

April 2025

# GUIDING PRINCIPLES

## Joint Meeting of Governance, Policy, Strategic Planning, and Compensation Committee Meetings



**Teacher Retirement System of  
Texas**

1000 Red River Street  
Austin, Texas  
78701-2698

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING  
BOARD OF TRUSTEES  
AND  
JOINT MEETING OF THE GOVERNANCE, COMPENSATION, STRATEGIC  
PLANNING AND POLICY COMMITTEES**

*All or part of the April 10, 2025, joint meeting of the TRS Governance, Strategic Planning, Policy and Compensation Committees 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: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5<sup>th</sup> Floor, Boardroom.***

*The open portions of the April 10, 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](http://www.trs.texas.gov). A recording of the meeting will be available at [www.trs.texas.gov](http://www.trs.texas.gov).*

**AGENDA**

**April 10, 2025 – 4:00 p.m.**

1. Call roll of Committee members.
2. Consider the approval of the proposed minutes of the December 2024 Policy Committee, the September 2024 Strategic Planning Committee and September 2024 Compensation Committee meetings – Chair.
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.
4. Receive an update on and consider proposed changes to the Fiscal Year 2025 – 29 Strategic Plan Goals, Objectives and Strategies – Don Green and Michelle Pagán.
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 Nicholas Gonzalez.
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.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Governance, Strategic Planning or Policy Committees (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.

**Minutes of the Compensation Committee  
September 19, 2024**

The Compensation Committee of the Board of Trustees of the Teacher Retirement System of Texas met on September 19, 2024, 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. James D. Nance, Chair  
Mr. Michael Ball  
Mr. John Elliott  
Mr. Robert H. Walls, Jr.  
Mr. Elvis Williams

**Other TRS Board Members present:**

Ms. Allred Brittny  
Mr. David Corpus  
Ms. Nanette Sissney  
Mr. John R. Rutherford

**Others who participated:**

Brian Guthrie, TRS  
Caasi Lamb, TRS  
Heather Traeger, TRS  
Don Green, TRS  
Jase Auby, TRS  
Shunne Powell, TRS  
Katy Hoffman, TRS  
Chris Bailey, TRS  
Katherine Farrell, TRS  
Suzanne Dugan, Cohen Milstein  
Josh Wilson, Mercer

Compensation Committee Chair, Mr. James D. Nance, called the meeting to order at 12:38 p.m.

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

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

**2. Consider the approval of the proposed minutes of the July 2024 committee meeting – Chair.**

On a motion by Mr. Williams, seconded by Mr. Elliott, the committee unanimously approved the proposed minutes for the July 2024 Compensation Committee meeting as presented.

3. **Consider recommending to the Board continuation and adoption of the Investment Management Division and TRICOT’s Performance Incentive Pay Plans for the 2024 – 2025 Performance Period – Shunne Powell.**
4. **Consider recommending to the Board continuation and adoption of the Executive Director’s Performance Incentive Pay Plan for the 2024 – 2025 Performance Period – Shunne Powell.**

Ms. Shunne Powell reviewed the proposed changes to the performance pay plans. She said the proposed changes are non-material for all of the plans such as updating the dates to make the plans current. She noted the TRICOT plan did have language proposed to make sure there was a smooth transition if an employee was leaving from the Investment Management Division over to TRICOT so they would not have any issues with a break in service. She pointed out the executive director’s plan incorporates the areas of focus for 2025 that was reviewed earlier in the Strategic Planning Committee.

On a motion by Mr. Williams, seconded by Mr. Walls, the committee voted to recommend to the Board the proposed resolution continuing and adopting the Investment Management Division Performance Incentive Pay Plan, as presented by staff.

**RESOLUTION ADOPTING INVESTMENT MANAGEMENT DIVISION’S  
PERFORMANCE PAY PLAN**

**Whereas**, Section 825.208 of the Texas Government Code provides that, notwithstanding any other law, the Board of Trustees (Board) shall approve the rate of compensation of all persons it employs;

**Whereas**, Subsection 1.7(h) of the Board’s bylaws provides that the Board shall establish a system for the equitable and effective compensation of Investment Management Division (IMD) employees;

**Whereas**, To remain competitive in attracting and retaining high caliber IMD employees, the Board has determined that it is in TRS’s best interest to offer a compensation package that includes a competitive base salary and an opportunity to earn additional compensation through an IMD Performance Pay Plan (Plan);

**Whereas**, Consistent with those objectives, the Board adopted the initial version of the Plan in 2007; Now therefore, be it

**Resolved**, That effective for the annual performance period beginning October 1, 2024, the Board hereby adopts the amended Plan as presented by staff.

**Resolved**, That nothing in the adoption of this resolution alters the at-will nature of TRS employment for any employee, creates a contract between TRS and any TRS employee, or confers on any TRS employee the right to continued employment with TRS, including any employee holding a position in the Schedule of Exempt Positions.

On a motion by Mr. Williams, seconded by Mr. Ball, the committee voted to recommend to the Board the proposed resolution continuing and adopting the TRICOT’s Performance Incentive Pay Plan, as presented by staff.

**RESOLUTION ADOPTING TEACHER RETIREMENT INVESTMENT COMPANY OF TEXAS LTD'S PERFORMANCE PAY PLAN**

**Whereas**, Section 825.208 of the Texas Government Code provides that, notwithstanding any other law, the Board of Trustees (Board) shall approve the rate of compensation of all persons it employs;

**Whereas**, Subsection 1.7(h) of the Board's bylaws provides that the Board shall establish a system for the equitable and effective compensation of Teacher Retirement Investment Company of Texas Ltd. (TRICOT) employees;

**Whereas**, To remain competitive in attracting and retaining high caliber TRICOT employees, the Board has determined that it is in TRS's best interest to offer a compensation package that includes a competitive base salary and an opportunity to earn additional compensation through a TRICOT Performance Pay Plan (Plan); Now therefore, be it

**Whereas**, Consistent with those objectives, the Board adopted the initial version of the Plan in 2021; Now therefore, be it

**Resolved**, That effective for the annual performance period beginning October 1, 2024, the Board hereby adopts the Plan as presented by staff.

**Resolved**, That nothing in the adoption of this resolution alters the nature of TRICOT employment for any employee, creates a contract between TRS and any TRICOT employee, or otherwise alters the employment contract between TRICOT and TRICOT employees.

On a motion by Mr. Williams, seconded by Mr. Elliott, the committee voted to recommend to the Board adoption of the following resolution for the continuation and adoption of the ED's Performance Incentive Pay Plan, as presented by staff.

