



TEACHER  
RETIREMENT  
SYSTEM of  
TEXAS

# ROOTED IN TEXAS

2021

## ANNUAL COMPREHENSIVE FINANCIAL REPORT



### TEACHER RETIREMENT SYSTEM OF TEXAS

TRSHAS BEEN SERVING THE NEEDS OF TEXAS PUBLIC EDUCATION EMPLOYEES FOR MORE THAN 80 YEARS. IN NOVEMBER 1936, VOTERS APPROVED AN AMENDMENT TO THE CONSTITUTION OF TEXAS CREATING A STATEWIDE TEACHER RETIREMENT SYSTEM. WITH THE PASSAGE OF ENABLING LEGISLATION IN 1937, TRS WAS OFFICIALLY FORMED.

TODAY, TRS IS THE LARGEST PUBLIC RETIREMENT SYSTEM IN TEXAS, IN BOTH MEMBERSHIP AND ASSETS. THE SYSTEM IS RESPONSIBLE FOR INVESTING FUNDS UNDER ITS STEWARDSHIP AND FOR DELIVERING BENEFITS TO MEMBERS AS AUTHORIZED BY THE TEXAS LEGISLATURE. THE TRUST FUND IS SUSTAINED BY FOUR SOURCES – CONTRIBUTIONS BY MEMBERS, EMPLOYERS, THE STATE AND INVESTMENT REVENUES.

A Component Unit of the State of Texas  
Fiscal Year Ended August 31, 2021



# OUR MISSION

IMPROVING THE RETIREMENT SECURITY OF OUR MEMBERS BY PRUDENTLY INVESTING AND MANAGING THE TRUST ASSETS AND DELIVERING BENEFITS THAT MAKE A POSITIVE DIFFERENCE IN THEIR LIVES.

As a part of this year's Annual Comprehensive Financial Report — *Rooted In Texas* — we're proud to display a small sample of the diverse history of education in our great state. This report highlights how we remember the past, but look to the future to better serve our membership.



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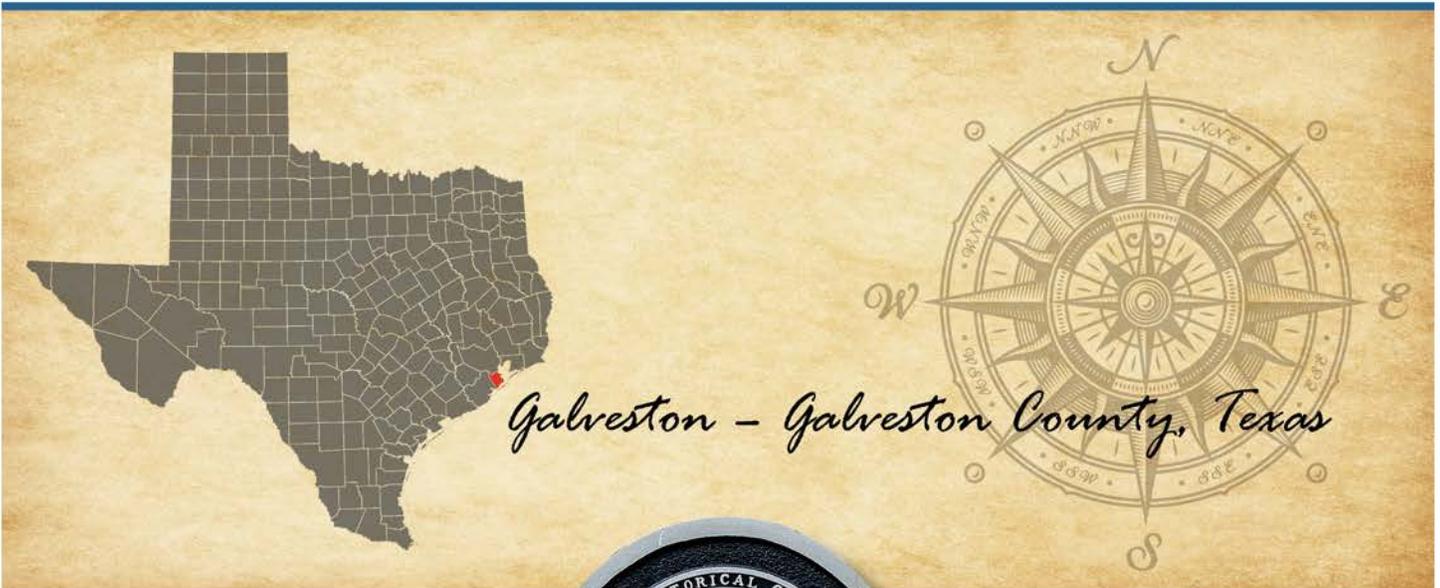
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*Galveston - Galveston County, Texas*



## BALL HIGH SCHOOL

FOLLOWING THE CREATION OF A FREE PUBLIC SCHOOL SYSTEM IN GALVESTON IN 1881, PHILANTHROPIST GEORGE BALL (1817-1884) MADE A PROPOSAL TO THE CITY FOR THE CONSTRUCTION OF A HIGH SCHOOL. HE OFFERED EITHER TO DONATE FUNDS FOR THE BUILDING OF A SCHOOL OR TO HAVE IT BUILT HIMSELF AND THEN DONATE IT TO THE CITY. THE CITY LEADERS VOTED TO HAVE BALL BUILD THE SCHOOL. A CONTRACT WAS SIGNED WITH THE GEORGE LOCKE AND CO. CONSTRUCTION FIRM ON JANUARY 15, 1884, AND THE CORNERSTONE WAS LAID ONE MONTH LATER. THE STONE WAS INSCRIBED "GEORGE BALL TO THE CHILDREN OF GALVESTON." BALL DIED THE FOLLOWING MONTH, BEFORE THE SCHOOL WAS COMPLETED. THE FIRST GRADUATION CEREMONY AT THE SCHOOL TOOK PLACE ON MAY 31, 1887. MEMBERS OF THE BALL FAMILY CONTINUED TO SUPPORT THE SCHOOL, AND PUBLIC DONATIONS HELPED REBUILD THE SCHOOL FOLLOWING THE 1900 STORM. BALL HIGH SCHOOL OPENED AT ITS PRESENT LOCATION IN 1955. IT WAS MERGED WITH CENTRAL HIGH SCHOOL IN 1969. MANY PEOPLE PROMINENT IN GALVESTON HISTORY GRADUATED FROM BALL HIGH SCHOOL, INCLUDING ALBERT LASKER, JOHN SEALY, AND MARION LEVY. THE SCHOOL CONTINUES ITS CENTURY-OLD TRADITION OF EDUCATING GALVESTON'S YOUNG PEOPLE.



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**Jarvis V. Hollingsworth, Chair**  
Vice Chairman  
Irradiant Partners L.P.  
Missouri City  
Direct appointment of the governor  
Term expires 2023



**John Elliott**  
Partner  
Elliott Stratmann, PLLC  
Austin  
Direct appointment of the governor  
Term expires 2021



**Nanette Sissney, Vice Chair**  
Counselor and Former Teacher  
Whitesboro Independent School District  
Whitesboro  
At-Large position  
Term expires 2023



**Christopher Moss**  
President  
Allendale, Inc.  
DBA The Advanced Financial Group  
Lufkin  
Position nominated by the State Board  
of Education  
Term expires 2021



**Michael Ball**  
Chief Financial Officer  
Fort Worth ISD  
Argyle  
Active public education position  
Term expires 2025



**James Dick Nance**  
Former Texas Public School Teacher  
Member of Texas Athletic Directors  
Association  
Hallettsville  
Retiree position  
Term expires 2023



**David Corpus**  
Bank Office President  
Allegiance Bank  
Humble  
Position nominated by the State Board  
of Education  
Term expires 2025



**Robert H. Walls, Jr.**  
Business and Legal Executive  
Energy, Media and Private Equity Industries  
San Antonio  
Direct appointment of the governor  
Term expires 2025

The Active Public Education Board position is currently vacant.  
For information on the board election process, please refer to Note 1 in the Financial Section.



