

September 2024

RETAINING EXCELLENCE

Compensation Committee Meeting



**Teacher Retirement System of
Texas**

1000 Red River Street
Austin, Texas
78701-2698

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES
AND
COMPENSATION COMMITTEE**

*(Committee Chair: Dick Nance; Members: Michael Ball, John Elliott, Robert H. Walls, Jr., and
Elvis Williams)*

*All or part of the September 19, 2024, meeting of the TRS Compensation 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: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5th Floor, Boardroom.***

The open portions of the September 19, 2024, 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

September 19, 2024 – 10:00 a.m.

1. Call roll of the Committee members.
2. Consider the approval of the proposed minutes of the July 2024, committee meeting – Chair.
3. Consider recommending to the Board continuation and adoption of the Investment Management Division and TRICOT's Performance Pay Plans for the 2024 – 2025 Performance Period – Shunne Powell and Josh Wilson, Mercer Consulting.
4. Consider recommending to the Board continuation and adoption of the Executive Director's Performance Pay Plan for the 2024 – 2025 Performance Period – Shunne Powell and Josh Wilson, Mercer Consulting.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Compensation Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because a quorum of the Board may attend the Committee meeting, 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
July 18, 2024**

The Compensation Committee of the Board of Trustees of the Teacher Retirement System of Texas met on July 18, 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. Brittny Allred
Mr. David Corpus
Mr. John Rutherford
Ms. Nanette Sissney

Others who participated:

Brian Guthrie, TRS
Caasi Lamb, TRS
Heather Traeger, TRS
Don Green, TRS
Jase Auby, TRS
Shunne Powell, TRS
Michelle Gray, TRS
Katherine Farrell, TRS
Suzanne Dugan, Cohen Milstein

Josh Wilson, Mercer

Compensation Committee Chair, Mr. James D. Nance, called the meeting to order at 3:58 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 May 2024 committee meeting – Chair.

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

3. Receive an update on timeline for the annual evaluation of Board Direct Reports and TRS workforce including staffing and turnover – Shunne Powell and Michelle Gray.

Ms. Shunne Powell provided an overview of the evaluation process for the Board's direct reports which consist of the Executive Director, Chief Audit Executive, Chief Investment Officer and the Ombudsman.

Ms. Michelle Gray provided an update on the agency turnover noting it was a little under 50 percent less than the State average. She said to date the agency has received 15,994 applications which is the highest amount received beating last fiscal year's record of 15,190 applications. Ms. Gray then reviewed the internship program that had a class of 34 participants this year.

4. Receive an update from Board's Compensation Consultants including potential changes to Investment Management Division and TRICOT's Performance Incentive Pay Plans and the Executive Director's Performance Incentive Pay Plans for the 2024 - 2025 performance period – Shunne Powell and Josh Wilson, Mercer.

Mr. Josh Wilson noted it was a year ago that Mercer was selected as the Board's compensation consultant. He said the Board tasked them with looking at the compensation philosophy behind the incentive plan and then the actual plans. He said the compensation philosophy for the IMD group was the 75th percentile of salaries against the public pension market with the incentive comparison as 25th percentile of private asset management. He noted the logging data was the McLagan data which was the best source for the data. He reported the IMD and TRICOT plans had almost the exact same features, aside from some administrative nuances needed in the UK, so he would refer to them in the summary as the same plan. He said there were three areas where IMD's plan differed from its peers: it was more inclusive than peers from an operational and support staff standpoint; regarding performance measurements TRS had more measurements than other organizations; and the timing of payouts TRS paid out on one year versus almost every other organization paying out over three years. Mr. Wilson said the recommendation was for the Executive Director and Chief Investment Officer to work with OE on a case by case basis to determine if the operational and support positions could be serviced elsewhere in the agency and not be located within IMD. He said the recommendation for the two other areas where TRS did not align with peers, was to maintain the practice as is for it has worked for TRS.

Mr. Wilson reviewed the Executive Director's plan noting two areas not aligned with peers: the maximum award opportunity was lower than peers; and the pay out of one year versus three. He said there were no recommendations to alter the incentive level and to maintain the one year similar to recommendation for IMD's plan. He concluded by providing the result of the Legal Division's benchmarking. He said they reviewed law firms as one of the main comparator groups. He reported that generally it was found that Legal was below market. He asserted it was right to have Legal included in the incentive plan for they work on the deals, understand the stakeholders better than the outside law firms, and save significant money on having more work done in-house than to outsource.

With no further business before the Committee, the meeting adjourned at 4:44 p.m.

Approved by the Compensation Committee of the Board of Trustees of the Teacher Retirement System of Texas on September 19, 2024.

Katherine H. Farrell
Secretary of the TRS Board of Trustees

Date

TAB 3



Organizational Excellence:



Updates to Performance Pay Plans

September 2024

Presented By:

Shunne Powell, Chief Organizational Excellence Officer





Items for Discussion



Category	Agenda Item	Schedule
Areas of Focus (AOF)	Discuss and review the Executive Director's proposed Areas of Focus for Fiscal Year 2025	Strategic Planning Committee
Investment Performance Pay Plans	Consider recommending to the board continuation and adoption of the Performance Pay Plans (PPP) for Investments and TRICOT for the 2024-25 Performance Period	Compensation Committee
ED Performance Incentive Plan	Consider recommending to the board continuation and adoption of the Executive Director's Performance Incentive Pay Plan for the 2024-25 Performance Period	Compensation Committee
Compensation Process	Overview of the compensation process for Board Direct reports	Board of Trustees
Evaluation Process	Overview of proposed evaluation process for the Executive Director, the Chief Investment Officer, Chief Audit Executive and Ombudsman for Fiscal Year 2024	Board of Trustees
Board Discussion and Consideration	Discuss and consider personnel matters including the appointment, selection, compensation, duties, discipline, or dismissal of the Executive Director, the Chief Investment Officer, Chief Audit Executive and Ombudsman	Board of Trustees



Incentive Performance Plan Updates



Investment and TRICOT Performance Pay Plans

- Designed to reward investment performance exceeding:
 - Passive benchmarks (30 or 50%)
 - Peer benchmarks (30%)
 - Qualitative (20 or 40%)
- Earned awards are paid out annually in February
- Updates include:
 - Changing dates to reflect 2024-25 plan year
 - Clarifying language related to transfers to/from TRICOT positions
 - Correction to job titles in the TRICOT plan to match corporate documents
 - Nonsubstantive clarifying edits

Executive Director Performance Incentive Plan

- Designed to reward the executive director for TRS performance beyond agency benchmarks for:
 - Leadership Performance (50%)
 - Investment Management Oversight (50%)
- Earned awards are paid out annually in February
- Updates include:
 - Changing dates to reflect 2024-25 plan year
 - Updating the Executive Director's Areas of Focus



Appendix



Compensation Process: Overall Timing



					Fiscal Year									
	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr		
Board Direct Reports	360 Evaluation Process: Led by Focus Consulting													
			Compensation Review: Led by Mercer											
						Incentive Plan Year								
	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr		
Incentive Plans (ED and IMD)	Review of Incentive Plans													
					Board Approval									

Note: Items highlighted in gold are board-related activities



welcome to brighter

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Mr. Robert H. Walls, Jr
Mr. James Nance

Board of Trustees, Teacher Retirement System of Texas ("TRS")

August 20, 2024

Subject: Validation of Proposed IMD Changes to PPP

Messrs. Walls and Nance,

Mercer (US), LLC. ("Mercer") has been retained by the Board of Trustees of the Teachers' Retirement System of Texas (TRS) to review the proposed changes to the Performance Pay Plan (PPP). The Investment Management Division (IMD) has 200+ participants in the PPP and the plan was created 17 years ago, with many of the original design features still intact.

Executive Summary:

In 2024, Mercer conducted a comprehensive study of the PPP, along with the plans covering TRICOT and the Executive Director position. In these studies, we compared the TRS incentive plans against similar public pension plans and other like-organizations to assess the plans on a host of criteria, such as eligibility, target awards, metrics and leverage. At a high level, Mercer's findings are that the plans are well designed, reflect best practice in the industry and support the overall mission of the organization.

The Board is being asked to approve the three plans for the 2024-2025 plan year. Mercer has reviewed the changes from the prior plans and, in our opinion, the changes are administrative in nature and reasonable for the continued governance of the plans. There are no substantial changes in the plan from last year to this year.

Evaluation of the PPP, TRICOT AND Executive Director Plans

Mercer conducted a thorough review of the three plans, with the primary focus on the PPP plan as it covers the vast majority of participants and is virtually identical to the TRICOT plan. For IMD, we also reviewed the compensation philosophy and compensation benchmarking.

In our review of the PPP, we found that the Plan reflected best practices for many of the design elements. There were three areas that Mercer found as divergent from most common practice. The three areas are described below:

- 1) The PPP plan is more inclusive than many other plans in so far it includes all investment personnel, as well as investment adjacent personnel and support staff who are part of IMD. This approach is part of IMD's talent strategy and has been in place for over 15 years. The common market practice is to include investment staff, with increasing numbers of organizations also including the investment adjacent staff. While some plans do also include support staff, this is less common.

While the support roles in IMD are included in the PPP, comparable roles in other parts of TRS are not eligible for incentive pay. As a result, the Executive Director and the Chief Investment Officer, with the assistance of Organizational Excellence, will conduct an ongoing review of roles that exist both in IMD and in other areas of TRS to ensure to improve functional and compensation alignment of like-roles.

- 2) The PPP plan measures performance against both a benchmark and a peer group, for both overall performance and specific asset class performance. The market data shows that comparably sized and complex pension funds are more likely to only compare against benchmark data rather than against both benchmark and peer group data. Comparing against both data sets adds some complexity to the plan and in some cases, peer groups are hard to determine and assess.

In conversations with IMD leadership, the Executive Director, OE and the members of the Board, it is clear that comparing to peers is important to TRS on a number of fronts and helps focus the team on desired results. Therefore, Mercer's recommendation is to continue current practice and if the comparisons to peers becomes problematic in the future, revisit the issue then.

- 3) The time-frame over which to measure investment performance is always a highly debated topic. With pension plans, time horizons are measured in decades. But when pairing investment performance with incentive plans, three years is the most common measurement period as it marries line-of-sight for the employee with a reasonable length of time for investments to perform. The PPP plan uses both a three-year measurement period along with a one-year measurement period. The rationale is to ensure continued motivation of participants by always having a short-term goal to achieve. The market data certainly reflects the use of a three year measurement period, while fewer organizations use both a one-year and a three-year measurement period.

Similar to the comparator discussion above, there is nothing wrong with measuring both the three-year and the one-year performance, but it may be creating additional complexity where it is not needed. In discussions with IMD and other TRS personnel, there is a strong preference to keep the dual measurement periods and as such, Mercer does not recommend any changes at the present time. Over time, the organization may wish to revisit the impact of the one-year measurement period and balance it with the added complexity.

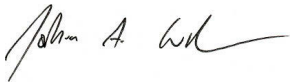
Summary:

In our review of IMD's compensation processes, we found that the compensation philosophy is still applicable and the approach to benchmarking resulted in reasonable market matches. From a governance standpoint, continued OE and outside consultant involvement in these processes is necessary to ensure appropriate separation of duties and risk management for IMD.

The incentive plans at TRS (PPP, TRICOT and the ED plan) have been in place and are working effectively. There are areas that are tailored to IMD's preferences that differ from common practice, but these areas are appropriate for TRS and IMD and do not undermine the rigor or efficacy of the plans. Overall, the TRS incentive plans are well-designed and reasonable and dovetail with the overall human capital strategy to create an effective and high-performing organization.

If you have any questions, please do not hesitate to contact us.

Thank you



Josh Wilson
Partner



Susan Lemke
Senior Principal

MEMORANDUM

TO: Board of Trustees
Teacher Retirement System of Texas (“TRS”)

FROM: Suzanne M. Dugan
Fiduciary Counsel

DATE: August 26, 2024

RE: Proposed Changes to Performance Pay Plans

At its September 2024 meeting, the TRS Board will be asked to approve recommended changes to the Performance Pay Plans (collectively “PPP”)¹, effective for the performance period beginning on October 1, 2024, and ending September 30, 2025.

BACKGROUND

The Board first adopted the PPP in 2007 after determining that expending funds for the PPP was consistent with and in furtherance of the fiduciary duties of the Board in administering the retirement system. This decision was grounded in the understanding that by offering both a competitive base salary and performance pay, TRS enhances its ability to fulfill its 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 principles.”

Compensation targets are recommended to the Board based on the results of investment management compensation studies conducted by IMD’s consultant, McLagan. These compensation evaluations occur on a regular schedule with base pay being reviewed every two years and performance pay every five years. Over two hundred employees participate in the PPP.

Last year, the Board retained Mercer (US) LLC (“Mercer”) to review the proposed changes to the PPP. Mercer opined that the proposed changes were logical and reasonable, and would help IMD be more competitive if performance continued to be strong. Mercer noted, however, that the scope of its review did not include an independent analysis of IMD’s determination, based on the data from the most recent McLagan study, that IMD salaries were below their competitive market and the PPP program lagged behind the market benchmark.

¹ There are three separate Performance Pay Plans – one applicable to employees of the Investment Management Division (“IMD”), one applicable to employees of TRICOT (the wholly owned subsidiary of TRS incorporated in the UK), and one applicable to the Executive Director.

CURRENT REVIEW

This year, Mercer has reviewed the current proposed changes and, after noting that there are no substantive changes from last year, has found them to be administrative in nature and reasonable for the continued governance of the PPP.

Perhaps more importantly, in 2024 Mercer conducted a comprehensive study of the PPP, comparing the PPP against those of similar public pension plans and other like-organizations in order to assess the PPP on criteria including eligibility, target awards, metrics, and leverage. Mercer findings, at a high level, are that PPP is well designed, reflects best practice in the industry, and supports the overall mission of the organization.

In its review of the PPP, including the compensation philosophy and compensation benchmarking, Mercer found that the PPP reflected best practices for many of the design elements, but noted three areas of divergence. Mercer found that these areas do not undermine the rigor or efficacy of the PPP. A thorough discussion of these areas of divergence and the underlying rationales for them can be found in Mercer's memo. In brief, these areas and the recommendations regarding them are as follows:

- The PPP is more inclusive than many other plans. In order to mitigate any risk arising from this, the Executive Director and the Chief Investment Officer, with the assistance of Organizational Excellence, will conduct an ongoing review of roles that exist in both IMD and in other areas of TRS to ensure equitable treatment of like roles.
- The PPP measures performance against not only a benchmark, but also a peer group. Mercer's recommendation is to continue this practice, but monitor and revisit if necessary.
- The PPP uses a one-year measurement period as well as a three-year period as the time period over which to measure investment performance. Mercer's recommendation is again to continue this practice, but monitor and revisit if necessary.

In my role as Fiduciary Counsel to the Board of TRS, I have reviewed the process that was undertaken with regard to the proposed revisions to the PPP. Based on this review, in my opinion the Board has sufficient information before it from staff as well as the advice of its independent outside expert in order to enable it to engage in a rigorous decision making process in a manner consistent with procedural prudence that will allow the Board to demonstrate that it has exercised appropriate fiduciary oversight should it choose to adopt the proposed revisions to the PPP.

It is important to note that Mercer's review found that, while the compensation philosophy remains applicable and the approach to benchmarking resulted in reasonable market matches, continued involvement of both internal and external experts in these processes is necessary to ensure appropriate separation of duties and risk management for IMD. From a fiduciary perspective, continued monitoring and the use of internal and outside independent experts are essential elements of procedural prudence.



Teacher Retirement System of Texas

PERFORMANCE PAY PLAN

Effective October 1, 2024

This Plan is effective only for the Performance Period beginning on October 1, 2024 and ending September 30, 2025. Any Potential Awards for performance in prior Performance Periods can become Earned Awards subject to the terms and conditions stated in the versions of the Plan effective for those Performance Periods. No modification of this Plan may be given retroactive effect except as required to comply with applicable law, including federal tax laws and regulations.

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Teacher Retirement System of Texas

PERFORMANCE PAY PLAN

1. PERFORMANCE PAY PLAN PURPOSE AND AUTHORIZATION

To remain competitive in its efforts to attract and retain high caliber Investment Management Division (IMD) employees, TRS strives to offer a competitive compensation package. Awards of performance pay based on specified performance criteria are an industry standard practice in the private investment sector and in the public sector. By offering both a competitive base salary and performance pay, TRS enhances its ability to fulfill its 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 principles.” The Board of Trustees (the “Board”) has determined that establishing, and expending funds for, this Performance Pay Plan (the “Plan”) is consistent with and in furtherance of the fiduciary duties of the Board in administering the retirement system.

2. PLAN OBJECTIVES AND STRATEGY

2.1 Plan Objectives

The Plan serves these objectives:

- To attract and retain IMD employees who demonstrate outstanding ability;
- To reinforce employees’ strong commitment to the long-term investment performance of the assets for which TRS is responsible; and
- To motivate investment professionals to focus on maximizing real, long-term returns for funds invested and managed by TRS while assuming appropriate levels of risk.

2.2 Plan Strategy

Implementation of the Plan strategy includes:

- Base salaries targeted to be competitive as determined by the Executive Director and the Board, with individual base salaries based on an employee’s experience, education, knowledge, skills, and overall job performance in an Eligible Position.
- Performance pay award opportunities, calculated as a percentage of an employee’s base salary, based on performance above pre-determined standards, and earned contingent upon continued employment in an Eligible Position through specified dates subject to deferral as set forth in Section 4.7(b).

3. BASE SALARY ADMINISTRATION

3.1 Salary Structure

- (a) Notwithstanding any other law, the Board approves the rates of compensation of all IMD employees. Under state law and the Board’s Bylaws, the Board authorizes the Executive Director, as part of the annual budget process, to

determine and propose base salary rates generally based on the salary schedules, position classifications, and salary administration practices in the TRS Compensation Plan and relevant legislation to the extent that the Executive Director determines that a particular provision is in the best interest of the system and not in conflict with applicable law, fiduciary duty, the Board's Bylaws or TRS policy.

- (b) Employees are assigned to a position title that is consistent with their TRS responsibilities. Initial base salary for each employee is set within the salary range of the assigned pay group, considering the employee's experience, education, knowledge and skills, and external competitiveness and internal equity.

3.2. *Salary Adjustments*

- (a) Employees may receive base salary adjustments for a number of reasons, including but not limited to promotions and merit increases for individual performance.
- (b) Notwithstanding Section 3.2(a), all base salary changes will be implemented in accordance with TRS salary administration procedures.

4. PERFORMANCE PAY PLAN; PERFORMANCE PERIODS

4.1. *Purpose of the Plan; Effective Date; Performance Periods*

- (a) The purpose of the Plan is to provide the opportunity for IMD employees to receive performance pay based on specified investment performance criteria and the employee's job performance.
- (b) The Performance Period for this Plan begins on October 1, 2024 and ends September 30, 2025. An award for performance in prior performance periods can only become earned and payable subject to the terms and conditions stated in the relevant plan.

4.2. *Participation in the Plan; Proration*

- (a) Subject to Sections 4.2(c) and (d), an IMD employee who holds an Eligible Position as defined in Section 8 on the first day of the Performance Period is eligible to participate in the Plan. Secondes, non-TRS or contract workers, and other temporary workers are not TRS employees and are not eligible to participate in the Plan. An Eligible Position under this Plan is not automatically an eligible position under any successor or superseding performance pay plan or other plan of TRS or TRICOT.
- (b) Within thirty (30) days after the end of the Performance Period, the Chief Organizational Excellence Officer will certify to the Executive Director in writing the master "Participants List" setting forth all relevant information that is required for calculating each Participant's Potential Award and any proration required under this Section 4.2.
- (c) Notwithstanding Section 4.2(a), an employee who begins employment in an Eligible Position (through new hire, promotion or reassignment) after the beginning of the Performance Period will become a Participant as follows:
 - (i) If an employee begins employment in an Eligible Position after October 1 but on or before January 1, the employee will become a Participant on

- January 1 and the Participant's Potential Award will be prorated to 75% of the Potential Award calculated for the entire Performance Period.
- (ii) If an employee begins employment in an Eligible Position after January 1 but on or before April 1, the employee will become a Participant on April 1 and the Participant's Potential Award will be prorated to 50% of the Potential Award calculated for the entire Performance Period.
 - (iii) If an employee begins employment in an Eligible Position after April 1 but on or before July 1, the employee will become a Participant on July 1 and the Participant's Potential Award will be prorated to 25% of the Potential Award calculated for the entire Performance Period.
 - (iv) If an employee begins employment in an Eligible Position after July 1 of the Performance Period, the employee will become a Participant on the first day of the next Performance Period, provided that such employee is employed by TRS in an Eligible Position on such date.
- (d) If, during the Performance Period, a Participant moves from one Eligible Position to another Eligible Position (including by transitioning from a full-time to part-time position), the Participant's Potential Award and performance measurements for the Performance Period will be prorated between the Potential Award calculated for the vacated Eligible Position and the Potential Award calculated for the new Eligible Position as follows:
- (i) If a Participant moves to a new Eligible Position after October 1 but on or before January 1, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position for the period October 1 through December 31, and on the new Eligible Position beginning as of January 1.
 - (ii) If a Participant moves to a new Eligible Position after January 1 but on or before April 1, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through March 31, and on the new Eligible Position beginning as of April 1.
 - (iii) If a Participant moves to the new Eligible Position after April 1 but on or before July 1, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through June 30, and on the new Eligible Position beginning as of July 1.
 - (iv) If a Participant moves to a new Eligible Position after July 1 of the Performance Period, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through September 30.
- (e) If, during the Performance Period, a Participant moves from an Eligible Position to a non-Eligible Position within TRS without a break in service, the Participant's Potential Award for the partial Performance Period will be prorated based on the number of complete calendar quarters worked in an Eligible Position during the Performance Period. For the avoidance of doubt, a Participant will not be eligible for performance pay for any quarter during which

the Participant was not employed in an Eligible Position for the entire quarter.