**RESOLUTION READOPTING EXECUTIVE PERFORMANCE INCENTIVE PAY PLAN**

**Whereas**, Section 825.208 of the Texas Government Code provides that, notwithstanding any other law, the Board of Trustees ("Board") shall approve the rate of compensation of all persons it employs;

**Whereas**, Subsection 1.7(h) of the Board's bylaws provides that the Board shall establish a system for the equitable and effective compensation of employees;

**Whereas**, To remain competitive in its efforts to attract and retain high caliber executives, the Board desires to offer a competitive compensation package that includes, not only a competitive base salary, but also an opportunity to earn additional rewards through an Executive Performance Incentive Pay Plan ("Plan");

**Whereas**, Consistent with that desire, the Board adopted on November 19, 2015 the Plan, which rewards select executive management for performance and:

- Focuses on key objectives tied to the overall success of TRS; • Aligns incentive potential to the achievement of TRS' mission, goals, and objectives; • Ties rewards to measurable success related to completion of goals linked to TRS's Strategic Plan and outlined in the Areas of Focus;
- Ensures TRS can attract, motivate, and retain top-performing executive leadership; and

**Whereas**, The Board desires to continue the Plan and readopt performance categories, category weights, performance goals, and key performance indicators for the Plan year beginning October 1, 2024; now, therefore be it

**Resolved**, That effective September 20, 2024, the Board hereby readopts the Executive Performance Incentive Pay Plan, as presented by Staff, including the key accountabilities and areas of focus.

**Resolved**, That nothing in the adoption of this resolution alters the at-will nature of employment that TRS has with any of its employees, creates a contract between TRS and any TRS employee, or confers on any TRS employee the right to continued employment with TRS, including the Executive Director or any other employee holding a position in the Schedule of Exempt Positions.

With no further business before the Committee, the meeting adjourned at 12:46 p.m.

Approved by the Governance Committee of the Board of Trustees of the Teacher Retirement System of Texas on April \_\_\_\_, 2025.

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Katherine H. Farrell  
Secretary of the TRS Board of Trustees

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Date

**Minutes of the Policy Committee  
December 5, 2024**

The Policy Committee of the Board of Trustees of the Teacher Retirement System of Texas met on Thursday, December 5, 2024, 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  
Mr. James D. Nance  
Mr. Robert H. Walls, Jr.

**Other TRS Board Members present:**

Mr. Michael Ball  
Mr. David Corpus  
Ms. Nanette Sissney  
Mr. Elvis Williams

**Others present:**

Brian Guthrie, TRS  
Caasi Lamb, TRS  
Heather Traeger, TRS  
Jase Auby, TRS  
Amanda Jenami, TRS  
Don Green, TRS  
Beth Hallmark, TRS  
Nick Gonzalez, TRS  
Katherine Farrell, TRS  
Suzanne Dugan, Cohen Milstein

Policy Committee Chair, Mr. John Elliott, called the meeting to order at 2:57 p.m.

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

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

**2. Consider the approval of the proposed minutes of the September 2024, Policy Committee meeting – Chair John Elliott.**

On a motion by Mr. Nance, seconded by Ms. Allred, the committee approved the proposed minutes for the September 2024 Policy Committee meeting as presented.

**3. Consider recommending to the Board proposed adoption of the proposed amendments to the Member Engagement Policy – Beth Hallmark.**

Ms. Beth Hallmark reviewed the policy sets forth TRS’ ongoing focus on ensuring members and other stakeholders are aware of and engaged in major TRS decisions. She said staff was not proposing any substantive changes to the policy and reviewed the non-substantive changes proposed which included updating department and division names and minor editorial changes for clarity.

On a motion by Mr. Nance, seconded by Mr. Walls, the Committee voted to recommend to the Board the adoption of the proposed amendments to the Member Engagement Policy, as presented by staff.

**3. Consider recommending to the Board adoption of the following proposed repeal and new rules in Chapter 43 of Title 34, Part 3 of the Texas Administrative Code, related to Contested Cases - Heather Traeger and Nick Gonzalez:**

- A. [REPEAL]§43.1 Administrative Review of Individual Requests
- B. [REPEAL] §43.2 Effect of Invalidity of Rule
- C. [REPEAL] §43.3 Definitions
- D. [REPEAL] §43.4 Decisions Subject to Review by an Adjudicative Hearing
- E. [REPEAL] §43.5 Request for Adjudicative Hearing
- F. [REPEAL] §43.6 Filing of Documents
- G. [REPEAL] §43.7 Computation of Time
- H. [REPEAL] §43.8 Extensions
- I. [REPEAL]§43.9 Docketing of Appeal for Adjudicative Hearing and Dismissal for Failure to Obtain Setting
- J. [REPEAL]§43.10 Authority to Grant Relief
- K. [REPEAL]§43.11 Classification of Pleadings
- L. [REPEAL]§43.12 Form of Petitions and Other Pleadings
- M. [REPEAL]§43.13 Filing of Pleadings and Amendments
- N. [REPEAL]§43.14 Briefs
- O. [REPEAL]§43.15 Motions
- P. [REPEAL]§43.16 Notice of Hearing and Other Action
- Q. [REPEAL]§43.17 Agreements To Be in Writing
- R. [REPEAL]§43.18 Motion for Consolidation
- S. [REPEAL]§43.19 Additional Parties
- T. [REPEAL]§43.20 Appearance and Representation
- U. [REPEAL]§43.21 Lead Counsel
- V. [REPEAL]§43.23 Powers of the Administrative Law Judge
- W. [REPEAL]§43.24 Prehearing Conference and Orders
- X. [REPEAL]§43.25 Conduct of Hearing
- Y. [REPEAL]§43.26 General Admissibility
- Z. [REPEAL]§43.27 Exhibits
- AA. [REPEAL]§43.28 Pre-filed Direct Testimony in Disability Appeal Proceeding
- BB. [REPEAL]§43.29 Limit on Number of Witnesses
- CC. [REPEAL]§43.33 Failure to Appear
- DD. [REPEAL]§43.34 Conduct and Decorum at Hearing
- EE. [REPEAL]§43.35 Official Notice
- FF. [REPEAL]§43.36 Ex Parte Consultations

- GG. [REPEAL]§43.37 Recording of the Hearing; Certified Language Interpreter
- HH. [REPEAL]§43.38 Dismissal without Hearing
- II. [REPEAL]§43.39 Summary Disposition
- JJ. [REPEAL]§43.40 The Record
- KK. [REPEAL]§43.41 Findings of Fact
- LL. [REPEAL]§43.42 Reopening of Hearing
- MM. [REPEAL]§43.43 Subpoenas and Commissions
- NN. [REPEAL]§43.44 Discovery
- OO. [REPEAL]§43.45 Proposals for Decision, Exceptions, and Appeals to the Board of Trustees
- PP. [REPEAL]§43.46 Rehearings
- QQ. [REPEAL]§43.47 Procedures Not Otherwise Provided
- RR. [REPEAL]§43.48 Cost of Preparing Administrative Record
- SS. [NEW]SUBCHAPTER A. GENERAL ADMINISTRATION
- TT. [NEW]§43.1 Applicability.
- UU. [NEW]§43.2 Definitions.
- VV. [NEW]§43.3 Filing of Documents.
- WW. [NEW]§43.4 Computation of Time.
- XX. [NEW]§43.5 Extensions.
- YY. [NEW]§43.6 Ex Parte Consultations.
- ZZ. [NEW]§43.7 Procedures Not Otherwise Provided.
- AAA. [NEW]SUBCHAPTER B. REQUESTS FOR ADJUDICATIVE HEARING
- BBB. [NEW]§43.101. Administrative Review of Individual Requests.
- CCC. [NEW]§43.102. Administrative Review of Disability Determinations.
- DDD. [NEW]§43.103. Administrative Review of Option Beneficiary or Optional Retirement Annuity Plan Changes.
- EEE. [NEW]§43.104. Request for Adjudicative Hearing.
- FFF. [NEW]§43.105. Docketing of Petition for Adjudicative Hearing and Dismissal for Failure to Obtain Setting.
- GGG. [NEW]§43.106. Authority to Grant Relief.
- HHH. [NEW]§43.107. Subpoenas and Commissions.
- III. [NEW]SUBCHAPTER C. HEARINGS NOT DOCKETED AT SOAH
- JJJ. [NEW]§43.201. Applicability.
- KKK. [NEW]§43.202. Form of Pleadings.
- LLL. [NEW]§43.203. Filing of Pleadings and Amendments.
- MMM. [NEW] §43.204. Briefs.
- NNN. [NEW]§43.205. Motions.
- OOO. [NEW]§43.206. Discovery.
- PPP. [NEW]§43.207. Notice of Hearing and Other Action.
- QQQ. [NEW]§43.208. Agreements To Be in Writing.
- RRR. [NEW]§43.209. Motion for Consolidation.
- SSS. [NEW]§43.210. Additional Parties.
- TTT. [NEW]§43.211. Appearance and Representation.
- UUU. [NEW]§43.212. Lead Counsel.
- VVV. [NEW] §43.213. Powers of the Administrative Law Judge.
- WWW. [NEW] §43.214. Prehearing Conference and Orders.