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**Teacher Retirement System of Texas**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

August 31, 2020

*Christopher P. Morill*

Executive Director/CEO



Public Pension Coordinating Council

***Recognition Award for Administration  
2020***

Presented to

***Teacher Retirement System of Texas***

In recognition of meeting professional standards for  
plan administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle  
Program Administrator



1.800.223.8778  
www.trs.texas.gov

**Brian K. Guthrie**  
*Executive Director*  
1000 Red River Street  
Austin, Texas 78701-2698

**November 20, 2021**

Honorable Greg Abbott, Governor  
Honorable Glenn Hegar, Texas Comptroller  
Jerry McGinty, Legislative Budget Board  
Lisa Collier, State Auditor  
The Board of Trustees and Members of the Teacher Retirement System

**Ladies and Gentlemen,**

On behalf of the board of trustees, I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the Teacher Retirement System of Texas (TRS or System) for the fiscal year ended August 31, 2021, the System's 83rd year of operation. During the past fiscal year, the System experienced growth as membership increased by 195,211, largely attributed to an increase in members with inactive accounts, ending the 2021 fiscal year with 1,877,919 participants. The Pension Trust Fund saw positive returns in the past year, ending the 2021 fiscal year with a net position of \$201.8 billion compared to \$165.4 billion at the close of the 2020 fiscal year. TRS investment earnings, combined with contribution increases and benefit changes approved by the 86th Texas Legislature, are continuing to enable TRS to provide secure benefits for current and future retirees.

The State Auditor's Office performed an audit, in accordance with generally accepted auditing standards, of the System's financial statements. The opinion letter is presented in this report preceding the financial statements.

### **Management Responsibility**

This report consists of management's representations concerning TRS finances. Management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management maintains a comprehensive internal control framework designed to protect assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of TRS' financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The objective of the internal control framework is to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement since the cost of controls should not exceed the benefits to be derived. To the best of our knowledge and belief, management asserts this financial report is complete and reliable in all material respects.

### **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded TRS the Certificate of Achievement for Excellence in Financial Reporting for the previous fiscal year. To be awarded the certificate, a report must meet or exceed program standards and must satisfy both GAAP and applicable legal requirements. TRS has received a Certificate of Achievement for each ACFR for the last 31 years. We believe that the current report continues to meet program requirements and will be submitted to the GFOA for consideration again this year.

## Financial Information

The Basic Financial Statements have been prepared in accordance with GAAP applied on a consistent basis as promulgated by the Governmental Accounting Standards Board (GASB). The Management's Discussion and Analysis (MD&A) includes a narrative introduction, overview, and analysis to accompany the financial statements. The transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

## Investments

For the twelve-month period ending August 31, 2021, the total portfolio delivered investment returns of 24.98 percent, which is 4.03 percent above the Pension Trust Funds (Fund) benchmark. As a result, the total investment value of the Fund as of August 31 was \$201.2 billion, or \$36.6 billion more than this time last year, after contributions and benefit payouts. On a three-year annualized basis, the Fund has returned 12.11 percent, which is 0.64 percent above its benchmark. Annual rates of return for the five and ten-year periods ending August 31, 2021, were 11.43 percent and 9.69 percent, respectively, exceeding the Board's adopted long-term assumed rate of return of 7.25 percent.

Investment risks are diversified over a very broad range of market sectors and securities. TRS' investment strategy is designed to minimize downside risk while capturing upside performance, and it reduces portfolio risk from adverse developments in sectors and issuers experiencing unusual difficulties and offers opportunity to benefit from future markets.

## Pension Plan Benefits

For fiscal year 2021, TRS made pension benefit payments totaling \$11.7 billion to 458,133 retirees and their beneficiaries. These benefits were funded from a combination of cumulative investment income, member contributions, and state and employer contributions.

## Actuarial Soundness of the Pension Trust Fund

As of August 31, 2021, the System had a funded ratio of 79.1 percent with an Unfunded Actuarial Accrued Liability (UAAL) of \$47.6 billion. The UAAL decreased \$3.0 billion during the year largely due to favorable investment performance during this fiscal year. This is significant as it is the first year over year decrease in the UAAL since fiscal year 2008.

The 86th Legislature increased contribution rates for the State, employers, and members in a phase-in approach that concludes in fiscal year 2025. The State's base rate of 7.50 percent in fiscal year 2021 will increase to 8.00 percent in fiscal year 2023 and phase-in to 8.25 percent by fiscal year 2025. In addition, all public education employers will pay a supplemental contribution rate of 1.60 percent for fiscal year 2021 and will increase to 2.00 percent by fiscal year 2025. At the end of the phase-in period, these supplemental contributions will equal approximately 1.25 percent of total payroll. Combined, with additional contributions from retirees, these contributions are ultimately assumed to approximate 9.55 percent of total payroll. The member contribution rate will increase from the current 7.70 percent to 8.00 percent in fiscal year 2022 and ultimately 8.25 percent in fiscal year 2025.

If payroll grows as expected (3.0 percent per year), the contributions provided by the increased contribution rate pattern are sufficient to amortize the current UAAL of the System over a period of 23 years based on the smoothed asset value as of the valuation date. Therefore, the financing objectives of the System are expected to be met, assuming all assumptions are realized.

### **Retiree Health Benefits Program**

TRS administers TRS-Care, a health benefits program for eligible retired public education employees and their eligible dependents that was established in 1985. TRS-Care is the source of health benefits coverage upon which a substantial portion of retired public education employees rely. Funding is provided by premium payments from retiree participants and contributions from the state, public schools, and active public education employees. TRS-Care also receives additional revenue from the Medicare Part D subsidy program.

As of August 31, 2021, TRS-Care had a Net Other Post-Employment Benefit Liability of \$38.6 billion. The program was 6.2 percent funded as of the end of the fiscal year 2021. More detailed information about the valuation results is included in the Notes to the Financial Statements and the Required Supplementary Information.

The 85th Legislature, in regular and special sessions, passed legislation that restructured TRS-Care and provided additional funding to address the solvency and affordability of TRS-Care. The state contribution rate to TRS-Care is 1.25 percent of public school payroll and the district contribution is 0.75 percent. Active employee contributions remained unchanged at 0.65 percent. The 86th Texas Legislature also appropriated \$5.5 million to keep TRS-Care premiums consistent through fiscal year 2022.

### **Active Member Health Benefits Program**

TRS-ActiveCare, initiated in 2002, is a self-funded health benefits program that offers plan options that range from catastrophic coverage with reduced premiums to a comprehensive plan at higher premiums. TRS-ActiveCare covers active employees currently employed by public education employers that participate in the program, along with the employees' eligible dependents. TRS-ActiveCare is funded by State, employer, and active employee contributions. Each plan year, the TRS Board of Trustees has made plan changes and increased premiums to sustain the program.

### **Agency Highlights**

TRS has implemented the management actions and statutory changes resulting from the Sunset Advisory Commission review. Major provisions of the bill include comprehensive changes to Employment After Retirement (EAR); hiring an Ombuds to assist members and retirees by performing protection and advocacy functions; developing an Outreach Plan to assist members and employers with effectively planning for member's retirement; and requiring TRS to make all reasonable efforts to locate and notify members of entitlements to a return of accumulated contributions for inactive accounts.

The 87<sup>th</sup> Legislative session brought many changes to Employment After Retirement by creating a window allowing anyone who retired prior to December 31, 2020 to return full time without any forfeiture of benefits. Any retiree who retired after December 31, 2020 will be subject to 3 strikes which would allow for the first strike warning and a benefit would not be forfeited, on strike 2 a dollar for dollar reduction and strike 3 full annuity being forfeited. In addition, TRS will be opening its first Regional Office in FY 2022 in El Paso. The regional office is expected to open in the summer of 2022. This regional office will allow us to serve an underserved population of TRS members by providing in person services to Active and Retired members.

TRS successfully completed the largest procurement in agency history, saving \$745 million across TRS-Care and TRS-ActiveCare over the next three to five years. In addition, the 87<sup>th</sup> Texas Legislature appropriated \$286 million in federal funds to offset COVID-19 related expenses incurred by the health plans. The additional funding will improve affordability for participants and both plans' fund balances. The strong financial position of the TRS-Care fund enabled the Legislature to pass HB 2022 allowing retirees who left TRS-Care between January 1, 2017 – December 31, 2019 to return to the program.

The Legislature also passed SB 1444 that prohibits participating employers from offering coverage alongside TRS-ActiveCare starting September 1, 2022. The bill also allows participating employers to leave TRS-ActiveCare for a minimum of five years before they can rejoin. Employers who join must also stay enrolled for five years. The bill gives education employers flexibility in choosing health plan options for employees while protecting the stability of TRS-ActiveCare.

