

EXPENDITURE REPORTING MEMORANDUM

TO: Contractors

FROM: Executive Director, Teacher Retirement System of Texas

SUBJECT: Reporting of expenditures greater than \$50 made on behalf of a TRS trustee or employee

Section 825.212 of the Government Code requires the Teacher Retirement System of Texas ("TRS") to adopt a code of ethics for contractors. Within that Code, TRS has implemented reporting requirements for expenditures of more than \$50 made by consultants, advisors, and financial services providers, as defined in the TRS Code of Ethics for Contractors (the "Code"), on behalf of a trustee or employee of TRS. This memorandum summarizes TRS administrative policy regarding reporting requirements for these expenditures. This policy, which is promulgated pursuant to statute and the Code, is subject to modification by the TRS Board. Consultants, advisors, and financial services providers will be promptly notified of any modifications in these reporting requirements or, as applicable, in the TRS Board of Trustees Ethics Policy, TRS Employee Ethics Policy, or in the Code. "Contractor" in this memorandum and in the Expenditure Reporting Form for Contractors is defined in the Code and does not include any other providers of goods or services.

By April 1 of each year, each Contractor must file with TRS an Expenditure Reporting Form for Contractors covering expenditures made during the preceding calendar year. If during the preceding calendar year, a Contractor made any expenditures that total more than \$50 per day for any individual TRS trustee or employee, the details of such expenditures must be contained in the Expenditure Reporting Form for Contractors. In determining whether there exist expenditures of more than \$50 per day, the donor should first calculate, per category listed below, the amount of each expenditure for a given day that are made on a given TRS trustee or employee. Then, the donor should add all these separate expenditures together, thus calculating the total amount of expenditures for that day on a given TRS trustee or employee. If this total amount exceeds \$50, then details of each expenditure, on each trustee or employee, must be reported to TRS in an Expenditure Reporting Form for Contractors. If there are no reportable expenditures during the past calendar year, then the Contractor should indicate this fact by checking the appropriate box on the Expenditure Reporting Form for Contractors.

1. Categories of Expenditures*

- (a) food and beverages,
- (b) travel, transportation and lodging,
- (c) entertainment,

- (d) gifts and benefits other than awards and mementos,
- (e) awards and mementos, and
- (f) any other expenditures which do not fall into any of the above categories.

****Note:** State law or TRS policy may prohibit certain of these expenditures. Inclusion on this list should not be interpreted as authorizing the expenditure. See, for example, paragraph 4, below.*

2. Group Expenditures

In the case of group functions, sponsored by the Contractor, such as dinners or receptions, where the Contractor cannot reasonably determine the amount of an expenditure directly attributable to a TRS trustee or employee, the Contractor should apportion the expenditure according to the total number of persons in attendance at the function, including any costs related to the venue or private room expenditures. For example, if the Contractor sponsors a luncheon where TRS employees are 10% of the guests, then 10% of the total expenditure should be allocated, respectively, in equal amounts to the TRS employees in attendance. If apportionment is impossible or impractical such that it cannot reasonably be done but expenditures per attendee may reasonably be concluded to have been at least \$50 per day, then the Contractor should identify the function(s), including the date(s) and place(s), with a brief explanation of why the expenditure cannot reasonably be apportioned.

3. Content of Reports

- (a) Reports must be completed electronically through DocuSign.
- (b) As noted above, reports must be filed annually and are due April 1 for the previous calendar year. For example, the report(s) which is/are due April 1, 2025, should include all expenditures of more than \$50 per day per TRS trustee or employee from January 1, 2024 through December 31, 2024.
- (c) For each category of expenditure, the report should include the following information:
 - 1. the name of the TRS trustee(s) or employee(s) on whose behalf the expenditure was made,
 - 2. the place and date of the expenditure,
 - 3. the amount of the expenditure, and
 - 4. the name of persons in attendance from the Contractor's firm making the expenditure.

(d) Identification of the place of the expenditure should include the name, complete street address, and city and state of the entertainment, the vendor providing the food and beverages, the location where the food and beverages are consumed, the carrier, or the place of lodging, as applicable. For transportation expenses, the departure and arrival cities should also be identified.

(e) Identification of the date of the expenditure should include the date on which the entertainment occurred, the date on which the food and beverages were consumed, the date the transportation or lodging was used, the date on which the gift or award was purchased, and, if different, the date or dates on which the gift or award was received, or the date on which any other expenditures for an economic benefit in excess of \$50 per day was made, and, if different, the date or dates the benefit was received.

(f) For categories listed in item number 1 above, the Contractor should provide a general description of the gift, award, memento, or other expenditure.

(g) In addition, for category (b) listed in item number 1 above, the Contractor should identify the purpose of the transportation, including the name of the conference, seminar, or other event, as applicable. Transportation does not include transportation of incidental value, such as a ride of short duration by personal car or taxicab.

(h) In addition, for category (c) listed in item number 1 above, the Contractor should identify the type of entertainment, and the TRS trustee or employee attendees.

(i) Expenditures on behalf of spouses, dependents, or invitees (guests or dates) should be reported as expenditures on behalf of the respective trustee or employee.

4. Compliance with TRS Ethics Policies

Any expenditure made by the Contractor on behalf of a trustee or employee must be in accordance with the TRS Board of Trustees Ethics Policy or TRS Employee Ethics Policy as applicable. Please note that the gifts and benefits sections of those Policies, which are incorporated into the Code, prohibit trustees and employees from soliciting or accepting gifts or other economic benefits from Contractors with only limited exceptions. Contractors should not provide TRS trustees or employees with any elaborate entertainment such as golf tournaments, concerts, sporting events, ski trips, hunting trips, fishing trips, or stays at expensive resorts. Regarding gifts, only gifts of nominal value that violate no law are permitted. TRS strongly discourages gifts of any value; in any event, no gift in excess of \$50 will be deemed nominal.

5. Executive Order GA-48

Please be advised of Executive Order GA-48, issued by Governor Greg Abbott on November 19, 2024; see Attachment B. In accordance with this order, no personnel of TRS shall accept any gift, regardless of value, from an entity associated with or travel to, for professional purposes, a country on the U.S. Department of Commerce's foreign adversaries list under 15 C.F.R. § 791.4, which as of the date of this letter includes (1) the People's Republic of China, including the Hong Kong Special Administrative Region (China); (2) Republic of Cuba (Cuba); (3) Islamic Republic of Iran (Iran); (4) Democratic People's Republic of Korea (North Korea); (5) Russian Federation (Russia); and (6) Venezuelan politician Nicolás Maduro (Maduro Regime).

6. Enforcement

TRS expects and requires accurate and timely reporting of the expenditures outlined in this memorandum. Violation of the reporting requirements detailed herein or violation of applicable state laws or TRS policies on the offering or giving of gifts, entertainment, and/or benefits constitute grounds for termination of the Contractor's engagement. Thank you for your cooperation in complying with the Code and these reporting requirements.