- XXX. [NEW] §43.215. Conduct of Hearing.  
 YYY. [NEW] §43.216. General Admissibility.  
 ZZZ. [NEW] §43.217. Exhibits.  
 AAAA. [NEW] §43.218. Pre-filed Direct Testimony in Disability Appeal Proceedings.  
 BBBB. [NEW] §43.219. Limit on Number of Witnesses.  
 CCCC. [NEW] §43.220. Failure to Appear.  
 DDDD. [NEW] §43.221. Conduct and Decorum at Hearing.  
 EEEE. [NEW] §43.222. Official Notice.  
 FFFF. [NEW] §43.223. Recording of the Hearing; Certified Language Interpreter.  
 GGGG. [NEW] §43.224. Dismissal without Hearing.  
 HHHH. [NEW] §43.225. Summary Disposition.  
 IIII. [NEW] §43.226. The Record.  
 JJJJ. [NEW] §43.227. Findings of Fact.  
 KKKK. [NEW] §43.228. Reopening of Hearing.  
 LLLL. [NEW] SUBCHAPTER D. FINAL DECISIONS OF TRS.  
 MMMM. [NEW] §43.301. Proposals for Decision and Exceptions.  
 NNNN. [NEW] §43.302. Decision of Executive Director.  
 OOOO. [NEW] §43.303. Proposals for Decision and Exceptions regarding Eligibility for Disability Retirement.  
 PPPP. [NEW] §43.304. Appeals to the Board of Trustees.  
 QQQQ. [NEW] §43.305. Final Decision of TRS.  
 RRRR. [NEW] §43.306. Rehearings.  
 SSSS. [NEW] §43.307. Cost of Preparing Administrative Record.

Mr. Nick Gonzalez provided a recap as to the t new and repealed rules related to TRS’ contested cases. He reported the rules were published as authorized by the Committee on October 11, 2024. He said no comments were received.

On a motion by Mr. Nance, seconded by Ms. Allred, the Committee voted to recommend to the Board adoption of the proposed new and repealed TRS rules in Chapter 43, as presented by staff.

There being no more business before the Policy Committee, the committee adjourned at 3:04 p.m.

Approved by the Governance Committee of the Board of Trustees of the Teacher Retirement System of Texas on April \_\_, 2025.

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Katherine H. Farrell  
 Secretary to the Board of Trustees  
 Teacher Retirement Systems of Texas

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Date

## **Minutes of the Strategic Planning Committee September 19, 2024**

The Strategic Planning Committee of the Board of Trustees of the Teacher Retirement System of Texas met on September 19, 2024, 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 R. Rutherford, Chair  
Mr. Michael Ball  
Mr. David Corpus  
Mr. John Elliott  
Mr. James Dick Nance

### **Other TRS Board Members Present:**

Ms. Brittany Allred  
Ms. Nanette Sissney  
Mr. Robert H. Walls, Jr.  
Mr. Elvis Williams

### **Others who participated:**

Brian Guthrie, TRS  
Caasi Lamb, TRS  
Jase Auby, TRS  
Heather Traeger, TRS  
Amanda Jenami, TRS  
Don Green, TRS  
Katrina Daniel, TRS  
Barbie Pearson, TRS  
Michelle Pagán, TRS  
Beth Hallmark, TRS  
Katherine Farrell, TRS  
Suzanne Dugan, Cohen Milstein

Strategic Planning Committee Chair, Mr. Rutherford, called the meeting to order at 11:09 a.m.

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

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

#### **2. Consider the approval of the proposed minutes of the July 2024 Committee meeting – Committee Chair Mr. John R. Rutherford.**

On a motion by Mr. Corpus, seconded by Mr. Nance, the proposed minutes for the July 2024 Strategic Planning Committee meeting were approved as presented.

**3. Discuss and review the Executive Director’s Areas of Focus for Fiscal Year 2025 – Brian Guthrie and Don Green.**

Mr. Green provided an overview regarding the Executive Director’s Areas of Focus. He said the Areas of Focus align with the Strategic Plan at the objective level. He said there are 10 Areas of Focus and 44 success measures. He said one deliverable is new since the July review, which is to identify improvements for productivity, process efficiencies and performance monitoring. Mr. Guthrie said this particular item is timely for the agency due to the significant growth the agency experienced over the last five years and to identify potential opportunities for improvement when it comes to processes, in particular.

Mr. Green pointed out that for both pension benefits and health care, the targets for percentage of calls answered within three minutes increased from 80 to 90 percent. He also said the target for appointments available at the El Paso Office was increased to 7,500, up from 5,000 during FY 24.

**4. Discuss and receive an update on the Fiscal Year 2023- 2027 TRS Strategic Plan – Don Green and Michelle Pagán.**

- A. Improve communication regarding pension funding needs;**
- B. Improve communication regarding the impact of changing pension plan design;**
- C. Improve strategic communications with a customer-centric focus;**
- D. Improve communication efforts regarding health care funding needs;**
- E. Increase the value of health care benefits; and**
- F. Improve the health of our members.**

Mr. Green said for this meeting the communication goals and some of the health care goals would be reviewed. He reported that all of these goals are complete. He said Beth Hallmark would go into further detail about communication efforts but provided a few examples such as the Member Satisfaction Survey, website redesign improvements, and videos developed to provide information to members as well as to answer frequently asked questions.

Ms. Pagán concluded with an overview of the Enterprise Stoplight Report, noting a couple of changes since the July board meeting. She reported that pension funding trended to stable due to recent positive returns. She said the second change was increasing the risk level of the TEAM Program to caution due to recent issues arising during the final phase of the program.

**5. Receive an update on implementation of the Member and Employer Outreach Plan – Beth Hallmark.**

Ms. Hallmark provided the annual update on the Member and Employer Outreach Plan. She provided a high-level review of fiscal year 2024 activities. She reported TRS successfully executed on all of the FY 24 planned activities. She said one of the top priorities last fiscal year was to fully communicate the benefit enhancements that the Legislature and voters approved. She said this was done in multiple ways, including a robust web presence, email communication, videos, newsletters and social media posts. She said more than 10,000 hours of TRS YouTube videos were watched, with one of the most popular videos being of the Executive Director, Brian Guthrie, walking through the benefit enhancements. She reviewed the website redesign that is underway. She said

at least 500 members and retirees have participated in this process through surveys and stakeholder interviews.