Under the TEAM Program, the System successfully launched the Health Insurance Line of Business System (HILOB) in April 2021. The HILOB system delivered benefits to TRS members and staff including: a modern interface, updated architecture, process automation, and integration with the TRS Pension Line of Business. The TEAM Program is on schedule to deploy two additional releases in 2022, including a new MyTRS member portal.

The TRS response to COVID continues with staff working to securely perform business transactions, conducting counseling sessions both virtually and in person, and to offer members flexibility while offices were closed to the public. TRS Staff have worked tirelessly to serve members and outside constituents within normal business hours, while progressing toward opening more of TRS Campus to the public.

### **Acknowledgments**

We wish to express our appreciation for the support of the Governor's, Lieutenant Governor's, and Speaker's Offices, as well as members of the legislature, in maintaining a strong retirement system, which provides valuable benefits for public education employees and retirees.

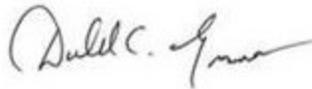
We are grateful for the dedicated service of all of our trustees. Trustee willingness to accept the substantial responsibilities of directing system administration is a great service to the State and to the members served by TRS.

TRS trustees and staff are keenly focused on prudent Pension Trust Fund portfolio management and efficient, service-oriented delivery of valuable retirement and related benefits for public education employees and retirees. We are pleased to report on operational results for the year and to acknowledge the substantial support of state leadership, trustees, members, interested associations, and TRS staff.

Respectfully submitted,



Brian K. Guthrie  
Executive Director



Donald C. Green  
Chief Financial Officer



*We regret to report the passing of Rebecca Merrill on November 11, 2021. Thanks to her dedication to the members of TRS, her impact on the agency and our mission will be felt for years to come.*

### **Executive Administrative Staff**

Brian K. Guthrie, *Executive Director*  
Rebecca K. Merrill, *Special Advisor to the Executive Director*  
Andrew Roth, *Chief Operations and Administration Officer*  
Jase Auby, *Chief Investment Officer*  
Heather Traeger, *General Counsel and Chief Compliance Officer*  
Amanda Jenami, *Chief Audit Executive*  
Barbie Pearson, *Chief Benefit Officer*  
Don Green, *Chief Financial Officer*  
Katrina Daniel, *Chief Health Care Officer*  
Chris Cutler, *Chief Information Officer*  
Frank Williams, *Chief Information and Security Officer*  
Janet L. Bray, *Chief Organizational Excellence Officer*  
Caasi Lamb, *Chief Strategy Officer*  
Martin Cano, *Chief Business Administration Officer*  
Carolyn Perez, *Director, Communications*  
Merita Zoga, *Director, Governmental Relations*  
Kellie Sauls, *Director, Diversity, Equity and Inclusion*

### **General Investment Advisors and Consultants**

Aon Hewitt Investment Consulting, Inc., Chicago, IL  
Keith C. Brown, Ph.D., Austin

### **Consulting Actuary**

Gabriel, Roeder, Smith & Company, Dallas

### **International Tax Consulting and Compliance Services**

Ernst & Young, L.L.P., Austin and London, England

### **Investment Consultants**

Albourne America, L.L.C.,  
San Francisco, CA  
(Hedge Funds and Private Markets)  
BlackRock Investment Management, L.L.C.,  
New York, NY (Private Equity Co-investments)  
Grosvenor Capital Management, L.P.,  
Chicago, IL (Emerging Managers)  
KPMG, L.L.P.,  
Philadelphia, PA (Tax Services and Investment Advice)  
LaSalle Investment Management, Inc.,  
Chicago, IL (Real Estate)  
The Rock Creek Group, L.P.,  
Washington, D.C. (Emerging Managers)  
Valuation Research Corporation,  
New York, NY (Private Investment Valuation)  
W.D. Von Gonten & Co.,  
Houston (Oil and Gas)

### **Audit Services**

Texas State Auditor's Office, Austin  
Crowe, L.L.P., Chicago, IL

### **Fiduciary Counsel**

Cohen Milstein Sellers & Toll, P.L.L.C.  
Washington, D.C.

### **Medical Board**

Dr. Brian C. Buck, Austin  
Dr. Alice Cox, Fredericksburg  
Dr. David Rothschild, Austin

### **Texas Public School Retired Employees Group Insurance Program Advisory Committee**

Nancy Byler, Early  
Marcia McNeil, Austin  
Grace Mueller, McQueeney  
Teresa Koehler, Houston  
Dr. Celeste Cardenas, Austin  
Dr. H. John Fuller, Mineola  
Dr. Bruce Gearing, Austin

### **Health Care and Actuarial Consultant**

Gabriel, Roeder, Smith & Company, Dallas  
Gallagher Benefit Services, Inc., Houston  
Milliman, Inc., Dallas  
Segal Company, Dallas

### **Master Custodian and Securities Lending Agent**

State Street Bank and Trust Company, Boston, MA

### **Performance Measurement**

State Street Bank and Trust Company, Boston, MA

*For a schedule of fees and commissions, please refer to the Investment Section, Report on Investment Activities tables for Investment Manager Fees and Broker Commissions.*

**Pension Trust Fund**

Membership of the Teacher Retirement System of Texas includes employees and retirees of state-supported educational institutions in Texas. Participating employers for fiscal year 2021 are disclosed in the following table.

Number of Participating Employers	
Participating Employers	2021
Public School Districts	1,021
Charter Schools	192
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Other Education Districts	3
State Agencies	1
<b>Total Participating Employers</b>	<b>1,344</b>

Membership Numbers by Category		
Member Categories	As of August 31,	
Current Members	2021	2020
Active Contributing	918,545	914,752
Inactive Non-vested	384,340	209,956
Inactive Vested	116,901	112,726
<b>Total Current Members</b>	<b>1,419,786</b>	<b>1,237,434</b>
<b>Retirement Recipients</b>		
Service	427,995	415,696
Disability	11,892	11,926
Survivor	18,246	17,652
<b>Total Retirement Recipients</b>	<b>458,133</b>	<b>445,274</b>
<b>Total Membership</b>	<b>1,877,919</b>	<b>1,682,708</b>

Net Membership Changes		
Population Changes	As of August 31,	
Active Membership:	2021	2020
New Members	90,891	80,540
Members Withdrawing	(36,398)	(32,667)
Service Retirements	(22,764)	(19,521)
Disability Retirements	(669)	(671)
In-Service Deaths	(2,196)	(1,520)
Other Changes	153,488	16,017
<b>Net Increase</b>	<b>182,352</b>	<b>42,178</b>
<b>Retired Membership:</b>		
Retirements	23,433	20,192
Deaths After Retirement	(12,293)	(10,272)
Option Continuations	3,360	2,999
Other Changes	(1,641)	(2,071)
<b>Net Increase</b>	<b>12,859</b>	<b>10,848</b>

Membership Profile			
	As of August 31,		
	2021	2020	
<b>Active Membership</b>			
Average Annual Salary	\$ 53,732	\$	51,477
Average Age	44.8		44.7
Average Years of Service	10.5		10.3
<b>Annuitant and Beneficiary</b>			
Average Monthly Annuities			
Life Annuities	\$ 2,145	\$	2,118
Disability Annuities	1,235		1,214
Annuities Certain	1,148		1,157
Average Age of Current Retirees	72.2		72.0
Average Age at Retirement			
All Retirees	60.4		60.4
Current Year Retirees	62.4		62.3
Average Years of Service			
All Retirees	24.1		24.1
Current Year Retirees	23.0		22.8
Average Salary at Retirement			
All Retirees	\$ 47,490	\$	46,677
Current Year Retirees	55,947		55,500
Ratio of Members to Retirees	3.1 to 1		2.8 to 1

**Texas Public School Retired Employees Group Insurance Program (TRS-Care)**

Membership of TRS-Care is eligible to TRS public school retirees. There were 1,235 participating employers during fiscal year 2021.