- (f) An employee will cease to be a Participant in the Plan on the earliest to occur of:
 - (i) Except as specifically provided in Section 4.2(e) with respect to continued TRS employment, or Section 7.6 with respect to changing employment from TRS to TRICOT (or vice versa) without a break in service, the date the employee is no longer employed in an Eligible Position; or
 - (ii) The date the Plan terminates.

For purposes of this Plan, the employment termination date is deemed to be the employee's last day worked, not including any leave the employee takes to extend their final employment date for payroll purposes.

- (g) Section 7.6 addresses the proration calculation that applies if a Participant changes employment from TRS to TRICOT or vice versa.

4.3. *Performance Components; Potential Awards*

- (a) Participants' Potential Awards will be based on a combination of investment performance and qualitative performance measurement and rating components.
- (b) The investment performance components comprise two categories: 1) performance measured against pre-determined benchmarks and applicable excess return targets, and 2) performance measured against pre-determined peer groups.
 - (i) The benchmark index category of the investment performance component will determine 50% of the total Potential Award for Eligible Position Titles of Chief Investment Officer through Director. The benchmark index category of the investment performance component will determine 30% of the total Potential Award for Eligible Position Titles of Investment Manager through Administrative Assistant.
 - (ii) The peer group category of the investment performance component will determine 30% of the total Potential Award.
- (c) Notwithstanding that the Performance Period is October 1 through September 30, due to the delay in availability of final performance data for private markets assets, performance measurements for these Investment Areas will experience a one quarter time lag, such that all calculations requiring private markets performance will use data for the one and three year periods ending June 30.
- (d) Each Eligible Position will be assigned specific weightings for Total Fund and other investment benchmarks based on investment area performance as shown in Addendums A and B. Addendum A correlates benchmarks and excess return targets to Investment Areas listed in the first column, and allocates performance weights for each area to the relevant excess return targets and benchmarks. Addendum B correlates Investment Areas in the first column to peer group performance and relevant benchmarks and allocates performance weights among the excess return targets relative to the listed benchmarks.

- (i) To encourage a focus on the “big picture” and a sense of shared mission, the investment performance component (both benchmark and peer group categories) for all Eligible Positions will have a Total Fund weighting of at least 20%. Weightings for each investment area’s benchmarks and excess return targets will be divided among the Eligible Position’s primary investment area and other investment areas with which the Eligible Position has regular interaction.
 - (ii) Where no investment area peer group performance measures are available, that investment area’s peer group performance weighting allocation is added to the Total Fund peer group performance weighting allocation.
- (e) The qualitative performance rating component will be measured systematically as part of each Participant’s annual performance appraisal process aimed at evaluating each Participant’s job performance and adherence to the core concepts and values of the IMD culture, using pre-determined, standard criteria. This may include multi-rater feedback regarding a variety of contributions and behaviors needed for organizational success that are not directly measured or measurable in the investment performance component, such as interpersonal relationship skills, accountability, effective teamwork, etc.
- (i) Regardless of a Participant’s qualitative performance rating, a Potential Award will include the qualitative performance component only if the Participant has attained at least the required threshold level for the investment performance component.
 - (ii) To encourage appropriate organizational behaviors, the qualitative performance rating component will be weighted at 20% of the Potential Award for Eligible Position Titles of Chief Investment Officer through Director and weighted at 40% of the Potential Award for Eligible Position Titles of Investment Manager through Administrative Assistant.
- (f) A Potential Award is the gross award amount calculated based on the final performance results for the relevant Performance Period, weighted as set forth in Addendums A and B. The Maximum Potential Award that can become an Earned Award with respect to the Performance Period may not exceed the percentage of a Participant’s Base Salary in an Eligible Position (subject to proration under Section 4.2) that is listed opposite the applicable Eligible Position Title in the table below. The Maximum Potential Award limits a Participant’s maximum Earned Award regardless of (x) the amount by which a Participant’s performance has exceeded the excess return targets or (y) the calculated value of the Potential Award.

ELIGIBLE POSITION TITLE	MAXIMUM POTENTIAL AWARD
Chief Investment Officer	175%
Senior Managing Director	175%
Managing Director	175%

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

- (g) For each Investment Area, the portfolio weighting and excess return relative to each assigned excess return target will combine to determine the Potential Award for each Eligible Position.
- (i) The Potential Award includes a threshold, a maximum, and intermediate levels of Potential Award that correspond to specific levels of investment performance.
 - (ii) Intermediate levels of the Potential Award for investment performance are determined by linearly interpolating between the threshold and maximum.
 - (iii) For the qualitative performance rating component, intermediate levels of the Potential Award will be based on a system of annual performance evaluation approved by the Executive Director.

4.4. *Compliance with TRS Policies*

- (a) IMD employees exercise fiduciary investment responsibilities under applicable law and Board policies. Investment professionals manage the portfolio according to the Board's policies, advise and inform the Executive Director and the Board about investment management and performance, and recommend modifications to the Board's investment policies. All IMD employees are responsible for complying with TRS policies.
- (b) The Executive Director or designee has the authority to conduct an investigation of any potential violation of TRS policies or applicable laws. The Executive Director may suspend earning and payment of Potential Awards and Earned Awards (including deferred payments) until the conclusion of an investigation under this Section 4.4.
- (c) Excess performance by a Participant or Participants resulting from a failure to invest and manage TRS pension assets prudently and in compliance with investment and ethics policies and applicable law will result in disqualification of the Participant or Participants and forfeiture of any award for the relevant Performance Period. The Executive Director will make this determination on a case-by-case basis. The Executive Director's determination under this subsection is final and non-appealable.
- (d) If the Executive Director determines after investigation that a Participant violated TRS policy or applicable law and that such violation is sufficiently serious, the Participant will either (i) be disqualified and forfeit all Potential Awards and

Earned Awards for the Performance Periods in which the violation(s) occurred, including awards and payments deferred under Section 4.7(b), or (ii) such Potential Awards and Earned Awards will be reduced by a percentage or amount determined by the Executive Director in his or her sole discretion. If the Executive Director determines that no serious violation has occurred, a suspended Earned Award shall be paid to the Participant within 30 days after such determination (or such later date on which the award would have been payable absent the suspension), provided that the Participant has been continuously employed in an Eligible Position through such payment date, or, if later, the relevant January 1. The Executive Director's determination under this subsection is final and non-appealable.

4.5. *Performance Standards and Measurements*

- (a) Each one-year performance measurement period begins October 1 and ends September 30. For the purposes of this Plan, investment performance (for both benchmarks and peer group categories) is based on one- and three-year historical performance data, weighted at 33% for one-year performance (i.e., the performance measurement period ended as of the most recent September 30) and 67% for the historical three-year performance that includes the three performance measurement periods ended as of the most recent September 30. Investment performance is measured against the relevant pre-defined benchmarks in the asset allocation and benchmarks table, including applicable footnotes, in the Board's Investment Policy Statement ("IPS"). For the purposes of this Plan, changes to the IPS benchmarks during the Performance Period will be effective from and after the effective date of such changes in the IPS, subject to revisions to the Plan adopted by the Board of Trustees. In no event may benchmark changes be applied retroactively except as required to comply with applicable law, including federal tax laws and regulations.
- (b) For purposes of calculating the one- and three-year historical performance data under Section 4.5(a), the investment performance of any new portfolio will be calculated for purposes of the Plan as follows:
 - (i) The investment performance measurement of any new portfolio (for both benchmark and peer group categories) created during a performance measurement period will commence only on the next performance measurement period following October 1.
 - (ii) For a new portfolio's first full performance measurement period, the investment performance measurement will be based 100% on the portfolio's performance data for the first full performance measurement period.
 - (iii) For a new portfolio's second full performance measurement period, the investment performance measurement will be weighted (x) 50% on the portfolio's performance during the second full performance measurement period, and (y) 50% on the portfolio's two-year performance during the first and second full performance measurement periods.
 - (iv) For all performance measurement periods commencing after the second full performance measurement period, the investment performance of a new portfolio will be weighted (x) 33% on the portfolio's performance measurement during the one-year performance measurement period just

ended, and (y) 67% on the portfolio's three-year performance measurement during the three full performance measurement periods ending on September 30 of the Performance Period.

- (v) For the purposes of this Plan, no investment performance measurement will be calculated for a new portfolio unless it existed on October 1 of the Performance Period.
- (c) Notwithstanding Section 4.5(a), if during the Performance Period, investments managed by an Investment Area are moved to another investment area as a result of an IMD reorganization, then the performance measurements for the Performance Period and each affected Participant's Potential Award will be based on the pre-change criteria and the post-change criteria as follows:
 - (i) If the change described in this Section 4.5(c) is made after October 1 but on or before January 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria for the period October 1 through December 31, and on the post-change criteria beginning as of January 1.
 - (ii) If the change described in this Section 4.5(c) is made after January 1 but on or before April 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through March 31, and on the post-change criteria beginning as of April 1.
 - (iii) If the change described in this Section 4.5(c) is made after April 1 but on or before July 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through June 30, and on the post-change criteria beginning as of July 1.
 - (iv) If the change described in this Section 4.5(c) is made after July 1 of the Performance Period, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through September 30.
- (d) The qualitative performance component is measured annually as part of each Participant's annual performance appraisal process using criteria established before the beginning of the Performance Period.

4.6. *Potential Award Calculations*

- (a) Following the end of the Performance Period, the Executive Director will review the reported performance of each Participant relative to the applicable investment and qualitative performance components.
- (b) Potential Awards are calculated based on the Participant's level of performance achieved in the applicable investment performance and qualitative performance components in the Performance Period.
- (c) Relative performance data and calculations may be reviewed by an external independent source selected by the Executive Director but final calculations must be approved by the Executive Director.

4.7. *Earning Performance Payments*

- (a) Notwithstanding the Executive Director's approval of Potential Award calculations, and except as otherwise provided in this Section 4.7 and Section 7.6, Potential Awards will only become an Earned Award if a Participant is employed by TRS on January 1 following the end of the Performance Period during which that employee was a Participant. Payment of Earned Awards will usually be processed with that January's payroll for delivery on or about February 1, but in no event later than February 15 of that calendar year.

The payment dates of Earned Awards for the Performance Period shall be the same for all Participants.

- (b) Notwithstanding Section 4.7(a), no Potential Awards will become Earned Awards following a Performance Period in which the Total Fund experiences a return of zero or less. If this occurs, Potential Awards for that Performance Period that otherwise would have become Earned Awards on the January 1 next following the end of that Performance Period will not become Earned Awards until the January 1 following the next Performance Period in which the Total Fund has a return greater than zero, subject to the requirement that the employee be employed by TRS on that January 1. Payment of this Earned Award will usually be processed with that January payroll for payment on or about February 1 but in no event later than February 15 of that calendar year.
- (c) If an employee ceases to be a Participant during the Performance Period due to termination of TRS employment for any reason other than involuntary termination of employment due to a Reduction in Force, death, or disability within the meaning of Code Section 409A, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. Potential Awards under plans from previous performance periods that have not yet become Earned Awards (as set forth in Section 4.7(b) above) will not become Earned Awards and will not be paid or payable.
- (d) If an employee ceases to be a Participant during the Performance Period due to involuntary termination of TRS employment because of a Reduction in Force, death, or disability within the meaning of Code Section 409A, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. However, notwithstanding Sections 4.7(a) and (b), Potential Awards under plans from previous performance periods beginning October 1 and ending September 30 will immediately become Earned Awards. Payments under this subsection will be made as applicable to the terminated employee, the estate of the deceased employee, the disabled employee, or as otherwise provided by law. These payments will be made as soon as administratively practicable, but not later than 2½ months after the end of the calendar year in which the Reduction in Force, death or disability occurred.
- (e) A Participant who changes employment from TRS to TRICOT without a break in service pursuant to Section 7.6 (c) or (d) will be treated as employed by TRS for purposes of Potential Awards becoming Earned Awards under Section 4.7 of this Plan so long as the Participant remains continuously employed by TRICOT from the first day of employment with TRICOT through (i) the applicable January 1 for purposes of Sections 4.7(a) and (b) or (ii) the date of involuntary termination of

TRICOT employment because of a Reduction in Force, death, or disability for purposes of Section 4.7(d).

- (f) If an employee ceases to be a Participant before the end of the Performance Period due to Plan termination, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. In such an event, however, Potential Awards from previous plans that have not yet become Earned Awards, can become Earned Awards and be paid under those plans if the Board determines that such payments would be consistent with and in furtherance of the fiduciary duties of the Board in administering the retirement system, and if such payments are not prohibited by applicable law.

5. PLAN AUTHORITY AND RESPONSIBILITY

5.1 Plan Modification, Suspension, and Termination

The Board shall have the right in its sole discretion to modify the Plan or any portion thereof at any time. The Board shall have the right in its sole discretion to suspend or terminate the Plan, including payments of awards, entirely or any portion thereof at any time. For avoidance of doubt, no modification, amendment, suspension, or reinstatement of this Plan or any performance criteria relating to this Plan may be given retroactive effect except as required to comply with applicable law, including federal tax laws and regulations.

5.2 Plan Administration

The Executive Director has the sole discretion to administer and interpret the Plan in accordance with its terms and conditions. The Executive Director may adopt such procedures and practices as he or she considers advisable to carry out the purposes of the Plan in accordance with the Code.

5.3 Record Keeping and Reporting

A record of the master “Participants List,” including a list of staff of the IMD covered by this Plan and the data forming the basis for all Plan calculations shall be maintained by the Chief Organizational Excellence Officer.

5.4 Compliance with State and Federal Law

If the Executive Director or a court having jurisdiction determines that any provision of the Plan violates applicable state or federal law, that provision shall not be given effect. The remaining provisions of the Plan shall remain in full force and effect to the maximum extent possible, and any amendments or modifications that are necessary to give effect to the remaining provisions will be deemed to have been made to allow proper administration of the Plan.

6. AT-WILL EMPLOYMENT

Nothing in this Plan or the payment of Earned Awards alters the at-will nature of TRS employment, creates a contract between TRS and any TRS employee, confers on any TRS employee the right to continued employment with TRS, or affects in any way the right of TRS to terminate the employment of employees at any time.

7. OTHER PLAN PROVISIONS

7.1. Non-transferability of Awards

Potential Awards and Earned Awards under the Plan are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, pledge, lien, security interest, garnishment, attachment, or levy of any kind.

7.2 *Plan Does Not Create a Property Interest, Trust, or Entitlement*

- (a) Neither the establishment of the Plan or the calculation of Potential Awards or Earned Awards shall be deemed to create a property interest, trust or entitlement. The Plan is an unfunded, unsecured liability of TRS to make payments in accordance with the provisions of the Plan and applicable law. Any amounts budgeted for Earned Awards are TRS assets until properly disbursed in accordance with this Plan and applicable law, and no employee or third party shall have any property, security, expectancy, contractual right, lien, security interest, encumbrance, or other interest in any TRS assets by reason of the Plan.
- (b) Nothing in the Plan shall be deemed to create or confer any right, interest, expectancy, or title to any specific property of TRS to any Participant, or to any estate, trust, personal representative, heir, family member, or beneficiary of a Participant.

7.3 *Tax and Other Deductions*

All payments under the Plan shall be subject to any deductions at the time of payment (x) for tax and withholding required by federal (or other foreign jurisdiction), state, or local law and (y) for any and all amounts owed by the employee to TRS. TRS is not obligated to advise an employee of the existence of any tax or the tax treatment, reporting requirements, or required withholding in connection with the Plan.

7.4 *Payments Not Eligible for Retirement Purposes*

Any payments made pursuant to the Plan are fringe benefits and are not eligible compensation for TRS pension plan purposes.

7.5 *Grievances*

Except as expressly provided in this Plan, all grievances related to the Plan will be addressed according to the TRS Dispute Resolution Policy or any similar or successor policy, as amended from time to time.

7.6 *TRS Secondees; Subsidiary Employee Eligibility*

- (a) TRICOT is a wholly owned subsidiary of the Teacher Retirement System of Texas incorporated in the United Kingdom on August 28, 2015. TRICOT has its principal office in London, England. TRS organized TRICOT for the purpose of establishing a representative office in London to provide investment services to TRS relating to private investment opportunities in the United Kingdom and Europe, and TRICOT provides such services exclusively to and on behalf of TRS. Employees directly hired by TRICOT are not eligible for performance pay under this Plan. From time to time, TRS seconded employees in the TRS Investment Management Division to TRICOT to provide services to TRICOT. Seconded employees participate in this Plan as part of their employment with TRS, including during the term of their secondment to TRICOT. TRS provides funding and services to TRICOT under an intercompany agreement.
- (b) The Board has authorized TRICOT's adoption of a separate performance pay plan ("TRICOT Plan") that, to the extent legally permissible under UK law, is designed and

intended to provide eligibility for performance pay awards comparable to that provided to TRS employees under this Plan (taking into account differing compensation rates, but not currency exchange rates), but there is no assurance that the TRICOT Plan will be comparable in all respects. TRS, as one of the services it provides to TRICOT, will administer the TRICOT Plan under the intercompany agreement and by and through the TRS Executive Director as the Shareholder Representative on behalf of TRICOT.

(c) TRS and TRICOT intend that any employee who transfers employment between TRS and TRICOT without a break in service, and who is eligible to participate in the TRS Plan while employed by TRS and in the TRICOT Plan while employed by TRICOT, shall be eligible for performance pay during the Performance Period in aggregate that the employee would have received had they not changed employers, taking into account any changes to the employee's employment position, but without any adjustments for currency exchange rates. In such event, the Participant's Potential Award and performance measurements for the Performance Period will be prorated between this Plan and the TRICOT Plan using the same approach as outlined in Section 4.2(d) above.

(d) If, during the Performance Period, a TRS Participant moves without a break in service from an Eligible Position under this Plan to a position with TRICOT that is not eligible under the TRICOT Plan, the Participant's Potential Award for the partial Performance Period under this Plan will be prorated based on the number of complete calendar quarters worked in an Eligible Position during the Performance Period. For the avoidance of doubt, a Participant under this Plan will not be eligible for performance pay for any quarter during which the Participant was not employed in an Eligible Position under either this Plan or the TRICOT Performance Pay Plan for the entire quarter.

8. DEFINITIONS

Base Salary for use in the Plan is the Participant's annualized monthly salary as of October 1 of the applicable Performance Period (not including longevity or benefit replacement pay), or the annualized monthly salary of new Participants as of the date they first become a Participant, as certified by the Chief Organizational Excellence Officer.

Code means the United States Internal Revenue Code of 1986, as amended from time to time, or any successor U.S. federal income tax code.

Earned Award means a Potential Award that has become earned and payable because all of the terms, conditions, and requirements of this Plan have been satisfied. An Earned Award may be forfeited for misconduct, or suspended, canceled, or deferred as stated in this Plan. An Earned Award is not property.

Eligible Position means a title listed in Section 4.3(f) and, when the context refers to an Eligible Position with respect to a Participant's performance allocation and Potential Award calculation, the Investment Area or areas to which a Participant is assigned or interacts with during the Performance Period and the relevant excess return targets and portfolio benchmarks in Addendum A. A Participant who is reassigned from one Investment Area to another during the Performance Period also changes Eligible Positions, whether or not the Participant's title changes.

Investment Areas are listed in the first columns of Addendums A and B and correspond to the benchmarks, excess return targets, performance allocations, and peer groups in Addendum A and Addendum B, and which are used to calculate Potential Awards for

Participants in Eligible Positions. In this Plan, Investment Areas are synonymous with IMD employee teams or groups.

Maximum Potential Award is defined in Section 4.3(f) and is a limit on the gross Potential Award that can become an Earned Award in an Eligible Position Title with respect to the Performance Period.

Participant is an employee in an Eligible Position on October 1 of the Performance Period, or who is first employed in an Eligible Position after the beginning of the Performance Period based on the proration schedules in Section 4.2, as certified by the Chief Organizational Excellence Officer.

Performance Period is the period beginning on October 1 of each year and ending on September 30 of the following year.

Potential Award is defined in Section 4.3(f) and is the amount calculated based on the Participant's performance achieved in the applicable investment performance and qualitative performance components. A Potential Award is contingent and no Earned Award may exceed the Maximum Potential Award, regardless of whether the Participant exceeds the stated excess return target.

Reduction in Force as used in this Plan refers to termination of an employee due to elimination of the employee's position caused by a required reduction in the number of TRS Full-Time Equivalents (FTEs) or by a required reduction in expenses within the TRS operating budget. The Executive Director has sole discretion in determining whether an employee's termination is due to a Reduction in Force.

SPN means a Strategic Partner Network investment area. TRS has both private markets and public markets SPNs.

