schedule
 - Base Pay review is every 2 years
 - Performance Pay review is every 5 years

Key Elements of Performance Pay Plan

- Maximum Award Obligation (MAO) is the maximum amount payable, expressed as a percent of base salary, if all targets are fully met

ELIGIBLE POSITION TITLE	MAXIMUM POTENTIAL AWARD
Chief Investment Officer	175%
Senior Managing Director	175%
Managing Director	175%
Director	150%
Investment Manager	100%
Senior Associate	75%
Associate	65%
Senior Analyst	40%
Analyst	30%
Junior Analyst	15%
Administrative Assistants	5%

- Three main components to the award:
 - Performance relative to benchmarks
 - Performance relative to peers
 - Individual performance as assessed by manager
- Trust performance drives meaningful portion of the award (30% minimum) while promoting importance of asset class and team performance
- Longer term results prioritized with 67% of the award based on 3-year results and 33% on 1-year results
- Awards paid only when Trust return is positive

TAB 4



Governance

Executive Director's Areas of Focus FY 2025 Update
and Proposed for FY 2026

July 17, 2025

Brian Guthrie | Executive Director

Michelle Pagán | Director of Enterprise Risk, Strategy & Performance





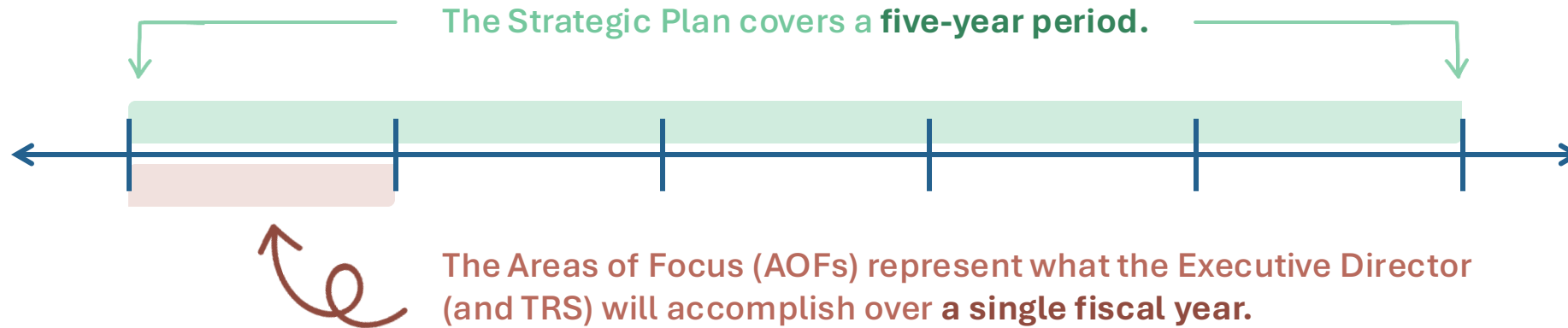
Agenda



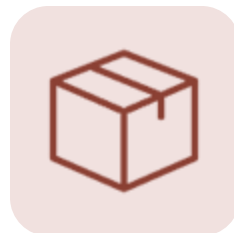
- Background
- Alignment
- FY 2025 Update
- Proposed FY 2026
- Appendix A: FY 2026 Proposed Areas of Focus
- Appendix B: FY 2025 Areas of Focus (Status as of Q3)



Background



Two types of success measures* support the Areas of Focus: **deliverables** and key performance indicators (KPIs)



Deliverables

- discrete tasks with a start and end date
- may extend over multiple fiscal years
- considered complete if tasks identified for FY 2025 have been accomplished



KPIs

- quantifiable measures of performance
- tracked throughout the fiscal year to assess progress
- used to evaluate defined aspects such as output, timeliness or engagement

* Results and measures related to the Areas of Focus inform trustees' overall qualitative assessment of leadership performance and are not weighted or calculated as part of an overall quantitative measure.

Alignment

Areas of Focus
align with TRS'
Key Accountabilities



Member Focused

AREAS OF FOCUS | FY 25



- Improve the customer service experience for participants and reporting employers. **(G2.01)**
- Increase the value of TRS-Care and TRS-ActiveCare benefits. **(G3.02)**

Alignment

Areas of Focus
align with TRS'
Key Accountabilities



Member Focused

AREAS OF FOCUS | FY 25

- Improve the customer service experience for participants and reporting employers. **(G2.01)**
- Increase the value of TRS-Care and TRS-ActiveCare benefits. **(G3.02)**

(G3.02)








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

Areas of Focus
also align with TRS'
Strategic Plan

Areas of Focus Update | FY 2025



**MEMBER
Focused**

Areas of Focus (FY 25)	Deliverables	Status
Improve the customer service experience for participants and reporting employers. (G2.O1) see details in Appendix B	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)	 In Progress
Increase the value of TRS-Care and TRS-ActiveCare benefits. (G3.O2) see details in Appendix B	Reengineer TRS-ActiveCare to better meet employer needs. (G3.O2.S2)	 In Progress
	Monitor and evaluate programs to reduce participants' out-of-pocket costs for specialty drugs.	 Complete
	Lower premiums in 2025 for Medicare-eligible retirees while maintaining stability of the TRS-Care fund.	 Complete
	Implement new TRS-Care dental and vision plans for plan year 2025.	 Complete

Areas of Focus Update | FY 2025






LEADERSHIP Effectiveness

Areas of Focus (FY 25)	Deliverables	Status
Enhance stakeholder communication. see details in Appendix B	Serve as a trusted resource and engage with policymakers on pension funding 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
	Implement and monitor the Member and Employer Outreach Plan to better help members and employers fully know and utilize benefits, engage with TRS, plan for retirement, and remain informed postretirement. (G4.O7.S2)	In Progress
Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods. (G1.O1) see details in Appendix B	Continue to hire and expand the Emerging Manager Program.	Complete
	Conduct strategic asset allocation (SAA) study and report results to the board of trustees (October 2024).	Complete

Areas of Focus Update | FY 2025



TALENT Effectiveness

Areas of Focus (FY 25)	Deliverables	Status
Attract, retain, and develop a diverse and highly competent staff. (G4.O1) see details in Appendix B	Continue to evolve as an employer of choice to attract and retain best talent, including exploring TRS becoming a multi-state employer.	 Complete
	Improve diversity representation, as defined by Texas state law, at all levels of the organization, with primary focus on job qualifications and experience.	 Complete
	Maintain workforce planning strategies which provide continuous improvement for hybrid work, succession planning and learning and development initiatives.	 Complete

Areas of Focus Update | FY 2025



OPERATIONAL Effectiveness

Areas of Focus (FY 25)	Deliverables	Status
Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. (G4.O3) see details in Appendix B	Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities. (G4.O3.S1) Expand the governance, risk, and compliance (GRC) program to include security and privacy management, risk/fraud forecasting, and education in cooperation with Legal & Compliance and appropriate business units. (G4.O3.S2)	 In Progress  In Progress
Execute on TRS facilities needs. (G4.O4) see details in Appendix B	Complete build-out and move-in activities for the new TRS headquarters buildings (Alpha and Bravo). (G4.O4.S1)	 Complete
Implementation of legislation. see details in Appendix B	Plan and execute implementation of new legislation.	 In Progress

Areas of Focus Update | FY 2025



CONTINUOUS Improvement

Areas of Focus (FY 25)

Deliverables

Status

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

[see details in Appendix B](#)

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 release per TEAM Roadmap.

 In Progress

Deliver dental and vision and limited time enrollment opportunity capabilities for Health.

 Complete

Evaluate automation and technology solutions to enhance existing processes. (G4.O8)

[see details in Appendix B](#)

Investigate best practices and feasibility of incorporating artificial intelligence (AI) into organizational processes. (G4.O8.S1)

 In Progress

Identify opportunities for improved productivity, process efficiencies and performance monitoring. (G4.O8.S2)

 In Progress

Implement Investment Data Modernization Program (IDM) to improve trust asset monitoring and fiduciary oversight. (G4.O8.S3)

 In Progress

Implement and support business-driven artificial intelligence technology solutions across TRS.

 In Progress



Proposed FY 2026 Areas of Focus

Proposed FY 26 Areas of Focus – Highlights



AREAS OF FOCUS

- 7 Strategic Plan Objectives
- 1 Communication-related
- 1 Legislative-related



SUCCESS MEASURES

- 36 Deliverables (qualitative)
- 16 KPIs (quantitative)

Proposed Areas of Focus – Member Focused



MEMBER
Focused

		Status
Improve the customer service experience for participants and reporting employers. (G2.O1)		Carryover
Success Measures	Deliverables	
	Expand member self-service options within the automated phone system and MyTRS.	Carryover
	Increase engagement with members/participants and reporting employers regarding TRS benefits. (G2.O1.S1)	Carryover
	Expand our services to meet members where they are. (G2.O1.S2)	Carryover
	Complete all hiring and training activities for Rio Grande Valley regional office opening by end of CY 26.	New
	KPIs	
	Pension Services calls answered within 3 minutes – Target: 90%	Carryover
	Health Division calls answered within 3 minutes – Target: 90%	Carryover
	Retirees receiving first annuity payment on time – Target: 98%	Carryover
	Death claims payments issued within 31 days of receipt of all required paperwork – Target: 95%	Carryover
	Number of counseling appointments available in Austin – Target: 20,000	Carryover
	Number of counseling appointments available in El Paso – Target: 7,500	Carryover
	Attain a reported response time within 48 hours or sooner based on Reporting Employer Satisfaction Survey – Target: 90%	Carryover

Proposed Areas of Focus – Member Focused



MEMBER
Focused

		Status
Increase the value of TRS-Care and TRS-ActiveCare benefits. (G3.O2)		Carryover
Success Measures	Deliverables	
	Reengineer TRS-ActiveCare to better meet employer needs. (G3.O2.S2)	Carryover
	Monitor, evaluate and expand innovative and effective savings initiatives such as member rewards.	Revised
	Lower premiums in 2025 for Medicare-eligible retirees while maintaining stability of TRS-Care fund.	Complete
	Award competitive procurements for enrollment vendor and medical plan administrators.	New
	Implement new TRS-Care dental and vision plans for plan year 2025.	Carryover
	Improve communication materials for TRS-ActiveCare and TRS-Care participants.	New
	KPIs	
	Increase the percentage of TRS-ActiveCare enrollees in the primary care driven plans from prior year – Target: 3%	Carryover
	Member engagement metrics as measured by percentage of members who open the Pulse email – Target: 25%	Carryover
	Member engagement metrics as measured by percentage of members who open the Pulse email and then click to read articles – Target: 3%	Carryover

Proposed Areas of Focus – Leadership Effectiveness



		Status
Enhance stakeholder communication.		Carryover
Success Measures	Deliverables	
	Serve as a trusted resource and engage with policymakers on pension funding and plan design. (G1.O2.S1)	Carryover
	Serve as a trusted resource and engage with policymakers on health care funding and plan design. (G3.O1.S1)	Carryover
	Implement and monitor the Member and Employer Outreach Plan to better help members and employers fully know and utilize benefits, engage with TRS, plan for retirement, and remain informed postretirement. (G4.O7.S2)	Carryover
	Increase senior leadership attendance at health fairs, association meetings and other member-related external events.	New
	KPIs	
	Increase engagement with outreach plan communications products – Target: 20%	Revised
	Improve usability score of the TRS website related to task completion rates post redesign – Target: speed completion rates by 30% or more	Deleted
	Improve overall usability of the TRS website post redesign. Target: System Usability Scale (SUS) score of 70 or above	Deleted

Proposed Areas of Focus – Leadership Effectiveness



		Status
Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods. (G1.O1)		Carryover
Success Measures	Deliverables	
	Oversee State Street's commitment to deliver technology and service enhancements as outlined in the Custody Agreement (August 2026).	New
	Successful onboarding of new investment advisor for the board of trustees (December 2026).	New
	Completion of Proxy Policy review and Proxy Advisor Request for Proposal (RFP) (March 2027).	New
	Continue to hire and expand the Emerging Manager Program.	Complete
	Conduct strategic asset allocation study and report results to the board of trustees (October 2024).	Complete
	KPIs	
	Trust rate of return measured on a rolling 20-year period – Target: 7.00%	Carryover
	Return in excess of the benchmark return for the Total Trust (3-year rolling) – Target: +100bp	Carryover

Proposed Areas of Focus – Talent Effectiveness



		Status
Attract, develop and retain top talent. (G4.O1)		Revised
Success Measures	Deliverables	
	Continue to evolve as an employer of choice to attract and retain best talent.	Revised
	Improve diversity representation, as defined by Texas state law, at all levels of the organization, with primary focus on job qualifications and experience.	Deleted
	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)	Revised
	Execute on Return to Office plan.	New
	KPIs	
	Employee engagement score – Target: 4.0 or greater	Carryover
	TRS voluntary turnover rate vs. state turnover rate – Target: A minimum of 25% below state average	Carryover
	Employees onsite vs. remote – Target: 85% on business days	New