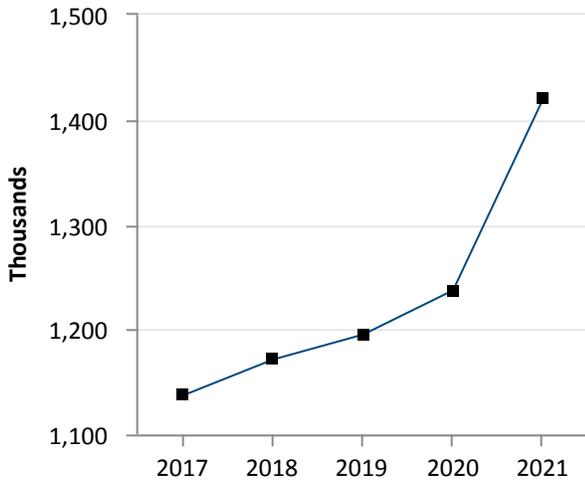
Membership Numbers by Category		
Member Categories	As of August 31,	
	2021	2020
Retirees	179,594	178,771
Surviving Spouses	6,005	6,047
Surviving Children	112	116
Dependent Spouses and Children	34,120	35,028
<b>Total Membership</b>	<b>219,831</b>	<b>219,962</b>

**TRS-ActiveCare**

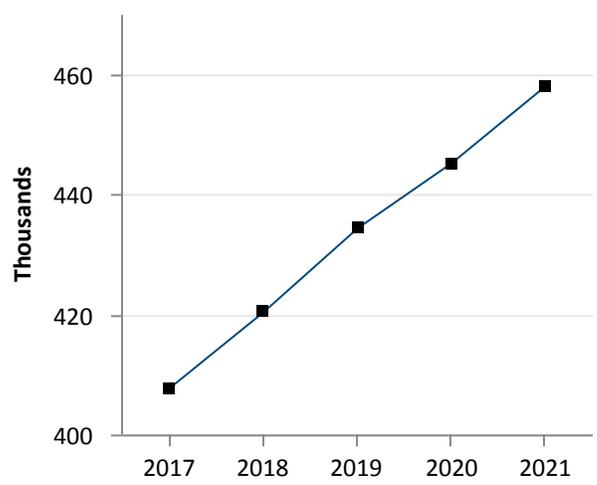
Membership of TRS-ActiveCare includes employees of public school districts, open enrollment charter schools, regional service centers, and other educational districts. There were 1,092 participating employers during fiscal year 2021.

Membership Numbers by Category		
Member Categories	As of August 31,	
	2021	2020
Employees	302,627	307,264
Dependents	167,752	165,507
<b>Total Membership</b>	<b>470,379</b>	<b>472,771</b>

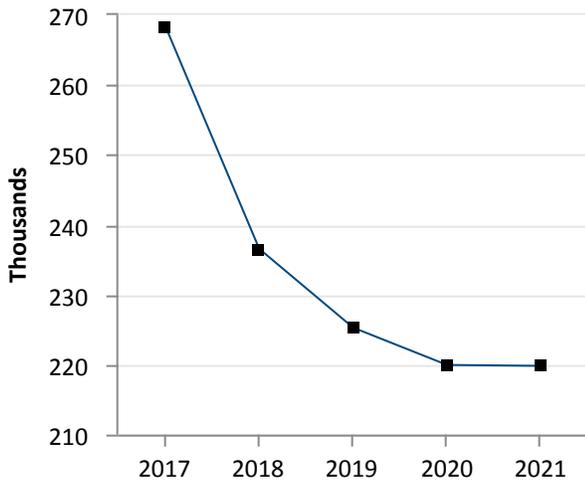
**Current Membership by Year  
Pension Trust Fund**



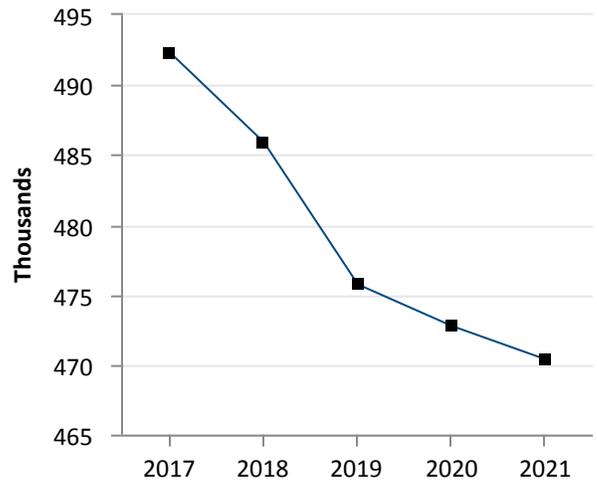
**Retirement Recipients by Year  
Pension Trust Fund**



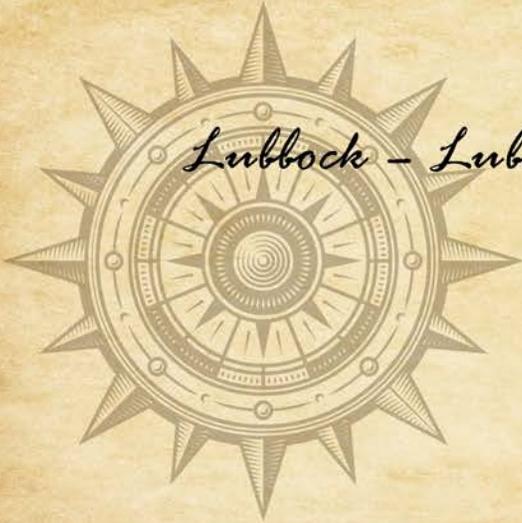
**Membership by Year  
TRS-Care**



**Membership by Year  
TRS-ActiveCare**



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*Lubbock - Lubbock County, Texas*



## **LUBBOCK HIGH SCHOOL**

THE CITY OF LUBBOCK EXPERIENCED A SIGNIFICANT INCREASE IN POPULATION DURING THE 1920s AS IT BECAME THE AGRICULTURAL, EDUCATIONAL, SERVICE, AND TRADE CENTER OF THE SOUTH PLAINS. THIS HIGH SCHOOL WAS BUILT OUT OF THE NEED FOR PROVIDING AN EDUCATION FOR THE YOUNG PEOPLE OF THE RAPIDLY GROWING COMMUNITY. DESIGNED BY THE LUBBOCK ARCHITECTURAL FIRM OF PETERS, STRANGE AND BRADSHAW, THE ORIGINAL BUILDING CONSISTED OF TWO- AND THREE-STORY CLASSROOM WINGS, OFFICES, A GYMNASIUM, AND AN AUDITORIUM, ALL CONSTRUCTED AROUND TWO OPEN COURTYARDS. OVER THE YEARS, AS LUBBOCK'S POPULATION INCREASED, THE FACILITIES WERE EXPANDED SEVERAL TIMES TO MEET THE NEED. THE RICHLY ORNAMENTED, NORTH ITALIAN ROMANESQUE STYLE HIGH SCHOOL WAS COMPLETED IN 1931, DESPITE THE BEGINNINGS OF ECONOMIC HARDSHIP RESULTING FROM THE ONSET OF THE GREAT DEPRESSION. THE BUILDING FEATURES DECORATIVE BRICKWORK, TERRA COTTA ORNAMENTATION, AND A CAMPANILE, OR BELL TOWER. LUBBOCK HIGH STANDS AS A SIGNIFICANT EXAMPLE OF INSTITUTIONAL ARCHITECTURE IN TEXAS, AS WELL AS A LOCAL LANDMARK KNOWN FOR ITS MANY STUDENTS WHO BECAME LUBBOCK'S OUTSTANDING CIVIC AND COMMUNITY LEADERS.