Ms. Hallmark concluded by reporting on FY 25 plans, highlighting a few of the highest priorities. She said first is to ensure members and retirees have all the information needed to find us at the new campus in Austin and are aware of all the enhancements that will be available at the new Member Experience Center. Another priority is the rollout of our new and improved member-centric website, she said, which is expected to occur in the spring of 2025.

At 11:53 a.m., Chair Rutherford announced there being no further business before the Strategic Planning Committee, it was adjourned.

APPROVED BY THE GOVERNANCE COMMITTEE OF THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE \_\_\_\_\_ DAY OF APRIL, 2024.

\_\_\_\_\_  
Katherine H. Farrell  
Secretary to the Board of Trustees  
Teacher Retirement Systems of Texas

\_\_\_\_\_  
Date

**TAB 3**



**Brian K. Guthrie**  
*Executive Director*

800.223.8778  
www.trs.texas.gov

1000 Red River Street  
Austin, Texas 78701-2698

## Memorandum

**DATE:** April 10, 2025

**TO:** TRS Policy Committee

**FROM:** Don Green, Chief Financial Officer  
Janie Duarte, Deputy Chief Financial Officer

**THROUGH:** Brian Guthrie, Executive Director  
Caasi, Lamb, Deputy Director

**RE:** Review of the Resolution Designating Persons Authorized to Sign TRS Vouchers

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### **ACTION REQUESTED**

Staff asks the Policy Committee to recommend that the Board:

- Vote to re-adopt the Resolution with no recommended changes and continue the three-year review cycle.

### **BACKGROUND AND DISCUSSION**

Pursuant to the Policy Review Schedule, a review of the Resolution Designating Persons Authorized to Sign TRS Vouchers (Voucher Authority Resolution or Resolution) occurs every three years. On April 28, 2022, the Committee found no changes to the Resolution and no further action was required from the Committee. The following are actions taken between Board meetings which coincide with notices to the Comptroller:

Designated signatories on April 2022 resolution		
Name	Title	Removed
Brown, Jessica	Director of Budget & Financial Analysis	
Bush, Mataka	Director of Accounts Payable & Travel	
Caballero, Arlene B	Manager, Employee Payroll & Time Adm	
Carrington, Patricia	Manager, Tax Reporting & Cash Processing	
Chan, Man	Sr. Director of Investment Accounting	
Dawson, Mari	Cashier, Accounting & Reporting	
Duarte, Janie	Deputy Chief Financial Officer	
Frederick, Joey	Sr. Budget Analyst	October 2022
Goodwin, Cynthia	Manager, GASB Research & Reporting	
Green, Don	Chief Financial Officer	
Guthrie, Brian	Executive Director	
Horbovetz, Jackie	Sr. Budget Analyst	March 2024
Munoz, Erica	Team Lead, Budget & Financial Analysis	
Ramos, Amy	Director of Employee Payroll & Time Adm	
Segovia, Bobby	Team Lead, Accounts Payable & Travel	
Zigmond, Ann	Director of Accounting & Reporting	January 2023
Current signatories		
Name	Title	Added
Bazan, Isaac	Sr. Budget Analyst	July 2024
Brown, Jessica	Director of Budget & Financial Analysis	
Burandt, Morgan	Sr. Financial Analyst	August 2023
Bush, Mataka	Director of Accounts Payable & Travel	
Caballero, Arlene B	Manager, Employee Payroll & Time Adm	
Carrington, Patricia	Manager, Tax Reporting & Cash Processing	
Chan, Man	Sr. Director of Investment Accounting	
Clay, Bryan	Sr. Financial Accountant	February 2023
Dawson, Mari	Cashier, Accounting & Reporting	
Duarte, Janie	Deputy Chief Financial Officer	
Goodwin, Cynthia	Manager, GASB Research & Reporting	
Green, Don	Chief Financial Officer	
Guthrie, Brian	Executive Director	
Jordan, Katasia	Sr. Budget Analyst	May 2023
Klein, Brandi	Sr. Financial Accountant	February 2023
Luu, Kevin	Budget Analyst	April 2024
McCallum, Michelle	Sr. Budget Analyst	July 2024
Munoz, Erica	Team Lead, Budget & Financial Analysis	
Ramos, Amy	Director of Employee Payroll & Time Adm	
Roano, Patricia	Director of Accounting & Reporting	June 2023
Segovia, Bobby	Team Lead, Accounts Payable & Travel	
Stankard, Michael	Tax Accounting Analyst	December 2024
Yu, Cecile	Sr. Tax Accounting Analyst	December 2024

Staff recommends that the Policy Committee recommend that the Board re-adopt the Resolution with no recommended changes for it continues to serve the purpose for which it was adopted.

RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO DESIGNATE PERSONS AUTHORIZED TO SIGN TRS VOUCHERS

April 11, 2025

WHEREAS, In accordance with section 825.104 of the Texas Government Code and Section 5.6 of the Bylaws of the Board of Trustees ("Board") of the Teacher Retirement System of Texas ("TRS"); and

WHEREAS, In addition to designating certain TRS officers and employees, pursuant to Section 2103.061 of the Texas Government Code, the Board may also authorize the TRS Executive Director to designate one or more TRS officers or employees to approve vouchers for TRS; and

WHEREAS, the Resolution Authorizing the Executive Director to Designate Persons Authorized to Sign TRS Vouchers was adopted in 2018 and reviewed and readopted without changes in 2022; now, therefore, be it

RESOLVED, That the Board authorizes the TRS Executive Director to designate one or more TRS employees to approve and sign vouchers for payment from accounts of TRS on or after December 14, 2018, and until the designation is revoked or until the designated person separates from employment with TRS, is no longer employed in any capacity for which authority is granted, or is not re-designated by the Executive Director, whichever occurs first.

**TAB 4**



# Governance

Proposed Changes to FY 2025-29 TRS Strategic Plan

April 10, 2025

Don Green, Chief Financial Officer

Michelle Pagán, Director, Enterprise Risk, Strategy & Performance





# Overview



## Agenda

- Background
- Summary of Proposed Changes
- Appendix



# Background



Develop a new five-year plan every even-numbered year



Submit plan to LBB and Governor's Office every even-numbered year



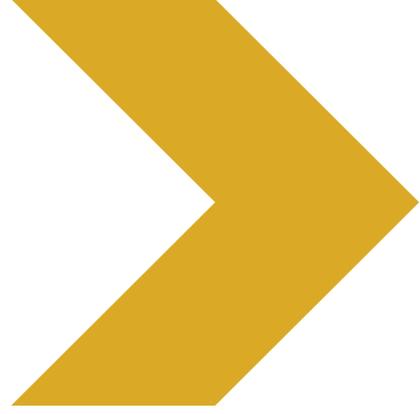
Update plan, if needed, every odd-numbered year