Proposed Areas of Focus – Operational Effectiveness



OPERATIONAL
Effectiveness

		Status
Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. (G4.O3)		Carryover
Success Measures	Deliverables	
	Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities. (G4.O3.S1)	Carryover
	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)	Carryover
	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 embed fraud risk management into governance frame works.	New
		Status
Execute on TRS facilities needs. (G4.O4)		Complete
Success Measure	Deliverables	
	Complete build-out and move-in activities for the new TRS headquarters buildings (Alpha and Bravo). (G4.O4.S1)	Complete



Proposed Areas of Focus – Operational Effectiveness



		Status
Implementation of legislation and statutorily required actuarial reviews.		Revised
Success Measures	Deliverables	
	Plan and execute implementation of new legislation.	Carryover
	Conduct pension benefit design studies and submit reports (September 2026).	New
	Successful completion of the Experience Study.	New

Proposed Areas of Focus – Continuous Improvement



		Status
Advance and enhance information technology (IT) systems and services. (G4.O2)		Carryover
Success Measures	Deliverables	
	Develop, maintain and enhance IT systems and infrastructure in support of TRS business needs. (G4.O2.S1)	Carryover
	Implement modern information systems across all lines of business divisions with priority on modernization of legacy systems and strategic digital transformation. (G4.O2.S4)	Carryover
	Deliver Payroll, Benefit Account Adjustment and Tax Reporting (PBT) release per TEAM Roadmap.	Carryover
	Initiation of final phase of the TEAM program: Mainframe decommissioning.	New
	Automate the Retirement Application submitted through MyTRS (Maintenance & Enhancements).	New
	Begin optimization of TEAM Phase One code to enhance stability and performance (Technical Debt).	New
	Deliver first release of Web Self-Service for Health, improving accessibility and user engagement.	New
	Deliver dental and vision and limited time enrollment opportunity capabilities for Health.	Complete

		Status
Evaluate automation and technology solutions to enhance existing processes. (G4.O7)		Carryover
Success Measures	Deliverables	
	Investigate best practices and feasibility of incorporating artificial intelligence into organizational processes. (G4.O7.S1)	Carryover
	Implement and support business-driven artificial intelligence technology solutions across TRS.	Carryover
	Identify opportunities for improved productivity, process efficiencies and performance monitoring. (G4.O7.S2)	Carryover
	Continue implementation of Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight. (G4.O7.S3)	Revised




Appendix A: FY 2026 Proposed Areas of Focus



FY 2026 Proposed Areas of Focus



 Member Focused	
Areas of Focus	Success Measures
Improve the customer service experience for participants and reporting employers. (G2.01)	Deliverables
	<ul style="list-style-type: none">Expand member self-service options within the automated phone system and MyTRS.Increase engagement with members/participants and reporting employers regarding TRS benefits. (G2.01.S1)<u>Expand our services to meet members where they are. (G2.01.S2)</u><u>Complete all hiring and training activities for Rio Grande Valley regional office opening by end of CY26.</u>
Increase the value of TRS-Care and TRS-ActiveCare benefits. (G3.02)	KPIs
	<ul style="list-style-type: none">Pension Benefit-Services calls answered within 3 minutes – Target: 90%Health Division calls answered within 3 minutes – Target: 90%Retirees receiving first annuity payment on time – Target: 98%Death claims payments issued within 31 days of receipt of all required paperwork – Target: 95%Number of counseling appointments available in Austin – Target: 20,000Number of counseling appointments available in El Paso – Target: 7,500Attain a reported response time within 48 hours or sooner based on Reporting Employer Satisfaction Survey – Target: 90%
	Deliverables
	<ul style="list-style-type: none">Reengineer TRS-ActiveCare to better meet employer needs. (G3.02.S2)Monitor, and evaluate <u>and expand innovative and effective savings initiatives such as member rewards, programs to reduce participants' out of pocket costs for specialty drugs.</u>Lower premiums in 2025 for Medicare eligible retirees while maintaining stability of the TRS Care fund. (Complete; Delete)<u>Award competitive procurements for enrollment vendor and medical plan administrators.</u><u>Implement new TRS-Care dental and vision plans for plan year 2025.</u><u>Improve communication materials for TRS-ActiveCare and TRS-Care participants.</u>
	KPIs
	<ul style="list-style-type: none">Increase the percentage of TRS-ActiveCare enrollees in the primary care driven plans from prior year – Target: 3%Member engagement metrics as measured by percentage of members who open <i>The Pulse</i> email – Target: 25%Member engagement metrics as measured by percentage of members who open <i>The Pulse</i> email and then click to read articles – Target: 3%



FY 2026 Proposed Areas of Focus



Leadership Effectiveness

Areas of Focus	Success Measures
Enhance stakeholder communication.	Deliverables
	<ul style="list-style-type: none">• Serve as a trusted resource and engage with policymakers on pension funding and plan design. (G1.02.S1)• Serve as a trusted resource and engage with policymakers on health care funding and plan design. (G3.01.S1)• <u>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. (G4.07. S2)</u>• <u>Increase senior leadership attendance at health fairs, association meetings and other member-related external events.</u>
	KPI
Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods. (G1.01)	<ul style="list-style-type: none">• Increase engagement with number of visits/views of outreach plan communications products (e.g., videos, web pages) – Target: 20%• Improve usability score of the TRS website related to task completion rates post redesign – Target: Speed completion rates by 30% or more• Improve overall usability of the TRS website post redesign – Target: System Usability Scale (SUS) score of 70 or above
	Deliverables
	<ul style="list-style-type: none">• <u>Oversee State Street's commitment to deliver technology and service enhancements as outlined in the Custody Agreement (August 2026).</u>• <u>Successful onboarding of new investment advisor for the board of trustees (December 2026).</u>• <u>Completion of Proxy Policy review and Proxy Advisor Request for Proposal (RFP) (March 2027).</u>• Continue to hire and expand the Emerging Manager Program. (Complete; Delete)• <u>Conduct strategic asset allocation study and report results to the board of trustees (October 2024). (Complete; Delete)</u>
	KPIs
	<ul style="list-style-type: none">• Trust rate of return measured on a rolling 20-year period – Target: 7.00%• Return in excess of the benchmark return for the total trust (3-year rolling) – Target: +100bp



FY 2026 Proposed Areas of Focus



Talent Effectiveness

Areas of Focus	Success Measures
Attract, retain and develop and retain top talent a diverse and highly competent staff. (G4.O1)	Deliverables
	<ul style="list-style-type: none">Continue to evolve as an employer of choice to attract and retain best talent, including exploring TRS becoming a multistate employer.Improve diversity representation, as defined by Texas state law, at all levels of the organization, with primary focus on job qualifications and experience.<u>Maintain workforce planning strategies to align talent needs with organizational goals, which provide continuous improvement for hybrid work, succession planning and enhance</u> learning and development <u>opportunities and expand succession planning</u> initiatives <u>to develop and retain future leaders. (G4.O1.S2)</u><u>Execute on Return to Office plan.</u>
	KPIs
	<ul style="list-style-type: none">Employee engagement score – Target: 4.0 or greater<u>TRS voluntary turnover rate vs. state turnover rate – Target: A minimum of 25% below state average</u><u>Employees onsite vs. remote – Target: 85% on business days</u>

FY 2026 Proposed Areas of Focus



Operational Effectiveness

Areas of Focus	Success Measures
Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. (G4.03)	Deliverables <ul style="list-style-type: none"> Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities. (G4.03.S1) Expand the governance, risk and compliance (GRC) program to include security and privacy management, risk/fraud forecasting and education in cooperation with Legal & Compliance and appropriate business units. (G4.03.S2) <u>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 embed fraud risk management into governance frameworks.</u>
Execute on TRS facilities needs. (G4.04)	Deliverable <ul style="list-style-type: none"> Complete build-out and move-in activities for the new TRS headquarters buildings (Alpha and Bravo). (G4.04.S1) (Complete; Delete)
Implementation of legislation <u>and statutorily required actuarial reviews.</u>	Deliverable <ul style="list-style-type: none"> Plan and execute implementation of new legislation. <u>Conduct pension benefit design studies and submit reports (September 2026).</u> <u>Successful completion of the Experience Study.</u>

FY 2026 Proposed Areas of Focus



Continuous Improvement

Areas of Focus	Success Measures
Advance and enhance information technology (IT) systems and services. (G4.O2)	Deliverables <ul style="list-style-type: none"> Develop, maintain and enhance IT systems and infrastructure in support of TRS business needs. (G4.O2.S1) Implement modern information systems across all lines of business divisions with priority on modernization of legacy systems and strategic digital transformation. (G4.O2.S4) <u>Deliver Payroll, Benefit Account Adjustment and Tax Reporting (PBT) release per TEAM Roadmap.</u> <u>Initiation of final phase of the TEAM program: Mainframe decommissioning.</u> <u>Automate the Retirement Application submitted through MyTRS (Maintenance & Enhancements).</u> <u>Begin optimization of TEAM Phase One code to enhance stability and performance (Technical Debt).</u> <u>Deliver first release of Web Self-Service for Health, improving accessibility and user engagement.</u> <u>Deliver dental and vision and limited time enrollment opportunity capabilities for Health. (Complete; Delete)</u>
Evaluate automation and technology solutions to enhance existing processes. (G4.O7)	Deliverables <ul style="list-style-type: none"> Investigate best practices and feasibility of incorporating artificial intelligence into organizational processes. (G4.O7.S1) Implement and support business-driven artificial intelligence technology solutions across TRS. Identify opportunities for improved productivity, process efficiencies and performance monitoring. (G4.O7.S2) <u>Continue implementation of Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight.</u> (G4.O7.S3)



Appendix B: FY 2025 Areas of Focus (Status as of Q3)



**MEMBER
Focused**

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 25 Tasks	Accomplishments
Expand member self-service options within the automated phone system and MyTRS.	 In Progress	Contract amendment signed to add NiCE Autopilot/Copilot to Contact Center software and held internal kickoff meeting.
Increase engagement with members/participants and reporting employers regarding TRS benefits. (G2.O1.S1)	 In Progress	<ul style="list-style-type: none">Recorded and published benefit presentations (English and Spanish)Exceeded service level targets for the Contact Center and Member Education and CounselingPartnered with Communications to do targeted advertising of field office visits which helped fill all available appointments
Expand our services to meet members where they are. (G2.O1.S2)	 In Progress	<ul style="list-style-type: none">Broker services contract executed for new Regional Office (RO)Conducted site visits for potential new RO locationConducted RO member survey

***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 25	Q2 FY 25	Q3 FY 25	Q4 FY 25	FY 25
Pension Benefit calls answered within 3 minutes	90%	98%	93%	99%		97%
Retirees receiving first annuity payment on time	98%	98%	98%	98%		98%
Death claims payments issued within 31 days of receipt of all required paperwork	95%	99%	98%	98%		98%
Number of counseling appointments available in Austin (cumulative)	20,000	4,212	4,772	5,488		14,472
Attain a reported response time within 48 hours or sooner based on Reporting Employer Satisfaction Survey	90%	99%	99%	99%		99%
Health Division calls answered within 3 minutes	90%	66%	66%	99%		77%
Number of counseling appointments available in El Paso (cumulative)	7,500	1,104	1,599	2,449		5,152

*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 25 Tasks	Accomplishments
Reengineer TRS-ActiveCare to better meet employer needs. (G3.O2.S2)	 In Progress	Conducted extensive pre-posting research and market check on strategies and solutions to promote competition and drive value in medical procurement. Consulted data sources to assess cost and utilization dynamics by market, which directly informed decision to create regional bidding opportunities in medical RFP and promote competition. Expanded bench strength of TRS-ActiveCare Operations Team to support employers participating and joining TRS-ActiveCare.
Monitor and evaluate programs to reduce participants' out-of-pocket costs for specialty drugs.	 Complete	<ul style="list-style-type: none">Two copay assistance programs, one administered through the pharmacy benefit and the other through the medical benefit, brought member cost share to \$0 for most specialty drugs on the pharmacy benefit and select specialty drugs on the medical benefit.TRS transitioned from the anti-inflammatory drug, Humira, to its biosimilar reducing the member cost significantly.
Lower premiums in 2025 for Medicare-eligible retirees while maintaining stability of the TRS-Care fund.	 Complete	TRS reduced premiums by about 45% for Medicare-eligible retirees, while maintaining the long-term stability of the TRS-Care fund. As a result of the enhancements to retiree health benefits, overall retiree satisfaction with TRS health care services increased by 26%, rising from 53% in 2023 to 79% in 2024.
Implement new TRS-Care dental and vision plans for plan year 2025.	 Complete	After a competitive bidding process, MetLife was chosen to administer these plans. These optional benefits featured extensive networks and comprehensive preventative services, leading to over 106,000 enrollments in the first year.