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**Lisa R. Collier,**  
CPA, CFE, CIDA,  
State Auditor

### Independent Auditor's Report

Teacher Retirement System Board of Trustees  
Mr. Jarvis V. Hollingsworth, Chairman  
Ms. Nanette Sissney, Vice Chair  
Mr. Michael Ball  
Mr. David Corpus  
Mr. John Elliott  
Mr. Christopher Moss  
Mr. James Nance  
Mr. Robert H. Walls

#### Report on the Financial Statements

We have audited the accompanying financial statements of the major enterprise fund and the aggregate remaining funds information, consisting of the fiduciary funds of the Teacher Retirement System (System), a component unit of the State of Texas, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

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SAO Report No. 22-304

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major enterprise fund and aggregate remaining funds information, consisting of the fiduciary funds of the System, as of August 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

*Teacher Retirement System Financial Statements*

As discussed in Note 1, the financial statements of the System, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the major enterprise fund and the aggregate remaining funds information of the State that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Investments with Values that are not Readily Determined*

As discussed in Note 3, the financial statements include investments valued at approximately \$96.1 billion as of August 31, 2021, whose fair values have been estimated by management in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Pension Trust Fund and TRS-Care Required Supplementary Schedules, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The information in Schedules 1 and 2, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information in Schedules 1 and 2, as listed in the Table of Contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules 1 and 2, as listed in the Table of Contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory, Investment, Actuarial, Statistical, and Benefits sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Report on Summarized Comparative Information***

We have previously audited the System's fiscal year 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will issue a separate report on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



Lisa R. Collier, CPA, CFE, CIDA  
State Auditor

November 19, 2021

## Management's Discussion and Analysis

We are pleased to provide this overview of the Teacher Retirement System's (TRS or System) financial performance for the fiscal year ended August 31, 2021. The information presented herein should be read in conjunction with other areas within the Financial Section.

### Financial Highlights

- The net position of the TRS Pension Trust Fund was \$201.8 billion as of August 31, 2021, an increase of \$36.4 billion from fiscal year 2020.
- The net pension liability was \$25.5 billion, a \$28.1 billion decrease from the fiscal year 2020 liability of \$53.6 billion.
- Fiscal year 2021 investment income was \$40.5 billion, an increase of \$29.4 billion from fiscal year 2020.
- Pension Plan investments experienced a 24.98 percent annual rate of return for the year ended August 31, 2021, compared to a 7.24 percent annual rate of return for fiscal year 2020.
- The net position of TRS-Care was \$2.5 billion as of August 31, 2021, an increase of \$542.9 million from fiscal year 2020.
- TRS-Care's net Other Post-Employment Benefit (OPEB) liability was \$38.6 billion. The liability increased \$0.6 billion from fiscal year 2020 liability of \$38.0 billion.
- TRS-ActiveCare had a net position of \$56.2 million as of August 31, 2021, a decrease of \$112.1 million from fiscal year 2020.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the TRS financial presentation, which consists of the following components:

- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information
- Other Supplementary Information

This information presents the net position available for the funds TRS administers as of August 31, 2021 and any changes in net position for the year then ended. The information available in each of these sections is summarized below.

#### Basic Financial Statements

Basic Financial Statements are presented for the major funds for the fiscal year ended August 31, 2021, along with comparative data for the prior year. Financials presented include the Pension Trust Fund, TRS-Care Fund, TRS-ActiveCare Fund, and Custodial Fund.

#### Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the financial position and are considered an integral part of the financial statements.

#### Required Supplementary Information

Required Supplementary Information (RSI) consists of the Governmental Accounting Standards Board (GASB) related requirements for the Pension and TRS-Care Funds.

#### Other Supplementary Information

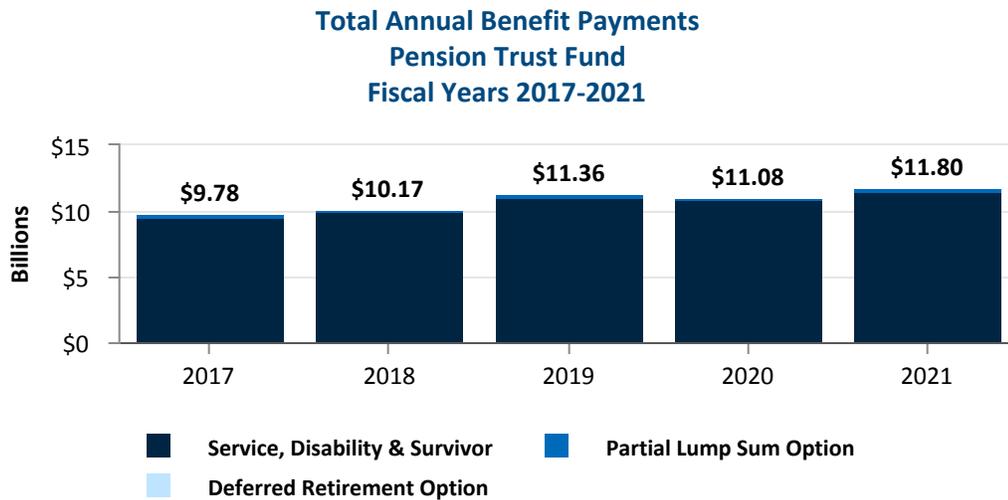
Other Supplementary Information includes administrative and investing activity expenses and payments for professional and consulting services.

**Growth of the System**

As of August 2021, the monthly annuity payroll increased to \$957.3 million, and TRS was paying benefits to 458,133 recipients. Benefit payments by type of recipient are illustrated in the Total Annual Benefit Payments chart below.

Pension recipients include retirees and beneficiaries. Disability recipients are disabled members who are receiving disability payments. Survivor recipients are beneficiaries who have elected to receive death benefits in the form of monthly payments. The number of retiree accounts increased by 12,859 during fiscal year 2021.

Of the current TRS member accounts, 918,545 active contributing and deferred retirement option participants were employed during fiscal year 2021 and made contributions to the System. The remaining 501,241 members were no longer employed by TRS covered employers but maintained their membership in TRS by leaving their contributions in the System. The number of total current member accounts increased by 182,352 during fiscal year 2021.



**Financial Analysis of TRS Funds**

**Pension Trust Fund**

Net position held in trust for benefits at August 31, 2021 was \$201.8 billion, an increase of \$36.4 billion from the \$165.4 billion at August 31, 2020.

Although various economic and health uncertainties existed for much of the year, global financial markets rallied and continuously broke new records. The Trust returned 24.98 percent for the fiscal year ended August 31, 2021, which was over three times in excess of the fund's 7.25 percent investment return assumption and the highest Trust return over the last 10 years. Fiscal year 2021 investment income was \$40.5 billion, an increase of \$29.4 billion over 2020.

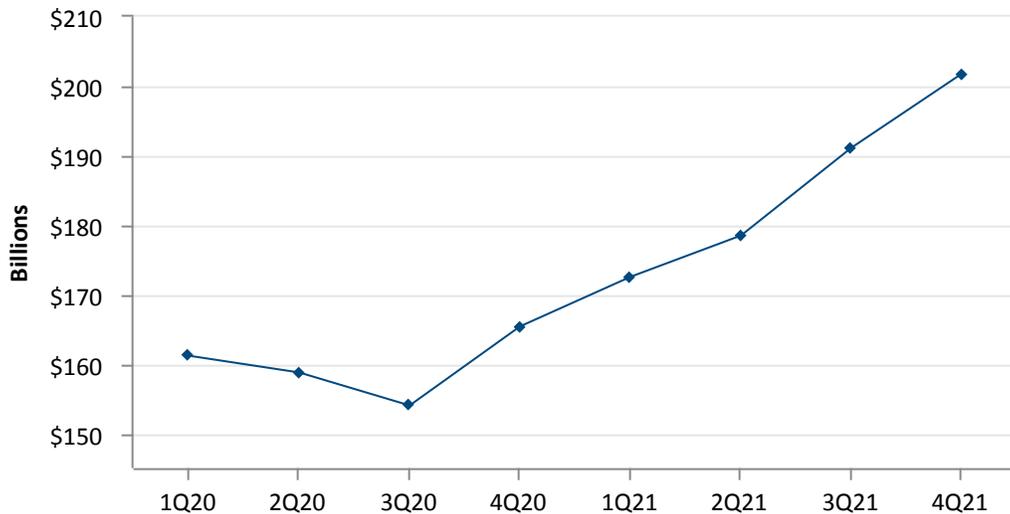
Total contributions and other additions increased \$261.7 million, or 3.3 percent, during fiscal year 2021. The increase is due to normal payroll growth.

Deductions from net position are primarily retirement pension payments. Fiscal year 2021, benefit payments totaled \$11.8 billion, an increase of \$718.7 million. This is in line with the increase in the number of retirees from the prior year. For fiscal year 2021, refund of contributions were \$449.1 million, an increase of \$27.8 million over fiscal year 2020, largely due to an increase in member withdrawals.

Administrative expenses, excluding investing activities expenses, on a cost per member basis were \$38.00 for fiscal year 2021 compared to \$39.90 in fiscal year 2020.