Total Fund means the TRS total or overall investment portfolio and includes all pension assets held in trust by TRS and invested to provide retirement, death, and disability benefits administered by the system, including cash and cash equivalents. For avoidance of doubt, for the purposes of the Plan the Total Fund does not include the assets of health plans administered by TRS and held in trust by the Board of Trustees.

TRICOT means the Teacher Retirement Investment Company of Texas Ltd., a company limited by shares.

Administrative Policy	Current effective date:	October 1, 2024*
	First issued:	October 1, 2007
Reviewers: Executive Director, Chief Investment Officer, Organizational Excellence, Legal & Compliance	Last reviewed	September 15, 2024
Review Cycle: Annual	Next review due:	September 2025
Authorized by: Board of Trustees	Date authorized:	September 19-20, 2024
Approved:		
By: _____	Approved as of:	October 1, 2024
Brian K. Guthrie, Executive Director		

*This Plan is effective only for the Performance Period beginning on October 1, 2024 and ending September 30, 2025.

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%

(1) Active Public Markets includes all Global Equity investments, hedge funds, absolute return portfolios, ARP/Innovation portfolios, and Public SPN portfolios managed by Public Markets.

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%



Teacher Retirement System of Texas

PERFORMANCE PAY PLAN

Effective October 1, 202⁴³

This Plan is effective only for the Performance Period beginning on October 1, 202⁴³ and ending September 30, 202⁵⁴. Any Potential Awards for performance in prior Performance Periods can become Earned Awards subject to the terms and conditions stated in the versions of the Plan effective for those Performance Periods. No modification of this Plan may be given retroactive effect except as required to comply with applicable law, including federal tax laws and regulations.

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Teacher Retirement System of Texas

PERFORMANCE PAY PLAN

1. PERFORMANCE PAY PLAN PURPOSE AND AUTHORIZATION

To remain competitive in its efforts to attract and retain high caliber Investment Management Division (IMD) employees, TRS strives to offer a competitive compensation package. Awards of performance pay based on specified performance criteria are an industry standard practice in the private investment sector and in the public sector. By offering both a competitive base salary and performance pay, TRS enhances its ability to fulfill its 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 principles.” The Board of Trustees (the “Board”) has determined that establishing, and expending funds for, this Performance Pay Plan (the “Plan”) is consistent with and in furtherance of the fiduciary duties of the Board in administering the retirement system.

2. PLAN OBJECTIVES AND STRATEGY

2.1 Plan Objectives

The Plan serves these objectives:

- To attract and retain IMD employees who demonstrate outstanding ability;
- To reinforce employees’ strong commitment to the long-term investment performance of the assets for which TRS is responsible; and
- To motivate investment professionals to focus on maximizing real, long-term returns for funds invested and managed by TRS while assuming appropriate levels of risk.

2.2 Plan Strategy

Implementation of the Plan strategy includes:

- Base salaries targeted to be competitive as determined by the Executive Director and the Board, with individual base salaries based on an employee’s experience, education, knowledge, skills, and overall job performance in an Eligible Position.
- Performance pay award opportunities, calculated as a percentage of an employee’s base salary, based on performance above pre-determined standards, and earned contingent upon continued employment in an Eligible Position through specified dates subject to deferral as set forth in Section 4.7(b).

3. BASE SALARY ADMINISTRATION

3.1 Salary Structure

- (a) Notwithstanding any other law, the Board approves the rates of compensation of all IMD employees. Under state law and the Board’s Bylaws, the Board authorizes the Executive Director, as part of the annual budget process, to

determine and propose base salary rates generally based on the salary schedules, position classifications, and salary administration practices in the TRS Compensation Plan and relevant legislation to the extent that the Executive Director determines that a particular provision is in the best interest of the system and not in conflict with applicable law, fiduciary duty, the Board's Bylaws or TRS policy.

- (b) Employees are assigned to a position title that is consistent with their TRS responsibilities. Initial base salary for each employee is set within the salary range of the assigned pay group, considering the employee's experience, education, knowledge and skills, and external competitiveness and internal equity.

3.2. *Salary Adjustments*

- (a) Employees may receive base salary adjustments for a number of reasons, including but not limited to promotions and merit increases for individual performance.
- (b) Notwithstanding Section 3.2(a), all base salary changes will be implemented in accordance with TRS salary administration procedures.

4. PERFORMANCE PAY PLAN; PERFORMANCE PERIODS

4.1. *Purpose of the Plan; Effective Date; Performance Periods*

- (a) The purpose of the Plan is to provide the opportunity for IMD employees to receive performance pay based on specified investment performance criteria and the employee's job performance.
- (b) The Performance Period for this Plan begins on October 1, 202⁴³ and ends September 30, 202⁵⁴. An award for performance in prior performance periods can only become earned and payable subject to the terms and conditions stated in the relevant plan.

4.2. *Participation in the Plan; Proration*

- (a) Subject to Sections 4.2(c) and (d), an IMD employee who holds an Eligible Position as defined in Section 8 on the first day of the Performance Period is eligible to participate in the Plan. Secondees, non-TRS or contract workers, and other temporary workers are not TRS employees and are not eligible to participate in the Plan. An Eligible Position under this Plan is not automatically an eligible position under any successor or superseding performance pay plan or other plan of TRS or TRICOT.
- (b) Within thirty (30) days after the end of the Performance Period, the Chief Organizational Excellence Officer will certify to the Executive Director in writing the master "Participants List" setting forth all relevant information that is required for calculating each Participant's Potential Award and any proration required under this Section 4.2.
- (c) Notwithstanding Section 4.2(a), an employee who begins employment in an Eligible Position (through new hire, promotion or reassignment) after the beginning of the Performance Period will become a Participant as follows:
 - (i) If an employee begins employment in an Eligible Position after October 1 but on or before January 1, the employee will become a Participant on

- January 1 and the Participant's Potential Award will be prorated to 75% of the Potential Award calculated for the entire Performance Period.
- (ii) If an employee begins employment in an Eligible Position after January 1 but on or before April 1, the employee will become a Participant on April 1 and the Participant's Potential Award will be prorated to 50% of the Potential Award calculated for the entire Performance Period.
 - (iii) If an employee begins employment in an Eligible Position after April 1 but on or before July 1, the employee will become a Participant on July 1 and the Participant's Potential Award will be prorated to 25% of the Potential Award calculated for the entire Performance Period.
 - (iv) If an employee begins employment in an Eligible Position after July 1 of the Performance Period, the employee will become a Participant on the first day of the next Performance Period, provided that such employee is employed by TRS in an Eligible Position on such date.
- (d) If, during the Performance Period, a Participant moves from one Eligible Position to another Eligible Position (including by transitioning from a full-time to part-time position), the Participant's Potential Award and performance measurements for the Performance Period will be prorated between the Potential Award calculated for the vacated Eligible Position and the Potential Award calculated for the new Eligible Position as follows:
- (i) If a Participant moves to a new Eligible Position after October 1 but on or before January 1, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position for the period October 1 through December 31, and on the new Eligible Position beginning as of January 1.
 - (ii) If a Participant moves to a new Eligible Position after January 1 but on or before April 1, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through March 31, and on the new Eligible Position beginning as of April 1.
 - (iii) If a Participant moves to the new Eligible Position after April 1 but on or before July 1, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through June 30, and on the new Eligible Position beginning as of July 1.
 - (iv) If a Participant moves to a new Eligible Position after July 1 of the Performance Period, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through September 30.
- (e) If, during the Performance Period, a Participant moves from an Eligible Position to a non-Eligible Position within TRS without a break in service, the Participant's Potential Award for the partial Performance Period will be prorated based on the number of complete calendar quarters worked in an Eligible Position during the Performance Period. For the avoidance of doubt, a Participant will not be eligible for performance pay for any quarter during which

the Participant was not employed in an Eligible Position for the entire quarter.

- (f) An employee will cease to be a Participant in the Plan on the earliest to occur of:
 - (i) Except as specifically provided in Section 4.2(e) with respect to continued TRS employment, or Section 7.6 with respect to changing employment from TRS to TRICOT (or vice versa) without a break in service, the date the employee is no longer employed in an Eligible Position; or
 - (ii) The date the Plan terminates.

For purposes of this Plan, the employment termination date is deemed to be the employee's last day worked, not including any leave the employee takes to extend their final employment date for payroll purposes.

- (g) Section 7.6 addresses the proration calculation that applies if a Participant changes employment from TRS to TRICOT or vice versa.

4.3. *Performance Components; Potential Awards*

- (a) Participants' Potential Awards will be based on a combination of investment performance and qualitative performance measurement and rating components.
- (b) The investment performance components comprise two categories: 1) performance measured against pre-determined benchmarks and applicable excess return targets, and 2) performance measured against pre-determined peer groups.
 - (i) The benchmark index category of the investment performance component will determine 50% of the total Potential Award for Eligible Position Titles of Chief Investment Officer through Director. The benchmark index category of the investment performance component will determine 30% of the total Potential Award for Eligible Position Titles of Investment Manager through Administrative Assistant.
 - (ii) The peer group category of the investment performance component will determine 30% of the total Potential Award.
- (c) Notwithstanding that the Performance Period is October 1 through September 30, due to the delay in availability of final performance data for private markets assets, performance measurements for these Investment Areas will experience a one quarter time lag, such that all calculations requiring private markets performance will use data for the one and three year periods ending June 30.
- (d) Each Eligible Position will be assigned specific weightings for Total Fund and other investment benchmarks based on investment area performance as shown in Addendums A and B. Addendum A correlates benchmarks and excess return targets to Investment Areas listed in the first column, and allocates performance weights for each area to the relevant excess return targets and benchmarks. Addendum B correlates Investment Areas in the first column to peer group performance and relevant benchmarks and allocates performance weights among the excess return targets relative to the listed benchmarks.

- (i) To encourage a focus on the “big picture” and a sense of shared mission, the investment performance component (both benchmark and peer group categories) for all Eligible Positions will have a Total Fund weighting of at least 20%. Weightings for each investment area’s benchmarks and excess return targets will be divided among the Eligible Position’s primary investment area and other investment areas with which the Eligible Position has regular interaction.
 - (ii) Where no investment area peer group performance measures are available, that investment area’s peer group performance weighting allocation is added to the Total Fund peer group performance weighting allocation.
- (e) The qualitative performance rating component will be measured systematically as part of each Participant’s annual performance appraisal process aimed at evaluating each Participant’s job performance and adherence to the core concepts and values of the IMD culture, using pre-determined, standard criteria. This may include multi-rater feedback regarding a variety of contributions and behaviors needed for organizational success that are not directly measured or measurable in the investment performance component, such as interpersonal relationship skills, accountability, effective teamwork, etc.
- (i) Regardless of a Participant’s qualitative performance rating, a Potential Award will include the qualitative performance component only if the Participant has attained at least the required threshold level for the investment performance component.
 - (ii) To encourage appropriate organizational behaviors, the qualitative performance rating component will be weighted at 20% of the Potential Award for Eligible Position Titles of Chief Investment Officer through Director and weighted at 40% of the Potential Award for Eligible Position Titles of Investment Manager through Administrative Assistant.
- (f) A Potential Award is the gross award amount calculated based on the final performance results for the relevant Performance Period, weighted as set forth in Addendums A and B. The Maximum Potential Award that can become an Earned Award with respect to the Performance Period may not exceed the percentage of a Participant’s Base Salary in an Eligible Position (subject to proration under Section 4.2) that is listed opposite the applicable Eligible Position Title in the table below. The Maximum Potential Award limits a Participant’s maximum Earned Award regardless of (x) the amount by which a Participant’s performance has exceeded the excess return targets or (y) the calculated value of the Potential Award.

ELIGIBLE POSITION TITLE	MAXIMUM POTENTIAL AWARD
Chief Investment Officer	175%
Senior Managing Director	175%
Managing Director	175%

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

- (g) For each Investment Area, the portfolio weighting and excess return relative to each assigned excess return target will combine to determine the Potential Award for each Eligible Position.
- (i) The Potential Award includes a threshold, a maximum, and intermediate levels of Potential Award that correspond to specific levels of investment performance.
 - (ii) Intermediate levels of the Potential Award for investment performance are determined by linearly interpolating between the threshold and maximum.
 - (iii) For the qualitative performance rating component, intermediate levels of the Potential Award will be based on a system of annual performance evaluation approved by the Executive Director.

4.4. *Compliance with TRS Policies*

- (a) IMD employees exercise fiduciary investment responsibilities under applicable law and Board policies. Investment professionals manage the portfolio according to the Board's policies, advise and inform the Executive Director and the Board about investment management and performance, and recommend modifications to the Board's investment policies. All IMD employees are responsible for complying with TRS policies.
- (b) The Executive Director or designee has the authority to conduct an investigation of any potential violation of TRS policies or applicable laws. The Executive Director may suspend earning and payment of Potential Awards and Earned Awards (including deferred payments) until the conclusion of an investigation under this Section 4.4.
- (c) Excess performance by a Participant or Participants resulting from a failure to invest and manage TRS pension assets prudently and in compliance with investment and ethics policies and applicable law will result in disqualification of the Participant or Participants and forfeiture of any award for the relevant Performance Period. The Executive Director will make this determination on a case-by-case basis. The Executive Director's determination under this subsection is final and non-appealable.
- (d) If the Executive Director determines after investigation that a Participant violated TRS policy or applicable law and that such violation is sufficiently serious, the Participant will either (i) be disqualified and forfeit all Potential Awards and

Earned Awards for the Performance Periods in which the violation(s) occurred, including awards and payments deferred under Section 4.7(b), or (ii) such Potential Awards and Earned Awards will be reduced by a percentage or amount determined by the Executive Director in his or her sole discretion. If the Executive Director determines that no serious violation has occurred, a suspended Earned Award shall be paid to the Participant within 30 days after such determination (or such later date on which the award would have been payable absent the suspension), provided that the Participant has been continuously employed in an Eligible Position through such payment date, or, if later, the relevant January 1. The Executive Director's determination under this subsection is final and non-appealable.

4.5. *Performance Standards and Measurements*

- (a) Each one-year performance measurement period begins October 1 and ends September 30. For the purposes of this Plan, investment performance (for both benchmarks and peer group categories) is based on one- and three-year historical performance data, weighted at 33% for one-year performance (i.e., the performance measurement period ended as of the most recent September 30) and 67% for the historical three-year performance that includes the three performance measurement periods ended as of the most recent September 30. Investment performance is measured against the relevant pre-defined benchmarks in the asset allocation and benchmarks table, including applicable footnotes, in the Board's Investment Policy Statement ("IPS"). For the purposes of this Plan, changes to the IPS benchmarks during the Performance Period will be effective from and after the effective date of such changes in the IPS, subject to revisions to the Plan adopted by the Board of Trustees. In no event may benchmark changes be applied retroactively except as required to comply with applicable law, including federal tax laws and regulations.
- (b) For purposes of calculating the one- and three-year historical performance data under Section 4.5(a), the investment performance of any new portfolio will be calculated for purposes of the Plan as follows:
 - (i) The investment performance measurement of any new portfolio (for both benchmark and peer group categories) created during a performance measurement period will commence only on the next [performance measurement period](#) following October 1.
 - (ii) For a new portfolio's first full performance measurement period, the investment performance measurement will be based 100% on the portfolio's performance data for the first full performance measurement period.
 - (iii) For a new portfolio's second full performance measurement period, the investment performance measurement will be weighted (x) 50% on the portfolio's performance during the second full performance measurement period, and (y) 50% on the portfolio's two-year performance during the first and second full performance measurement periods.
 - (iv) For all performance measurement periods commencing after the second full performance measurement period, the investment performance of a new portfolio will be weighted (x) 33% on the portfolio's performance measurement during the one-year performance measurement period just

ended, and (y) 67% on the portfolio's three-year performance measurement during the three full performance measurement periods ending on September 30 of the Performance Period.

- (v) For the purposes of this Plan, no investment performance measurement will be calculated for a new portfolio unless it existed on October 1 of the Performance Period.
- (c) Notwithstanding Section 4.5(a), if during the Performance Period, investments managed by an Investment Area are moved to another investment area as a result of an IMD reorganization, then the performance measurements for the Performance Period and each affected Participant's Potential Award will be based on the pre-change criteria and the post-change criteria as follows:
 - (i) If the change described in this Section 4.5(c) is made after October 1 but on or before January 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria for the period October 1 through December 31, and on the post-change criteria beginning as of January 1.
 - (ii) If the change described in this Section 4.5(c) is made after January 1 but on or before April 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through March 31, and on the post-change criteria beginning as of April 1.
 - (iii) If the change described in this Section 4.5(c) is made after April 1 but on or before July 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through June 30, and on the post-change criteria beginning as of July 1.
 - (iv) If the change described in this Section 4.5(c) is made after July 1 of the Performance Period, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through September 30.
- (d) The qualitative performance component is measured annually as part of each Participant's annual performance appraisal process using criteria established before the beginning of the Performance Period.

4.6. *Potential Award Calculations*

- (a) Following the end of the Performance Period, the Executive Director will review the reported performance of each Participant relative to the applicable investment and qualitative performance components.
- (b) Potential Awards are calculated based on the Participant's level of performance achieved in the applicable investment performance and qualitative performance components in the Performance Period.
- (c) Relative performance data and calculations may be reviewed by an external independent source selected by the Executive Director but final calculations must be approved by the Executive Director.

4.7. *Earning Performance Payments*

- (a) Notwithstanding the Executive Director's approval of Potential Award calculations, and except as otherwise provided in this Section 4.7 and Section 7.6, Potential Awards will only become an Earned Award subject to Section 4.7(b) if a Participant is employed by TRS on January 1 following the end of the Performance Period during which that employee was a Participant. Payment of Earned Awards will usually be processed with that January's payroll for delivery on or about February 1, but in no event later than February 15 of that calendar year.

The payment dates of Earned Awards for the Performance Period shall be the same for all Participants.

- (b) Notwithstanding Section 4.7(a), no Potential Awards will become Earned Awards following a Performance Period in which the Total Fund experiences a ~~total~~ return of zero or less. If this occurs, Potential Awards for that Performance Period that otherwise would have become Earned Awards on the January 1 next following the end of that Performance Period will not become Earned Awards until the January 1 following the next Performance Period in which the Total Fund has a return greater than zero, subject to the requirement that the employee be employed by TRS on that January 1. Payment of this Earned Award will usually be processed with that January payroll for payment on or about February 1 but in no event later than February 15 of that calendar year.
- (c) If an employee ceases to be a Participant during the Performance Period due to termination of TRS employment for any reason other than involuntary termination of employment due to a Reduction in Force, death, or disability within the meaning of Code Section 409A, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. Potential Awards under plans from previous performance periods that have not yet become Earned Awards (as set forth in Section 4.7(b) above) will not become Earned Awards and will not be paid or payable.
- (d) If an employee ceases to be a Participant during the Performance Period due to involuntary termination of TRS employment because of a Reduction in Force, death, or disability within the meaning of Code Section 409A, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. However, notwithstanding Sections 4.7(a) and (b), Potential Awards under plans from previous performance periods beginning October 1 and ending September 30 will immediately become Earned Awards. Payments under this subsection will be made as applicable to the terminated employee, the estate of the deceased employee, the disabled employee, or as otherwise provided by law. These payments will be made as soon as administratively practicable, but not later than 2½ months after the end of the calendar year in which the Reduction in Force, death or disability occurred.
- (e) A Participant who changes employment from TRS to TRICOT without a break in service pursuant to subsection Section 7.6 (c) or (d) will be treated as employed by TRS for purposes of Potential Awards becoming Earned Awards under Section 4.7 of this Plan so long as the Participant remains continuously employed by TRICOT from the first day of employment with TRICOT through (i) the applicable January

1 for purposes of Sections 4.7(a) and (b) or (ii) the date of involuntary termination of TRICOT employment because of a Reduction in Force, death, or disability for purposes of Section 4.7(d).

- (f) If an employee ceases to be a Participant before the end of the Performance Period due to Plan termination, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. In such an event, however, Potential Awards from previous plans that have not yet become Earned Awards, can become Earned Awards and be paid under those plans if the Board determines that such payments would be consistent with and in furtherance of the fiduciary duties of the Board in administering the retirement system, and if such payments are not prohibited by applicable law.

5. PLAN AUTHORITY AND RESPONSIBILITY

5.1 Plan Modification, Suspension, and Termination

The Board shall have the right in its sole discretion to modify the Plan or any portion thereof at any time. The Board shall have the right in its sole discretion to suspend or terminate the Plan, including payments of awards, entirely or any portion thereof at any time. For avoidance of doubt, no modification, amendment, suspension, or reinstatement of this Plan or any performance criteria relating to this Plan may be given retroactive effect except as required to comply with applicable law, including federal tax laws and regulations.

5.2 Plan Administration

The Executive Director has the sole discretion to administer and interpret the Plan in accordance with its terms and conditions. The Executive Director may adopt such procedures and practices as he [or she](#) considers advisable to carry out the purposes of the Plan in accordance with the Code.

5.3 Record Keeping and Reporting

A record of the master “Participants List,” including a list of staff of the IMD covered by this Plan and the data forming the basis for all Plan calculations shall be maintained by the Chief Organizational Excellence Officer.

5.4 Compliance with State and Federal Law

If the Executive Director or a court having jurisdiction determines that any provision of the Plan violates applicable state or federal law, that provision shall not be given effect. The remaining provisions of the Plan shall remain in full force and effect to the maximum extent possible, and any amendments or modifications that are necessary to give effect to the remaining provisions will be deemed to have been made to allow proper administration of the Plan.