***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 25	Q2 FY 25	Q3 FY 25	Q4 FY 25	FY 25
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 2024 enrollment.				11%
Member engagement metrics as measured by percentage of members who open The Pulse email	23%	48%	50%	51%		49%
Member engagement metrics as measured by percentage of members who open The Pulse email and then click to read articles	3%	19%	5%	4%		12%

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

[return to summary](#)



LEADERSHIP Effectiveness

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 25 Tasks	Accomplishments
Serve as a trusted resource and engage with policymakers on pension funding and plan design. (G1.O2.S1)	 Complete	<ul style="list-style-type: none">• Presented on pension funding and plan design at legislative and association briefings.• Presented on pension funding and plan design at legislative committee hearings.• Held meetings with legislators, legislative staff and associations.
Serve as a trusted resource and engage with policymakers on health care funding and plan design. (G3.O1.S1)	 Complete	<ul style="list-style-type: none">• Presented on health care funding and plan design at legislative and association briefings.• Presented on health care funding and plan design at legislative committee hearings.• Held meetings with legislators, legislative staff and associations.

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



DELIVERABLES

Enhance stakeholder communication.

AOF Deliverable	Status of FY 25 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.O7.S2)	<div> In Progress</div>	<ul style="list-style-type: none">• Successful design, development and launch of the major user-centric redesign of the TRS website at www.trs.texas.gov with very positive feedback and results.• Higher volume and improved open rates and clickthrough rates on TRS email communications with members and reporting employers.• Further digitization of TRS publications to include the production and release of the TRS Value Report and the digitally interactive Annual Health Report.• Developed and presented TRS to You presentations at fall 2024 Health Fairs with preparations underway for fall 2025.• Developed and disseminated a wide range of member and reporting employer communications around the headquarters move and new Member Center to include notices, wayfinding resources (videos, maps, signage, etc.), a Member Center Guide, and leave-behinds.• Promoted the new Dental and Vision plans for TRS-Care (106K enrollees) and developed and boosted resources for awareness (videos, social media).• Continue to grow followers and engagement on all social media channels.

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





LEADERSHIP
Effectiveness

KPIs

Enhance stakeholder communication.

AOF KPI	Target	Q1 FY 25	Q2 FY 25	Q3 FY 25	Q4 FY 25	FY 25
Increase number of visits/views of outreach plan communications products (e.g., videos, web pages)	20%	56%*	31%*	45%*		43%*
Improve usability score of the TRS website related to task completion rates post redesign	30% or more	N/A	N/A	46%**		46%**
Improve overall usability of the TRS website post redesign	70 or above	N/A	N/A	79.5**		79.5**

* Measures include video views, web page views, unique email open rates, and *TRS News* reads and impressions.

** Redesigned website launched 4/15/25. Improvement scores provided via a third-party user study conducted by the University of Texas at Austin School of Information in March – May 2025.



DELIVERABLES

Achieve the trust’s actuarial assumed rate of return as measured on rolling 20-year periods. (G1.O3)

AOF Deliverable	Status of FY 25 Tasks	Accomplishments
Continue to hire and expand the Emerging Manager Program.	Complete	23 managers hired: 8 Private Equity; 7 Real Estate; 2 Energy, Natural Resources & Infrastructure (ENRI); and 6 Hedge Fund.
Conduct strategic asset allocation (SAA) study and report results to the board of trustees (October 2024).	Complete	The board reviewed the study’s recommendation in July then approved the proposed asset allocation changes in September.

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



KPIs

Achieve the trust’s actuarial assumed rate of return as measured on rolling 20-year periods. (G1.O3)

AOF KPI	Target	Q4 CY 24	Q1 CY 25	Q2 CY 25	Q3 CY 25
Trust rate of return measured on a rolling 20-year period	7.00%	6.90%	7.05%	Available July/August	
Return in excess of the benchmark return for the total trust (3-year rolling)	+100bp	+163bp	+161bp	Available July/August	

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



TALENT Effectiveness

Talent Effectiveness


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



TALENT Effectiveness

DELIVERABLES

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

AOF Deliverable	Status of FY 25 Tasks	Accomplishments
Continue to evolve as an employer of choice to attract and retain best talent, including exploring TRS becoming a multi-state employer.	 Complete	Revision and expansion of New Employee Orientation to include new facilities and presentations by the three core lines of business. Turnover rates remain substantially below state average. From September 2024-May 2025, 15,133 applications have been received. Attended 46 recruitment events and created mentoring program for Fellows to mentor interns. TRS will continue to utilize a variety of methods to evolve as an employer of choice, while serving our members and business partners.
Improve diversity representation, as defined by Texas state law, at all levels of the organization, with primary focus on job qualifications and experience.	 Complete	Developed relationships with Texas State Technical College and JobCorps to further our partnerships related to vocational programming and early career.
Maintain workforce planning strategies which provide continuous improvement for hybrid work, succession planning and learning and development initiatives.	 Complete	Partnered with the Pension Services and Health division teams on maximizing internal talent mobility and succession as well as launched an individualized learning program for the Health division. Provided 57 individual career coaching sessions, had 19 new managers attend the New Manager learning series and conducted 18 internal trainings for leadership. TRS leaders completed 110 sessions of one-on-one executive and leadership coaching.

***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 25	Q2 FY 25	Q3 FY 25	Q4 FY 25
Employee engagement score	4.0 or greater	Survey is administered in July-August 2025			
TRS voluntary turnover rate vs. state turnover rate	A minimum of 25% below state average	TRS Voluntary Turnover Rate (through Q2) 1.3% State Voluntary Turnover Rate (through Q2) 4.5 % *TRS percentage below State average: 28.9%			

*Percentage below State average is calculated by using the TRS voluntary turnover rate (1.3%) divided by the State turnover rate (4.5%).

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

[return to summary](#)



OPERATIONAL Effectiveness


Operational Effectiveness

- Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. (G4.O3)
- Execute on TRS facilities needs. (G4.O4)
- Implementation of legislation.

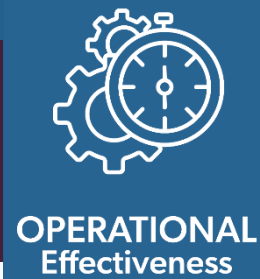


DELIVERABLES

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

AOF Deliverable	Status of FY 25 Tasks	Accomplishments
Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities. (G4.O3.S1)	<div> In Progress</div>	<ul style="list-style-type: none">• Enhanced Security Infrastructure & Monitoring: Deployed advanced tools and multi-layered firewalls, while integrating Managed Service Provider-guided technologies to strengthen network defense and improve visibility into data and traffic activity.• Strengthened Secure Development Practices: Expanded Application Lifecycle Management (ALM) review processes across key applications, improved Development and Security Operations (DevSecOps) collaboration, and initiated enhancements to scanning tools and Python library reviews to elevate secure coding standards.• Built Organizational Capability & Program Maturity: Launched Phase 1 of the Data Security Posture Management (DSPM) program and added an Application Security Engineer to the team, reinforcing the organization’s commitment to proactive data protection and security governance.

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



DELIVERABLES

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

AOF Deliverable

Status of FY 25 Tasks

Accomplishments

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

- **Strengthened Regulatory Compliance & Risk Alignment:** Updated the Information Security Program Standard (ISPS) to incorporate 13 new controls from DIR's Security Controls Catalog, ensuring alignment with TAC §202, and revised TX-RAMP determinations to better reflect TRS' business priorities and risk tolerance.
- **Enhanced Operational Efficiency & Fraud Management:** Reallocated fraud investigative responsibilities to the Fraud Risk team, allowing Benefits Processing to concentrate on improving service delivery and member experience.
- **Promoted Cybersecurity Awareness & Engagement:** Delivered a dynamic Cybersecurity Awareness Month campaign featuring expert-led sessions, threat briefings and interactive demonstrations of real-world hacking tools to elevate organizational security culture.


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

[return to summary](#)

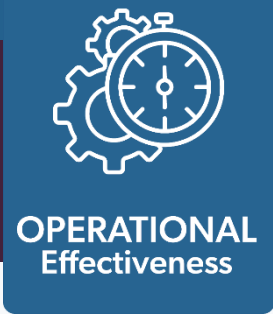


DELIVERABLES

Execute on TRS facilities needs. (G4.O4)


AOF Deliverable	Status of FY 25 Tasks	Accomplishments
Complete build-out and move-in activities for the new TRS headquarters buildings (Alpha and Bravo). (G4.O4.S1)	 Complete	Construction of the Bravo Building finished in March and the last phase of the TRS headquarters move was completed in May 2025. Disposition of the Red River campus will be complete on termination of the leaseback period 6/30/25.

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



DELIVERABLES

Implementation of legislation.

AOF Deliverable	Status of FY 25 Tasks	Accomplishments
Plan and execute implementation of new legislation.		<ul style="list-style-type: none">• Determine complete universe of new laws that impact TRS either directly or indirectly.• Meet with all impacted departments to determine how and by when legislation is to be implemented.• Report on progress made toward completing implementation.

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



CONTINUOUS Improvement

Continuous Improvement





- Advance and enhance information technology (IT) systems and services. (G4.O2)
- Evaluate automation and technology solutions to enhance existing processes. (G4.O8)



CONTINUOUS
Improvement

DELIVERABLES

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

AOF Deliverable	Status of FY 25 Tasks	Accomplishments
Develop, maintain, and enhance IT systems and infrastructure in support of TRS business needs. (G4.O2.S1)	 In Progress	<ul style="list-style-type: none">Investment Data Modernization Program Implementation Kick-Off.Interactive Voice Response (IVR) AI Enhancement projects planned and begun.Health Web Self-Service & Active Care CRM projects planned and begun.Migrated new Internet Service Provider (ISP) providing greater speed, redundancy and availability needed to support new HQ and redundant data centers.
Implement modern information systems across all lines of business divisions with priority on modernization of legacy systems. (G4.O2.S4)	 In Progress	<ul style="list-style-type: none">Completed initial development and began formal regression testing for Payroll, Benefit Annuity Adjustment and Tax (PBT) functionality in TRUST.Implemented new website.Continued delivery of a new integration services platform to replace legacy Enterprise Service Bus (ESB) technology.
Deliver Payroll, Benefit Account Adjustment and Tax Reporting release per TEAM Roadmap.	 In Progress	<ul style="list-style-type: none">Completed initial development of PBT release.Began regression testing of all developed functionality.Began User Acceptance Testing.
Deliver dental and vision and limited time enrollment opportunity capabilities for Health.	 Complete	Incorporated functionality in Health Line of Business system to support new dental and vision benefit program and limited time enrollment.

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



[return to summary](#)



CONTINUOUS
Improvement

DELIVERABLES

Evaluate automation and technology solutions to enhance existing processes. (G4.O8)

AOF Deliverable	Status of FY 25 Tasks	Accomplishments
Investigate best practices and feasibility of incorporating artificial intelligence into organizational processes.(G4.O8.S1)	 In Progress	<ul style="list-style-type: none">• Launched AI Transformation Program and initial TRS AI road map.• Re-structuring of project governance to include AI review and considerations.• Launched Centers of Enablement initiative to support new technologies and develop user centric communities of practice.
Identify opportunities for improved productivity, process efficiencies and performance monitoring. (G4.O8.S2)	 In Progress	<ul style="list-style-type: none">• Launched initial Product Line Management for Investments.• Began implementation of Phase Two of the ServiceNow project (Agile and Resource Management) to facilitate work more efficiently and improve reporting.• Kicked off Investment Data Modernization platform implementation.• Provided health claims data to TRS-Active Care reporting officials on Reporting Employer Portal.• Digitized employee personnel records (Phase I – Scanning/FileNet structure) (Organizational Excellence).

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



[return to summary](#)



CONTINUOUS
Improvement

DELIVERABLES

Evaluate automation and technology solutions to enhance existing processes. (G4.O8)

AOF Deliverable	Status of FY 25 Tasks	Accomplishments
Implement Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight. (G4.O8.S3)	 In Progress	<ul style="list-style-type: none">• Program resource plan and operating budget finalized.• Investment Data Modernization Program (IDM) implementation scope and timeline finalized.• Officially kicked-off IDM Program implementation.
Implement and support business-driven artificial intelligence technology solutions across TRS.	 In Progress	<ul style="list-style-type: none">• Deployed Microsoft CoPilot (browser-based chat bot)• Began implementation of AI contact center toolset.• Began implementation of Microsoft CoPilot Studio.