Provide strategic plan progress updates to the board



## Current Strategic Plan



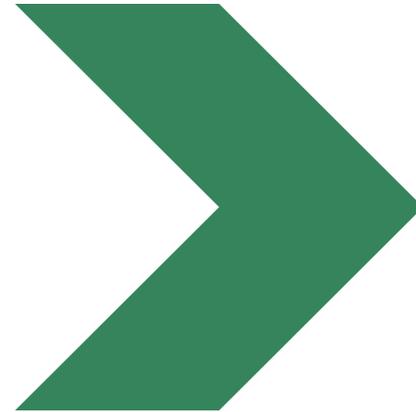
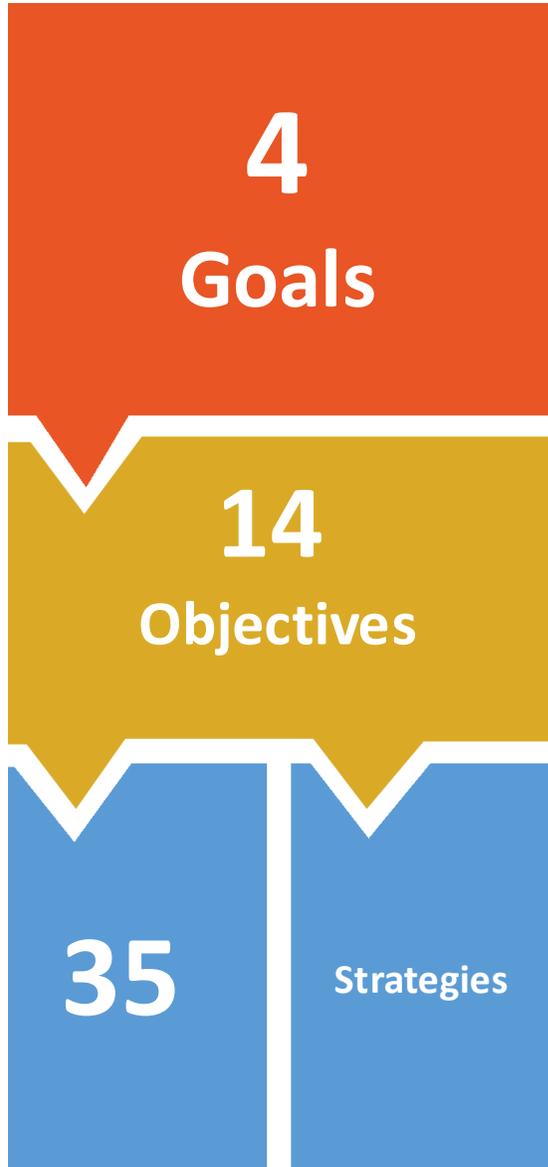
- 01.** Sustain an actuarially sound pension system.
- 02.** Continuously improve our benefit delivery.
- 03.** Facilitate access to competitive, reliable health care benefits for our members.
- 04.** Align people, processes and technology to achieve excellence in service delivery.



# Background



**Current Strategic Plan**



**Proposed Strategic Plan**



Reduced by 1 from 14

Reduced by 3 from 35

# Summary of Proposed Changes

<b>G2.01.S4</b>	Identify resource needs and develop project plans associated with opening additional regional offices. <i>(ADDED FROM GOAL 4)</i>
<b>G3.02</b>	Increase the value of TRS-Care and TRS-ActiveCare benefits. <i>(REVISED)</i>
<b>G4.01</b>	Attract, develop and retain top talent. <i>(REVISED)</i>
<b>G4.01.S1</b>	Promote a strong workplace culture that fosters creativity and innovation. <i>(REVISED)</i>
<b>G4.01.S2</b>	Improve diversity representation at all levels of the organization. <i>(DELETE)</i>
<b>G4.01.S3</b>	Expand learning and development opportunities. <i>(DELETE)</i>
<b>G4.01.S4</b>	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. <i>(REVISED)</i>
<b>G4.02</b>	Advance and enhance information technology (IT) systems and services. <i>(REVISED)</i>
<b>G4.02.S2</b>	Optimize the work environment to provide greater scalability, flexibility and security. <i>(REVISED)</i>
<b>G4.03.S2</b>	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. <i>(REVISED)</i>
<b>G4.04</b>	Execute on TRS facilities needs. <i>(DELETE)</i>
<b>G4.04.S1</b>	Complete build-out and move-in activities for the new TRS headquarters buildings. <i>(DELETE)</i>
<b>G4.04.S2</b>	Identify resource needs and develop project plans associated with opening additional regional offices. <i>(MOVED TO GOAL 2)</i>



# Appendix

Proposed Changes to TRS 2025-29 Strategic Plan (Untracked and Tracked)

# Proposed TRS 2025-29 Strategic Plan - Untracked

## **GOAL 1:** Sustain an actuarially sound pension system.

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

**S1:** Maintain an effective investment governance structure.

**S2:** Enhance current competitive advantages and total returns.

**S3:** Manage cost structures to increase net alpha generated.

**O2:** Improve communication regarding pension funding and the impact of plan design changes.

**S1:** Serve as a trusted resource and engage with policymakers on pension funding and plan design.

## **GOAL 2:** Continuously improve our benefit delivery.

**O1:** Improve the customer service experience for participants and reporting employers.

**S1:** Increase engagement with members/participants and reporting employers regarding TRS benefits.

**S2:** Expand our services to meet members where they are.

**S3:** Improve the reporting employer experience.

**S4:** Identify resource needs and develop project plans associated with opening additional regional offices.

## **GOAL 3:** Facilitate access to competitive, reliable health care benefits for our members.

**O1:** Improve communication regarding health care funding and the impact of plan design changes.

**S1:** Serve as a trusted resource and engage with policymakers on health care funding and plan design.

**O2:** Increase the value of TRS-Care and TRS-ActiveCare benefits.

**S1:** Engage the best health care vendors through competitive procurement to ensure our members have the highest value health care.

**S2:** Reengineer TRS-ActiveCare to better meet employer needs.

**S3:** Use data analytics tools to provide assurance on health care claims compliance.

**S4:** Ensure access to competitive retiree health benefits, including dental and vision plans.

**O3:** Improve the health of our members.

**S1:** Engage and educate plan participants to help them achieve better health outcomes.

# Proposed TRS 2025-29 Strategic Plan - Untracked

**GOAL 4:** Align people, processes and technology to achieve excellence in service delivery.

**O1:** Attract, develop and retain top talent.

**S1:** Promote a strong workplace culture that fosters creativity and innovation.

**S2:** 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.

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

**S1:** Develop, maintain and enhance IT systems and infrastructure in support of TRS business needs.

**S2:** Optimize the work environment to provide greater scalability, flexibility and security.

**S3:** Provide advanced data analytics tools and data management practices to gain business intelligence and improve decision-making.

**S4:** Implement modern information systems across all lines of business with priority on modernization of legacy systems and strategic digital transformation.

**S5:** Improve digital operating technology models to enhance continuous business process improvement and provide operational efficiencies.

**O3:** Enhance the information security program to effectively counter current and emerging threats and risks facing TRS.

