



News Release

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FOR IMMEDIATE RELEASE: July 19, 2024

Teacher Retirement System of Texas Board approves changes to Strategic Asset Allocation

Updated investment approach aims to make portfolio more resilient

AUSTIN, Texas—As part of its strategic focus, the Teacher Retirement System of Texas (TRS) will shift some allocations in the Global Equity and Stable Value portfolios within its [Diversification Framework](#) while also reducing the allocation to TRS' Risk Parity portfolio.

The TRS Board of Trustees formally approved the changes to the pension trust fund's Strategic Asset Allocation (SAA) at TRS' July 18-19 board meeting. The changes support staff recommendations to craft a fund allocation expected to be more resilient to potential financial market shifts. TRS revises its SAA at least every five years, as required by state law and board policy. Trustees last reviewed the SAA as a whole in July 2019.

“Following our thorough SAA Study over the last nine months, including a survey of capital market assumptions, we believe the changes make the portfolio more robust to potential scenarios we could see in the future,” said **Mike Simmons, head of trust strategy in the TRS Investment Management Division.**

Specifically, the updated SAA will shift regional weights in the current Public Equity portfolio, increase exposure to equities in the USA and Non-USA Developed asset classes while reducing exposure to Emerging Markets and related foreign currencies. These changes will be reflected with the incorporation of updated benchmarks including an MSCI [All Country World Index \(ACWI\)](#) benchmark.

Also, among the approved recommendations, the Private Equity target will be reduced by two percentage points to 12% from 14% of AUM (Assets Under Management). There will be a new 6% allocation to inflation-linked bonds (Government Bonds – Real) within the Government Bonds sleeve to both reduce duration and sensitivity to inflation. The asset allocation to Government Bonds - Nominal will decline from 16% to 10% of AUM.

The 2024 SAA Study concludes that the impact on forward-looking returns or risk is limited and that TRS is expected to generate returns above the long-term 7% investment return assumption.

“The changes that we have approved maintain the balance of the overall Strategic Asset Allocation. The largest share of the changes affects the mix within the Global Equities portfolio with some smaller changes to the Stable Value and Real Return parts of the pension fund's longstanding Diversification Framework,” said **Board of Trustees' Investment Management Committee Chairman David Corpus.** “As a board, we will continue to oversee the wisest possible investment decisions for our members now and into the future.”

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Final SAA Recommendation

	Current	Proposed	Change
All Country	0%	39%	+39%
USA	18%	0%	-18%
Non-US Developed	13%	5%	-8%
Emerging Markets	9%	1%	-8%
Private Equity	14%	12%	-2%
Total Global Equity	54%	57%	+3%
Government Bonds - Nominal	16%	10%	-6%
Government Bonds - Real	0%	6%	+6%
Stable Value Hedge Funds	5%	5%	-
Absolute Return	0%	0%	-
Total Stable Value	21%	21%	-
Real Estate	15%	15%	-
ENRI	6%	6%	-
Commodities	0%	0%	-
Total Real Return	21%	21%	-
Risk Parity	8%	5%	-3%
Investment Exposure	104%	104%	-
Cash	2%	2%	-
Asset Allocation Leverage	-6%	-6%	-
Net Asset Allocation Leverage	-4%	-4%	-

Current vs. Proposed Portfolio Characteristics from Capital Market Assumptions

7.8% → 7.7%

Long-term expected
return remains above
actuarial rate

11.7% → 12.0%

Expected volatility
rises

0.4 → 0.4

Expected Sharpe
ratio remains roughly
the same



Source: 2024 TRS Capital Markets Assumptions survey
Note: Recommendation also includes public equity benchmarks moving to Investable Market Indices and the removal of China and Hong Kong

What's next?

At its September meeting, the TRS Board of Trustees' Policy Committee is expected to adopt a motion for the full board to amend the System's [Investment Policy Statement](#). Approval will initiate a phased-in period of up to six months for asset classes to transition to their new targets.

Read more information on the revised 2024 SAA including an independent asset-liability study from investment consultant Aon and information on how TRS compares to its peer funds. See the TRS Board of Trustees [July 2024 Investment Management Committee book](#), from page 101.

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About TRS—Teacher Retirement System of Texas (TRS) is the sixth largest retirement system in the nation. The system's core mission is to make a positive difference in the lives of more than two million active and retired Texas public educators by prudently investing and managing trust assets and delivering member benefits. As of March 31, 2024, the TRS pension fund had a market value of \$202 billion.

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