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

[return to summary](#)

TAB 5



TRS Rule 25.131 – Required Service

July 17, 2025

Presented By:
Heather Traeger & Nick Gonzalez



Service Credit under TRS Rule 25.131



General Standard for Service Credit under TRS Rule 25.131:
90 days of work or paid leave in a TRS-eligible position

Alternative Standards:

Final Fall Semester

- Member works or receives paid leave in a TRS-eligible position for each day of employer's calendar for fall semester;
- Can only be used in the final year before retirement;
- No requirement for 90 days.

Nonstandard Workweek

- Member is regularly scheduled to work less than five days per week in a TRS-eligible position;
- Member needs to work four and one-half months to earn a year of credit;
- Months must include four months of, at least, eight days worked and one month of five days worked.



Final Fall Semester & Nonstandard Workweek Combined



Under current TRS Rule 25.131, members arguably cannot use the Nonstandard Workweek and Final Fall Semester standards together to earn a year of service credit based on the text of TRS Rule 25.131 and how the standards work in practice.

Final Fall Semester

In many cases, members will only get eight days in, at most, three months

“may establish...”

Nonstandard Workweek is permissive

Nonstandard Workweek an alternative to Final Fall Semester

“in lieu of...”

Nonstandard Workweek

Requires four months of eight days and one month of five days



Proposed Amendments to TRS Rule 25.131



Proposed Amended TRS Rule 25.131:

Provides method to
combine Nonstandard
Workweek and Final Fall
Semester standards for
earning service credit

Work or receive paid leave for a full fall semester in final year before retirement;

Position must be membership eligible;

Full fall semester means working or receiving paid leave for each assigned day to work during the employer's calendar for the fall semester;

To qualify for nonstandard workweek, a member must be scheduled to work fewer than five days per week for at least two weeks per month.

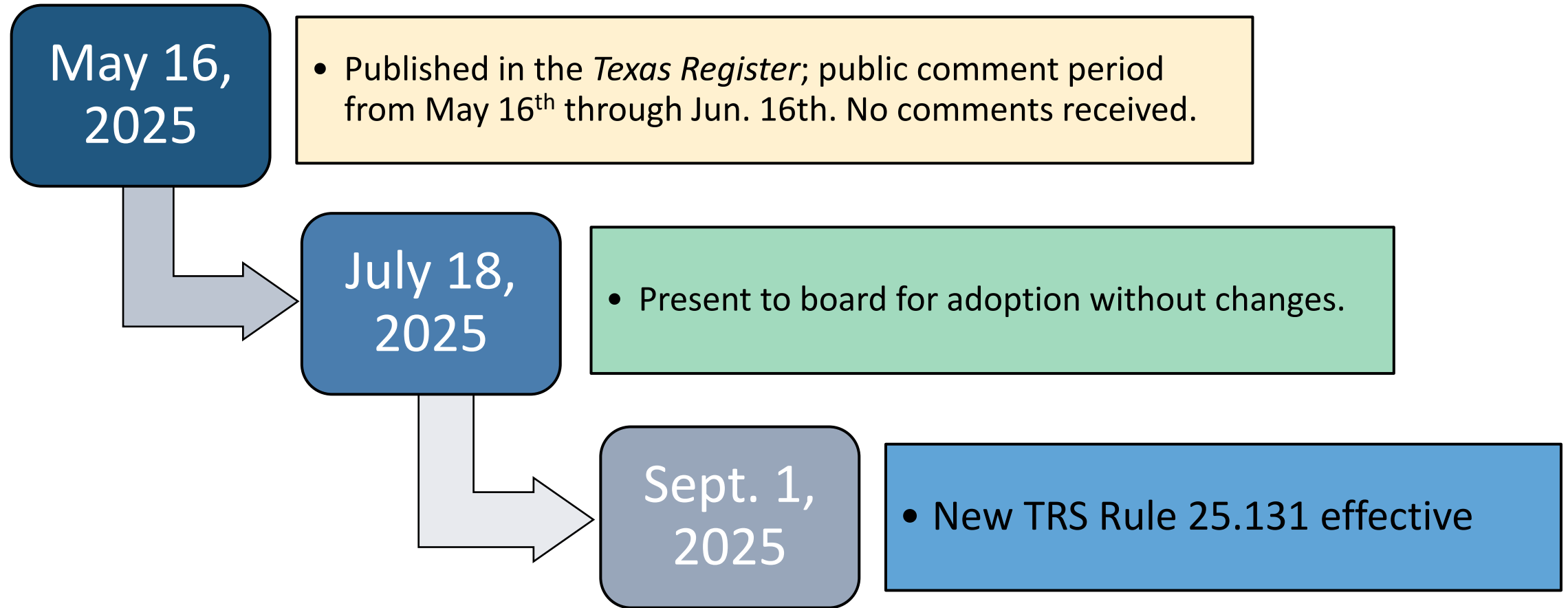
Clear, Consistent
Standard

Member-Friendly
Approach

Addresses
Growing Need



Next Steps





Legal & Compliance

Memorandum

DATE: Jul. 17, 2025

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

FROM: Heather Traeger, General Counsel & Chief Compliance Officer

THROUGH: Brian Guthrie, Executive Director

RE: Adoption: Proposed Amendments to TRS Rule 25.131

Requested Action

TRS staff asks the Governance Committee to recommend that the board of trustees (“board”) adopt the proposed amendments to TRS Rule 25.131.

Background of the Proposed Repealed and New Rules

At the Apr. 10, 2025 Governance Committee meeting, TRS Staff asked the committee to authorize publication in the *Texas Register* proposed amendments to TRS Rule 25.131. The Governance Committee authorized publication and the proposed new rules and repeals were published in the *Texas Register* on May 16, 2025 (50 TexReg 2952-2954). TRS did not receive any public comments on the proposed amended rule.

Reason and Summary of Proposed Repealed and New Rules

TRS staff recommends amending TRS Rule 25.131 to clarify that members who are regularly scheduled to work fewer than five days per week may take advantage of TRS’ “final fall semester” rule to earn service credit in their final year before retirement in a similar way as members who do regularly work five days per week.

Currently, most TRS employees earn a year of service credit by working at least 90 days in a school year, but there are alternative methods to earn a year of service credit through active employment. For instance, an active member may, in their final year before retirement, earn a year of service credit by working the full fall semester in accordance with their employer’s

calendar if the employer works on a semester-by-semester basis. Members may only earn a year of service credit in this way in their final year before retirement, and they may do so regardless of whether they work for 90 days during that semester. This is called the “final fall semester” rule.

Separately, members who are regularly scheduled to work fewer than five days per week may earn a year of service credit if they work at least four and one-half months, and those four and one-half months include at least eight days during four separate months and five days during a fifth month. This is called the “nonstandard workweek” rule.

But it is not clear under current TRS rules whether a member may simultaneously use the final fall semester rule and the nonstandard workweek rule to earn a year of service credit in their final year before retirement while being scheduled to work less than five days per week.

This issue has become more and more pressing as an increasing number of Texas schools are moving to four-day workweeks, and TRS’ systems now more readily identify individuals who are working nonstandard workweeks at the time of retirement.

To resolve these issues, TRS staff proposes the following amendments to TRS Rule 25.131. First, TRS Rule 25.131 is proposed to be amended to provide that, for school years beginning with the 2025-26 school year, members who are regularly scheduled to work less than five days per week may earn a year of service credit in the final year prior to their retirement if:

- The member is working in a membership-eligible position; and
- The member works or receives paid leave for a full fall semester in accordance with the employer’s calendar.

In addition, the amendments clarify that a member who meets the above requirements will be considered to have worked a full fall semester in accordance with their employer’s calendar if the member works or receives paid leave for each day the member is required to work during that semester even if the employer’s calendar includes additional workdays on which the member is not required to work.

The amendments also provide that a member may only earn service credit under the non-standard workweek rule, in their final fall semester or otherwise, if the member is regularly scheduled to work fewer than five days per week for at least two weeks per month in accordance with the member’s contract or work agreement with their employer.

Lastly, amended TRS Rule 25.131 makes several additional minor, nonsubstantive changes necessary to ensure that the rules conform with current TRS practice and nomenclature.

If adopted, the amendments are proposed to become effective on Sept. 1, 2025, so that they begin to apply during the 2025-26 school. The existing standard for service credit for members working nonstandard workweeks would remain in the rule for school years prior to the 2025-26 school year.

Conclusion

For these reasons, TRS staff recommends that proposed amended § 25.131 (relating to Required Service) be adopted without changes.

The proposed language of amended § 25.131 is attached as Appendix A, and a redlined version of the proposed amendments is attached as Appendix B.

Appendix A

§25.131. Required Service

(a) Beginning on the first day of the 2011-2012 school year and thereafter:

(1) Except as provided in paragraph (3) of this subsection, a member must work in a TRS eligible position and be paid or receive paid leave from a TRS eligible position at least 90 days during the school year to receive a year of service credit.

(2) A substitute as defined in §25.4 of this title (relating to Substitutes) will be qualified for membership and granted a full year of service credit by working 90 or more days as a substitute in a school year, receiving pay for that work, and verifying the work as provided in §25.121 of this title (relating to Employer Verification) and §25.47 of this title (relating to Deadline for Verification) and paying the actuarial cost for the work as provided in §25.43 of this title (relating to Cost for Unreported Service or Compensation).

(3) In the last school year of service before retirement, a member serving in an eligible position, other than a position described by subsection (c), who worked and was paid for that work or received paid leave for less than 90 days in the school year but worked and was paid for that work or received paid leave for a full fall semester in accordance with the employer's calendar will receive a year of service credit. If the employer's calendar does not provide for semesters, a member must work and be paid for work in an eligible position or receive paid leave from an eligible position for at least 90 days in order to receive a year of service credit for the school year before retirement.

(4) Days that the employer is scheduled to be closed for business are not included in the 90 days of work required to receive a year of service credit unless the day(s) are paid holidays by the employer or the employee was charged with paid leave during the closing. Holidays that are not included in the required number of work days for an employee are not counted as paid holidays or days of paid leave.

(b) For school years prior to the 2011-2012 school year:

(1) Except as provided in paragraph (2), (3), or (4) of this subsection, a member must serve at least 4 1/2 months in an eligible position during the school year to receive credit for a year of service.

(2) A member who served less than four and one-half months in a school year but served a full semester of more than four calendar months will receive credit for a year of service.

(3) A substitute as defined in §25.4 of this title will be qualified for membership and granted a full year of service credit by rendering 90 or more days of service as a substitute in a school year and verifying the service as provided in §25.121 of this title and §25.47 of this title and paying deposits and fees for the service as provided in §25.43 of this title.

(4) An employee who enters into an employment contract or oral or written work agreement for a period which would qualify the employee for a year of service credit under the other provisions of this section but who actually renders only the amount of service specified in §25.4 of this title will receive credit for a year of service credit.

Appendix A

(c) Beginning on the first day of the 2025-2026 school year, a member who is serving in a membership eligible position and who, under the member's contract or work agreement, is regularly scheduled to work fewer than five days per week for at least two weeks per month may, in lieu of the requirements in subsection (a) of this section and except as provided by subsection (e) of this section, establish a year of service credit by working and receiving pay for that work or using paid leave for four and one-half months.

(d) Except as provided by subsection (e), the four and one-half month period described by subsection (c) of this section must include four full calendar months in which the member renders service and is paid or the member uses paid leave for at least eight days and an additional five days of service rendered and for which the member is paid or paid leave used in another calendar month or months that do not include the four full calendar months.

(e) Beginning on the first day of the 2025-2026 school year, a member who is serving in a membership-eligible position described by subsection (c) for an employer that provides for semesters in its calendar may, in the last school year before retirement, receive a year of service credit if the member worked and was paid for that work or received paid leave for a full fall semester in accordance with the employer's calendar.

(f) For the purposes of subsection (e), a member who is regularly scheduled to work fewer than five days per week for at least two weeks per month and otherwise meets the requirements of subsection (e) will be considered to have worked a full fall semester in accordance with the employer's calendar if the member works and is paid for that work or receives paid leave for each day the member was required to work during that semester even if the employer's calendar includes additional workdays on which the member was not required to work.

(g) Beginning on the first day of the 2015-2016 school year and ending on the last day of the 2024-2025 school year, in lieu of the requirements in subsection (a) of this section, a member who is serving in a membership-eligible position and who is regularly scheduled to work fewer than five days per week, may establish a year of service credit by working and receiving pay for that work or using paid leave, for four and one-half months. The four and one-half month period must include four full calendar months in which the member renders service and is paid or the member uses paid leave, for at least eight days and an additional five days of service rendered and for which the member is paid or paid leave used in another calendar month or months but not to include the four full calendar months.

(h) Except as otherwise provided in this section regarding service credit granted in the school year in which the member retires, in no event may a member receive a year of service credit earlier than December 31.