**S1:** Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities.

**S2:** 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.

**O4:** Foster a culture of fiduciary responsibility and ethical conduct.

**S1:** Embed/Integrate culture of ethics and compliance within the business process.

**S2:** Enhance visibility of, and accessibility to, Legal & Compliance throughout TRS.

**O5:** Improve and maintain effective procurement and contract management practices.

**S1:** Increase the number of utilized Historically Underutilized Businesses (HUBs).

**S2:** Mature third-party risk management processes.

# Proposed TRS 2025-29 Strategic Plan - Untracked

**GOAL 4:** Align people, processes and technology to achieve excellence in service delivery. (cont'd)

**O6:** Provide effective communication to all stakeholders with a focus on continuous improvement.

**S1:** Improve strategic communications with a customer-centric focus.

**S2:** 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.

**O7:** Evaluate automation and technology solutions to enhance existing processes.

**S1:** Investigate best practices and feasibility of incorporating artificial intelligence into organizational processes.

**S2:** Identify opportunities for improved productivity, process efficiencies and performance monitoring.

**S3:** Implement Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight.



# Proposed TRS 2025-29 Strategic Plan - Tracked

## GOAL 1

Sustain an actuarially sound pension system.

**Objective 1: Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods.**

**Strategy 1:** Maintain an effective investment governance structure.

**Strategy 2:** Enhance current competitive advantages and total returns.

**Strategy 3:** Manage cost structures to increase net alpha generated.

**Objective 2: Improve communication regarding pension funding and the impact of plan design changes.**

**Strategy 1:** Serve as a trusted resource and engage with policymakers on pension funding and plan design.



# Proposed TRS 2025-29 Strategic Plan - Tracked

**GOAL 2** | Continuously improve our benefit delivery.

**Objective 1:** Improve the customer service experience for participants and reporting employers.

**Strategy 1:** Increase engagement with members/participants and reporting employers regarding TRS benefits.

**Strategy 2:** Expand our services to meet members where they are.

**Strategy 3:** Improve the reporting employer experience.

**Strategy 4:** Identify resource needs and develop project plans associated with opening additional regional offices.

# Proposed TRS 2025-29 Strategic Plan - Tracked

## GOAL 3

Facilitate access to competitive, reliable health care benefits for our members.

**Objective 1:** Improve communication regarding health care funding and the impact of plan design changes.

**Strategy 1:** Serve as a trusted resource and engage with policymakers on health care funding and plan design.

**Objective 2:** Increase the value of ~~health care TRS-Care~~ and TRS-ActiveCare benefits.

**Strategy 1:** Engage the best health care vendors through competitive procurement to ensure our members have the highest value health care.

**Strategy 2:** Reengineer TRS-ActiveCare to better meet employer needs.

**Strategy 3:** Use data analytics tools to provide assurance on health care claims compliance.

**Strategy 4:** Ensure access to competitive retiree health benefits, including dental and vision plans.

**Objective 3:** Improve the health of our members.

**Strategy 1:** Engage and educate plan participants to help them achieve better health outcomes.

# Proposed TRS 2025-29 Strategic Plan - Tracked

## GOAL 4

Align people, processes and technology to achieve excellence in service delivery.

**Objective 1:** Attract, ~~retain and~~ develop and retain top talent ~~a diverse and highly competent staff.~~

**Strategy 1:** Promote a strong workplace culture that ~~is inclusive and~~ fosters creativity and innovation.

~~**Strategy 2:** Improve diversity representation at all levels of the organization.~~

~~**Strategy 3:** Expand learning and development opportunities.~~

**Strategy 4:** Maintain workforce planning strategies ~~to align talent needs with organizational goals, which provide continuous improvement for remote work,~~ enhance learning and development opportunities, and expand succession planning ~~and knowledge transfer~~ initiatives to develop and retain future leaders.

# Proposed TRS 2025-29 Strategic Plan - Tracked

**GOAL 4** | Align people, processes and technology to achieve excellence in service delivery. (cont'd)

**Objective 2:** Advance and enhance **information technology (IT)** systems and services.

**Strategy 1:** Develop, maintain and enhance IT systems and infrastructure in support of TRS business needs.

**Strategy 2:** Optimize the **hybrid**-work environment to provide greater scalability, flexibility and security.

**Strategy 3:** Provide advanced data analytics tools and data management practices to gain business intelligence and improve decision-making.

**Strategy 4:** Implement modern information systems across all lines of business with priority on modernization of legacy systems and strategic digital transformation.

**Strategy 5:** Improve digital operating technology models to enhance continuous business process improvement and provide operational efficiencies.

# Proposed TRS 2025-29 Strategic Plan - Tracked

**GOAL 4** | Align people, processes and technology to achieve excellence in service delivery. (cont'd)

**Objective 3:** Enhance the information security program to effectively counter current and emerging threats and risks facing TRS.

**Strategy 1:** Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities.

**Strategy 2:** 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.**

~~**Objective 4:** Execute on TRS facilities needs.~~

~~**Strategy 1:** Complete build-out and move-in activities for the new TRS headquarters buildings.~~

~~**Strategy 2:** Identify resource needs and develop project plans associated with opening additional regional offices.~~

**Objective 54:** Foster a culture of fiduciary responsibility and ethical conduct.

**Strategy 1:** Embed/Integrate culture of ethics and compliance within the business process.

**Strategy 2:** Enhance visibility of, and accessibility to, Legal & Compliance throughout TRS.

# Proposed TRS 2025-29 Strategic Plan - Tracked

## GOAL 4 | Align people, processes and technology to achieve excellence in service delivery. (cont'd)

**Objective 65:** Improve and maintain effective procurement and contract management practices.

**Strategy 1:** Increase the number of utilized Historically Underutilized Businesses (HUBs).

**Strategy 2:** Mature third-party risk management processes.

**Objective 76:** Provide effective communication to all stakeholders with a focus on continuous improvement.

**Strategy 1:** Improve strategic communications with a customer-centric focus.

**Strategy 2:** 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 post-retirement.

**Objective 87:** Evaluate automation and technology solutions to enhance existing processes.

**Strategy 1:** Investigate best practices and feasibility of incorporating artificial intelligence into organizational processes.

**Strategy 2:** Identify opportunities for improved productivity, process efficiencies and performance monitoring.

**Strategy 3:** Implement Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight.

**TAB 5**



# **TRS Rule 25.131 – Required Service**

April 10, 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 only 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:**  
Effective Sept. 1, 2025, 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.