6. AT-WILL EMPLOYMENT

Nothing in this Plan or the payment of Earned Awards alters the at-will nature of TRS employment, creates a contract between TRS and any TRS employee, confers on any TRS employee the right to continued employment with TRS, or affects in any way the right of TRS to terminate the employment of employees at any time.

7. OTHER PLAN PROVISIONS

7.1. Non-transferability of Awards

Potential Awards and Earned Awards under the Plan are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, pledge, lien, security interest, garnishment, attachment, or levy of any kind.

7.2 Plan Does Not Create a Property Interest, Trust, or Entitlement

- (a) Neither the establishment of the Plan or the calculation of Potential Awards or Earned Awards shall be deemed to create a property interest, trust or entitlement. The Plan is an unfunded, unsecured liability of TRS to make payments in accordance with the provisions of the Plan and applicable law. Any amounts budgeted for Earned Awards are TRS assets until properly disbursed in accordance with this Plan and applicable law, and no employee or third party shall have any property, security, expectancy, contractual right, lien, security interest, encumbrance, or other interest in any TRS assets by reason of the Plan.
- (b) Nothing in the Plan shall be deemed to create or confer any right, interest, expectancy, or title to any specific property of TRS to any Participant, or to any estate, trust, personal representative, heir, family member, or beneficiary of a Participant.

7.3 Tax and Other Deductions

All payments under the Plan shall be subject to any deductions at the time of payment (x) for tax and withholding required by federal (or other foreign jurisdiction), state, or local law and (y) for any and all amounts owed by the employee to TRS. TRS is not obligated to advise an employee of the existence of any tax or the tax treatment, reporting requirements, or required withholding in connection with the Plan.

7.4 Payments Not Eligible for Retirement Purposes

Any payments made pursuant to the Plan are fringe benefits and are not eligible compensation for TRS pension plan purposes.

7.5 Grievances

Except as expressly provided in this Plan, all grievances related to the Plan will be addressed according to the TRS [Grievance and Appeals/Dispute Resolution](#) Policy or any similar or successor policy, as amended from time to time.

7.6 TRS Seconded; Subsidiary Employee Eligibility

- (a) TRICOT is a wholly owned subsidiary of the Teacher Retirement System of Texas incorporated in the United Kingdom on August 28, 2015. TRICOT has its principal office in London, England. TRS organized TRICOT for the purpose of establishing a representative office in London to provide investment services to TRS relating to private investment opportunities in the United Kingdom and Europe, and TRICOT provides such services exclusively to and on behalf of TRS. Employees directly hired by TRICOT are not eligible for performance pay under this Plan. From time to time, TRS seconded employees in the TRS Investment Management Division to TRICOT to provide services to TRICOT. Seconded employees participate in this Plan as part of their employment with TRS, including during the term of their secondment to TRICOT. TRS provides funding and services to TRICOT under an intercompany agreement.

(b) The Board has authorized TRICOT's adoption of a separate performance pay plan ("TRICOT Plan") that, to the extent legally permissible under UK law, is designed and intended to provide eligibility for performance pay awards comparable to that provided to TRS employees under this Plan (taking into account differing compensation rates, but not currency exchange rates), but there is no assurance that the TRICOT Plan will be comparable in all respects. TRS, as one of the services it provides to TRICOT, will administer the TRICOT Plan under the intercompany agreement and by and through the TRS Executive Director as the Shareholder Representative on behalf of TRICOT.

(c) TRS and TRICOT intend that any employee who transfers employment between TRS and TRICOT ~~as of the beginning of any calendar quarter~~ without a break in service, and who is eligible to participate in the TRS Plan while employed by TRS and in the TRICOT Plan while employed by TRICOT, shall be eligible for performance pay during the Performance Period in aggregate that the employee would have received had they not changed employers, taking into account any changes to the employee's employment position, but without any adjustments for currency exchange rates. In such event, the Participant's Potential Award and performance measurements for the Performance Period will be prorated between this Plan and the TRICOT Plan using the same approach as outlined in Section 4.2(d) above.

(d) If, during the Performance Period, a TRS Participant leaves-moves without a break in service from an Eligible Position under this Plan during the Performance Period to a position with TRICOT that is not eligible under the TRICOT Plan, the Participant's Potential Award for the partial Performance Period under this Plan will be prorated based on the number of complete calendar quarters worked in an Eligible Position during the Performance Period because the Participant changes employment from TRS to TRICOT without a break in service, then the TRS Participant's Potential Award for the partial Performance Period under this Plan will be prorated based on the number of complete calendar quarters worked in a TRS Eligible Position during the Performance Period. For the avoidance of doubt, a Participant under this Plan will not be eligible for performance pay for any quarter during which the Participant was not employed in an Eligible Position under either this Plan or the TRICOT Performance Pay Plan for the entire quarter.

8. DEFINITIONS

Base Salary for use in the Plan is the Participant's annualized monthly salary as of October 1 of the applicable Performance Period (not including longevity or benefit replacement pay), or the annualized monthly salary of new Participants as of the date they first become a Participant, as certified by the Chief Organizational Excellence Officer.

Code means the United States Internal Revenue Code of 1986, as amended from time to time, or any successor U.S. federal income tax code.

Earned Award means a Potential Award that has become earned and payable because all of the terms, conditions, and requirements of this Plan have been satisfied. An Earned Award may be forfeited for misconduct, or suspended, canceled, or deferred as stated in this Plan. An Earned Award is not property.

Eligible Position means a title listed in Section 4.3(f) and, when the context refers to an Eligible Position with respect to a Participant's performance allocation and Potential Award calculation, the Investment Area or areas to which a Participant is assigned or interacts with during the Performance Period and the relevant excess return targets and portfolio benchmarks in Addendum A. A Participant who is reassigned from one

Investment Area to another during the Performance Period also changes Eligible Positions, whether or not the Participant's title changes.

Investment Areas are listed in the first columns of Addendums A and B and correspond to the benchmarks, excess return targets, performance allocations, and peer groups in Addendum A and Addendum B, and which are used to calculate Potential Awards for Participants in Eligible Positions. In this Plan, Investment Areas are synonymous with IMD employee teams or groups.

Maximum Potential Award is defined in Section 4.3(f) and is a limit on the gross Potential Award that can become an Earned Award in an Eligible Position Title with respect to the Performance Period.

Participant is an employee in an Eligible Position on October 1 of the Performance Period, or who is first employed in an Eligible Position after the beginning of the Performance Period based on the proration schedules in Section 4.2, as certified by the Chief Organizational Excellence Officer.

Performance Period is the period beginning on October 1 of each year and ending on September 30 of the following year.

Potential Award is defined in Section 4.3(f) and is the amount calculated based on the Participant's performance achieved in the applicable investment performance and qualitative performance components. A Potential Award is contingent and no Earned Award may exceed the Maximum Potential Award, regardless of whether the Participant exceeds the stated excess return target.

Reduction in Force as used in this Plan refers to termination of an employee due to elimination of the employee's position caused by a required reduction in the number of TRS Full-Time Equivalents (FTEs) or by a required reduction in expenses within the TRS operating budget. The Executive Director has sole discretion in determining whether an employee's termination is due to a Reduction in Force.

SPN means a Strategic Partner Network investment area. TRS has both private markets and public markets SPNs.

Total Fund means the TRS total or overall investment portfolio and includes all pension assets held in trust by TRS and invested to provide retirement, death, and disability benefits administered by the system, including cash and cash equivalents. For avoidance of doubt, for the purposes of the Plan the Total Fund does not include the assets of health plans administered by TRS and held in trust by the Board of Trustees.

TRICOT means the Teacher Retirement Investment Company of Texas Ltd., a company limited by shares.

Administrative Policy

Current effective date:

October 1, 202~~43~~⁵⁴*

First issued:

October 1, 2007

Reviewers: Executive Director, Chief
Investment Officer,
Organizational Excellence,
Legal & Compliance

Last reviewed

September 15, 202~~43~~⁵⁴

Review Cycle: Annual

Next review due:

September 202~~54~~⁵⁵

Authorized by: Board of Trustees

Date authorized:

September 19~~4~~⁵-20~~15~~¹⁶, 202~~43~~⁵⁴**Approved:**

By: _____

Approved as of:

October 1, 202~~43~~⁵⁴

Brian K. Guthrie,
Executive Director

*This Plan is effective only for the Performance Period beginning on October 1, 202~~43~~⁵⁴ and ending September 30, 202~~54~~⁵⁵.

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%

(1) Active Public Markets includes all Global Equity investments, hedge funds, absolute return portfolios, ARP/Innovation portfolios, and Public SPN portfolios managed by Public Markets.

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%



Teacher Retirement Investment Company of Texas Ltd.

PERFORMANCE PAY PLAN

Effective October 1, 2024

This Plan is effective only for the Performance Period beginning on October 1, 2024 and ending September 30, 2025. Any Potential Awards for performance in prior Performance Periods can become Earned Awards subject to the terms and conditions stated in the versions of the Plan effective for those Performance Periods.

No modification of this Plan may be given retroactive effect except as required to comply with applicable law, including United States or United Kingdom tax laws and regulations as appropriate.

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PERFORMANCE PAY PLAN

1. PERFORMANCE PAY PLAN PURPOSE AND AUTHORIZATION

The Teacher Retirement Investment Company of Texas Ltd., a company limited by shares (“TRICOT”) is a wholly owned subsidiary of the Teacher Retirement System of Texas (“TRS”) incorporated in the United Kingdom on August 28, 2015. TRICOT has its principal office in London, England. TRS organized TRICOT for the purpose of establishing a representative office in London to provide investment services to TRS relating to investment opportunities in the United Kingdom and Europe, and TRICOT provides such services exclusively to and on behalf of TRS.

To remain competitive in its efforts to attract and retain high caliber employees TRICOT strives to offer a competitive compensation package. Awards of performance pay based on specified performance criteria are an industry standard practice in the private investment sector and in the public sector. By offering both a competitive base salary and performance pay, TRICOT enhances its ability to fulfill its mission to assist TRS in prudently investing and managing the assets held in trust for TRS members and beneficiaries in an actuarially sound system administered in accordance with applicable fiduciary principles. The TRS Board of Trustees (the “TRS Board”) has determined that establishing and expending funds through TRICOT for this Performance Pay Plan (“Plan”) for TRICOT employees is consistent with and in furtherance of the fiduciary duties of the Board in administering the retirement system.

The TRS Board has approved TRICOT’s adoption of the Plan. The TRS Board has adopted resolutions (a) relating to the governance, funding, budgeting, administration, and operations of TRICOT, and (b) designating the TRS Executive Director as the TRS shareholder representative (“Shareholder Representative”) for purposes of administering and interpreting this Plan. A person duly appointed to serve as the TRICOT Managing Director (the “TRICOT Managing Director”) will perform the duties specified in this Plan for the TRICOT Managing Director.

2. PLAN OBJECTIVES AND STRATEGY

2.1 Plan Objectives

The Plan serves these objectives:

- To attract and retain TRICOT employees who demonstrate outstanding ability;
- To reinforce employees’ strong commitment to the long-term investment performance of the assets for which TRS and TRICOT are responsible; and
- To motivate investment professionals to focus on maximizing real, long-term returns for funds invested and managed by TRS while assuming appropriate levels of risk.

2.2 Plan Strategy

Implementation of the Plan strategy includes:

- Base salaries targeted to be competitive as determined by the TRICOT Managing Director and the Shareholder Representative, with individual base salaries based on an employee’s

experience, education, knowledge, skills, and overall job performance in an Eligible Position.

- Performance pay award opportunities, calculated as a percentage of an employee's base salary, based on performance above pre-determined standards, and earned contingent upon continued employment in an Eligible Position through specified dates subject to deferral as set forth in Section 4.7(b).

3. BASE SALARY ADMINISTRATION

3.1 *Salary Structure*

- (a) Notwithstanding any other law, the Shareholder Representative approves the rates of compensation of all TRICOT employees. The TRICOT Managing Director shall, subject to the approval of the Shareholder Representative, propose in the annual TRICOT budget the base salary rates for TRICOT employees generally based on the salary schedules, position classifications, and salary administration practices that are reasonably comparable to those used for the TRS Investment Management Division employees, taking into account prevailing market conditions in the United Kingdom, which the Shareholder Representative determines are in the best interest of TRICOT and TRS, and which are not in conflict with applicable law, fiduciary duty, or policy.
- (b) The TRICOT Managing Director shall set the initial base salary for each newly hired TRICOT employee within the salary range approved by the Shareholder Representative, considering the employee's experience, education, knowledge and skills; external competitiveness; and internal compensation equity.

3.2 *Salary Adjustments*

- (a) TRICOT employees may receive base salary adjustments (increase or decrease) at the discretion of the TRICOT Managing Director within the base salary range approved by the Shareholder Representative in accordance with the terms of their employment contract, applicable law, and TRICOT policy.
- (b) Notwithstanding Section 3.2(a), all base salary adjustments will be implemented in accordance with the contract of employment and TRICOT salary administration procedures.

4. PERFORMANCE PAY PLAN; PERFORMANCE PERIOD

4.1 *Purpose of the Plan; Effective Date; Performance Period*

- (a) The purpose of the Plan is to provide the opportunity for TRICOT employees to receive performance pay based on specified investment performance criteria and the employee's job performance.
- (b) The Performance Period for this Plan begins on October 1, 2024 and ends September 30, 2025. A potential award for performance in a prior plan's performance period can only become earned and payable subject to the terms and conditions stated in the relevant plan.

4.2 *Participation in the Plan; Proration*

- (a) Subject to Sections 4.2(c) and (d), a TRICOT employee who holds an Eligible Position on the first day of the Performance Period is eligible to participate in the Plan. Secondes, non-TRICOT or contract workers, and other temporary workers are not TRICOT employees and are not eligible to participate in the Plan. An Eligible Position under this

Plan is not automatically an Eligible Position under any successor or superseding performance pay plan or other plan of TRICOT or TRS.

- (b) Within thirty (30) days after the end of the Performance Period, the TRS Chief Organizational Excellence Officer will certify to the Shareholder Representative in writing the master “Participants List” for this Plan, setting forth all relevant information that is required for calculating each Participant’s Potential Award and any proration required under this Section 4.2.
- (c) Notwithstanding Section 4.2(a), an employee who begins employment in an Eligible Position (through new hire, promotion or reassignment) after the beginning of the Performance Period will become a Participant as follows:
 - (i) If an employee begins employment in an Eligible Position after October 1 but on or before January 1, the employee will become a Participant on January 1 and the Participant’s Potential Award will be prorated to 75% of the Potential Award calculated for the entire Performance Period.
 - (ii) If an employee begins employment in an Eligible Position after January 1 but on or before April 1, the employee will become a Participant on April 1 and the Participant’s Potential Award will be prorated to 50% of the Potential Award calculated for the entire Performance Period.
 - (iii) If an employee begins employment in an Eligible Position after April 1 but on or before July 1, the employee will become a Participant on July 1 and the Participant’s Potential Award will be prorated to 25% of the Potential Award calculated for the entire Performance Period.
 - (iv) If an employee begins employment in an Eligible Position after July 1 of the Performance Period, the employee will become a Participant on the first day of the next Performance Period, provided that such employee is employed by TRICOT in an Eligible Position on such date.
- (d) If, during the Performance Period, a Participant moves from one Eligible Position to another Eligible Position (including by transitioning from a full-time to part-time status), the Participant’s Potential Award and performance measurements for the Performance Period will be prorated between the Potential Award calculated for the vacated Eligible Position and the Potential Award calculated for the new Eligible Position as follows:
 - (i) If a Participant moves to a new Eligible Position after October 1 but on or before January 1, the Participant’s Potential Award and performance measurements will be based on the previous Eligible Position for the period October 1 through December 31, and on the new Eligible Position beginning as of January 1.
 - (ii) If a Participant moves to a new Eligible Position after January 1 but on or before April 1, the Participant’s Potential Award and performance measurements will be based on the previous Eligible Position through March 31, and on the new Eligible Position beginning as of April 1.
 - (iii) If a Participant moves to the new Eligible Position after April 1 but on or before July 1, the Participant’s Potential Award and performance measurements will be based on the previous Eligible Position through June 30, and on the new Eligible Position beginning as of July 1.

- (iv) If a Participant moves to a new Eligible Position after July 1 of the Performance Period, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through September 30.
- (e) If a Participant leaves an Eligible Position during the Performance Period and begins TRICOT employment in a non-Eligible Position, the Participant's Potential Award for the partial Performance Period will be prorated based on the number of complete calendar quarters worked in an Eligible Position during the Performance Period. For the avoidance of doubt, a Participant will not be eligible for performance pay for any quarter during which the Participant was not employed in an Eligible Position for the entire quarter.
- (f) Section 7.6 addresses the proration calculation that applies if a Participant changes employment from TRICOT to TRS or vice versa.
- (g) An employee will cease to be a Participant in the Plan on the earliest to occur of:
 - (i) Except as specifically provided in Section 4.2(e) with respect to continued TRICOT employment or Section 7.6 with respect to changing employment from TRICOT to TRS, or vice versa, without a break in service, the date the employee is no longer employed in an Eligible Position;
 - (ii) The date this Plan terminates.

For purposes of the Plan, the employment termination date is deemed to be the employee's last day worked, not including any leave the employee takes to extend their employment termination date for payroll purposes.

4.3 *Performance Components; Potential Awards*

- (a) Participants' Potential Awards will be based on a combination of investment performance and qualitative performance measurement and rating components.
- (b) The investment performance components comprise two categories: 1) performance measured against pre-determined benchmarks and applicable excess return targets, and 2) performance measured against pre-determined peer groups.
 - (i) The benchmark index category of the investment performance component will determine 50% of the total Potential Award for Eligible Position Titles of Senior Managing Director through Director. The benchmark index category of the investment performance component will determine 30% of the total Potential Award for Eligible Position Titles of Investment Manager through Administrative Assistant.
 - (ii) The peer group category of the investment performance component will determine 30% of the total Potential Award.
- (c) Notwithstanding that the Performance Period is October 1 through September 30, due to the delay in availability of final performance data for private markets assets performance measurements for these Investment Areas will experience a one quarter time lag, such that all calculations requiring private markets performance will use data for the one and three year periods ending each June 30.
- (d) Each Eligible Position will be assigned specific weightings for Total Fund and other investment benchmarks based on investment area performance as shown in Addendums A and B. Addendum A correlates benchmarks and excess return targets to Investment Areas

listed in the first column, and allocates performance weights for each area to the relevant excess return targets and benchmarks. Addendum B correlates Investment Areas in the first column to peer group performance and relevant benchmarks and allocates performance weights among the excess return targets relative to the listed benchmarks.

- (i) To encourage a focus on the “big picture” and a sense of shared mission, the investment performance component (both benchmark and peer group categories) for all Eligible Positions will have a Total Fund weighting of at least 20%. Weightings for each investment area’s benchmarks and excess return targets will be divided among the Eligible Position’s primary investment area and other investment areas with which the Eligible Position has regular interaction.
 - (ii) Where no investment area peer group performance measures are available, that investment area’s peer group performance weighting allocation is added to the Total Fund peer group performance weighting allocation.
- (e) The qualitative performance rating component will be measured systematically as part of each Participant’s annual performance appraisal process aimed at evaluating each Participant’s job performance and adherence to the core concepts and values of the TRICOT culture and interactions with TRS IMD personnel in performing TRICOT’S services, using pre-determined, standard criteria. This may include multi-rater feedback regarding a variety of contributions and behaviors needed for organizational success that are not directly measured or measurable in the investment performance component, such as interpersonal relationship skills, accountability, effective teamwork, etc.
- (i) Regardless of a Participant’s qualitative performance rating, a Potential Award will include the qualitative performance component only if the Participant has attained at least the required threshold level for the investment performance component (determined separately for each Eligible Position if a Participant changes Eligible Positions within TRICOT during the Performance Period).
 - (ii) To encourage appropriate organizational behaviors, the qualitative performance rating component will be weighted at 20% of the Potential Award for Eligible Position Titles of Senior Managing Director through Director and weighted at 40% of the Potential Award for Eligible Position Titles of Investment Manager through Administrative Assistant.
- (f) A Potential Award is the gross award amount calculated based on the final performance results for the Performance Period, weighted as set forth in Addendums A and B. The Maximum Potential Award that can become an Earned Award with respect to the Performance Period may not exceed the percentage of a Participant’s Base Salary in an Eligible Position (subject to proration under Section 4.2) that is listed opposite the applicable Eligible Position Title in the table below. The Maximum Potential Award limits a Participant’s maximum Earned Award regardless of (x) the amount by which a Participant’s performance has exceeded the excess return targets or (y) the calculated value of the Potential Award.

ELIGIBLE POSITION TITLE	MAXIMUM POTENTIAL AWARD
Senior Managing Director	175%
Managing Director	175%
Director	150%

ELIGIBLE POSITION TITLE	MAXIMUM POTENTIAL AWARD
Investment Manager	100%
Senior Associate	75%
Associate	65%
Senior Analyst	40%
Analyst	30%
Junior Analyst	15%
Administrative Assistants	5%

- (g) For each Investment Area, the portfolio weighting and excess return relative to each assigned excess return target will combine to determine the Potential Award for each Eligible Position.
- (i) The Potential Award includes a threshold, a maximum, and intermediate levels of Potential Award that correspond to specific levels of investment performance.
 - (ii) Intermediate levels of the Potential Award for investment performance are determined by linearly interpolating between the threshold and maximum.
 - (iii) For the qualitative performance rating component, intermediate levels of the Potential Award will be based on a system of annual performance evaluation approved by the Shareholder Representative.