Appendix B

§25.131. Required Service

(a) Beginning on the first day of the 2011-2012 school year and thereafter:

(1) Except as provided in paragraph (3) of this subsection, a member must work in a TRS eligible position and be paid or receive paid leave from a TRS eligible position at least 90 days during the school year to receive a year of service credit.

(2) A substitute as defined in §25.4 of this title (relating to Substitutes) will be qualified for membership and granted a full year of service credit by working 90 or more days as a substitute in a school year, receiving pay for that work, and verifying the work as provided in §25.121 of this title (relating to Employer Verification) and §25.47 of this title (relating to Deadline for Verification) and paying the actuarial cost for the work as provided in §25.43 of this title (relating to Cost for Unreported Service or Compensation).

(3) In the last school year of service before retirement, a member serving in an eligible position, other than a position described by subsection (c) of this section, who worked and was paid for that work or received paid leave for less than 90 days in the school year but worked and was paid for that work or received paid leave for a full fall semester in accordance with the employer's calendar will receive a year of service credit. If the employer's calendar does not provide for semesters, a member must work and be paid for work in an eligible position or receive paid leave from an eligible position for at least 90 days in order to receive a year of service credit for the school year before retirement.

(4) Days that the employer is scheduled to be closed for business are not included in the 90 days of work required to receive a year of service credit unless the day(s) are paid holidays by the employer or the employee was charged with paid leave during the closing. Holidays that are not included in the required number of work days for an employee are not counted as paid holidays or days of paid leave.

(b) For school years prior to the 2011-2012 school year:

(1) Except as provided in paragraph (2), (3), or (4) of this subsection, a member must serve at least 4 1/2 months in an eligible position during the school year to receive credit for a year of service.

(2) A member who served less than four and one-half months in a school year but served a full semester of more than four calendar months will receive credit for a year of service.

(3) A substitute as defined in §25.4 of this title will be qualified for membership and granted a full year of service credit by rendering 90 or more days of service as a substitute in a school year and verifying the service as provided in §25.121 of this title and §25.47 of this title and paying deposits and fees for the service as provided in §25.43 of this title.

(4) An employee who enters into an employment contract or oral or written work agreement for a period which would qualify the employee for a year of service credit under the other provisions of this section but who actually renders only the amount of service specified in §25.4 of this title will receive credit for a year of service credit.

Appendix B

(c) Beginning on the first day of the 2025-2026 school year, a member who is serving in a membership eligible position and who, under the member's contract or work agreement, is regularly scheduled to work fewer than five days per week for at least two weeks per month may, in lieu of the requirements in subsection (a) of this section and except as provided by subsection (e) of this section, establish a year of service credit by working and receiving pay for that work or using paid leave for four and one-half months.

(d) Except as provided by subsection (e) of this section, the four and one-half month period described by subsection (c) of this section must include four full calendar months in which the member renders service and is paid or the member uses paid leave, for at least eight days and an additional five days of service rendered and for which the member is paid or paid leave used in another calendar month or months that do not include the four full calendar months.

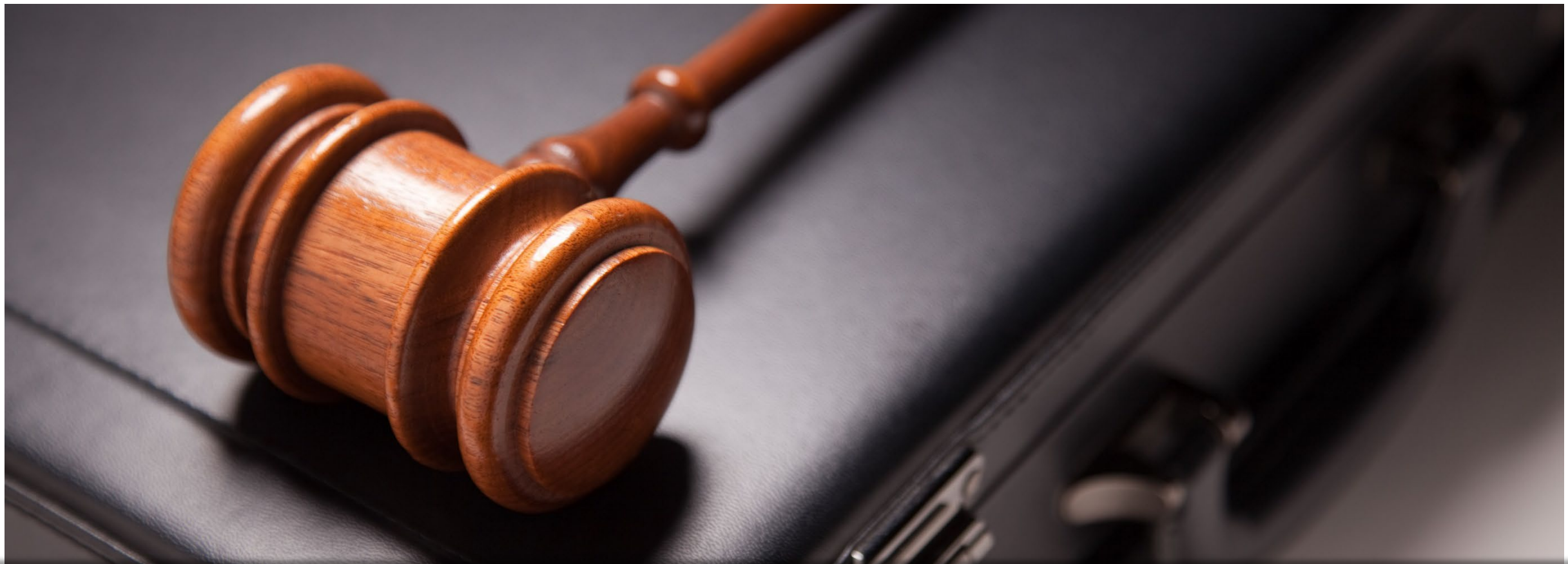
(e) Beginning on the first day of the 2025-2026 school year, a member who is serving in a membership-eligible position described by subsection (c) of this section for an employer that provides for semesters in its calendar may, in the last school year before retirement, receive a year of service credit if the member worked and was paid for that work or received paid leave for a full fall semester in accordance with the employer's calendar.

(f) For the purposes of subsection (e) of this section, a member who is regularly scheduled to work fewer than five days per week for at least two weeks per month and otherwise meets the requirements of subsection (e) will be considered to have worked a full fall semester in accordance with the employer's calendar if the member works and is paid for that work or receives paid leave for each day the member was required to work during that semester even if the employer's calendar includes additional workdays on which the member was not required to work.

(g)[(e)] Beginning on the first day of the 2015-2016 school year and ending on the last day of the 2024-2025 school year [thereafter], in lieu of the requirements in subsection (a) of this section, a member who is serving in a membership-eligible [membership-eligible] position and who is regularly scheduled to work fewer than five [5] days per week, may establish a year of service credit by working and receiving pay for that work or using paid leave, for four and one-half months. The four and one-half month period must include four full calendar months in which the member renders service and is paid or the member uses paid leave, for at least eight [8] days and an additional five days of service rendered and for which the member is paid or paid leave used in another calendar month or months but not to include the four full calendar months.

(h)[(d)] Except as otherwise provided in [subsection (a) of] this section regarding [,for] service credit granted in the school year in which the member retires, in no event may a member receive a year of service credit earlier than December 31.

TAB 6



Legal & Compliance

July 17, 2025

Presented By: **Heather Traeger, General Counsel**
Roberto Cortes-Moreno, Director of Healthcare



Proposed Amended TRS Rule § 41.12



Texas Administrative Code

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 41	HEALTH CARE AND INSURANCE PROGRAMS
SUBCHAPTER A	RETIREE HEALTH CARE BENEFITS (TRS-CARE)

Rule §41.12 Eligibility for the Alternative Plan for Medicare-Eligible Participants



Adoption of Proposed Amended TRS Rule § 41.12 – Next Steps

The reasons that motivated the creation of the TRS-Care Alternative Plan no longer exist,
thus

The TRS-Care Alternative Plan will be closed to new enrollment on Jan. 1, 2026

TRS-Care members, who qualify under current requirements to be enrolled in the TRS-Care Alternative Plan, will be allowed to enroll in that plan through Dec. 31, 2025

Members who are enrolled as of Jan. 1, 2026, will be grandfathered into the TRS-Care Alternative Plan and may remain in the program

Beginning Jan. 1, 2026, TRS will require Medicare-eligible retirees and their dependents to have Medicare Part B coverage in order to enroll in and remain in a TRS-Care program



Changes to the Proposed Amended TRS Rule § 41.12

TRS staff requests that the board adopt the proposed amended rule, with one revision:

- correct an unintentional omission by adding “Medicare-” back into the title of Rule § 41.12



Adoption of Proposed Amended Rule § 41.12 – Development

April 10, 2025: The Board authorized publication in the *Texas Register* of proposed amended Rule § 41.12



May 9, 2025: The proposed amended Rule § 41.12 was published in the *Texas Register*



No public comments were received in response to the proposed amended Rule § 41.12



If adopted, the amended Rule § 41.12 will be effective 20 days after being filed with the Secretary of State.
Target: August 21, 2025



Legal & Compliance

Memorandum

DATE: July 17, 2025

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

FROM: Heather Traeger, Managing Director, General Counsel and CCO

THROUGH: Brian Guthrie, Executive Director

RE: Adoption of Proposed Amended Rule: 34 T.A.C. §41.12

Requested Action

TRS Staff request the Governance Committee recommend to the Board of Trustees ("Board") the adoption of the following proposed amended rule with a change to the proposed text as published in the May 9, 2025, issue of the *Texas Register*:

- Rule §41.12, which is located in Title 34, Part 3, Chapter 41, Subchapter A of the Texas Administrative Code.

Background

At the Board meeting on April 10, 2025, TRS Staff asked the Board to authorize publication in the *Texas Register* of proposed amended Rule §41.12. The Board authorized publication and the proposed amended Rule was published in the *Texas Register* on May 9, 2025 (50 TexReg 2750 – 2751). TRS did not receive any public comments on the proposed amended Rule.

The published version of the proposed rule inadvertently omitted an existing word, “Medicare-” from the title. TRS Staff proposes adoption of the rule with a correction reinstating the term “Medicare-”, such that the title reads “Relating to the Alternative Plan for Medicare-Eligible Participants and Medicare Part B Requirement.” This is considered a non-substantive change, as “Medicare-Eligible” is already used in the current rule.

Summary of Proposed Amended Rule

TRS is adopting amended Rule §41.12 to close new enrollment to the TRS-Care Alternative Plan. The TRS-Care Alternative Plan, which is offered under § 1575.158(d) of the Insurance Code and

administered under Chapter 1575 of the Texas Insurance Code, no longer provides sufficient value to our retirees and their eligible dependents for the following reasons.

In 2018, the TRS-Care Medicare Advantage plan (“TRS-Care MA”) had a limited provider network in rural areas. To alleviate this issue, the TRS-Care Alternative Plan was created to serve members who lacked adequate access to providers. However, since then, TRS carriers have significantly expanded the TRS-Care MA provider network, improving access across all areas. As a result, the need for members to enroll in the TRS-Care Alternative plan due to restricted provider access (i.e., a limited provider network) has been eliminated.

Additionally, when TRS initially established the TRS-Care Alternative Plan, the goal was to help Medicare-eligible TRS members manage the financial challenges created by the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). These federal laws significantly reduced Social Security benefits for public school retirees. Although the GPO and the WEP originally helped spur the creation of the TRS-Care Alternative Plan, these federal laws have since been repealed and the TRS-Care Alternative Plan no longer serves the original goal.

Because the GPO and WEP reduced Social Security benefits for our retirees and Medicare Part B premiums are deducted from Social Security checks, many affected Medicare-eligible retirees and their dependents declined to enroll in Medicare Part B when they first became eligible. Federal law imposed higher Medicare Part B premiums on those who delayed enrollment, making it cost-prohibitive for most to apply for benefits later so they could enroll in the TRS-Care MA plan. Therefore, the TRS-Care Alternative Plan provided these Medicare-eligible retirees an option to the TRS-Care MA plan. Now that the GPO and WEP are gone, it is in our retirees’ best interest to enroll in Medicare Part B as soon as they become eligible to avoid being hit with cost-prohibitive premiums later. TRS desires to help break this cycle.

The TRS-Care Alternative Plan will close to new enrollments effective January 1, 2026. TRS-Care eligible members who meet the current requirements of the TRS-Care Alternative Plan may continue to enroll in the plan until December 31, 2025. Members already enrolled in the TRS-Care Alternative Plan as of January 1, 2026, may remain in the plan.

Beginning January 1, 2026, TRS will require Medicare-eligible retirees and their dependents to purchase and maintain Medicare Part B coverage in order to enroll in and remain in a TRS-Care program. This requirement applies to both new TRS-Care enrollees and current members who are transitioning from TRS-Care Standard to TRS-Care MA upon becoming Medicare-eligible.