Investment cost per member was \$130.08 for fiscal year 2021 as compared to \$132.12 in fiscal year 2020. Investment expense in basis points of net position was 13.5 for fiscal year 2021 and was calculated using the average net asset value. Investment expense in basis points for fiscal year 2020 was 14.1.

**Quarterly Net Position  
Pension Trust Fund  
Fiscal Years 2020-2021**



**Statement of Fiduciary Net Position**
**Pension Trust Fund**

As of August 31

(Dollars in Thousands)

	2021	2020	Dollar Change	Percentage Change
<b>Assets</b>				
Cash and Receivables	\$ 4,420,746	\$ 3,532,268	\$ 888,478	25.2 %
Investments	210,460,436	173,602,714	36,857,722	21.2
Invested Securities Lending Collateral	8,239,393	7,167,588	1,071,805	15.0
Capital Assets	52,180	59,301	(7,121)	(12.0)
<b>Total Assets</b>	<b>\$ 223,172,755</b>	<b>\$ 184,361,871</b>	<b>\$ 38,810,884</b>	<b>21.1 %</b>
<b>Total Deferred Outflow of Resources</b>	<b>\$ 45,752</b>	<b>\$ 42,079</b>	<b>\$ 3,673</b>	<b>8.7 %</b>
<b>Liabilities</b>				
Benefits Payable	\$ 85,174	\$ 41,244	\$ 43,930	106.5 %
Net Other Post-Employment Benefit Liability	105,874	104,446	1,428	1.4
Investments Purchased Payable and Other Investment Liabilities	12,556,007	11,466,477	1,089,530	9.5
Collateral Obligations	8,324,434	7,288,848	1,035,586	14.2
Accounts Payable and Other	153,425	63,757	89,668	140.6
<b>Total Liabilities</b>	<b>\$ 21,224,914</b>	<b>\$ 18,964,772</b>	<b>\$ 2,260,142</b>	<b>11.9 %</b>
<b>Total Deferred Inflow of Resources</b>	<b>\$ 186,591</b>	<b>\$ 22,933</b>	<b>\$ 163,658</b>	<b>713.6 %</b>
<b>Total Net Position</b>	<b>\$ 201,807,002</b>	<b>\$ 165,416,245</b>	<b>\$ 36,390,757</b>	<b>22.0 %</b>

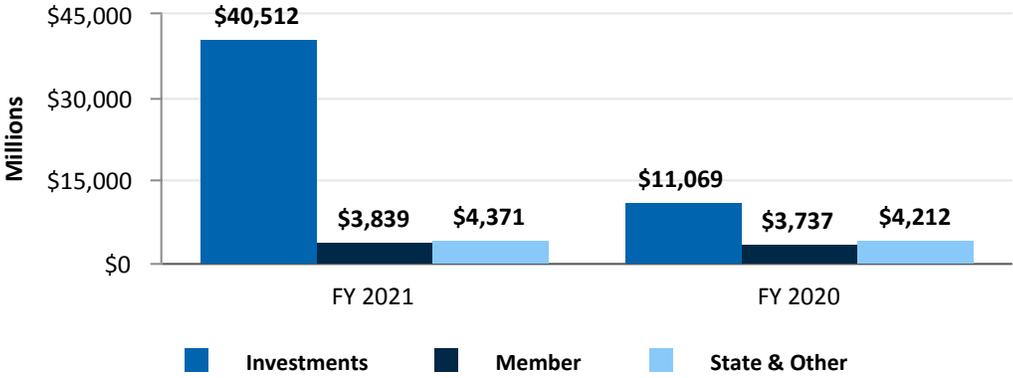
**Statement of Changes in Fiduciary Net Position**
**Pension Trust Fund**

For the Fiscal Years Ended August 31

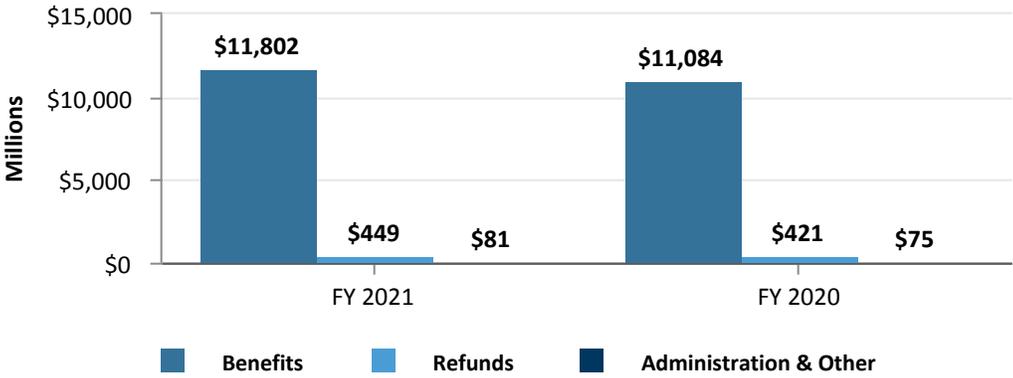
(Dollars in Thousands)

	2021	2020	Dollar Change	Percentage Change
<b>Additions</b>				
Member Contributions	\$ 3,839,244	\$ 3,736,877	\$ 102,367	2.7 %
Non-Employer Contributing Entity Contributions	1,879,553	1,844,999	34,554	1.9
Employers Contributions	2,124,028	2,016,482	107,546	5.3
Other Revenue	367,854	350,650	17,204	4.9
Investment Income	40,512,139	11,068,917	29,443,222	266.0
<b>Total Additions</b>	<b>\$ 48,722,818</b>	<b>\$ 19,017,925</b>	<b>\$ 29,704,893</b>	<b>156.2 %</b>
<b>Deductions</b>				
Retirement Benefits and Other	\$ 11,802,310	\$ 11,083,643	\$ 718,667	6.5 %
Refunds of Contributions	449,136	421,366	27,770	6.6
Other Post-Employment Benefit Expense	9,255	7,734	1,521	19.7
Administrative Expenses	71,360	67,136	4,224	6.3
<b>Total Deductions</b>	<b>\$ 12,332,061</b>	<b>\$ 11,579,879</b>	<b>\$ 752,182</b>	<b>6.5 %</b>
<b>Change in Net Position</b>	<b>\$ 36,390,757</b>	<b>\$ 7,438,046</b>	<b>\$ 28,952,711</b>	<b>389.3 %</b>

**Additions to Fiduciary Net Position  
Pension Trust Fund  
Fiscal Years 2020-2021**



**Deductions to Fiduciary Net Position  
Pension Trust Fund  
Fiscal Years 2020-2021**

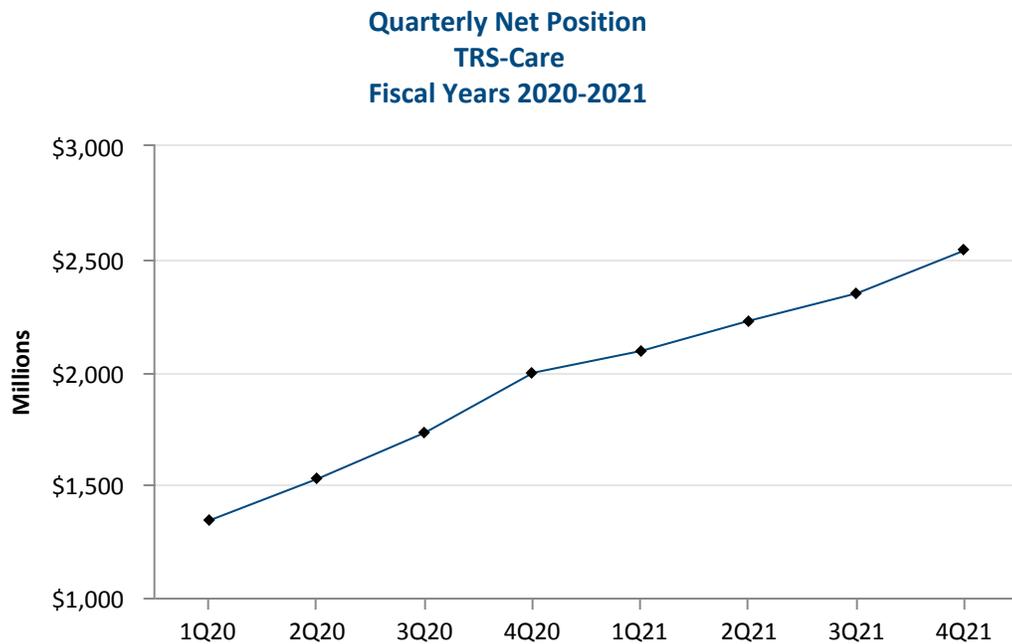


**TRS-Care**

The net position of TRS-Care at August 31, 2021 was \$2.5 billion, an increase of \$542.9 million from the \$2.0 billion at August 31, 2020.