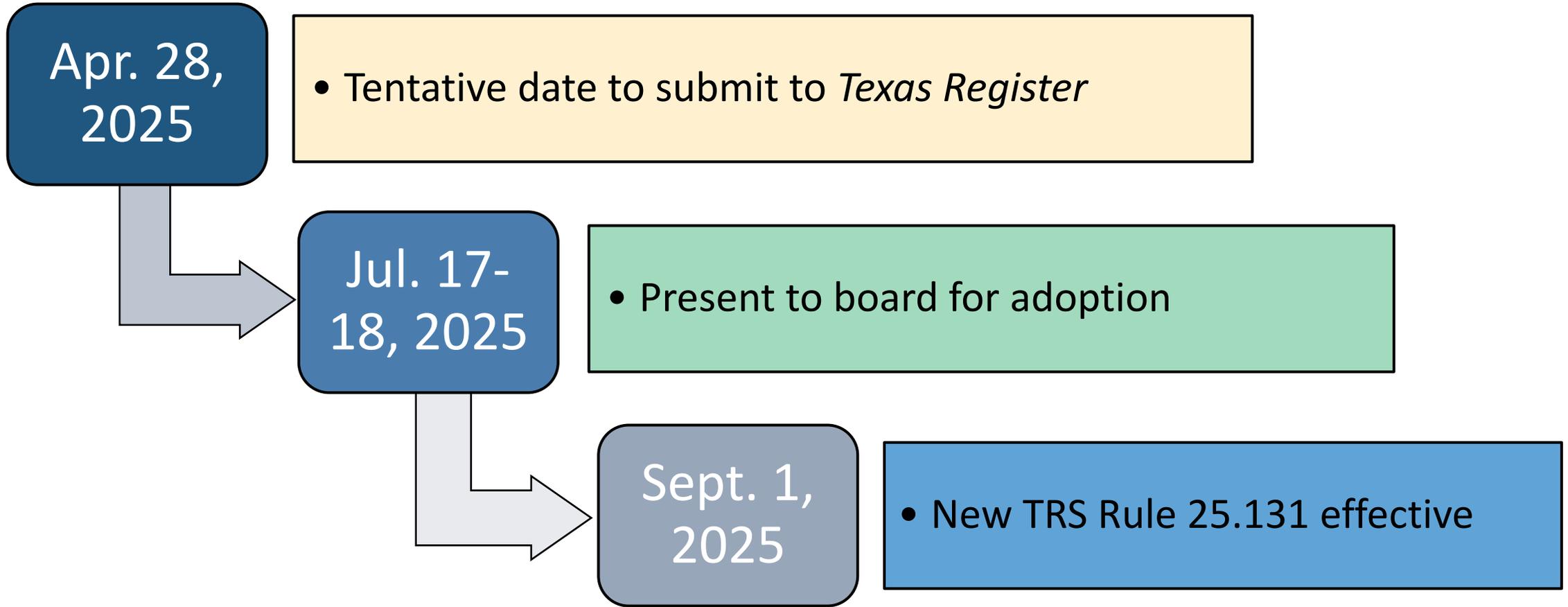
Clear, Consistent Standard

Member-Friendly Approach

Addresses Growing Need



# Next Steps





Legal & Compliance

## Memorandum

**DATE:** April 10, 2025

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

**FROM:** Heather Traeger, General Counsel & Chief Compliance Officer

**THROUGH:** Brian Guthrie, Executive Director

**RE:** Proposed Amendment: 34 Texas Administrative Code § 25.131

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### **Requested Action**

TRS staff asks the Policy Committee to authorize publication in the *Texas Register* of proposed amendments to TRS Rule 25.131, relating to Required Service.

### **Background and Reason for the Proposed Amended 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.

### **Summary of Proposed Amended Rule**

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.

Lastly, the amendments 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.

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 member working nonstandard workweeks would remain in the rule for school years prior to the 2025-26 school years.

### **Conclusion**

If the Policy 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 Policy 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.

## 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

April 10, 2025

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



# Proposed Amendment TRS Rule



## 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



## Proposed Amendments and New Subsections to TRS Rule § 41.12

### ■ Amending the:

- Title.
- Language to Subsection (a).

### ■ Adding new:

- Subsection (b): Close new enrollment into the Alternative Plan.
- Subsection (c): Require purchase and maintenance of Medicare Part B coverage.



# TRS-CARE: A Historical Look at the Alternative Plan



## Why the TRS-Care Alternative Plan is no longer needed going forward

- Members eligible for TRS-Care Medicare Advantage have robust network choices
- Federal laws that discriminated against TRS retirees have been repealed
- Therefore, the reasons that motivated the creation of the TRS-Care Alternative Plan no longer exist

## Why closing the TRS-Care Alternative Plan is the best policy

- Now that Part B coverage is more reachable for members that become eligible for Medicare, it is better to incentivize them to get it as early as they become eligible to avoid higher Part B premiums in the future

## Grandfathering existing members

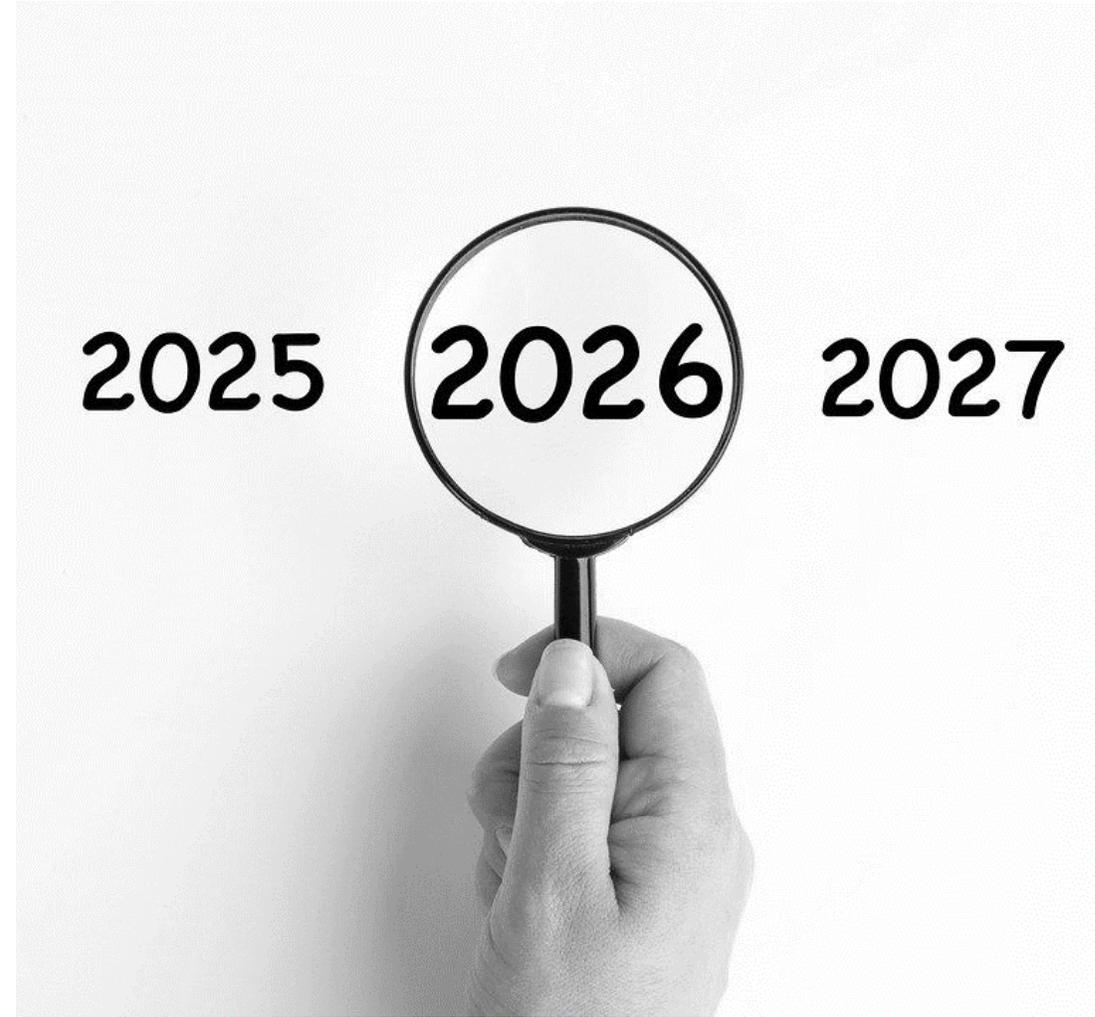
- All existing members as of Jan. 1, 2026, may remain in the program