Conclusion

If adopted, amended Rule §41.12 will take effect 20 days after it is filed with the Secretary of State.

A draft of the amended Rule §41.12 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
CHAPTER 41 HEALTH CARE AND INSURANCE PROGRAMS
SUBCHAPTER A RETIREE HEALTH CARE BENEFITS (TRS-CARE)
RULE §41.12 Relating to ~~[Eligibility for]~~ the Alternative Plan for Medicare-Eligible Participants and Medicare Part B Requirement

(a) Enrollment in the Alternative Plan. Up to and including December 31, 2025, an ~~[An]~~ individual is eligible to enroll in the Alternative Plan offered under TRS-Care if:

(1) the individual is eligible to enroll in TRS-Care; and

(2) the individual is eligible for Medicare and either:

(A) does not have reasonable access to a particular provider, as determined by TRS; or

(B) as of January 1, 2018, does not have Medicare Part B coverage and the individual's ability to obtain Medicare Part B coverage is cost prohibitive, as determined by TRS.

(b) Closing Enrollment in the Alternative Plan. Effective January 1, 2026, new enrollees under TRS-Care will no longer be eligible for the Alternative Plan described under Subsection (a).

(c) Medicare Part B Requirement. Effective January 1, 2026, retirees, dependents, surviving spouses, and surviving dependent children who are eligible to enroll in Medicare and desire to enroll in or stay in a TRS-Care plan must have and maintain Medicare Part B coverage.

(1) High Deductible Health Plan Transition. Effective January 1, 2026, retirees, dependents, surviving spouses, and surviving dependent children enrolled in the high deductible health plan offered under TRS-Care who turn age 65 and are eligible to enroll in Medicare must have and maintain Medicare Part B coverage to transition into the Medicare Advantage plan and the Medicare prescription drug plan offered under TRS-Care. These enrollees have until the end of their Medicare Initial Enrollment Eligibility Period (IEP) to secure Medicare Part B coverage in order to transition into the Medicare Advantage plan and the Medicare prescription drug plan offered under TRS-Care. Enrollees that fail to secure Medicare Part B coverage within this period shall be terminated from the TRS-Care program.

(2) Continued Enrollment in the TRS-Care Medicare Advantage Plan. Effective January 1, 2026, retirees, dependents, surviving spouses, and surviving dependent children enrolled in the Medicare Advantage Plan offered under TRS-Care who terminate or lose their Medicare Part B coverage no longer meet TRS-Care eligibility criteria and shall be terminated from the TRS-Care program as soon as TRS is notified of the Part B coverage loss by CMS.

ATTACHMENT 2

Texas Administrative Code

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 41	HEALTH CARE AND INSURANCE PROGRAMS
SUBCHAPTER A	RETIREE HEALTH CARE BENEFITS (TRS-CARE)
RULE §41.12	Relating to the Alternative Plan for Medicare-Eligible Participants and Medicare Part B Requirement

- (a) Enrollment in the Alternative Plan. Up to and including December 31, 2025, an individual is eligible to enroll in the Alternative Plan offered under TRS-Care if:
- (1) the individual is eligible to enroll in TRS-Care; and
 - (2) the individual is eligible for Medicare and either:
 - (A) does not have reasonable access to a particular provider, as determined by TRS; or
 - (B) as of January 1, 2018, does not have Medicare Part B coverage and the individual's ability to obtain Medicare Part B coverage is cost prohibitive, as determined by TRS.
- (b) Closing Enrollment in the Alternative Plan. Effective January 1, 2026, new enrollees under TRS-Care will no longer be eligible for the Alternative Plan described under Subsection (a).
- (c) Medicare Part B Requirement. Effective January 1, 2026, retirees, dependents, surviving spouses, and surviving dependent children who are eligible to enroll in Medicare and desire to enroll in or stay in a TRS-Care plan must have and maintain Medicare Part B coverage.
- (1) High Deductible Health Plan Transition. Effective January 1, 2026, retirees, dependents, surviving spouses, and surviving dependent children enrolled in the high deductible health plan offered under TRS-Care who turn age 65 and are eligible to enroll in Medicare must have and maintain Medicare Part B coverage to transition into the Medicare Advantage plan and the Medicare prescription drug plan offered under TRS-Care. These enrollees have until the end of their Medicare Initial Enrollment Eligibility Period (IEP) to secure Medicare Part B coverage in order to transition into the Medicare Advantage plan and the Medicare prescription drug plan offered under TRS-Care. Enrollees that fail to secure Medicare Part B coverage within this period shall be terminated from the TRS-Care program.
 - (2) Continued Enrollment in the TRS-Care Medicare Advantage Plan. Effective January 1, 2026, retirees, dependents, surviving spouses, and surviving dependent children enrolled in the Medicare Advantage Plan offered under TRS-Care who terminate or lose their Medicare Part B coverage no longer meet TRS-Care eligibility criteria and shall be terminated from the TRS-Care program as soon as TRS is notified of the Part B coverage loss by CMS.

TAB 7



Proposed amendments: TRS Rules 27.6, 29.9 & 29.56

July 17, 2025

Presented By:
Heather Traeger & Nick Gonzalez



Rule Review 2022: TRS Rules 27.6, 29.9 & 29.56



Staff proposes to amend three TRS rules from Chapters 27 and 29.

Rule Review 2022

- In 2022, all three rules were recommended for amendment in the board of trustees' adopted four-year rule review.

Updating or clarifying edits

- The proposed amendments to TRS Rule 27.6 and 29.9 are minor changes that remove or update outdated language regarding beneficiary designations and purchasing withdrawn service credit.

Federal law compliance

- The proposed amendments to TRS Rule 29.56 update the rule to conform with changes made to federal required minimum distribution requirements in the Secure Act and Secure Act 2.0.



Legal & Compliance

Memorandum

DATE: July 17, 2025

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

FROM: Heather Traeger, General Counsel & Chief Compliance Officer

THROUGH: Brian Guthrie, Executive Director

RE: Proposed Amendment: 34 Texas Administrative Code § 27.6
Proposed Amendment: 34 Texas Administrative Code §§ 29.9 & 29.56

Requested Action

TRS staff asks the Governance Committee to authorize publication in the *Texas Register* of proposed amendments to the following rules under Chapters 27 and 29 of TRS Rules:

- TRS Rule 27.6 – Reinstatement of an Account
- TRS Rule 29.9 – Survivor Benefits
- TRS Rule 29.56 – Minimum Distribution Requirements

Background and Reason for the Proposed Amended Rules

TRS staff recommends proposing amendments to TRS Rules 27.6, 29.9, and 29.56. All three rules were recommended for amendment during TRS’ 2022 rule review process. The proposed amendments to TRS Rules 27.6 and 29.9 are updating or clarifying amendments that remove outdated or expired language. Specifically, the proposed amendments to TRS Rule 27.6 remove reference to purchasing withdrawn service at the previous reinstatement fee rate of 6% per year since the member’s service was withdrawn. The opportunity to purchase at this fee rate expired in 2013. The proposed amendments to TRS Rule 29.9 simply clarify that the beneficiary

designated to receive survivor benefits by a retiree is the beneficiary eligible to receive benefits payable under Government Code § 824.501.

The proposed amendments to TRS Rule 29.56 update the rule to conform to the federal changes made in the Secure Act and Secure Act 2.0 that were passed by Congress in 2019 and 2022, respectfully. The primary change from both pieces of legislation was to increase the age that retired participants must begin receiving required minimum distributions. Under the Secure Act, the age increases from age 70½ to age 72 for participants born after Jan. 1, 1949 and before Jan. 1, 1951. Secure Act 2.0 increases the age from 72 to age 73 for participants that were born after Jan. 1, 1951 and before Jan. 1, 1960 and increases from 73 to 75 for plan participants that were born on or after Jan. 1, 1960. TRS has already begun to implement these changes in its required minimum distribution procedures because TRS is required by Section 825.506 of the Government Code to comply with provisions of federal law necessary to ensure the plan qualification of TRS. For this reason, the proposed amendments to TRS Rule 29.56 also ensure that TRS' rules are consistent with its current procedures. The amendments to TRS Rule 29.56 also include nonsubstantive changes to terminology and citations in the rule.

Conclusion

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

The proposed language of the amended rules is attached as Appendix A, and a redlined version of the proposed amendments to the rules is attached as Appendix B.

TITLE 34. PUBLIC FINANCE
PART 3. TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 27. TERMINATION OF MEMBERSHIP AND REFUNDS

§27.6. Reinstatement of an Account

(a) Except as provided in subsection (c) of this section, any member who has withdrawn an account resulting in the cancellation of service credit may reinstate this account and receive credit for the canceled service by meeting the following requirements:

- (1) resume membership service in the retirement system or establish eligibility under Government Code, Chapter 803 or 805;
- (2) redeposit the amount withdrawn for the years during which the membership was terminated;
- (3) pay a reinstatement fee of 8 percent compounded annually in whole year increments from August 31st of the plan year in which the withdrawal occurred to the date of redeposit;
- (4) reinstate all withdrawn accounts which resulted in the cancellation of service credit. A withdrawn account representing less than a creditable year of service must be reinstated only when it is necessary to combine the canceled service in the account with all other canceled service or with other eligible membership service or equivalent membership service performed in the same year to constitute a creditable year of service.

(b) Membership service credit and the accumulated contributions associated with the membership terminated by not qualifying for service credit for five consecutive years as provided in §822.003(a)(4), Government Code, may be restored by TRS when the person returns to TRS covered employment provided the accumulated contributions in the member account have not been withdrawn. If the accumulated contributions have been withdrawn, the member may reinstate the withdrawn account as provided in this section.

(c) A person who terminated membership in TRS by electing participation in the Optional Retirement Program (ORP) may not reinstate the years of terminated service credit in TRS for the purpose of establishing eligibility for retirement benefits under the Proportionate Retirement Program except as provided in §25.172(a) of this title (relating to ORP and TRS).

TITLE 34. PUBLIC FINANCE
PART 3. TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 29. BENEFITS
SUBCHAPTER A. RETIREMENT

34 TAC §29.9. Survivor Benefits

The person designated by a retiree to receive survivor benefits payable after the retiree's death is eligible to receive benefits as stated in Government Code §824.501. When multiple beneficiaries are named and two or more beneficiaries are eligible for monthly payments, the monthly payment will be split in equal portions. When only one beneficiary named is eligible for monthly payments, the entire monthly payment will be made to that beneficiary.

TITLE 34. PUBLIC FINANCE
PART 3. TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 29. BENEFITS
SUBCHAPTER D. PLAN LIMITATIONS

34 TAC §29.56. Minimum Distribution Requirements

(a) General Rules and Definitions.

(1) Intent. This rule is intended to comply with a reasonable and good faith interpretation of the requirements of 26 U.S.C. §401(a)(9), as applicable to a governmental plan within the meaning of 26 U.S.C. §414(d).

(2) Plan Qualification and §401(a)(9) compliance. Pursuant to Tex. Gov't Code §825.506(a) and (c), this section modifies the TRS retirement plan to the extent necessary for the plan to be a qualified plan and comply with 26 U.S.C. §401(a)(9) and prevails over any inconsistent provision of the plan.

(3) Requirements of Treasury Regulations Incorporated. All distributions required under this section will be determined in accordance with 26 C.F.R. §§1.401(a)(9)-1 through 1.401(a)(9)-9 of the Internal Revenue Service, U.S. Department of Treasury regulations.

(4) Definition of Participant. In this section, a TRS member or TRS retiree.

(5) Definition of Designated Beneficiary. In accordance with 26 U.S.C. § 401(a)(9)(E) and §1.401(a)(9)-4(a)&(b) of the Treasury regulations, the individual who is designated as the beneficiary under applicable plan provisions or by the participant's affirmative election.

(6) Definition of Distribution Calendar Year. A calendar year for which a minimum distribution is required. For distributions beginning before a participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year that contains the participant's required beginning date. For distributions beginning after a participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to subsection (b)(3) of this section.

(7) Definition of Life Expectancy. For purposes of this rule, life expectancy means life expectancy as computed by use of the Single Life Table in §1.401(a)(9)-9(b) of the Treasury regulations.

(8) Definition of Required Beginning Date. The date specified in subsection (b)(1) of this section.

(b) Time and Manner of Distribution.

(1) Required Beginning Date.

(A) Required beginning date means April 1 of the calendar year following the later of:

- (i) the calendar year in which the participant attains the applicable age within the meaning of 26 U.S.C. § 401(a)(9)(C)(v), or
- (ii) the calendar year in which the participant terminates employment with a TRS-covered employer.