Total contributions of \$1.03 billion increased \$27.5 million from \$1.0 billion over 2020 due to an increase in the employer contribution rate. Rebates decreased by \$6.7 million from fiscal year 2020. Federal revenue decreased by \$12.3 million due to a change in the calculation for Medicaid and Medicare services and a decrease in the rate per member. Investment income totaled \$9.2 million, which was a decrease of \$16.3 million from fiscal year 2020. This decrease was due to lower earnings on cash held in state treasury.

Deductions from net position totaled \$1.1 billion during fiscal year 2021 which was a decrease of \$71.6 million from fiscal year 2020. The decrease is mainly due to lower plan administrative fees and a reduction in insurance premiums.



<b>Statement of Fiduciary Net Position</b>					
<b>TRS-Care</b>					
As of August 31					
(Dollars in Thousands)					
	2021	2020	Dollar Change	Percentage Change	
<b>Assets</b>					
Cash, Receivables and Capital Assets	\$ 2,733,911	\$ 2,146,681	\$ 587,230	27.4 %	
<b>Total Assets</b>	<b>\$ 2,733,911</b>	<b>\$ 2,146,681</b>	<b>\$ 587,230</b>	<b>27.4 %</b>	
<b>Liabilities</b>					
Accounts Payables and Other	\$ 8,177	\$ 3,740	\$ 4,437	118.6 %	
Health Care Fees Payable	8,137	30,657	(22,520)	(73.5)	
Health Care Claims Payables	163,935	115,966	47,969	41.4	
<b>Total Liabilities</b>	<b>\$ 180,249</b>	<b>\$ 150,363</b>	<b>\$ 29,886</b>	<b>19.9 %</b>	
<b>Total Deferred Inflow of Resources</b>	<b>\$ 14,420</b>	<b>\$ —</b>	<b>\$ 14,420</b>	<b>— %</b>	
<b>Net Position</b>	<b>\$ 2,539,242</b>	<b>\$ 1,996,318</b>	<b>\$ 542,924</b>	<b>27.2 %</b>	

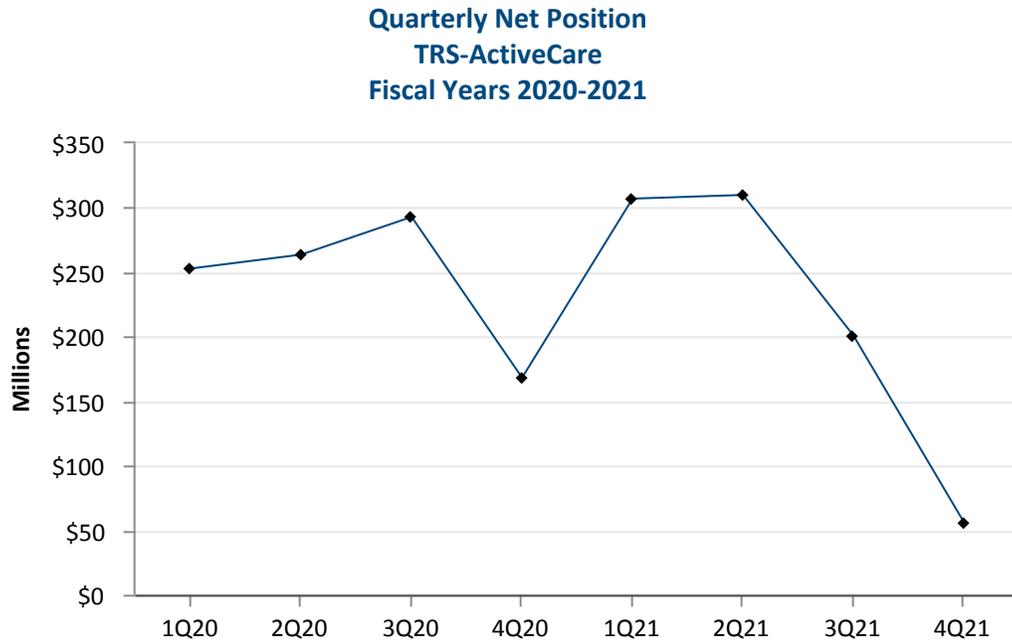
<b>Statement of Changes in Fiduciary Net Position</b>					
<b>TRS-Care</b>					
For the Fiscal Years Ended August 31					
(Dollars in Thousands)					
	2021	2020	Dollar Change	Percentage Change	
<b>Additions</b>					
Member Contributions	\$ 250,414	\$ 243,532	\$ 6,882	2.8 %	
Non-Employer Contributing Entity Contributions	447,338	435,769	11,569	2.7	
Participating Employers Contributions	334,028	324,973	9,055	2.8	
Rebates and Discount Income	416,754	423,426	(6,672)	(1.6)	
Federal Revenue	173,912	186,169	(12,257)	(6.6)	
Other Revenue	—	18	(18)	(100.0)	
Investment Income	9,227	25,537	(16,310)	(63.9)	
Supplemental Appropriation from State's General Fund - Non-Employer Contributing Entity	5,520	230,757	(225,237)	(97.6)	
<b>Total Additions</b>	<b>\$ 1,637,193</b>	<b>\$ 1,870,181</b>	<b>\$ (232,988)</b>	<b>(12.5)%</b>	
<b>Deductions</b>					
Health Care Claims	\$ 1,553,439	\$ 1,538,212	\$ 15,227	1.0 %	
Less: Health Care Premiums Paid by Retirees	(533,596)	(499,058)	(34,538)	6.9	
Health Care Claims Processing	30,726	37,420	(6,694)	(17.9)	
Insurance Premium Payments	15,490	51,410	(35,920)	(69.9)	
Health Care Fees	20,303	30,833	(10,530)	(34.2)	
Administrative Expenses	7,906	7,068	838	11.9	
<b>Total Deductions</b>	<b>\$ 1,094,268</b>	<b>\$ 1,165,885</b>	<b>\$ (71,617)</b>	<b>(6.1)%</b>	
<b>Change in Net Position</b>	<b>\$ 542,925</b>	<b>\$ 704,296</b>	<b>\$ (161,371)</b>	<b>(22.9)%</b>	

**TRS-ActiveCare**

The net position was \$56.2 million at August 31, 2021, a decrease of \$112.1 million from \$168.3 million the previous fiscal year.

Total revenue of \$2.2 billion decreased \$131.5 million from \$2.3 billion in 2020 mostly due to members migrating to lower cost health care plans and a \$5.7 million decrease in investment income.

Total expenses of \$2.29 billion decreased \$16.1 million from \$2.31 billion in fiscal year 2020 due to lower enrollment in the HMO plans, and lower plan administrative fees.