4.4 Compliance with TRICOT and TRS Policies

- (a) TRICOT is a TRS asset. In providing services to TRS on behalf of TRICOT, employees exercise fiduciary responsibilities under applicable law and policies. By accepting TRICOT employment investment professionals agree to give advice about the TRS portfolio according to and in compliance with applicable TRICOT and TRS policies, advise and inform the IMD, the Shareholder Representative, and the TRS Board about TRICOT's services relating to investment management and performance of TRS investments, and recommend modifications to the TRS Board's investment policies. All TRICOT employees are responsible for complying with TRICOT and TRS policies in accordance with their employment contracts.
- (b) The Shareholder Representative on behalf of the TRS Board, acting as the sole TRICOT shareholder, has the authority to conduct an investigation of any potential violation of TRICOT or TRS policies or applicable laws. The Shareholder Representative may suspend earning and payment of Potential Awards and Earned Awards (including deferred payments) until the conclusion of an investigation under this Section 4.4.
- (c) Excess performance by a Participant or Participants resulting from a failure to manage TRS pension assets prudently and in compliance with investment and ethics policies and applicable law will result in disqualification of the Participant or Participants and forfeiture of any award for the Performance Period. The Shareholder Representative will make this determination in his sole discretion on a case-by-case basis. The Shareholder Representative's determination under this subsection is final and non-appealable.
- (d) If the Shareholder Representative determines after investigation that a Participant violated TRICOT or TRS policy or applicable law and that such violation is sufficiently serious, the Participant will either (i) be disqualified and forfeit all Potential Awards and Earned

Awards for the Performance Periods in which the violation(s) occurred, including awards and payments deferred under Section 4.7(b), or (ii) such Potential Awards and Earned Awards will be reduced by a percentage or amount determined by the Shareholder Representative in his or her sole discretion. If the Shareholder Representative determines that no serious violation has occurred, a suspended Earned Award shall be paid to the Participant within 30 days after such determination (or such later date on which the award would have been payable absent the suspension), provided that the Participant has been continuously employed in an Eligible Position through such payment date or, if later, the relevant January 1. The Shareholder Representative's determination under this subsection is final and non-appealable.

4.5 *Performance Standards and Measurements*

- (a) Each one-year performance measurement period begins October 1 and ends September 30. For the purposes of this Plan, investment performance allocated or credited to TRICOT by TRS in its sole discretion (for both benchmarks and peer group categories) is based on one- and three-year historical performance data, weighted at 33% for one-year performance (i.e., the performance measurement period ended as of the most recent September 30) and 67% for the historical three-year performance that includes the three performance measurement periods ended as of the most recent September 30. Investment performance is measured against the relevant pre-defined benchmarks in the asset allocation and benchmarks table, including applicable footnotes, in the TRS Board's Investment Policy Statement ("IPS"). For the purposes of this Plan, changes to the IPS benchmarks during the Performance Period will be effective from and after the effective date of such changes in the IPS, subject to revisions to the Plan adopted by TRICOT and approved by the TRS Board. In no event may performance allocated or credited to TRICOT or benchmark changes relevant to TRICOT be applied retroactively except as required to comply with applicable law, including United States and United Kingdom tax laws and regulations as appropriate.
- (b) For purposes of calculating the one- and three-year historical performance data under Section 4.5(a), the investment performance of any new portfolio allocated by TRS in whole or part to TRICOT will be calculated for purposes of the Plan using performance measurement periods beginning October 1 and ending September 30 as follows:
 - (i) The investment performance measurement of any new portfolio (for both benchmark and peer group categories) created during a performance measurement period will commence only on the next performance measurement period following October 1.
 - (ii) For a new portfolio's first full performance measurement period, the investment performance measurement will be based 100% on the portfolio's performance data for that performance measurement period.
 - (iii) For a new portfolio's second full performance measurement period, the investment performance measurement will be weighted (x) 50% on the portfolio's performance during the second full performance measurement period, and (y) 50% on the portfolio's two-year performance during the first and second full performance measurement periods.
 - (iv) For all performance measurement periods commencing after the second full performance measurement period, the investment performance of a new portfolio will be weighted (x) 33% on the portfolio's performance measurement during the

one-year performance measurement period just ended, and (y) 67% on the portfolio's three-year performance measurement during the three full performance measurement periods ending on September 30 of the Performance Period.

- (v) For the purposes of this Plan, no investment performance measurement will be calculated for a new portfolio unless it existed on October 1 of the Performance Period.
- (c) Notwithstanding Section 4.5(a), if during the Performance Period, investments managed by an Investment Area are moved to another investment area as a result of an IMD or TRICOT reorganization, then the performance measurements for the Performance Period and each affected Participant's Potential Award will be based on the pre-change criteria and the post-change criteria as follows:
 - (i) If the change described in this Section 4.5(c) is made after October 1 but on or before January 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria for the period October 1 through December 31, and on the post-change criteria beginning as of January 1.
 - (ii) If the change described in this Section 4.5(c) is made after January 1 but on or before April 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through March 31, and on the post-change criteria beginning as of April 1.
 - (iii) If the change described in this Section 4.5(c) is made after April 1 but on or before July 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through June 30, and on the post-change criteria beginning as of July 1.
 - (iv) If the change described in this Section 4.5(c) is made after July 1 of the Performance Period, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through September 30.
- (d) The qualitative performance component is measured annually as part of each Participant's annual performance appraisal process using criteria established before the beginning of the Performance Period.

4.6 Potential Award Calculations

- (a) Following the end of the Performance Period, the Shareholder Representative will review the reported performance of each Participant relative to the applicable investment and qualitative performance components.
- (b) Potential Awards are calculated based on the Participant's level of performance achieved in the applicable investment performance and qualitative performance components in the Performance Period.
- (c) Relative performance data and calculations may be reviewed by an external independent source selected by the Shareholder Representative but final calculations must be approved by the Shareholder Representative.

4.7 *Earning Performance Payments*

- (a) Notwithstanding the Shareholder Representative's approval of Potential Award calculations, and except as otherwise provided in this Section 4.7 and Section 7.6, Potential Awards will only become an Earned Award if a Participant is employed by TRICOT on January 1 following the end of the Performance Period during which that employee was a Participant. Payment of Earned Awards will usually be processed with that January's payroll for delivery on or about February 1, but in no event later than February 15 of that calendar year.

The payment dates of Earned Awards for the Performance Period shall be the same for all Participants.

- (b) Notwithstanding Section 4.7(a), no Potential Awards will become Earned Awards following a Performance Period in which the Total Fund experiences a return of zero or less. If this occurs, Potential Awards for that Performance Period that otherwise would have become Earned Awards on the January 1 next following the end of that Performance Period will not become Earned Awards until the January 1 following the next Performance Period in which the Total Fund has a return greater than zero, subject to the requirement that the employee be employed by TRICOT on that January 1. Payment of this Earned Award will usually be processed with that January payroll for payment on or about February 1 but in no event later than February 15 of that calendar year.
- (c) If an employee ceases to be a Participant during the Performance Period due to termination of TRICOT employment for any reason other than involuntary termination of employment due to a Reduction in Force, death, or Disability, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. Potential Awards from earlier Performance Periods that have not yet become Earned Awards (as set forth in Section 4.7(b) above) will not become Earned Awards and will not be paid or payable.
- (d) If an employee ceases to be a Participant during the Performance Period due to involuntary termination of TRICOT employment because of a Reduction in Force, death, or Disability, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. However, notwithstanding Sections 4.7(a) and (b), Potential Awards under plans from previous performance periods beginning October 1 and ending September 30 will immediately become Earned Awards. Payments under this subsection will be made as applicable to the terminated employee, the estate of the deceased employee, the disabled employee, or as otherwise provided by law. These payments will be made as soon as administratively practicable, but not later than 2½ months after the end of the calendar year in which the Reduction in Force, death or Disability occurred.
- (e) A Participant who changes employment from TRICOT to TRS without a break in service pursuant to Section 7.6 (c) or (d) will be treated as employed by TRICOT for purposes of Potential Awards becoming Earned Awards under Section 4.7 under this Plan so long as the Participant remains continuously employed by TRS from the first date of employment with TRS through (i) the applicable January 1 for purposes of Sections 4.7(a) or (b) or (ii) the date of involuntary termination of TRS employment because of a Reduction in Force, death, or disability for purposes of Section 4.7(d).
- (f) If an employee ceases to be a Participant before the end of the Performance Period due to Plan termination, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. In such an event, however, Potential Awards from

previous plans' performance periods that have not yet become Earned Awards can become Earned Awards and be paid under those plans if the TRS Board determines that such payments would be consistent with and in furtherance of the fiduciary duties of the TRS Board in administering the retirement system, and if such payments are not prohibited by applicable law.

5. PLAN AUTHORITY AND RESPONSIBILITY

5.1 Plan Modification, Suspension, and Termination

TRICOT shall have the right in its discretion to modify the Plan or any portion thereof at any time, subject to TRS Board approval. TRICOT shall have the right in its discretion to suspend or terminate the Plan, including payments of awards, entirely or any portion thereof at any time, with approval of the TRS Board; provided, however, that the Plan shall terminate, including payment of awards, if the TRS Board does not approve the expenditure of funds by TRICOT for performance pay under the Plan, or the TRS Plan is terminated. For avoidance of doubt, no modification, amendment, suspension, or reinstatement of this Plan or any performance criteria relating to this Plan may be given retroactive effect except as required to comply with applicable law.

5.2 Plan Administration

The TRS Board has delegated administration under this Plan to the Shareholder Representative. The Shareholder Representative has sole discretion to administer and interpret the Plan in accordance with its terms and conditions. The Shareholder Representative may adopt such procedures and practices as he or she considers advisable to carry out the purposes of the Plan.

5.3 Record Keeping and Reporting

A record of the master "Participants List," including a list of TRICOT employees covered by this Plan and the data forming the basis for all Plan calculations shall be maintained by the TRS Chief Organizational Excellence Officer.

5.4 Compliance with Applicable Law

If the Shareholder Representative or a court having jurisdiction determines that any provision of the Plan violates applicable law, that provision shall not be given effect. The remaining provisions of the Plan shall remain in full force and effect to the maximum extent possible, and any amendments or modifications that are necessary to give effect to the remaining provisions will be deemed to have been made to allow proper administration of the Plan.

6. EMPLOYMENT

Nothing in this Plan or the payment of Earned Awards creates a contract between TRICOT and any TRICOT employee, confers on any TRICOT employee the right to continued employment with TRICOT, or affects in any way the right of TRICOT to terminate the employment of employees, subject to their employment contracts, TRICOT policies, and applicable law.

7. OTHER PLAN PROVISIONS

7.1 Non-transferability of Awards

Potential Awards and Earned Awards under the Plan are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, pledge, lien, security interest, garnishment, attachment, or levy of any kind.

7.2 *Plan Does Not Create a Property Interest, Trust, or Entitlement*

- (a) Neither the establishment of the Plan nor the calculation of Potential Awards or Earned Awards shall be deemed to create a property interest, trust or entitlement. The Plan is an unfunded, unsecured liability of TRICOT to make payments in accordance with the provisions of the Plan and applicable law. Any amounts budgeted for performance pay under the Plan are TRICOT assets until properly disbursed in accordance with, this Plan, and applicable law, and no employee or third party shall have any property, security, expectancy, contractual right, lien, security interest, encumbrance, or other interest in any TRICOT assets by reason of the Plan.
- (b) Nothing in the Plan shall be deemed to create or confer any right, interest, expectancy, or title to any specific property of TRICOT or TRS to any Participant, or to any estate, trust, personal representative, heir, family member, or beneficiary of a Participant.

7.3 *Tax and Other Deductions*

All payments under the Plan shall be subject to any deductions at the time of payment (x) for tax and withholding required by law and (y) to the extent permitted by law, for any and all amounts owed by the employee to TRICOT if applicable. Neither TRICOT nor TRS, as TRICOT's sole shareholder, is obligated to advise an employee of the existence of any tax or the tax treatment, reporting requirements, or required withholding in connection with the Plan.

7.4 *Payments Not Eligible for Retirement Purposes*

Any payments made pursuant to the Plan are fringe benefits and are not eligible compensation for pension plan purposes.

7.5 *Grievances*

Except as expressly provided in this Plan, all grievances related to the Plan will be addressed according to the TRICOT Grievance Procedure in the Employee Handbook or any similar or successor policy, as amended from time to time.

7.6 *TRS Seconded; Subsidiary Employee Eligibility*

- (a) Only employees directly hired by TRICOT are eligible for performance pay under this Plan. From time to time, TRS seconded employees in the TRS Investment Management Division to TRICOT to provide services to TRICOT. Seconded employees participate in the TRS Performance Pay Plan as part of their employment with TRS, including during the term of their secondment to TRICOT, and are not eligible for awards under this Plan. TRS provides funding and services to TRICOT under an intercompany agreement and administers this Plan under that agreement.
- (b) The Board has authorized TRICOT's adoption of a separate performance pay plan that, to the extent legally permissible under UK law, is designed and intended to provide eligibility for performance pay awards comparable to that provided to TRS employees under this Plan (taking into account differing compensation rates, but not currency exchange rates), but there is no assurance that the TRICOT Plan will be comparable in all respects. TRS, as one of the services it provides to TRICOT, will administer the TRICOT-adopted plan by and through the TRS Executive Director as the Shareholder Representative on behalf of TRICOT.
- (c) TRS and TRICOT intend that any employee who transfers employment between TRS and TRICOT without a break in service, and who is eligible to participate in the TRS Plan while employed by TRS and in the TRICOT Plan while employed by TRICOT, shall be

eligible for performance pay during the Performance Period in aggregate that the employee would have received had they not changed employers, taking into account any changes to the employee's employment position, but without any adjustments for currency exchange rates. In such event, the Participant's Potential Award and performance measurements for the Performance Period will be prorated between this Plan and the TRS Plan using the same approach as outlined in Section 4.2(d) above.

- (d) If, during the Performance Period, a TRICOT Participant moves without a break in service from an Eligible Position under the this Plan to a position with TRS that is not eligible under the TRS Plan, the Participant's Potential Award for the partial Performance Period under this Plan will be prorated based on the number of complete calendar quarters worked in an Eligible Position during the Performance Period. For the avoidance of doubt, a Participant under this Plan will not be eligible for performance pay for any quarter during which the Participant was not employed in an Eligible Position under either this Plan or the TRS Performance Pay Plan for the entire quarter.

8. DEFINITIONS

Base Salary for use in the Plan is the Participant's annualized monthly salary as of October 1 of the applicable Performance Period (not including longevity or benefit replacement pay), or the annualized monthly salary of new Participants as of the date they first become a Participant, as certified by the TRS Chief Organizational Excellence Officer.

Disability generally means the inability of the employee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

Earned Award means a Potential Award that has become earned and payable because all of the terms, conditions, and requirements of this Plan have been satisfied. An Earned Award may be forfeited for misconduct, or suspended, canceled, or deferred as stated in this Plan. An Earned Award is not property.

Eligible Position means a title listed in Section 4.3(f) and, when the context refers to an Eligible Position with respect to a Participant's performance allocation and Potential Award calculation, the Investment Area or areas to which a Participant is assigned or interacts with during the Performance Period and the relevant excess return targets and portfolio benchmarks in Addendum A. A Participant who is reassigned from one Investment Area to another during the Performance Period also changes Eligible Positions, whether or not the Participant's title changes.

Investment Areas are listed in the first columns of Addendums A and B and correspond to the benchmarks, excess return targets, performance allocations, and peer groups in Addendum A and Addendum B, and which are used to calculate Potential Awards for Participants in Eligible Positions. In this Plan, Investment Areas are synonymous with employee teams or groups.

Maximum Potential Award is defined in Section 4.3(f) and is a limit on the gross Potential Award that can become an Earned Award in an Eligible Position Title with respect to the Performance Period.

Participant is a TRICOT employee in an Eligible Position on October 1 of the Performance Period, or who is first employed in an Eligible Position after the beginning of the Performance Period based on the proration schedules in Section 4.2, as certified by the TRS Chief Organizational Excellence Officer.

Performance Period is the period beginning on October 1 of each year and ending on September 30 of the following year.

Potential Award is defined in Section 4.3(f) and is the amount calculated based on the Participant's performance achieved in the applicable investment performance and qualitative performance components. A Potential Award is contingent and no Earned Award may exceed the Maximum Potential Award, regardless of whether the Participant exceeds the stated excess return target.

Reduction in Force as used in this Plan refers to termination of an employee's TRICOT employment due to elimination of the employee's position caused by a reduction in the number of TRICOT's employees or by a reduction in authorized expenditures under the TRICOT operating budget. Either the Shareholder Representative or the TRICOT Managing Director has discretion to determine whether an employee's termination is due to a Reduction in Force.

SPN means a Strategic Partner Network investment area. TRS has both private markets and public markets SPNs.

Total Fund means the TRS total or overall investment portfolio and includes all pension assets held in trust by TRS and invested to provide retirement, death, and disability benefits administered by the system, including cash and cash equivalents. For avoidance of doubt, for the purposes of the Plan the Total Fund does not include the assets of health plans administered by TRS and held in trust by the TRS Board.

Administrative Policy

Current effective date: October 1, 2024*

Reviewers: TRS Executive Director (as First adoption: October 1, 2021
Shareholder Representative), TRICOT
Managing Director, TRS Organizational
Excellence, TRS Legal & Compliance

Review Cycle: Annual

Next review due: September 2025

Authorized by: TRS Board of
Trustees

Date adopted : September 19-20, 2024

Approved:

By:

Approved as of: October 1, 2024

Brian K. Guthrie,

*This Plan is effective only for the Performance Period beginning on October 1, 2024 and ending September 30, 2025.

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 NaturalResources &Infrastructure	30%								70%	100%
Trade Management	60%	40%								100%
Investment Operations	100%									100%
IMD Legal & Compliance	100%									100%

(1) Active Public Markets includes all Global Equity investments, hedge funds, absolute return portfolios, ARP/Innovation portfolios, and Public SPN portfolios managed by Public Markets.

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%



Teacher Retirement Investment Company of Texas Ltd.

PERFORMANCE PAY PLAN

Effective October 1, 202~~43~~⁵⁴

This Plan is effective only for the Performance Period beginning on October 1, 202~~43~~⁵⁴ and ending September 30, 202~~54~~⁶⁵. Any Potential Awards for performance in prior Performance Periods can become Earned Awards subject to the terms and conditions stated in the versions of the Plan effective for those Performance Periods.

No modification of this Plan may be given retroactive effect except as required to comply with applicable law, including United States or United Kingdom tax laws and regulations as appropriate.

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PERFORMANCE PAY PLAN

1. PERFORMANCE PAY PLAN PURPOSE AND AUTHORIZATION

The Teacher Retirement Investment Company of Texas Ltd., a company limited by shares (“TRICOT”) is a wholly owned subsidiary of the Teacher Retirement System of Texas (“TRS”) incorporated in the United Kingdom on August 28, 2015. TRICOT has its principal office in London, England. TRS organized TRICOT for the purpose of establishing a representative office in London to provide investment services to TRS relating to investment opportunities in the United Kingdom and Europe, and TRICOT provides such services exclusively to and on behalf of TRS.

To remain competitive in its efforts to attract and retain high caliber employees TRICOT strives to offer a competitive compensation package. Awards of performance pay based on specified performance criteria are an industry standard practice in the private investment sector and in the public sector. By offering both a competitive base salary and performance pay, TRICOT enhances its ability to fulfill its mission to assist TRS in prudently investing and managing the assets held in trust for TRS members and beneficiaries in an actuarially sound system administered in accordance with applicable fiduciary principles. The TRS Board of Trustees (the “[TRS Board](#)”) has determined that establishing and expending funds through TRICOT for this Performance Pay Plan (“Plan”) for TRICOT employees is consistent with and in furtherance of the fiduciary duties of the Board in administering the retirement system.

The TRS Board has approved TRICOT’s adoption of the Plan. The TRS Board has adopted resolutions (a) relating to the governance, funding, budgeting, administration, and operations of TRICOT, and (b) designating the TRS Executive Director as the TRS shareholder representative (“Shareholder Representative”) for purposes of administering and interpreting this Plan. A person duly appointed to serve as ~~a the~~ TRICOT ~~Senior~~ Managing Director (~~each, at the~~ “[Senior TRICOT Managing Director](#)”) will perform the duties specified in this Plan for ~~a Senior the~~ [TRICOT Managing Director](#).

2. PLAN OBJECTIVES AND STRATEGY

2.1 Plan Objectives

The Plan serves these objectives:

- To attract and retain TRICOT employees who demonstrate outstanding ability;
- To reinforce employees’ strong commitment to the long-term investment performance of the assets for which TRS and TRICOT are responsible; and
- To motivate investment professionals to focus on maximizing real, long-term returns for funds invested and managed by TRS while assuming appropriate levels of risk.

2.2 Plan Strategy

Implementation of the Plan strategy includes:

- Base salaries targeted to be competitive as determined by ~~a Senior the~~ [TRICOT Managing Director](#) and the Shareholder Representative, with individual base salaries based on an

employee's experience, education, knowledge, skills, and overall job performance in an Eligible Position.