(B) A participant is required to take distribution of the participant's entire interest, or to begin to take a distribution of the entire interest, no later than the participant's required beginning date.

(2) Applicable Age.

(A) In the case of a participant born before July 1, 1949, the applicable age is 70 1/2;

(B) In the case of a participant born on or after July 1, 1949, and before January 1, 1951, the applicable age is 72;

(C) In the case of a participant born on or after January 1, 1951, and before January 1, 1960, the applicable age is 73;

(D) In the case of a participant born on or after January 1, 1960, the applicable age is 75;
or

(E) The age set forth in 26 U.S.C. §401(a)(9)(C)(v), as amended from time-to-time.

(3) Death of Participant Before Distributions Begin. If a participant dies before distributions begin, the participant's entire interest is required to be distributed, or begin to be distributed, no later than described in subparagraphs (A)-(D) of this paragraph. For purposes of this paragraph and subsection (e) of this section, distributions are considered to begin on the participant's required beginning date (or, if subparagraph (D) of this paragraph applies, the date distributions are required to begin to the surviving spouse under subparagraph (A) of this paragraph). If annuity payments irrevocably commence to the participant before the participant's required beginning date (or to the participant's surviving spouse before the date distributions are required to begin to the surviving spouse under subparagraph (A) of this paragraph), the date distributions are considered to begin is the date distributions actually commence.

(A) If the sole designated beneficiary is the participant's surviving spouse, then distributions after the participant's death to the surviving spouse are required to begin by December 31 of the calendar year immediately following the later of:

(i) the calendar year in which the participant died; or

(ii) the calendar year in which the deceased participant would have attained the applicable age.

(B) If the designated beneficiary is not the participant's surviving spouse, then distributions after the participant's death to the designated beneficiary must either:

(i) begin to be distributed no later than December 31 of the calendar year immediately following the year of the participant's death, payable over a period not to exceed the beneficiary's life expectancy; or

(ii) be distributed no later than December 31 of the calendar year containing the fifth anniversary of the participant's death.

(C) If there is no designated beneficiary as of September 30 of the year following the year of the participant's death, the participant's entire interest is required to be distributed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

(D) If the participant's surviving spouse is the participant's sole designated beneficiary and the surviving spouse dies after the participant but before distributions to the surviving spouse begin, this paragraph, other than subparagraph (A) of this paragraph, will apply as if the surviving spouse were the participant, as described in §1.401(a)(9)-3(b)(3), (d) of the Treasury regulations.

(4) Form of Distribution. As of the first distribution calendar year, distributions are required be made in accordance with subsections (c), (d), (e), (f), and (g) of this section.

(c) Determination of Amount to be Distributed Each Year.

(1) General Annuity Requirements. If the participant's interest is paid in the form of annuity distributions to the participant after retirement or to the participant's beneficiary before or after retirement of the participant, payments under the annuity will satisfy the following requirements:

(A) the annuity distributions will be paid in periodic payments made at monthly intervals;

(B) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in the Treasury regulations;

(C) once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted; and

(D) payments will either be non-increasing or will increase only as permitted in the Treasury regulations.

(2) Amount Required to be Distributed by Required Beginning Date.

(A) The amount that is required to be distributed on or before the participant's required beginning date (or, if the participant dies before distributions begin, the date distributions are required to begin to a beneficiary under subparagraph (A) or (B) of subsection (b)(3) of this section) is the payment that is required for one month. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. All of the participant's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for months ending on or after the participant's required beginning date. For a retiree receiving a distribution of a partial lump sum option (PLSO) payment or a deferred retirement option plan (DROP) payment in conjunction with a monthly annuity payment due for a month beginning on or before the participant's required beginning date, the minimum distribution requirement of this section is satisfied by the annuity payment required to be made for that month.

(B) In the case of a refund to a participant of the participant's entire accumulated contributions, the amount that is the required minimum distribution for the distribution calendar year (and thus is not eligible for rollover under 26 U.S.C. §402(c)) is determined by treating the single sum distribution as a distribution from an individual account plan and treating the amount of the single sum distribution as the participant's account balance as of the end of the relevant valuation calendar year. The minimum amount required to be distributed for each distribution calendar year is equal to the quotient obtained by dividing the account by the applicable distribution period using the Uniform Lifetime Table in A-2 of Treasury regulation §1.401(a)(9)-9. If the refund is being made in the calendar year containing the required beginning date and the required minimum distribution for the participant's first distribution calendar year has not been distributed, the portion of the single sum distribution that represents the required minimum distribution for the participant's first and second distribution calendar year is not eligible for rollover.

(d) Requirements For Distributions of Retirement Annuity Payments

(1) Option 1 or 5 Retirement Payment Plan With Non-spousal Beneficiary. If the participant's interest is to be distributed in the form of an Option 1 or 5 annuity and the participant

designated a nonspouse beneficiary, annuity payments to the designated beneficiary after the participant's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the participant using the table set forth in §1.401(a)(9)-6(b)(2)(iii) of the Treasury regulations. An Option 1 or 5 payment plan that would result in a payment to a designated nonspouse beneficiary above the applicable percentage shall not be available to the participant.

(2) Option 3 and 4 Retirement Payment Plans.

(A) If the participant's spouse is not the sole designated beneficiary, the participant may not select an Option 3 or 4 retirement payment plan if the period certain for an annuity distribution commencing during the participant's lifetime would exceed the applicable distribution period for the participant under the Uniform Lifetime Table set forth in §1.401(a)(9)-9 of the Treasury regulations for the calendar year that contains the annuity starting date. If the annuity starting date precedes the year in which the participant reaches age 70, the applicable distribution period for the participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in §1.401(a)(9)-9 of the Treasury regulations plus the excess of 70 over the age of the participant as of the participant's birthday in the year that contains the annuity starting date.

(B) If the participant's spouse is the sole designated beneficiary, the participant may not select an Option 3 or 4 retirement payment plan if the period certain would exceed the longer of the participant's applicable distribution period, as determined under this paragraph, or the joint life and last survivor expectancy of the participant and the participant's spouse as determined under the Joint and Last Survivor Table set forth in §1.401(a)(9)-9 of the Treasury regulations, using the participant's and spouse's attained ages as of the participant's and spouse's birthdays in the calendar year that contains the annuity starting date.

(e) Requirements for Minimum Distributions Where Participant Dies Before Date Distributions Begin.

(1) Participant Survived by Designated Beneficiary. If the participant dies before the date that distribution of his or her interest begins (as described in subsection (b)(3) of this section) and there is a designated beneficiary, the entire interest payable with respect to the participant is required to be distributed, beginning no later than the time described in subparagraph (A) or (B) of subsection (b)(3) of this section, over the life of the designated beneficiary or over a period certain not exceeding:

(A) unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the participant's death; or

(B) if the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year that contains the annuity starting date.

(2) No Designated Beneficiary. If the participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the participant's death, distribution of the participant's entire interest is required to be completed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

(3) Death of Surviving Spouse Before Distributions to Surviving Spouse Begin. If the participant dies before the date distribution of his or her interest begins, the participant's surviving spouse is the participant's sole designated beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this subsection will apply as if the surviving spouse were the member, as described in §1.401(a)(9)-3(b)(3), (d) of the Treasury regulations, except that the time by which distributions must begin will be determined without regard to subsection (b)(3)(A) of this section.

(f) Election To Apply 5-Year Rule to Distributions to Designated Beneficiaries. Notwithstanding subsection (e) of this section, if the participant dies before distributions begin and there is a designated beneficiary entitled to a lump sum distribution, distribution of the lump sum to the designated beneficiary is not required to begin by the date specified in subsection (e)(1) of this section, if the participant's entire interest is distributed to the designated beneficiary by December 31 of the calendar year containing the fifth anniversary of the participant's death. If the participant's surviving spouse is the participant's sole designated beneficiary and the surviving spouse dies after the member but before distributions to either the participant or the surviving spouse begin, this provision will apply as if the surviving spouse were the participant, as described in §1.401(a)(9)-3(b)(3), (d) of the Treasury regulations.

(g) Requirements for Minimum Distributions Where Participant Dies After Distributions Begin. If a participant dies after retirement benefits have commenced, benefits must continue to be distributed to the beneficiary at least as rapidly as provided for under the option elected by the participant pursuant to §29.8 of this title (relating to Retirement Payment Plans).

(h) An eligible participant who has applied for service or disability retirement and who dies on or after the retirement date will be considered to have retired and commenced distributions.

(i) A participant or beneficiary is required to initiate and complete appropriate TRS processes to take distributions in accordance with this section. A participant or beneficiary who fails to take distributions in accordance with this section is subject to federal tax law establishing an additional tax on minimum distributions that are required but not taken.

(j) Grandfather Provisions. Notwithstanding any provision of this section to the contrary, with respect to any annuity option or other plan provision as in effect on April 17, 2002, TRS will apply a reasonable and good faith interpretation of the requirement of Internal Revenue Code §401(a)(9). TRS is exercising the authority granted to governmental plans in the Pension Protection Act of 2006 in establishing this section as its good faith interpretation of the requirements of Internal Revenue Code §401(a)(9). The provisions of this section, including subsections (d) and (e) of this section, affecting payment options otherwise available under the TRS plan are applicable to retirements with an effective date after December 31, 2007, or to a benefit payable as a result of the death of a participant after December 31, 2007.

TITLE 34. PUBLIC FINANCE
PART 3. TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 27. TERMINATION OF MEMBERSHIP AND REFUNDS

§27.6. Reinstatement of an Account

(a) Except as provided in subsection ~~(c)~~**[(e)]** of this section, any member who has withdrawn an account resulting in the cancellation of service credit may reinstate this account and receive credit for the canceled service by meeting the following requirements:

- (1) resume membership service in the retirement system or establish eligibility under Government Code, Chapter 803 or 805;
- (2) redeposit the amount withdrawn for the years during which the membership was terminated;
- (3) ~~[except as provided by subsections (b) and (c) of this section,]~~ pay a reinstatement fee of 8 percent compounded annually in whole year increments from August 31st of the plan year in which the withdrawal occurred to the date of redeposit;
- (4) reinstate all withdrawn accounts which resulted in the cancellation of service credit. A withdrawn account representing less than a creditable year of service must be reinstated only when it is necessary to combine the canceled service in the account with all other canceled service or with other eligible membership service or equivalent membership service performed in the same year to constitute a creditable year of service.

~~(b) [A member may establish withdrawn service credit by paying the deposits and fees required in subsection (c) of this section if:~~

- ~~(1) the member otherwise meets all eligibility requirements under §823.501, Government Code, as amended;~~
- ~~(2) all of the service for which credit is sought to be established was rendered before September 1, 2011, and TRS received an application to withdraw the credit on or before August 31, 2011; and~~
- ~~(3) the member makes payment for the withdrawn service credit, or enters into an installment agreement for payment, not later than August 31, 2013.~~

~~(c) To reinstate withdrawn service credit under subsection (b) of this section, the member shall redeposit the amount withdrawn for the years during which the membership was terminated and shall pay a reinstatement fee of 6 percent compounded annually in whole year increments from August 31 of the plan year in which the withdrawal occurred to the date of redeposit.]~~

~~(e)~~ Membership service credit and the accumulated contributions associated with the membership terminated by not qualifying for service credit for five consecutive years as provided in §822.003(a)(4), Government Code, may be restored by TRS when the person returns to TRS covered employment provided the accumulated contributions in the member account have not been withdrawn. If the accumulated contributions have been withdrawn, the member may reinstate the withdrawn account as provided in this section.

~~(c)~~~~(e)~~ A person who terminated membership in TRS by electing participation in the Optional Retirement Program (ORP) may not reinstate the years of terminated service credit in TRS for the purpose of establishing eligibility for retirement benefits under the Proportionate Retirement Program except as provided in §25.172(a) of this title (relating to ORP and TRS).

TITLE 34. PUBLIC FINANCE
PART 3. TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 29. BENEFITS
SUBCHAPTER A. RETIREMENT

34 TAC §29.9. Survivor Benefits

~~[In addition to any of these retirement annuity payments, the]~~ The person designated by a retiree to receive survivor benefits payable after the retiree's death ~~[designated beneficiary of any retired member]~~ is eligible to receive ~~[survivor]~~ benefits as stated in Government Code §824.501. When multiple beneficiaries are named and two or more beneficiaries are eligible for monthly payments, the monthly payment will be split in equal portions. When only one beneficiary named is eligible for monthly payments, the entire monthly payment will be made to that beneficiary.

TITLE 34. PUBLIC FINANCE
PART 3. TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 29. BENEFITS
SUBCHAPTER D. PLAN LIMITATIONS

34 TAC §29.56. Minimum Distribution Requirements

(a) General Rules and Definitions.

(1) Intent. This rule is intended to comply with a reasonable and good faith interpretation of the requirements of 26 U.S.C. §401(a)(9), as applicable to a governmental plan within the meaning of 26 U.S.C. §414(d).

