



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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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 secondes 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.

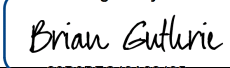
Potential Award is defined in Section 4.3(f) and is the amount calculated based on the Participant's performance achieved in the applicable investment performance and qualitative performance components. A Potential Award is contingent and no Earned Award may exceed the Maximum Potential Award, regardless 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: <small>Signed by:</small>  By: <u>20D0BEC43A22435...</u> Brian K. Guthrie, Executive Director	Approved as of:	October 1, 2024

*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%