- Performance pay award opportunities, calculated as a percentage of an employee's base salary, based on performance above pre-determined standards, and earned contingent upon continued employment in an Eligible Position through specified dates subject to deferral as set forth in Section 4.7(b).

3. BASE SALARY ADMINISTRATION

3.1 *Salary Structure*

- (a) Notwithstanding any other law, the Shareholder Representative approves the rates of compensation of all TRICOT employees. ~~A Senior~~The TRICOT Managing Director shall, subject to the approval of the Shareholder Representative, propose in the annual TRICOT budget the base salary rates for TRICOT employees generally based on the salary schedules, position classifications, and salary administration practices that are reasonably comparable to those used for the TRS Investment Management Division employees, taking into account prevailing market conditions in the United Kingdom, which the Shareholder Representative determines are in the best interest of TRICOT and TRS, and which are not in conflict with applicable law, fiduciary duty, or policy.
- (b) ~~A Senior~~The TRICOT Managing Director shall set the initial base salary for each newly hired TRICOT employee within the salary range approved by the Shareholder Representative, considering the employee's experience, education, knowledge and skills; external competitiveness; and internal compensation equity.

3.2 *Salary Adjustments*

- (a) TRICOT employees may receive base salary adjustments (increase or decrease) at the discretion of ~~a Senior~~the TRICOT Managing Director within the base salary range approved by the Shareholder Representative in accordance with the terms of their employment contract, applicable law, and TRICOT policy.
- (b) Notwithstanding Section 3.2(a), all base salary adjustments will be implemented in accordance with the contract of employment and TRICOT salary administration procedures.

4. PERFORMANCE PAY PLAN; PERFORMANCE PERIOD

4.1 *Purpose of the Plan; Effective Date; Performance Period*

- (a) The purpose of the Plan is to provide the opportunity for TRICOT employees to receive performance pay based on specified investment performance criteria and the employee's job performance.
- (b) The Performance Period for this Plan begins on October 1, 202~~43~~⁴⁴ and ends September 30, 202~~54~~⁵⁵. A potential award for performance in a prior plan's performance period can only become earned and payable subject to the terms and conditions stated in the relevant plan.

4.2 *Participation in the Plan; Proration*

- (a) Subject to Sections 4.2(c) and (d), a TRICOT employee who holds an Eligible Position on the first day of the Performance Period is eligible to participate in the Plan. Secondes, non-TRICOT or contract workers, and other temporary workers are not TRICOT employees and are not eligible to participate in the Plan. An Eligible Position under this

Plan is not automatically an Eligible Position under any successor or superseding performance pay plan or other plan of TRICOT or TRS.

- (b) Within thirty (30) days after the end of the Performance Period, the TRS Chief Organizational Excellence Officer will certify to the Shareholder Representative in writing the master “Participants List” for this Plan, setting forth all relevant information that is required for calculating each Participant’s Potential Award and any proration required under this Section 4.2.
- (c) Notwithstanding Section 4.2(a), an employee who begins employment in an Eligible Position (through new hire, promotion or reassignment) after the beginning of the Performance Period will become a Participant as follows:
 - (i) If an employee begins employment in an Eligible Position after October 1 but on or before January 1, the employee will become a Participant on January 1 and the Participant’s Potential Award will be prorated to 75% of the Potential Award calculated for the entire Performance Period.
 - (ii) If an employee begins employment in an Eligible Position after January 1 but on or before April 1, the employee will become a Participant on April 1 and the Participant’s Potential Award will be prorated to 50% of the Potential Award calculated for the entire Performance Period.
 - (iii) If an employee begins employment in an Eligible Position after April 1 but on or before July 1, the employee will become a Participant on July 1 and the Participant’s Potential Award will be prorated to 25% of the Potential Award calculated for the entire Performance Period.
 - (iv) If an employee begins employment in an Eligible Position after July 1 of the Performance Period, the employee will become a Participant on the first day of the next Performance Period, provided that such employee is employed by TRICOT in an Eligible Position on such date.
- (d) If, during the Performance Period, a Participant moves from one Eligible Position to another Eligible Position (including by transitioning from a full-time to part-time status), the Participant’s Potential Award and performance measurements for the Performance Period will be prorated between the Potential Award calculated for the vacated Eligible Position and the Potential Award calculated for the new Eligible Position as follows:
 - (i) If a Participant moves to a new Eligible Position after October 1 but on or before January 1, the Participant’s Potential Award and performance measurements will be based on the previous Eligible Position for the period October 1 through December 31, and on the new Eligible Position beginning as of January 1.
 - (ii) If a Participant moves to a new Eligible Position after January 1 but on or before April 1, the Participant’s Potential Award and performance measurements will be based on the previous Eligible Position through March 31, and on the new Eligible Position beginning as of April 1.
 - (iii) If a Participant moves to the new Eligible Position after April 1 but on or before July 1, the Participant’s Potential Award and performance measurements will be based on the previous Eligible Position through June 30, and on the new Eligible Position beginning as of July 1.

- (iv) If a Participant moves to a new Eligible Position after July 1 of the Performance Period, the Participant's Potential Award and performance measurements will be based on the previous Eligible Position through September 30.
- (e) If a Participant leaves an Eligible Position during the Performance Period and begins TRICOT employment in a non-Eligible Position, the Participant's Potential Award for the partial Performance Period will be prorated based on the number of complete calendar quarters worked in an Eligible Position during the Performance Period. For the avoidance of doubt, a Participant will not be eligible for performance pay for any quarter during which the Participant was not employed in an Eligible Position for the entire quarter.
- (f) Section 7.6 addresses the proration calculation that applies if a Participant changes employment from TRICOT to TRS or vice versa.
- (g) An employee will cease to be a Participant in the Plan on the earliest to occur of:
 - (i) Except as specifically provided in Section 4.2(e) with respect to continued TRICOT employment or Section 7.6 with respect to changing employment from TRICOT to TRS, or vice versa, without a break in service, the date the employee is no longer employed in an Eligible Position;
 - (ii) The date this Plan terminates.

For purposes of the Plan, the employment termination date is deemed to be the employee's last day worked, not including any leave the employee takes to extend their employment termination date for payroll purposes.

4.3 *Performance Components; Potential Awards*

- (a) Participants' Potential Awards will be based on a combination of investment performance and qualitative performance measurement and rating components.
- (b) The investment performance components comprise two categories: 1) performance measured against pre-determined benchmarks and applicable excess return targets, and 2) performance measured against pre-determined peer groups.
 - (i) The benchmark index category of the investment performance component will determine 50% of the total Potential Award for Eligible Position Titles of Senior Managing Director through Director. The benchmark index category of the investment performance component will determine 30% of the total Potential Award for Eligible Position Titles of Investment Manager through Administrative Assistant.
 - (ii) The peer group category of the investment performance component will determine 30% of the total Potential Award.
- (c) Notwithstanding that the Performance Period is October 1 through September 30, due to the delay in availability of final performance data for private markets assets performance measurements for these Investment Areas will experience a one quarter time lag, such that all calculations requiring private markets performance will use data for the one and three year periods ending each June 30.
- (d) Each Eligible Position will be assigned specific weightings for Total Fund and other investment benchmarks based on investment area performance as shown in Addendums A and B. Addendum A correlates benchmarks and excess return targets to Investment Areas

listed in the first column, and allocates performance weights for each area to the relevant excess return targets and benchmarks. Addendum B correlates Investment Areas in the first column to peer group performance and relevant benchmarks and allocates performance weights among the excess return targets relative to the listed benchmarks.

- (i) To encourage a focus on the “big picture” and a sense of shared mission, the investment performance component (both benchmark and peer group categories) for all Eligible Positions will have a Total Fund weighting of at least 20%. Weightings for each investment area’s benchmarks and excess return targets will be divided among the Eligible Position’s primary investment area and other investment areas with which the Eligible Position has regular interaction.
- (ii) Where no investment area peer group performance measures are available, that investment area’s peer group performance weighting allocation is added to the Total Fund peer group performance weighting allocation.
- (e) The qualitative performance rating component will be measured systematically as part of each Participant’s annual performance appraisal process aimed at evaluating each Participant’s job performance and adherence to the core concepts and values of the TRICOT culture and interactions with TRS IMD personnel in performing TRICOT’S services, using pre-determined, standard criteria. This may include multi-rater feedback regarding a variety of contributions and behaviors needed for organizational success that are not directly measured or measurable in the investment performance component, such as interpersonal relationship skills, accountability, effective teamwork, etc.
 - (i) Regardless of a Participant’s qualitative performance rating, a Potential Award will include the qualitative performance component only if the Participant has attained at least the required threshold level for the investment performance component (determined separately for each Eligible Position if a Participant changes Eligible Positions within TRICOT during the Performance Period).
 - (ii) To encourage appropriate organizational behaviors, the qualitative performance rating component will be weighted at 20% of the Potential Award for Eligible Position Titles of Senior Managing Director through Director and weighted at 40% of the Potential Award for Eligible Position Titles of Investment Manager through Administrative Assistant.
- (f) A Potential Award is the gross award amount calculated based on the final performance results for the Performance Period, weighted as set forth in Addendums A and B. The Maximum Potential Award that can become an Earned Award with respect to the Performance Period may not exceed the percentage of a Participant’s Base Salary in an Eligible Position (subject to proration under Section 4.2) that is listed opposite the applicable Eligible Position Title in the table below. The Maximum Potential Award limits a Participant’s maximum Earned Award regardless of (x) the amount by which a Participant’s performance has exceeded the excess return targets or (y) the calculated value of the Potential Award.

ELIGIBLE POSITION TITLE	MAXIMUM POTENTIAL AWARD
Senior Managing Director	175%
Managing Director	175%
Director	150%

ELIGIBLE POSITION TITLE	MAXIMUM POTENTIAL AWARD
Investment Manager	100%
Senior Associate	75%
Associate	65%
Senior Analyst	40%
Analyst	30%
Junior Analyst	15%
Administrative Assistants	5%

- (g) For each Investment Area, the portfolio weighting and excess return relative to each assigned excess return target will combine to determine the Potential Award for each Eligible Position.
- (i) The Potential Award includes a threshold, a maximum, and intermediate levels of Potential Award that correspond to specific levels of investment performance.
 - (ii) Intermediate levels of the Potential Award for investment performance are determined by linearly interpolating between the threshold and maximum.
 - (iii) For the qualitative performance rating component, intermediate levels of the Potential Award will be based on a system of annual performance evaluation approved by the Shareholder Representative.

4.4 *Compliance with TRICOT and TRS Policies*

- (a) TRICOT is a TRS asset. In providing services to TRS on behalf of TRICOT, employees exercise fiduciary responsibilities under applicable law and policies. By accepting TRICOT employment investment professionals agree to give advice about the TRS portfolio according to and in compliance with applicable TRICOT and TRS policies, advise and inform the IMD, the Shareholder Representative, and the TRS Board about TRICOT's services relating to investment management and performance of TRS investments, and recommend modifications to the TRS Board's investment policies. All TRICOT employees are responsible for complying with TRICOT and TRS policies in accordance with their employment contracts.
- (b) The Shareholder Representative on behalf of the TRS Board, acting as the sole TRICOT shareholder, has the authority to conduct an investigation of any potential violation of TRICOT or TRS policies or applicable laws. The Shareholder Representative may suspend earning and payment of Potential Awards and Earned Awards (including deferred payments) until the conclusion of an investigation under this Section 4.4.
- (c) Excess performance by a Participant or Participants resulting from a failure to manage TRS pension assets prudently and in compliance with investment and ethics policies and applicable law will result in disqualification of the Participant or Participants and forfeiture of any award for the Performance Period. The Shareholder Representative will make this determination in his sole discretion on a case-by-case basis. The Shareholder Representative's determination under this subsection is final and non-appealable.
- (d) If the Shareholder Representative determines after investigation that a Participant violated TRICOT or TRS policy or applicable law and that such violation is sufficiently serious, the Participant will either (i) be disqualified and forfeit all Potential Awards and Earned

Awards for the Performance Periods in which the violation(s) occurred, including awards and payments deferred under Section 4.7(b), or (ii) such Potential Awards and Earned Awards will be reduced by a percentage or amount determined by the Shareholder Representative in his or her sole discretion. If the Shareholder Representative determines that no serious violation has occurred, a suspended Earned Award shall be paid to the Participant within 30 days after such determination (or such later date on which the award would have been payable absent the suspension), provided that the Participant has been continuously employed in an Eligible Position through such payment date or, if later, the relevant January 1. The Shareholder Representative's determination under this subsection is final and non-appealable.

4.5 *Performance Standards and Measurements*

- (a) Each one-year performance measurement period begins October 1 and ends September 30. For the purposes of this Plan, investment performance allocated or credited to TRICOT by TRS in its sole discretion (for both benchmarks and peer group categories) is based on one- and three-year historical performance data, weighted at 33% for one-year performance (i.e., the performance measurement period ended as of the most recent September 30) and 67% for the historical three-year performance that includes the three performance measurement periods ended as of the most recent September 30. Investment performance is measured against the relevant pre-defined benchmarks in the asset allocation and benchmarks table, including applicable footnotes, in the TRS Board's Investment Policy Statement ("IPS"). For the purposes of this Plan, changes to the IPS benchmarks during the Performance Period will be effective from and after the effective date of such changes in the IPS, subject to revisions to the Plan adopted by TRICOT and approved by the TRS Board. In no event may performance allocated or credited to TRICOT or benchmark changes relevant to TRICOT be applied retroactively except as required to comply with applicable law, including United States and United Kingdom tax laws and regulations as appropriate.
- (b) For purposes of calculating the one- and three-year historical performance data under Section 4.5(a), the investment performance of any new portfolio allocated by TRS in whole or part to TRICOT will be calculated for purposes of the Plan using performance measurement periods beginning October 1 and ending September 30 as follows:
 - (i) The investment performance measurement of any new portfolio (for both benchmark and peer group categories) created during a performance measurement period will commence only on the next [performance measurement period](#) following October 1.
 - (ii) For a new portfolio's first full performance measurement period, the investment performance measurement will be based 100% on the portfolio's performance data for that performance measurement period.
 - (iii) For a new portfolio's second full performance measurement period, the investment performance measurement will be weighted (x) 50% on the portfolio's performance during the second full performance measurement period, and (y) 50% on the portfolio's two-year performance during the first and second full performance measurement periods.
 - (iv) For all performance measurement periods commencing after the second full performance measurement period, the investment performance of a new portfolio will be weighted (x) 33% on the portfolio's performance measurement during the

one-year performance measurement period just ended, and (y) 67% on the portfolio's three-year performance measurement during the three full performance measurement periods ending on September 30 of the Performance Period.

- (v) For the purposes of this Plan, no investment performance measurement will be calculated for a new portfolio unless it existed on October 1 of the Performance Period.
- (c) Notwithstanding Section 4.5(a), if during the Performance Period, investments managed by an Investment Area are moved to another investment area as a result of an IMD or TRICOT reorganization, then the performance measurements for the Performance Period and each affected Participant's Potential Award will be based on the pre-change criteria and the post-change criteria as follows:
 - (i) If the change described in this Section 4.5(c) is made after October 1 but on or before January 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria for the period October 1 through December 31, and on the post-change criteria beginning as of January 1.
 - (ii) If the change described in this Section 4.5(c) is made after January 1 but on or before April 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through March 31, and on the post- change criteria beginning as of April 1.
 - (iii) If the change described in this Section 4.5(c) is made after April 1 but on or before July 1, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through June 30, and on the post- change criteria beginning as of July 1.
 - (iv) If the change described in this Section 4.5(c) is made after July 1 of the Performance Period, the performance measurements and each affected Participant's Potential Award calculation will be based on the pre-change criteria through September 30.
- (d) The qualitative performance component is measured annually as part of each Participant's annual performance appraisal process using criteria established before the beginning of the Performance Period.

4.6 *Potential Award Calculations*

- (a) Following the end of the Performance Period, the Shareholder Representative will review the reported performance of each Participant relative to the applicable investment and qualitative performance components.
- (b) Potential Awards are calculated based on the Participant's level of performance achieved in the applicable investment performance and qualitative performance components in the Performance Period.
- (c) Relative performance data and calculations may be reviewed by an external independent source selected by the Shareholder Representative but final calculations must be approved by the Shareholder Representative.

4.7 *Earning Performance Payments*

- (a) Notwithstanding the Shareholder Representative's approval of Potential Award calculations, and except as otherwise provided in this Section 4.7 and Section 7.6, Potential Awards will only become an Earned Award subject to Section 4.7(b) if a Participant is employed by TRICOT on January 1 following the end of the Performance Period during which that employee was a Participant. Payment of Earned Awards will usually be processed with that January's payroll for delivery on or about February 1, but in no event later than February 15 of that calendar year.

The payment dates of Earned Awards for the Performance Period shall be the same for all Participants.

- (b) Notwithstanding Section 4.7(a), no Potential Awards will become Earned Awards following a Performance Period in which the Total Fund experiences a ~~total~~ return of zero or less. If this occurs, Potential Awards for that Performance Period that otherwise would have become Earned Awards on the January 1 next following the end of that Performance Period will not become Earned Awards until the January 1 following the next Performance Period in which the Total Fund has a return greater than zero, subject to the requirement that the employee be employed by TRICOT on that January 1. Payment of this Earned Award will usually be processed with that January payroll for payment on or about February 1 but in no event later than February 15 of that calendar year.
- (c) If an employee ceases to be a Participant during the Performance Period due to termination of TRICOT employment for any reason other than involuntary termination of employment due to a Reduction in Force, death, or Disability, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. Potential Awards from earlier Performance Periods that have not yet become Earned Awards (as set forth in Section 4.7(b) above) will not become Earned Awards and will not be paid or payable.
- (d) If an employee ceases to be a Participant during the Performance Period due to involuntary termination of TRICOT employment because of a Reduction in Force, death, or Disability, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. However, notwithstanding Sections 4.7(a) and (b), Potential Awards under plans from previous performance periods beginning October 1 and ending September 30 will immediately become Earned Awards. Payments under this subsection will be made as applicable to the terminated employee, the estate of the deceased employee, the disabled employee, or as otherwise provided by law. These payments will be made as soon as administratively practicable, but not later than 2½ months after the end of the calendar year in which the Reduction in Force, death or Disability occurred.
- (e) A Participant who changes employment from TRICOT to TRS without a break in service pursuant to ~~subsection~~ Section 7.6 (c) or (d) will be treated as employed by TRICOT for purposes of Potential Awards becoming Earned Awards under Section 4.7 under this Plan so long as the Participant remains continuously employed by TRS from the first date of employment with TRS through (i) the applicable January 1 for purposes of Sections 4.7(a) or (b) or (ii) the date of involuntary termination of TRS employment because of a Reduction in Force, death, or disability for purposes of Section 4.7(d).

- (f) If an employee ceases to be a Participant before the end of the Performance Period due to Plan termination, a Potential Award for the Performance Period will not become an Earned Award and will not be paid or payable. In such an event, however, Potential Awards from previous plans' performance periods that have not yet become Earned Awards can become Earned Awards and be paid under those plans if the TRS Board determines that such payments would be consistent with and in furtherance of the fiduciary duties of the TRS Board in administering the retirement system, and if such payments are not prohibited by applicable law.

5. PLAN AUTHORITY AND RESPONSIBILITY

5.1 Plan Modification, Suspension, and Termination

TRICOT shall have the right in its discretion to modify the Plan or any portion thereof at any time, subject to TRS Board approval. TRICOT shall have the right in its discretion to suspend or terminate the Plan, including payments of awards, entirely or any portion thereof at any time, with approval of the TRS Board; provided, however, that the Plan shall terminate, including payment of awards, if the TRS Board does not approve the expenditure of funds by TRICOT for performance pay under the Plan, or the TRS Plan is terminated. For avoidance of doubt, no modification, amendment, suspension, or reinstatement of this Plan or any performance criteria relating to this Plan may be given retroactive effect except as required to comply with applicable law.

5.2 Plan Administration

The TRS Board has delegated administration under this Plan to the Shareholder Representative. The Shareholder Representative has sole discretion to administer and interpret the Plan in accordance with its terms and conditions. The Shareholder Representative may adopt such procedures and practices as he or she considers advisable to carry out the purposes of the Plan.

5.3 Record Keeping and Reporting

A record of the master "Participants List," including a list of TRICOT employees covered by this Plan and the data forming the basis for all Plan calculations shall be maintained by the TRS Chief Organizational Excellence Officer.

5.4 Compliance with Applicable Law

If the Shareholder Representative or a court having jurisdiction determines that any provision of the Plan violates applicable law, that provision shall not be given effect. The remaining provisions of the Plan shall remain in full force and effect to the maximum extent possible, and any amendments or modifications that are necessary to give effect to the remaining provisions will be deemed to have been made to allow proper administration of the Plan.

6. EMPLOYMENT

Nothing in this Plan or the payment of Earned Awards creates a contract between TRICOT and any TRICOT employee, confers on any TRICOT employee the right to continued employment with TRICOT, or affects in any way the right of TRICOT to terminate the employment of employees, subject to their employment contracts, TRICOT policies, and applicable law.

7. OTHER PLAN PROVISIONS

7.1 *Non-transferability of Awards*

Potential Awards and Earned Awards under the Plan are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, pledge, lien, security interest, garnishment, attachment, or levy of any kind.