# New TRS-Care Requirements



- Require Medicare-eligible retirees and dependents to purchase and maintain Medicare Part B coverage
  - Applies to:
    - Individuals new to TRS-Care
    - Those transitioning from TRS-Care Standard to TRS-Care Medicare Advantage
- Federal law requires that Medicare Advantage participants have Part B coverage. Medicare-eligible retirees and dependents without active Part B coverage will not be enrolled TRS-Care





# Proposed Amended Rule Process



- ❖ **Authorization:** Board authorizes publication.
- ❖ **Public Comment:** Submit proposed amended rule to the Texas Register, for 30-day publication period and post plain language summaries on the TRS website.
- ❖ **Final Adoption:** Present to the board at the July board meeting for approval to adopt; targeting rule adoption date of **Aug. 21, 2025**.
- ❖ The new rule will close the TRS-Care Alternative Plan effective Jan. 1, 2026.



## Legal & Compliance

# Memorandum

**DATE:** April 10, 2025

**TO:** Policy Committee of the Board of Trustees (“Policy Committee”)

**FROM:** Heather Traeger, General Counsel and Chief Compliance Officer

**THROUGH:** Brian Guthrie, Executive Director

**RE:** Proposed Amended Rule: TRS Rule 34 T.A.C. §41.12.

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### **Requested Action**

TRS Staff requests the Policy Committee to recommend that the Board of Trustees (Board) authorize publication in the *Texas Register* of the following proposed amendment to the TRS Rule concerning the administration and implementation of the TRS-Care program, which is located in Title 34, Part 3 of Chapter 41, Subchapter A of the Texas Administrative Code: §41.12 (Eligibility for the Alternative Plan for Medicare-Eligible Participants).

### **Background and Reasons for Proposed Amended Rules**

In accordance with the Insurance Code §§ 1575.051-.052, TRS is charged with the duty to devise, implement, and administer the TRS-Care program; and TRS is authorized to adopt rules, plans, procedures, and orders considered reasonably necessary to devise, implement, and administer the program. To fulfill these mandatory statutes, TRS holds the fiscal responsibility to maintain the health of the TRS-Care trust fund and mitigate high costs to the program.

Under the authority of §§ 1575.158 and 1575.1582 of the Insurance Code, TRS establishes group health benefit plans for retirees, their dependents, and surviving dependents. Under state legislation passed in 2017, TRS is required to establish or contract for 1) a high deductible health plan, which is currently the “TRS-Care Standard plan”, and 2) a Medicare Advantage plan with a Medicare prescription drug plan, which are currently the TRS-Care Medicare Advantage plan with the TRS-Care Medicare Rx plan. Once a TRS-Care member becomes eligible for Medicare, the law requires them to enroll in the TRS-Care Medicare Advantage plan (TRS-Care MA), and to be eligible for TRS-Care MA, they must enroll in Medicare Part B. In addition to these mandatory plans, § 1575.158(d) gave TRS discretionary authority to provide alternative plans to the TRS-Care MA when TRS determined the TRS-Care MA plan not to be appropriate for the TRS-Care program.

In accordance with §§ 1575.158(d), TRS created the TRS-Care Alternative Plan by rule under 34 T.A.C §41.12 to provide a coverage option for individuals who are 1) eligible for TRS-Care MA but do not have access to a particular provider, or 2) as of January 1, 2018, do not have Medicare Part B coverage and their ability to obtain Medicare Part B is cost prohibitive due to late enrollment penalties.

The TRS-Care Alternative Plan had different purposes. In 2018 when the TRS-Care Alternative Plan was created, the TRS-Care MA plan's network was not as expansive as today in rural areas. The TRS-Care Alternative Plan was intended to address this need for members with this network limitation challenge. However, these circumstances have changed. Medicare Advantage insurance carriers have continued to build out and expand their network significantly, so there are no longer TRS-Care MA participants in need of this accommodation.

In addition, when the TRS-Care Alternative Plan was created, federal laws such as the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) were in place, significantly impacting Social Security benefits for public school retirees. The GPO reduced or eliminated federal spousal or survivor Social Security benefits for individuals receiving TRS pension benefits. Meanwhile, the WEP reduced Social Security benefits for retirees who worked in school districts that did not participate in Social Security, resulting in reduced benefit calculations and payout. Because Medicare Part B premiums are deducted from Social Security checks, a number of Medicare eligible retirees and their dependents affected by low Social Security benefits opted out of Medicare Part B. Moreover, federal law made members, who did not sign up for Medicare Part B coverage at the time they became eligible, pay higher premiums for Medicare Part B as time progressed. The longer they went without Medicare Part B coverage, the higher the premium. Therefore, most faced cost-prohibitive Part B premiums if they were required to enroll in Medicare Part B so that they could enroll the TRS-Care MA plan.

These circumstances have changed. The GPO and the WEP have been recently repealed by the Social Security Fairness Act signed into law on January 5, 2025. This has made Medicare Part B more accessible for our retirees and their dependents. Moving forward, we find it a better policy to incentivize our retirees and their dependents to enroll in Medicare Part B as soon as they become eligible and to maintain that coverage to avoid higher premiums in the future. Closing the TRS-Care Alternative Plan to new enrollment preserves the initial intent of the TRS-Care MA plan while encouraging new enrollees to TRS-Care to obtain Part B coverage timely to preserve their Medicare benefits and reduce unnecessary risk to the TRS-Care trust fund.

The staff recommend that TRS phase out enrollment into the TRS-Care Alternative Plan by amending TRS Rule §41.12. The TRS-Care Alternative Plan will be closed to new enrollment on January 1, 2026. TRS-Care eligible members who meet the current requirements of the TRS-Care Alternative Plan may be enrolled in the program until December 31, 2025. All existing members of the TRS-Care Alternative Plan on January 1, 2026, may remain in the program.

Beginning January 1, 2026, TRS will require Medicare eligible retirees and their dependents to purchase and maintain Medicare Part B coverage to enroll in and remain in a TRS-Care program. This applies to both new TRS-Care enrollees and those transitioning from TRS-Care Standard to TRS-Care MA due to their new Medicare eligibility.

In consideration of the above, Staff proposes amendments to TRS Rule §41.12 to add new subsections:

1. Subsection (b): Close new enrollments into the Alternative Plan.
2. Subsection (c): Require Medicare eligible participants to purchase and maintain Part B coverage.

### **Conclusion**

If the Policy Committee authorizes publication, the proposed amended rule will be published in the *Texas Register* for public comment for at least 30 days before presentation to the Policy Committee and Board of Trustees for final adoption.

A draft of the proposed amendment for publication is attached as Attachment 1, and a clean version is attached as Attachment 2.

# **ATTACHMENT 1**

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 Eligible Participants and Medicare Part B requirement

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(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**

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

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(a) Enrollment in the Alternative Plan. Up to and including December 31, 2025, an ~~Am~~ 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).

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