(2) Plan Qualification and §401(a)(9) compliance. Pursuant to Tex. Gov't Code §825.506(a) and (c), this section modifies the TRS retirement plan to the extent necessary for the plan to be a qualified plan and comply with 26 U.S.C. §401(a)(9) and prevails over any inconsistent provision of the plan.

(3) Requirements of Treasury Regulations Incorporated. All distributions required under this section will be determined in accordance with 26 C.F.R. §§1.401(a)(9)-1 through 1.401(a)(9)-9 of the Internal Revenue Service, U.S. Department of Treasury regulations.

(4) Definition of Participant. In this section, a TRS member or TRS retiree.

(5) Definition of Designated Beneficiary. In accordance with 26 U.S.C. § 401(a)(9)(E) and §1.401(a)(9)-4(a)&(b) of the Treasury regulations, the [The] individual who is designated as the beneficiary under applicable plan provisions or by the participant's affirmative election [and who is the designated beneficiary under 26 U.S.C. § 401(a)(9) and § 1.401(a)(9)-1, Q&A-4, of the Treasury regulations].

(6) Definition of Distribution Calendar Year. A calendar year for which a minimum distribution is required. For distributions beginning before a participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year that contains the participant's required beginning date. For distributions beginning after a participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to subsection (b)(3) [(b)(2)] of this section.

(7) Definition of Life Expectancy. For purposes of this rule, life expectancy means life expectancy as computed by use of the Single Life Table in §1.401(a)(9)-9(b) [§1.401(a)(9)-9] of the Treasury regulations.

(8) Definition of Required Beginning Date. The date specified in subsection (b)(1) of this section.

(b) Time and Manner of Distribution.

(1) Required Beginning Date.

(A) Required beginning date means April 1 of the calendar year following the later of:

(i) the calendar year in which the participant attains the applicable age within the meaning of 26 U.S.C. § 401(a)(9)(C)(v) [70½], or

(ii) the calendar year in which the participant terminates employment with a TRS-covered employer.

(B) A participant is required to take distribution of the participant's entire interest, or to begin to take a distribution of the entire interest, no later than the participant's required beginning date.

(2) Applicable Age.

(A) In the case of a participant born before July 1, 1949, the applicable age is 70 1/2;

(B) In the case of a participant born on or after July 1, 1949, and before January 1, 1951, the applicable age is 72;

(C) In the case of a participant born on or after January 1, 1951, and before January 1, 1960, the applicable age is 73;

(D) In the case of a participant born on or after January 1, 1960, the applicable age is 75;
or

(E) The age set forth in 26 U.S.C. §401(a)(9)(C)(v), as amended from time-to-time.

(3) Death of Participant Before Distributions Begin. If a participant [member] dies before distributions begin, the participant's [member's] entire interest is required to be distributed, or begin to be distributed, no later than described in subparagraphs (A)-(D) of this paragraph. For purposes of this paragraph and subsection (e) of this section, distributions are considered to begin on the participant's [member's] required beginning date (or, if subparagraph (D) of this paragraph applies, the date distributions are required to begin to the surviving spouse under subparagraph (A) of this paragraph). If annuity payments irrevocably commence to the participant [member] before the participant's [member's] required beginning date (or to the participant's [member's] surviving spouse before the date distributions are required to begin to the surviving spouse under subparagraph (A) of this paragraph), the date distributions are considered to begin is the date distributions actually commence.

(A) If the ~~[member's surviving spouse is the member's]~~ sole designated beneficiary is the participant's surviving spouse, then distributions after the participant's death to the surviving spouse are required to begin by December 31 of the calendar year immediately following the later of:

(i) the calendar year in which the participant [member] died;ⁱ or

(ii) ~~[by December 31 of]~~ the calendar year in which the deceased participant [member] would have attained the applicable age ~~[70 1/2, if later]~~.

(B) If the designated beneficiary [member's surviving spouse] is not the participant's surviving spouse [member's sole designated beneficiary], then distributions after the participant's death to the designated beneficiary ~~[are required to begin by December 31 of the calendar year immediately following the calendar year in which the member died]~~ must either:

(i) begin to be distributed no later than December 31 of the calendar year immediately following the year of the participant's death, payable over a period not to exceed the beneficiary's life expectancy; or

(ii) be distributed no later than December 31 of the calendar year containing the fifth anniversary of the participant's death.

(C) If there is no designated beneficiary as of September 30 of the year following the year of the participant's [member's] death, the participant's [member's] entire interest is required to be distributed by December 31 of the calendar year containing the fifth anniversary of the participant's [member's] death.

(D) If the participant's [member's] surviving spouse is the participant's [member's] sole designated beneficiary and the surviving spouse dies after the participant [member] but before distributions to the surviving spouse begin, this paragraph, other than subparagraph (A) of this paragraph, will apply as if the surviving spouse were the participant [member], as described in §1.401(a)(9)-3(b)(3), (d) of the Treasury regulations.

~~(4)~~³ Form of Distribution. As of the first distribution calendar year, distributions are required be made in accordance with subsections (c), (d), (e), (f), and (g) of this section.

(c) Determination of Amount to be Distributed Each Year.

(1) General Annuity Requirements. If the participant's interest is paid in the form of annuity distributions to the participant after retirement or to the participant's beneficiary before or after

retirement of the participant, payments under the annuity will satisfy the following requirements:

- (A) the annuity distributions will be paid in periodic payments made at monthly intervals;
- (B) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in the Treasury regulations;
- (C) once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted; and
- (D) payments will either be non-increasing or will increase only as permitted in the Treasury regulations.

(2) Amount Required to be Distributed by Required Beginning Date.

(A) The amount that is required to be distributed on or before the participant's [member's] required beginning date (or, if the participant [member] dies before distributions begin, the date distributions are required to begin to a beneficiary under subparagraph (A) or (B) of subsection (b)(3) [(b)(2)] of this section) is the payment that is required for one month. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. All of the participant's [member's] benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for months ending on or after the participant's [member's] required beginning date. For a retiree receiving a distribution of a partial lump sum option (PLSO) payment or a deferred retirement option plan (DROP) payment in conjunction with a monthly annuity payment due for a month beginning on or before the participant's [member's] required beginning date, the minimum distribution requirement of this section is satisfied by the annuity payment required to be made for that month.

(B) In the case of a refund to a participant [member] of the participant's [member's] entire accumulated contributions, the amount that is the required minimum distribution for the distribution calendar year (and thus is not eligible for rollover under 26 U.S.C. §402(c)) is determined by treating the single sum distribution as a distribution from an individual account plan and treating the amount of the single sum distribution as the participant's [member's] account balance as of the end of the relevant valuation calendar year. The minimum amount required to be distributed for each distribution calendar year is equal to the quotient obtained by dividing the account by the applicable distribution period using the Uniform Lifetime Table in A-2 of Treasury regulation §1.401(a)(9)-9. If the refund is being made in the calendar year containing the required beginning date and the required minimum distribution for the participant's [member's] first distribution calendar year has not been distributed, the portion of the single sum distribution that represents the required

minimum distribution for the participant's ~~[member's]~~ first and second distribution calendar year is not eligible for rollover.

(d) Requirements For Distributions of Retirement Annuity Payments ~~[to Retiree or Beneficiary]~~

(1) Option 1 or 5 Retirement Payment Plan With Non-spousal Beneficiary. If the participant's interest is to be distributed in the form of an Option 1 or 5 annuity and the participant designated a nonspouse beneficiary, annuity payments to the designated beneficiary after the participant's ~~[retiree's]~~ death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the participant ~~[retiree]~~ using the table set forth in §1.401(a)(9)-6(b)(2)(iii) ~~[Q&A-2 of § 1.401(a)(9)-6]~~ of the Treasury regulations. An Option 1 or 5 payment plan that would result in a payment to a designated nonspouse beneficiary above the applicable percentage shall not be available to the participant.

(2) Option 3 and 4 Retirement Payment Plans.

(A) If the participant's spouse is not the sole designated beneficiary, the participant may not select an Option 3 or 4 retirement payment plan if the period certain for an annuity distribution commencing during the participant's ~~[retiree's]~~ lifetime would exceed the applicable distribution period for the participant ~~[retiree]~~ under the Uniform Lifetime Table set forth in §1.401(a)(9)-9 of the Treasury regulations for the calendar year that contains the annuity starting date. If the annuity starting date precedes the year in which the participant ~~[retiree]~~ reaches age 70, the applicable distribution period for the participant ~~[retiree]~~ is the distribution period for age 70 under the Uniform Lifetime Table set forth in §1.401(a)(9)-9 of the Treasury regulations plus the excess of 70 over the age of the participant ~~[retiree]~~ as of the participant's ~~[retiree's]~~ birthday in the year that contains the annuity starting date.

(B) If the participant's spouse is the sole designated beneficiary, the participant may not select an Option 3 or 4 retirement payment plan if the period certain would exceed the longer of the participant's ~~[retiree's]~~ applicable distribution period, as determined under this paragraph, or the joint life and last survivor expectancy of the participant and the participant's spouse as determined under the Joint and Last Survivor Table set forth in §1.401(a)(9)-9 of the Treasury regulations, using the participant's and spouse's attained ages as of the participant's and spouse's birthdays in the calendar year that contains the annuity starting date.

(e) Requirements for Minimum Distributions Where Participant ~~[Member]~~ Dies Before Date Distributions Begin.

(1) Participant Survived by Designated Beneficiary. If the participant ~~[member]~~ dies before the date that distribution of his or her interest begins (as described in subsection (b)(3) ~~[(b)(2)]~~ of this section) and there is a designated beneficiary, the entire interest payable with respect to

the participant [member] is required to be distributed, beginning no later than the time described in subparagraph (A) or (B) of subsection (b)(3) [(b)(2)] of this section, over the life of the designated beneficiary or over a period certain not exceeding:

(A) unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the participant's [member's] death; or

(B) if the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year that contains the annuity starting date.

(2) No Designated Beneficiary. If the participant [member] dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the participant's [member's] death, distribution of the participant's [member's] entire interest is required to be completed by December 31 of the calendar year containing the fifth anniversary of the participant's [member's] death.

(3) Death of Surviving Spouse Before Distributions to Surviving Spouse Begin. If the participant [member] dies before the date distribution of his or her interest begins, the participant's [member's] surviving spouse is the participant's [member's] sole designated beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this subsection will apply as if the surviving spouse were the member, as described in §1.401(a)(9)-3(b)(3), (d) of the Treasury regulations, except that the time by which distributions must begin will be determined without regard to subsection (b)(3)(A) [(b)(2)(A)] of this section.

(f) Election To Apply 5-Year Rule to Distributions to Designated Beneficiaries. Notwithstanding subsection (e) of this section, if the participant [member] dies before distributions begin and there is a designated beneficiary entitled to a lump sum distribution, distribution of the lump sum to the designated beneficiary is not required to begin by the date specified in subsection (e)(1) of this section, if the participant's [member's] entire interest is distributed to the designated beneficiary by December 31 of the calendar year containing the fifth anniversary of the participant's [member's] death. If the participant's [member's] surviving spouse is the participant's [member's] sole designated beneficiary and the surviving spouse dies after the member but before distributions to either the participant [member] or the surviving spouse begin, this provision will apply as if the surviving spouse were the participant [member], as described in §1.401(a)(9)-3(b)(3), (d) of the Treasury regulations.

(g) Requirements for Minimum Distributions Where Participant Dies After Distributions Begin. If a participant dies after retirement benefits have commenced, benefits must continue to be

distributed to the beneficiary at least as rapidly as provided for under the option elected by the participant pursuant to §29.8 of this title (relating to Retirement Payment Plans).

(h) An eligible participant ~~[member]~~ who has applied for service or disability retirement and who dies on or after the retirement date will be considered to have retired and commenced distributions.

(i) A participant or beneficiary is required to initiate and complete appropriate TRS processes to take distributions in accordance with this section. A participant or beneficiary who fails to take distributions in accordance with this section is subject to federal tax law establishing an additional tax on minimum distributions that are required but not taken.

(j) Grandfather Provisions. Notwithstanding any provision of this section to the contrary, with respect to any annuity option or other plan provision as in effect on April 17, 2002, TRS will apply a reasonable and good faith interpretation of the requirement of Internal Revenue Code §401(a)(9). TRS is exercising the authority granted to governmental plans in the Pension Protection Act of 2006 in establishing this section as its good faith interpretation of the requirements of Internal Revenue Code §401(a)(9). The provisions of this section, including subsections (d) and (e) of this section, affecting payment options otherwise available under the TRS plan are applicable to retirements with an effective date after December 31, 2007, or to a benefit payable as a result of the death of a participant after December 31, 2007.



Next Steps