7.2 *Plan Does Not Create a Property Interest, Trust, or Entitlement*

- (a) Neither the establishment of the Plan nor the calculation of Potential Awards or Earned Awards shall be deemed to create a property interest, trust or entitlement. The Plan is an unfunded, unsecured liability of TRICOT to make payments in accordance with the provisions of the Plan and applicable law. Any amounts budgeted for performance pay under the Plan are TRICOT assets until properly disbursed in accordance with, this Plan, and applicable law, and no employee or third party shall have any property, security, expectancy, contractual right, lien, security interest, encumbrance, or other interest in any TRICOT assets by reason of the Plan.
- (b) Nothing in the Plan shall be deemed to create or confer any right, interest, expectancy, or title to any specific property of TRICOT or TRS to any Participant, or to any estate, trust, personal representative, heir, family member, or beneficiary of a Participant.

7.3 *Tax and Other Deductions*

All payments under the Plan shall be subject to any deductions at the time of payment (x) for tax and withholding required by law and (y) to the extent permitted by law, for any and all amounts owed by the employee to TRICOT if applicable. Neither TRICOT nor TRS, as TRICOT's sole shareholder, is obligated to advise an employee of the existence of any tax or the tax treatment, reporting requirements, or required withholding in connection with the Plan.

7.4 *Payments Not Eligible for Retirement Purposes*

Any payments made pursuant to the Plan are fringe benefits and are not eligible compensation for pension plan purposes.

7.5 *Grievances*

Except as expressly provided in this Plan, all grievances related to the Plan will be addressed according to the TRICOT Grievance ~~and Appeals Policy~~ [Procedure in the Employee Handbook](#) or any similar or successor policy, as amended from time to time.

7.6 *TRS Secondes; Subsidiary Employee Eligibility*

- (a) Only employees directly hired by TRICOT are eligible for performance pay under this Plan. From time to time, TRS second employees in the TRS Investment Management Division to TRICOT to provide services to TRICOT. Seconded employees participate in the TRS Performance Pay Plan as part of their employment with TRS, including during the term of their secondment to TRICOT, and are not eligible for awards under this Plan. TRS provides funding and services to ~~Tricot~~ [TRICOT](#) under an intercompany agreement and administers this Plan under that agreement.
- (b) The Board has authorized TRICOT's adoption of a separate performance pay plan that, to the extent legally permissible under UK law, is designed and intended to provide eligibility for performance pay awards comparable to that provided to TRS employees under this Plan (taking into account differing compensation rates, but not currency exchange rates), but there is no assurance that the TRICOT Plan will be comparable in all respects. TRS, as

one of the services it provides to ~~Tricot~~TRICOT, will administer the ~~Tricot~~TRICOT-adopted plan by and through the TRS Executive Director as the Shareholder Representative on behalf of TRICOT.

- (c) TRS and TRICOT intend that any employee who transfers employment between TRS and TRICOT ~~as of the beginning of any calendar quarter~~ without a break in service, and who is eligible to participate in the TRS Plan while employed by TRS and in the TRICOT Plan while employed by TRICOT, shall be eligible for performance pay during the Performance Period in aggregate that the employee would have received had they not changed employers, taking into account any changes to the employee's employment position, but without any adjustments for currency exchange rates. In such event, the Participant's Potential Award and performance measurements for the Performance Period will be prorated between this Plan and the TRS Plan using the same approach as outlined in Section 4.2(d) above.
- (d) If, during the Performance Period, a TRICOT Participant ~~leaves-moves without a break in service from~~ an Eligible Position under the ~~Tricot this Pplan during the Performance-Period because the TRICOT Participant changes employment from TRICOT to a position with TRS that is not eligible under the TRS Plan without a break in service~~, then the TRICOT Participant's Potential Award for the partial Performance Period under this Plan will be prorated based on the number of complete calendar quarters worked in an TRICOT Eligible Position during the Performance Period. For the avoidance of doubt, a Participant under this Plan will not be eligible for performance pay for any quarter during which the Participant was not employed in an Eligible Position under either this Plan or the TRS Performance Pay Plan for the entire quarter.

8. DEFINITIONS

Base Salary for use in the Plan is the Participant's annualized monthly salary as of October 1 of the applicable Performance Period (not including longevity or benefit replacement pay), or the annualized monthly salary of new Participants as of the date they first become a Participant, as certified by the TRS Chief Organizational Excellence Officer.

Disability generally means the inability of the employee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

Earned Award means a Potential Award that has become earned and payable because all of the terms, conditions, and requirements of this Plan have been satisfied. An Earned Award may be forfeited for misconduct, or suspended, canceled, or deferred as stated in this Plan. An Earned Award is not property.

Eligible Position means a title listed in Section 4.3(f) and, when the context refers to an Eligible Position with respect to a Participant's performance allocation and Potential Award calculation, the Investment Area or areas to which a Participant is assigned or interacts with during the Performance Period and the relevant excess return targets and portfolio benchmarks in Addendum A. A Participant who is reassigned from one Investment Area to another during the Performance Period also changes Eligible Positions, whether or not the Participant's title changes.

Investment Areas are listed in the first columns of Addendums A and B and correspond to the benchmarks, excess return targets, performance allocations, and peer groups in Addendum A and Addendum B, and which are used to calculate Potential Awards for Participants in Eligible Positions. In this Plan, Investment Areas are synonymous with employee teams or groups.

Maximum Potential Award is defined in Section 4.3(f) and is a limit on the gross Potential Award that can become an Earned Award in an Eligible Position Title with respect to the Performance Period.

Participant is a TRICOT employee in an Eligible Position on October 1 of the Performance Period, or who is first employed in an Eligible Position after the beginning of the Performance Period based on the proration schedules in Section 4.2, as certified by the TRS Chief Organizational Excellence Officer.

Performance Period is the period beginning on October 1 of each year and ending on September 30 of the following year.

Potential Award is defined in Section 4.3(f) and is the amount calculated based on the Participant's performance achieved in the applicable investment performance and qualitative performance components. A Potential Award is contingent and no Earned Award may exceed the Maximum Potential Award, regardless of whether the Participant exceeds the stated excess return target.

Reduction in Force as used in this Plan refers to termination of an employee's TRICOT employment due to elimination of the employee's position caused by a reduction in the number of TRICOT's employees or by a reduction in authorized expenditures under the TRICOT operating budget. Either ~~of~~ the Shareholder Representative or ~~the a Senior~~ [TRICOT](#) Managing Director has discretion to determine whether an employee's termination is due to a Reduction in Force.

SPN means a Strategic Partner Network investment area. TRS has both private markets and public markets SPNs.

Total Fund means the TRS total or overall investment portfolio and includes all pension assets held in trust by TRS and invested to provide retirement, death, and disability benefits administered by the system, including cash and cash equivalents. For avoidance of doubt, for the purposes of the Plan the Total Fund does not include the assets of health plans administered by TRS and held in trust by the TRS Board.

Administrative PolicyCurrent effective date: October 1, 2024⁵*

Reviewers: TRS Executive Director (as
Shareholder Representative),- TRICOT
~~Senior~~ Managing Director⁵, TRS
Organizational Excellence, TRS Legal &
Compliance

First adoption: October 1, 2021

Review Cycle: Annual

Next review due: September 2025⁴Authorized by: TRS Board of
TrusteesDate adopted : September 14-15¹⁹⁻²⁰,
2024³**Approved:**

By:
Brian K. Guthrie,

Approved as of: October 1, 2024²³

*This Plan is effective only for the Performance Period beginning on October 1, 2024³ and ending
September 30, 2025⁴.

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 NaturalResources &Infrastructure	30%								70%	100%
Trade Management	60%	40%								100%
Investment Operations	100%									100%
IMD Legal & Compliance	100%									100%

(1) Active Public Markets includes all Global Equity investments, hedge funds, absolute return portfolios, ARP/Innovation portfolios, and Public SPN portfolios managed by Public Markets.

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%

TAB 4



Teacher Retirement System of Texas

Executive Director Performance Incentive Pay Plan

Effective October 1, 2024

This Plan is effective for Leadership Performance Periods beginning on or after October 1, 2024, and for Investment Oversight Performance Periods beginning on or after October 1, 2024. Any Incentive Awards for performance in prior Performance Periods can become earned and payable subject to the terms and conditions stated in the versions of the Plan effective for those Performance Periods.

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Executive Director Performance Incentive Pay Plan

Effective October 1, 2024, for Leadership Performance Period
and Investment Oversight Performance Period

I. Establishment

The Board of Trustees (the “Board”) has established this Executive Director Performance Incentive Pay Plan (the “Plan”) for the purposes described below. It is effective for Performance Periods beginning on or after October 1, 2024. The Plan consists of two separate incentive compensation components, namely Leadership Performance Incentive Compensation described in Section VI and Investment Oversight Incentive Compensation described in Section VII. Performance Periods for both components run from October 1, 2024 to September 30, 2025.

II. Plan Objectives

To remain competitive in its efforts to attract and retain high caliber executives, TRS strives to offer a competitive compensation package, including a competitive base salary and an opportunity to earn additional rewards through this Plan. The Plan is designed to reward the Executive Director for performance and is intended to:

- Focus on key objectives tied to the overall success of TRS
- Align incentive potential to the achievement of TRS’s mission, goals, and objectives
- Tie rewards to measurable success related to completion of goals linked to TRS’s Strategic Plan and outlined in the Areas of Focus (AOF)
- Ensure TRS can attract, motivate, and retain top-performing executive leadership

III. Plan Authority and Responsibility

A. Plan Administration

The Plan is subject to the Board’s discretion. TRS’s Chief Organizational Excellence Officer, with direction from the Board, is responsible for administering the Plan, and the General Counsel and Chief Compliance Officer are responsible for interpreting the Plan. The Board is responsible for adopting Areas of Focus which outline goals and key performance indicators and deliverables prior to the start of each applicable Performance Period.

B. Plan Modification, Suspension and Termination

The Board shall have the right in its sole discretion to modify the Plan or any portion thereof at any time or to suspend or terminate the Plan entirely or any portion thereof at any time. For avoidance of doubt, no modification, amendment, suspension, or reinstatement of the Plan may be given retroactive effect except as required to comply with applicable law, including federal tax laws and regulations.

C. Record Keeping and Reporting

All employee performance, salary and incentive pay records for the Plan shall be maintained by TRS’s Chief Organizational Excellence Officer.

D. Compliance with State and Federal Law

If the Board, General Counsel, or a court with appropriate jurisdiction determines that any provision of the Plan violates applicable state or federal law, that provision shall not be given effect. The remaining provisions of the Plan shall remain in full force and effect to the maximum extent possible, and any amendments or modifications that are necessary to give effect to the remaining provisions will be deemed to have been made to allow proper administration of the Plan.

IV. At-Will Employment

Nothing in the adoption of the Plan or the awarding of performance incentive pay alters the at-will nature of TRS employment, creates a contract between TRS and any TRS employee, confers on any TRS employee the right to continued employment with TRS or affects in any way the right of TRS to terminate the employment of employees at any time.

V. Eligibility and Participation

A. Eligible Positions

The Executive Director is the sole participant of the plan. The Board retains the right to add individual positions to or remove individual positions from the Plan at any time.

B. Termination of Participation

A Participant who terminates employment with TRS ceases to be a Participant on the date of termination. The date of termination is the Participant's last worked day and does not include any leave the Participant was allowed to use to extend his or her employment for payroll purposes.

C. Proration

A Participant who begins employment in an eligible position after the beginning of a Performance Period may receive a prorated incentive payment based on the number of months worked during the Performance Period. Notwithstanding the foregoing, a Participant must work at least three (3) months of the Performance Period to be eligible for a prorated share of the incentive payment.

VI. Leadership Performance Incentive Compensation

A. Leadership Performance Period Cycle

Prior to the start of a Leadership Performance Period, the Board reviews and adopts Areas of Focus (AOF) for the Executive Director (see timeline below in Table A). These outline success measures including key performance indicators and deliverables that are tied to TRS' Strategic Plan and are set forth in Appendix A. The Executive Director's maximum Leadership Performance Award opportunity is 50% of Base Salary.

Scoring for the Leadership Performance Award is determined by the Board based on

their assessment of five Key Accountabilities which are linked to Areas of Focus and the TRS Strategic Plan. These accountabilities include:

- Member Focused
- Continuous Improvement
- Operational Effectiveness
- Leadership Effectiveness
- Talent Effectiveness

To assist the Board with its evaluation, following the end of the Leadership Performance Period, TRS staff will coordinate data collection on the following items:

- Updates on the progress towards completion of Areas of Focus throughout the year, including a final progress report after the close of the fiscal year. TRS' fiscal year runs from September 1 through August 31.
- Summary results of assessments from each individual Board member on key accountabilities tied to the Areas of Focus as set out in Appendix A.
- Summary results of 360 assessment surveys from members of the Executive Council, Direct Reports, or other TRS staff.
- Any additional reports, surveys, and other metrics not specifically outlined in the Areas of Focus, but necessary to complete this evaluation at the request of the Board.

At the end of the Leadership Performance Period, the Board will determine an overall score (0%-50%) and provide that information to the Chief Organizational Excellence Officer. That percentage will be used to calculate the Leadership Performance Award.

Table A: Leadership Performance Period Cycle					
Leadership Performance Period	Areas of Focus Adopted by the Board*	Leadership Performance Period Start Date	Leadership Performance Period Close Date	Evaluation Conducted*	Payment Date
2024-2025	September 20, 2024	October 1, 2024	September 30, 2025	September 2025	February 2026
2025-2026	September 2025*	October 1, 2025	September 30, 2026	September 2026	February 2027
*Dates to be determined based on scheduled board meetings					

B. Payment of Leadership Performance Awards

- (1) Leadership Performance Awards are processed with January payroll for payment on or about February 1 of the calendar year following the end of such Leadership Performance Period, but in no event later than February 15 of that calendar year.
- (2) Except as otherwise provided in this Plan, a Participant must be employed in an eligible position on January 1 following the end of a Leadership Performance Period to earn and receive payment of the Leadership Performance Award for

such Leadership Performance Period.

- (3) If a Participant ceases to be employed before the end of a Leadership Performance Period due to termination of employment with TRS for any reason other than retirement, a Leadership Performance Award for that Leadership Performance Period will not be earned.
- (4) If a Participant ceases to be employed before the end of a Leadership Performance Period due to retirement, the Board may, in its sole discretion, approve a prorated Leadership Performance Award for the Leadership Performance Period in which such retirement occurs; provided, however, that if a Participant retires within the first three months of a Leadership Performance Period, the Participant will not be eligible for a prorated Leadership Performance Award for that Leadership Performance Period.
- (5) If a Participant ceases to be employed on or after January 1 following the end of a Leadership Performance Period due to retirement, with approval of the Board, the Participant shall be entitled to payment hereunder for such Leadership Performance Period to the same extent as if he or she had not retired.
- (6) If a Participant ceases to be employed due to retirement, any Leadership Performance Award for the Leadership Performance Period in which the Participant retires and all required Leadership Performance Award payments for earlier Leadership Performance Periods shall be processed and paid as soon as reasonably practicable, but not later than 2½ months after the end of the calendar year in which the Participant retires.
- (7) To establish an employee's eligibility for payment of Leadership Performance Awards for preceding Leadership Performance Periods as of the effective date of retirement, a Participant who wishes to retire must:
 - (a) notify the Board of the Participant's intent to retire on a specified proposed retirement date at least forty-five (45) days before such date;
 - (b) obtain written approval of the Board to retire as of the proposed retirement date;
 - (c) be eligible for payment of Leadership Performance Awards for the two most recent Leadership Performance Periods;
 - (d) establish eligibility, apply for, and submit the required documentation for retirement benefits under the TRS pension plan, or the Employees Retirement System of Texas (ERS) pension plan if the Participant transfers his/her TRS service to ERS; and
 - (e) retire as of the proposed effective retirement date.

VII. Investment Management Oversight Incentive Compensation

A. Purpose of Investment Oversight Performance Awards

A significant component of the Executive Director's responsibilities involves oversight of the Investment Management Division. The Board has determined it appropriate that a portion of the Executive Director's incentive compensation be determined pursuant to the criteria used for evaluating certain key employees of the Investment Management

Division under the IMD Performance Pay Plan. The Executive Director's Investment Oversight Performance Awards are calculated separately and independently from his or her Leadership Performance Awards.

B. Investment Oversight Performance Period Cycle

The annual Investment Oversight Performance Period cycle for the Investment Oversight Performance Awards is set forth in Section IX.

C. Determination of Investment Oversight Performance Awards

- (1) In addition to Leadership Performance Awards, the Executive Director is eligible for Investment Oversight Performance Awards for his or her oversight of the Investment Management Division. Such Investment Oversight Performance Awards are based on the percentage of target alpha achieved by the total investment fund, as follows:
 - Investment performance is measured at the total fund level vs. TRS's established passive total fund index. The total fund alpha target follows the methodology established in the IMD Performance Pay Plan, where the one-year and three-year alpha target equals 75 BPS (basis points).
 - Investment performance is measured for the Investment Oversight Performance Period in the same way it is measured under the IMD Performance Pay Plan.
- (2) The Executive Director's maximum Investment Oversight Performance Award opportunity (MAO in Table D below) is 50% of Base Salary, and his or her earned Investment Oversight Performance Award for the Investment Oversight Performance Period is determined by multiplying the following: Base Salary, MAO, and the percentage of the target alpha achieved. In determining the Investment Oversight Performance Award amount, weighted averages are used, with 1/3 weighting allocated to one-year returns, and 2/3 weighting allocated to three-year returns, and the one and three-year return periods ending on the last day of the Investment Oversight Performance Period.

Table D: Calculation Example			
Investment Oversight Performance Award = Base Salary x MAO x percentage of target alpha achieved (PTAA)			
Base Salary	MAO	PTAA	Investment Oversight Performance Award
\$ 325,000	50.00%	12.50%	\$ 40,625

D. Payment of Investment Oversight Performance Awards

- (1) Investment Oversight Performance Awards are payable subject to the terms and conditions of this Section (VII)(D).

- (a) Payment will generally be processed with January payroll for payment on or about February 1 of the calendar year following the end of such Investment Oversight Performance Period, but in no event later than February 15 of that calendar year.
- (2) Except as otherwise provided in this Plan, the Executive Director must be employed in an eligible position on January 1 following the end of an Investment Oversight Performance Period to earn and receive payment of the Performance Award for such Investment Oversight Performance Period.
- (3) Notwithstanding the provisions of Section VI(D)(1) and (2) above, no payment described above shall be paid during the year following an Investment Oversight Performance Period in which the Total Fund experiences a total return of zero or less. If this occurs, any amount that would otherwise have been paid pursuant to Section VI(D)(1) and (2) will be processed with January payroll for the first January following the first Investment Oversight Performance Period thereafter in which the Total Fund performance is greater than zero, and paid on or about the following February 1, provided, however, that the Executive Director is an employee on January 1 of such calendar year.
- (4) If the Executive Director ceases to be employed before the end of an Investment Oversight Performance Period due to termination of employment with TRS for any reason, an Investment Oversight Performance Award for that Investment Oversight Performance Period will not be earned. Potential Investment Oversight Performance Awards from earlier Investment Oversight Performance Periods that have not yet become earned will not become earned.

VIII. Other Plan Provisions

A. Non-assignment and Non-transferability of Incentive Awards

Incentive Awards under the Plan are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, garnishment, attachment, or levy of any kind.

B. Plan Does Not Create a Property Interest, Trust, or Entitlement

- (1) Neither the establishment of the Plan or the calculation of the Incentive Awards shall be deemed to create a property interest, trust, or entitlement. The Plan is an unfunded, unsecured liability of TRS to make payments in accordance with the provisions of the Plan. Any amounts budgeted by TRS for Incentive Awards earned under the Plan are TRS assets, and no Participant, employee, or third party shall have any property, security, or other interest in any assets of TRS by reason of the Plan.
- (2) Nothing in the Plan shall be deemed to create or confer any right, interest, or title to any specific property of TRS to any Participant or to any personal

representative or beneficiary of a Participant.

C. Tax Withholding and Other Deductions

All payments under the Plan shall be subject to any deductions (1) for income tax withholding required by federal, state, or local law at the time of payment; and (2) for any and all amounts owed by the Participant to TRS at the time of payment. TRS is not obligated to advise a Participant before withholding of the existence of any tax or other amounts described in the preceding sentence.

D. Payments Not Eligible as Compensation for TRS Pension Plan Purposes

Any Incentive Award payments made pursuant to the Plan are not eligible compensation for TRS pension plan purposes.

E. Compliance with TRS Policies and Procedures

Participants in the Plan are responsible for complying with all TRS policies, including without limitation the Investment Policy Statement; Ethics Policy; and the Fraud, Waste and Abuse Policy. Violations of the Ethics Policy; Fraud, Waste and Abuse Policy; or other TRS policy by a Participant, as determined by the Board, can result in forfeiture of all Incentive Awards for the applicable Performance Period(s) in which the violation(s) occurred. Additionally, during the investigation of possible violations of law or policy, the Board may suspend earning and payment of Incentive Awards until the conclusion of the investigation. If the Board determines that no violation has occurred, the suspended Incentive Award shall be paid to the Participant within 30 days after such determination (or such later date on which the Incentive Award would have been payable absent the suspension), provided that the Participant has been continuously employed by TRS in an eligible position through such payment date.

IX. Definitions

Capitalized terms shall have the meanings given to them in the Plan document. In addition, the following terms shall be the meanings specified below:

"Base Salary" means, with respect to a Participant for a Performance Period, his or her annualized base salary on the first day of the Performance Period or, if later, the date on which the employee became a Participant.

"IMD Performance Pay Plan" means the Performance Pay Plan maintained for eligible employees of the Investment Management Division.

"Incentive Award" means an "Investment Oversight Performance Award" and/or a "Leadership Performance Award," as applicable.

"Investment Oversight Performance Award" means an Award pursuant to Section VII of this Plan.

"Investment Oversight Performance Period" means the period beginning on October 1 and ending on the next following September 30.

"Leadership Performance Award" means an Award pursuant to Section VI of this Plan.

"Leadership Performance Period" means the period beginning on October 1 and ending on the next following September 30.

"Participant" means an individual who has become a participant in the Plan and whose participation has not ended.

"Performance Period" means the "Investment Oversight Performance Period" and/or the "Leadership Performance Period," as applicable.

"Total Fund" means the TRS total or overall investment portfolio and includes all pension assets held in trust by TRS and invested to provide retirement, death, and disability benefits administered by the system, including cash and cash equivalents. For avoidance of doubt, for the purposes of the Plan the Total Fund does not include the assets of health plans administered by TRS and held in trust by the Board of Trustees.

	Current effective date: October 1, 2024
	First approved: November 19, 2015
Reviewers: Organizational Excellence and Legal & Compliance	Last reviewed September 20, 2024
Review Cycle: Annual	Next review due: September 2025
Authorized by: Board of Trustees	Date authorized: September 20, 2024
Acknowledgment of Official Version of the Plan:	
By: _____	
Shunne Powell, Chief Organizational Excellence Officer	

Appendix A: Approved Executive Director Areas of Focus Effective October 1, 2024, to September 30, 2025

Member Focused	
Areas of Focus	Success Measures
	•
Leadership Effectiveness	
Areas of Focus	Success Measures
	•
	•

Talent Effectiveness	
Areas of Focus	Success Measures
	•
Operational Effectiveness	
Areas of Focus	Success Measures
	•
	•
	•
Continuous Improvement	
Areas of Focus	Success Measures
	•
	•



Teacher Retirement System of Texas

**Executive Director Performance Incentive Pay
Plan**

Effective October 1, 202~~4~~³

This Plan is effective for Leadership Performance Periods beginning on or after October 1, 202~~4~~³, and for Investment Oversight Performance Periods beginning on or after October 1, 202~~4~~³. Any Incentive Awards for performance in prior Performance Periods can become earned and payable subject to the terms and conditions stated in the versions of the Plan effective for those Performance Periods.

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Executive Director Performance Incentive Pay Plan

Effective October 1, 2024³, for Leadership Performance Period
and Investment Oversight Performance Period

I. Establishment

The Board of Trustees (the “Board”) has established this Executive Director Performance Incentive Pay Plan (the “Plan”) for the purposes described below. It is effective for Performance Periods beginning on or after October 1, 2024³. The Plan consists of two separate incentive compensation components, namely Leadership Performance Incentive Compensation described in Section VI and Investment Oversight Incentive Compensation described in Section VII. Performance Periods for both components run from October 1, 2024³ to September 30, 2025⁴.

II. Plan Objectives

To remain competitive in its efforts to attract and retain high caliber executives, TRS strives to offer a competitive compensation package, including a competitive base salary and an opportunity to earn additional rewards through this Plan. The Plan is designed to reward the Executive Director for performance and is intended to:

- Focus on key objectives tied to the overall success of TRS
- Align incentive potential to the achievement of TRS’s mission, goals, and objectives
- Tie rewards to measurable success related to completion of goals linked to TRS’s Strategic Plan and outlined in the Areas of Focus (AOF)
- Ensure TRS can attract, motivate, and retain top-performing executive leadership

III. Plan Authority and Responsibility

A. Plan Administration

The Plan is subject to the Board’s discretion. TRS’s Chief Organizational Excellence Officer, with direction from the Board, is responsible for administering the Plan, and the General Counsel and Chief Compliance Officer are responsible for interpreting the Plan. The Board is responsible for adopting Areas of Focus which outline goals and key performance indicators and deliverables prior to the start of each applicable Performance Period.

B. Plan Modification, Suspension and Termination

The Board shall have the right in its sole discretion to modify the Plan or any portion thereof at any time or to suspend or terminate the Plan entirely or any portion thereof at any time. For avoidance of doubt, no modification, amendment, suspension, or reinstatement of the Plan may be given retroactive effect except as required to comply with applicable law, including federal tax laws and regulations.

C. Record Keeping and Reporting

All employee performance, salary and incentive pay records for the Plan shall be maintained by TRS’s Chief Organizational Excellence Officer.

D. Compliance with State and Federal Law

If the Board, General Counsel, or a court with appropriate jurisdiction determines that any provision of the Plan violates applicable state or federal law, that provision shall not be given effect. The remaining provisions of the Plan shall remain in full force and effect to the maximum extent possible, and any amendments or modifications that are necessary to give effect to the remaining provisions will be deemed to have been made to allow proper administration of the Plan.

IV. At-Will Employment

Nothing in the adoption of the Plan or the awarding of performance incentive pay alters the at-will nature of TRS employment, creates a contract between TRS and any TRS employee, confers on any TRS employee the right to continued employment with TRS or affects in any way the right of TRS to terminate the employment of employees at any time.

V. Eligibility and Participation

A. Eligible Positions

The Executive Director is the sole participant of the plan. The Board retains the right to add individual positions to or remove individual positions from the Plan at any time.

B. Termination of Participation

A Participant who terminates employment with TRS ceases to be a Participant on the date of termination. The date of termination is the Participant's last worked day and does not include any leave the Participant was allowed to use to extend his or her employment for payroll purposes.

C. Proration

A Participant who begins employment in an eligible position after the beginning of a Performance Period may receive a prorated incentive payment based on the number of months worked during the Performance Period. Notwithstanding the foregoing, a Participant must work at least three (3) months of the Performance Period to be eligible for a prorated share of the incentive payment.

VI. Leadership Performance Incentive Compensation

A. Leadership Performance Period Cycle

Prior to the start of a Leadership Performance Period, the Board reviews and adopts Areas of Focus (AOF) for the Executive Director (see timeline below in Table A). These outline success measures including key performance indicators and deliverables that are tied to TRS' Strategic Plan and are set forth in Appendix A. The Executive Director's maximum Leadership Performance Award opportunity is 50% of Base Salary.

Scoring for the Leadership Performance Award is determined by the Board based on

their assessment of five Key Accountabilities which are linked to Areas of Focus and the TRS Strategic Plan. These accountabilities include:

- Member Focused
- Continuous Improvement
- Operational Effectiveness
- Leadership Effectiveness
- Talent Effectiveness

To assist the Board with its evaluation, following the end of the Leadership Performance Period, TRS staff will coordinate data collection on the following items:

- Updates on the progress towards completion of Areas of Focus throughout the year, including a final progress report after the close of the fiscal year. TRS' fiscal year runs from September 1 through August 31.
- Summary results of assessments from each individual Board member on key accountabilities tied to the Areas of Focus as set out in Appendix A.
- Summary results of 360 assessment surveys from members of the Executive Council, Direct Reports, or other TRS staff.
- Any additional reports, surveys, and other metrics not specifically outlined in the Areas of Focus, but necessary to complete this evaluation at the request of the Board.

At the end of the Leadership Performance Period, the Board will determine an overall score (0%-50%) and provide that information to the Chief Organizational Excellence Officer. That percentage will be used to calculate the Leadership Performance Award.

Table A: Leadership Performance Period Cycle					
Leadership Performance Period	Areas of Focus Adopted by the Board*	Leadership Performance Period Start Date	Leadership Performance Period Close Date	Evaluation Conducted*	Payment Date
2023-2024	September 15, 2023	October 1, 2023	September 30, 2023	September 2024	February 2025
2024-2025	September 20, 2024	October 1, 2024	September 30, 2025	September 2025	February 2026
2025-2026	September 2025*	October 1, 2025	September 30, 2026	September 2026	February 2027

*Dates to be determined based on scheduled board meetings

B. Payment of Leadership Performance Awards

- (1) Leadership Performance Awards are processed with January payroll for payment on or about February 1 of the calendar year following the end of such Leadership Performance Period, but in no event later than February 15 of that calendar year.
- (2) Except as otherwise provided in this Plan, a Participant must be employed in an

eligible position on January 1 following the end of a Leadership Performance Period to earn and receive payment of the Leadership Performance Award for such Leadership Performance Period.

- (3) If a Participant ceases to be employed before the end of a Leadership Performance Period due to termination of employment with TRS for any reason other than retirement, a Leadership Performance Award for that Leadership Performance Period will not be earned.
- (4) If a Participant ceases to be employed before the end of a Leadership Performance Period due to retirement, the Board may, in its sole discretion, approve a prorated Leadership Performance Award for the Leadership Performance Period in which such retirement occurs; provided, however, that if a Participant retires within the first three months of a Leadership Performance Period, the Participant will not be eligible for a prorated Leadership Performance Award for that Leadership Performance Period.
- (5) If a Participant ceases to be employed on or after January 1 following the end of a Leadership Performance Period due to retirement, with approval of the Board, the Participant shall be entitled to payment hereunder for such Leadership Performance Period to the same extent as if he or she had not retired.
- (6) If a Participant ceases to be employed due to retirement, any Leadership Performance Award for the Leadership Performance Period in which the Participant retires and all required Leadership Performance Award payments for earlier Leadership Performance Periods shall be processed and paid as soon as reasonably practicable, but not later than 2½ months after the end of the calendar year in which the Participant retires.
- (7) To establish an employee's eligibility for payment of Leadership Performance Awards for preceding Leadership Performance Periods as of the effective date of retirement, a Participant who wishes to retire must:
 - (a) notify the Board of the Participant's intent to retire on a specified proposed retirement date at least forty-five (45) days before such date;
 - (b) obtain written approval of the Board to retire as of the proposed retirement date;
 - (c) be eligible for payment of Leadership Performance Awards for the two most recent Leadership Performance Periods;
 - (d) establish eligibility, apply for, and submit the required documentation for retirement benefits under the TRS pension plan, or the Employees Retirement System of Texas (ERS) pension plan if the Participant transfers his/her TRS service to ERS; and
 - (e) retire as of the proposed effective retirement date.

VII. Investment Management Oversight Incentive Compensation

A. Purpose of Investment Oversight Performance Awards

A significant component of the Executive Director's responsibilities involves oversight of the Investment Management Division. The Board has determined it appropriate that a portion of

the Executive Director's incentive compensation be determined pursuant to the criteria used for evaluating certain key employees of the Investment Management Division under the IMD Performance Pay Plan. The Executive Director's Investment Oversight Performance Awards are calculated separately and independently from his or her Leadership Performance Awards.

B. Investment Oversight Performance Period Cycle

The annual Investment Oversight Performance Period cycle for the Investment Oversight Performance Awards is set forth in Section IX.

C. Determination of Investment Oversight Performance Awards

- (1) In addition to Leadership Performance Awards, the Executive Director is eligible for Investment Oversight Performance Awards for his or her oversight of the Investment Management Division. Such Investment Oversight Performance Awards are based on the percentage of target alpha achieved by the total investment fund, as follows:
 - Investment performance is measured at the total fund level vs. TRS's established passive total fund index. The total fund alpha target follows the methodology established in the IMD Performance Pay Plan, where the one-year and three-year alpha target equals 75 BPS (basis points).
 - Investment performance is measured for the Investment Oversight Performance Period in the same way it is measured under the IMD Performance Pay Plan.
- (2) The Executive Director's maximum Investment Oversight Performance Award opportunity (MAO in Table D below) is 50% of Base Salary, and his or her earned Investment Oversight Performance Award for the Investment Oversight Performance Period is determined by multiplying the following: Base Salary, MAO, and the percentage of the target alpha achieved. In determining the Investment Oversight Performance Award amount, weighted averages are used, with 1/3 weighting allocated to one-year returns, and 2/3 weighting allocated to three-year returns, and the one and three-year return periods ending on the last day of the Investment Oversight Performance Period.

Table D: Calculation Example Investment Oversight Performance Award = Base Salary x MAO x percentage of target alpha achieved (PTAA)			
Base Salary	MAO	PTAA	Investment Oversight Performance Award
\$ 325,000	50.00%	12.50%	\$ 40,625

D. Payment of Investment Oversight Performance Awards

- (1) Investment Oversight Performance Awards are payable subject to the

terms and conditions of this Section (VII)(D).

- (a) Payment will generally be processed with January payroll for payment on or about February 1 of the calendar year following the end of such Investment Oversight Performance Period, but in no event later than February 15 of that calendar year.
- (2) Except as otherwise provided in this Plan, the Executive Director must be employed in an eligible position on January 1 following the end of an Investment Oversight Performance Period to earn and receive payment of the Performance Award for such Investment Oversight Performance Period.
- (3) Notwithstanding the provisions of Section VI(D)(1) and (2) above, no payment described above shall be paid during the year following an Investment Oversight Performance Period in which the Total Fund experiences a total return of zero or less. If this occurs, any amount that would otherwise have been paid pursuant to Section VI(D)(1) and (2) will be processed with January payroll for the first January following the first Investment Oversight Performance Period thereafter in which the Total Fund performance is greater than zero, and paid on or about the following February 1, provided, however, that the Executive Director is an employee on January 1 of such calendar year.
- (4) If the Executive Director ceases to be employed before the end of an Investment Oversight Performance Period due to termination of employment with TRS for any reason, an Investment Oversight Performance Award for that Investment Oversight Performance Period will not be earned. Potential Investment Oversight Performance Awards from earlier Investment Oversight Performance Periods that have not yet become earned will not become earned.

VIII. Other Plan Provisions

A. Non-assignment and Non-transferability of Incentive Awards

Incentive Awards under the Plan are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, garnishment, attachment, or levy of any kind.

B. Plan Does Not Create a Property Interest, Trust, or Entitlement

- (1) Neither the establishment of the Plan or the calculation of the Incentive Awards shall be deemed to create a property interest, trust, or entitlement. The Plan is an unfunded, unsecured liability of TRS to make payments in accordance with the provisions of the Plan. Any amounts budgeted by TRS for Incentive Awards earned under the Plan are TRS assets, and no Participant, employee, or third party shall have any property, security, or other interest in any assets of TRS by reason of the Plan.

- (2) Nothing in the Plan shall be deemed to create or confer any right, interest, or title to any specific property of TRS to any Participant or to any personal representative or beneficiary of a Participant.

C. Tax Withholding and Other Deductions

All payments under the Plan shall be subject to any deductions (1) for income tax withholding required by federal, state, or local law at the time of payment; and (2) for any and all amounts owed by the Participant to TRS at the time of payment. TRS is not obligated to advise a Participant before withholding of the existence of any tax or other amounts described in the preceding sentence.

D. Payments Not Eligible as Compensation for TRS Pension Plan Purposes

Any Incentive Award payments made pursuant to the Plan are not eligible compensation for TRS pension plan purposes.

E. Compliance with TRS Policies and Procedures

Participants in the Plan are responsible for complying with all TRS policies, including without limitation the Investment Policy Statement; Ethics Policy; and the Fraud, Waste and Abuse Policy. Violations of the Ethics Policy; Fraud, Waste and Abuse Policy; or other TRS policy by a Participant, as determined by the Board, can result in forfeiture of all Incentive Awards for the applicable Performance Period(s) in which the violation(s) occurred. Additionally, during the investigation of possible violations of law or policy, the Board may suspend earning and payment of Incentive Awards until the conclusion of the investigation. If the Board determines that no violation has occurred, the suspended Incentive Award shall be paid to the Participant within 30 days after such determination (or such later date on which the Incentive Award would have been payable absent the suspension), provided that the Participant has been continuously employed by TRS in an eligible position through such payment date.

IX. Definitions

Capitalized terms shall have the meanings given to them in the Plan document. In addition, the following terms shall be the meanings specified below:

"Base Salary" means, with respect to a Participant for a Performance Period, his or her annualized base salary on the first day of the Performance Period or, if later, the date on which the employee became a Participant.

"IMD Performance Pay Plan" means the Performance Pay Plan maintained for eligible employees of the Investment Management Division.

"Incentive Award" means an "Investment Oversight Performance Award" and/or a "Leadership Performance Award," as applicable.

"Investment Oversight Performance Award" means an Award pursuant to Section VII of this Plan.

"Investment Oversight Performance Period" means the period beginning on October 1

and ending on the next following September 30.

"Leadership Performance Award" means an Award pursuant to Section VI of this Plan.

"Leadership Performance Period" means the period beginning on October 1 and ending on the next following September 30.

"Participant" means an individual who has become a participant in the Plan and whose participation has not ended.

"Performance Period" means the "Investment Oversight Performance Period" and/or the "Leadership Performance Period," as applicable.

"Total Fund" means the TRS total or overall investment portfolio and includes all pension assets held in trust by TRS and invested to provide retirement, death, and disability benefits administered by the system, including cash and cash equivalents. For avoidance of doubt, for the purposes of the Plan the Total Fund does not include the assets of health plans administered by TRS and held in trust by the Board of Trustees.

	Current effective date:	October 1, 202 4 ³
	First approved:	November 19, 2015
Reviewers: Organizational Excellence and Legal & Compliance	Last reviewed	September 14 ²⁰ , 202 4 ³
Review Cycle: Annual	Next review due:	September 202 5 ⁴
Authorized by: Board of Trustees	Date authorized:	September 15 ²⁰ , 202 4 ³
Acknowledgment of Official Version of the Plan:		
By: _____		
Shunne Powell, Chief Organizational Excellence Officer		

Appendix A: Approved Executive Director Areas of Focus Effective October 1, 2024⁴³, to September 30, 2025⁴⁴

Member Focused	
Areas of Focus	Success Measures
Improve the customer service experience for members and employers. (G2.O1)	<p>Deliverables</p> <ul style="list-style-type: none"> Conduct one-year evaluation of El Paso regional office and based on results, explore potential locations for a second regional office (Rider 21, HB 1, 88R). Implement and provide benefit enhancement stipends and a COLA, if approved by voters, to eligible members authorized by SB 10, 88R (January 2024). <p>KPIs</p> <ul style="list-style-type: none"> Pension Benefit calls answered within 3 minutes — Target: 80% 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: 20,000 Attain a reported response time within 48 hours or sooner based on Reporting Employer Satisfaction Survey — Target: 90% Health Division calls answered within 3 minutes — Target: 80% Number of counseling appointments available in El Paso — Target: 7,500
Increase the value of health care benefits. (G3.O2)	<p>Deliverables</p> <ul style="list-style-type: none"> Reengineer TRS ActiveCare to better meet employer needs. (G3.O2.S2) Monitor and evaluate programs to reduce participants' out of pocket costs for specialty drugs. Install new pharmacy benefit manager for all TRS health plans for plan year 2024. <p>KPIs</p> <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 the Pulse email — Target: 23% Member engagement metrics as measured by percentage of members who open the Pulse email and then click to read articles — Target: 3%
Leadership Effectiveness	
Areas of Focus	Success Measures
Enhance stakeholder communication.	<p>Deliverables:</p> <ul style="list-style-type: none"> Serve as a trusted resource and engage with policymakers on pension and health care funding. (G1.O1.S1, G3.O1.S1) Serve as a trusted resource and engage with policymakers on pension plan design. (G1.O4.S1) 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.S3) <p>KPI</p> <ul style="list-style-type: none"> Increase number of visits/views of outreach plan communications products (e.g., videos, web pages) — Target: 20%
Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods. (G1.O3)	<p>Deliverables</p> <ul style="list-style-type: none"> Continue to hire and expand the Emerging Manager Program. Conduct actuarial valuation audit and report results to the board of trustees (December 2023). Conduct strategic asset allocation study and report results to the board of trustees (October 2024). <p>KPIs</p> <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

Talent Effectiveness	
Areas of Focus	Success Measures
Attract, retain, and develop a diverse and highly competent staff. (G4.01)	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. Develop and implement a workforce planning strategy that includes expanded remote work, succession planning, and knowledge transfer. (G4.01.55) Improve diversity representation at all levels of the organization. (G4.01.52) KPIs <ul style="list-style-type: none"> Employee engagement score—Target: 4.0 or greater TRS voluntary turnover rate vs. state turnover rate—Target: A minimum of 25% below state average
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. (G4.03.51) Develop a comprehensive 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. (G4.03.52)
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). (G4.04.51)
Implementation of legislation.	Deliverable <ul style="list-style-type: none"> Plan and execute implementation of new legislation.
Continuous Improvement	
Areas of Focus	Success Measures
Advance and enhance IT systems and services. (G4.02)	Deliverables <ul style="list-style-type: none"> Develop, maintain, and enhance IT systems and infrastructure in support of TRS business needs. (G4.02.51) Implement modern information systems across all lines of business divisions with priority on modernization of legacy systems. (G4.02.54)
Evaluate automation and technology solutions to enhance existing processes. (G4.08)	Deliverables <ul style="list-style-type: none"> Develop appropriate policies, investigate best practices, and determine the feasibility of incorporating artificial intelligence into TRS business processes. (G4.08.51) Implement Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight. (G4.08.52)