**Statement of Net Position****TRS-ActiveCare**

As of August 31

(Dollars in Thousands)

	2021	2020	Dollar Change	Percentage Change
<b>Assets</b>				
Cash and Receivables	\$ 368,565	\$ 430,506	\$ (61,941)	(14.4)%
<b>Total Assets</b>	<b>\$ 368,565</b>	<b>\$ 430,506</b>	<b>\$ (61,941)</b>	<b>(14.4)%</b>
<b>Liabilities</b>				
Accounts Payable and Other	\$ 26,658	\$ 31,636	\$ (4,978)	(15.7)%
Premiums and Fees Payable	1,093	953	140	14.7
Health Care Claims Payable	284,290	228,723	55,567	24.3
<b>Total Liabilities</b>	<b>\$ 312,041</b>	<b>\$ 261,312</b>	<b>\$ 50,729</b>	<b>19.4 %</b>
<b>Total Deferred Inflow of Resources</b>	<b>\$ 281</b>	<b>\$ 895</b>	<b>\$ (614)</b>	<b>(68.6)%</b>
<b>Total Net Position</b>	<b>\$ 56,243</b>	<b>\$ 168,299</b>	<b>\$ (112,056)</b>	<b>(66.6)%</b>

**Statement of Revenues, Expenses, and Changes in Net Position****TRS-ActiveCare**

For the Fiscal Years Ended August 31

(Dollars in Thousands)

	2021	2020	Dollar Change	Percentage Change
<b>Revenues (Operating and Non-Operating)</b>				
Health Care Premiums	\$ 2,178,733	\$ 2,304,205	\$ (125,472)	(5.4)%
Investment Income	2,122	7,854	(5,732)	(73.0)
Other Revenue	143	413	(270)	(65.4)
<b>Total Revenue</b>	<b>\$ 2,180,998</b>	<b>\$ 2,312,472</b>	<b>\$ (131,474)</b>	<b>(5.7)%</b>
<b>Operating Expenses</b>				
Health Care Claims	\$ 2,041,119	\$ 1,932,461	\$ 108,658	5.6 %
Health Care Claims Processing	73,459	115,227	(41,768)	(36.2)
Health Care Fees	1,088	841	247	29.4
Premium Payments to HMOs	173,298	256,851	(83,553)	(32.5)
Administrative Expenses	4,090	3,746	344	9.2
<b>Total Expenses</b>	<b>\$ 2,293,054</b>	<b>\$ 2,309,126</b>	<b>\$ (16,072)</b>	<b>(0.7)%</b>
<b>Change in Net Position</b>	<b>\$ (112,056)</b>	<b>\$ 3,346</b>	<b>\$ (115,402)</b>	<b>(3,449.0)%</b>

**Request for Information**

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Communications Department of the Teacher Retirement System, 1000 Red River Street, Austin, Texas 78701.

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**Basic Financial Statements**

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Exhibit II Statement of Changes in Fiduciary Net Position ..... 36

Exhibit III Statement of Net Position - Proprietary Funds ..... 40

Exhibit IV Statement of Revenues, Expenses, and Changes in Net Position - Proprietary  
Funds ..... 41

Exhibit V Statement of Cash Flows - Proprietary Funds ..... 42

**Exhibit I****Statement of Fiduciary Net Position****Fiduciary Funds**

As of August 31, 2021 (With Comparative Data as of August 31, 2020)

	Pension and Other Post-Employment Benefit (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
<b>Assets</b>		
<b>Cash</b>		
Cash in State Treasury	\$ 356,031,475	\$ 2,316,610,362
Cash in Bank (Note 3B)	214,740,090	—
Cash on Hand (Note 3B)	6,599,065	—
<b>Total Cash</b>	<b>\$ 577,370,630</b>	<b>\$ 2,316,610,362</b>
<b>Receivables</b>		
Sale of Investments	\$ 2,866,430,116	\$ —
Interest and Dividends	291,810,917	4,768,114
Member and Retiree	9,711,299	—
Service Credit Purchase	21,987,755	2,200
Due from Employers	646,166,347	55,220,880
Due from State's General Fund	—	—
Due from Employees Retirement System of Texas	2,518,573	—
Prepaid Expenses and Deposits	1,224,125	—
Other Receivables	3,526,350	344,498,588
<b>Total Receivables</b>	<b>\$ 3,843,375,482</b>	<b>\$ 404,489,782</b>
<b>Investments (Note 1F and 3)</b>		
Short-Term Investments	\$ 8,832,598,665	\$ —
Equity Investments	52,859,244,546	—
Fixed Income Investments	33,611,573,005	—
Alternative Investments	96,097,159,693	—
Derivative Investments	346,207,523	—
Pooled Investments	18,713,652,591	—
<b>Total Investments</b>	<b>\$ 210,460,436,023</b>	<b>\$ —</b>
<b>Invested Securities Lending Collateral</b>	<b>\$ 8,239,392,879</b>	<b>\$ —</b>
<b>Capital Assets (Note 2)</b>		
Intangible Assets	\$ 56,874,167	\$ 13,028,366
Less Accumulated Amortization	(43,331,367)	(217,139)
Depreciable Assets	62,162,448	—
Less Accumulated Depreciation	(42,478,208)	—
Non-Depreciable Assets	18,953,083	—
<b>Total Capital Assets</b>	<b>\$ 52,180,123</b>	<b>\$ 12,811,227</b>
<b>Total Assets</b>	<b>\$ 223,172,755,137</b>	<b>\$ 2,733,911,371</b>

(Continued)

Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds		Custodial Funds	
2021	2020	Child Support Employee Deductions	
\$ 2,672,641,837	\$ 2,106,408,403	\$	6,812
214,740,090	320,110,687		—
6,599,065	7,092,327		—
<b>\$ 2,893,980,992</b>	<b>\$ 2,433,611,417</b>	<b>\$</b>	<b>6,812</b>
\$ 2,866,430,116	\$ 2,077,559,628	\$	—
296,579,031	263,318,579		—
9,711,299	5,891,006		—
21,989,955	12,490,993		—
701,387,227	495,947,592		—
—	35,975,643		—
2,518,573	2,339,914		—
1,224,125	2,799,025		—
348,024,938	341,445,341		—
<b>\$ 4,247,865,264</b>	<b>\$ 3,237,767,721</b>	<b>\$</b>	<b>—</b>
\$ 8,832,598,665	\$ 9,470,466,884	\$	—
52,859,244,546	47,146,352,906		—
33,611,573,005	23,812,737,094		—
96,097,159,693	75,588,432,067		—
346,207,523	523,025,238		—
18,713,652,591	17,061,700,017		—
<b>\$ 210,460,436,023</b>	<b>\$ 173,602,714,206</b>	<b>\$</b>	<b>—</b>
<b>\$ 8,239,392,879</b>	<b>\$ 7,167,587,747</b>	<b>\$</b>	<b>—</b>
\$ 69,902,533	\$ 54,668,221	\$	—
(43,548,506)	(32,676,259)		—
62,162,448	61,607,091		—
(42,478,208)	(40,551,623)		—
18,953,083	23,823,204		—
<b>\$ 64,991,350</b>	<b>\$ 66,870,634</b>	<b>\$</b>	<b>—</b>
<b>\$ 225,906,666,508</b>	<b>\$ 186,508,551,725</b>	<b>\$</b>	<b>6,812</b>

**Exhibit I****Statement of Fiduciary Net Position****Fiduciary Funds**

As of August 31, 2021 (With Comparative Data as of August 31, 2020)

	Pension and Other Post-Employment Benefit (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
<b>Deferred Outflow of Resources</b>		
Related to Participation in ERS' OPEB Plan	\$ 45,751,908	\$ —
<b>Total Deferred Outflow of Resources</b>	<b>\$ 45,751,908</b>	<b>\$ —</b>
<b>Liabilities (Note 1F)</b>		
Accounts Payable	\$ 79,230,141	\$ 4,811,833
Payroll Payable	11,302,057	809,936
Investment Fees Payable	26,410,231	—
Benefits Payable	85,174,026	—
Health Care Claims Payable	—	163,935,428
Fees Payable	—	8,137,359
Net Other Post-Employment Benefit Liability	105,874,471	—
Investments Purchased Payable	2,818,397,399	—
Securities Sold Short	1,607,091,349	—
Obligations Under Reverse Repurchase Agreements	8,130,517,912	—
Collateral Obligations	8,324,434,060	—
Due to State's General Fund	13,643,551	1,613,641
Due to Employees Retirement System of Texas	9,423,002	—
Employee Compensable Absences Payable (Note 4)	13,328,227	940,205
Other Liabilities	86,989	—
Funds Held for Others	—	—
<b>Total Liabilities</b>	<b>\$ 21,224,913,415</b>	<b>\$ 180,248,402</b>
<b>Deferred Inflow of Resources</b>		
Unrealized Lease Incentives	\$ —	\$ —
Deferred Revenue - School Districts	162,677,263	14,420,499
Related to Participation in ERS' OPEB Plan	23,913,871	—
<b>Total Deferred Inflow of Resources</b>	<b>\$ 186,591,134</b>	<b>\$ 14,420,499</b>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 52,180,123	\$ 12,811,227
Restricted for Pensions/Other Post-Employment Benefits	201,754,822,373	2,526,431,243
<b>Net Position Restricted for Pensions and Other Post-Employment Benefits</b>	<b>\$ 201,807,002,496</b>	<b>\$ 2,539,242,470</b>

See accompanying Notes to the Financial Statements.

(Continued)

Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds		Custodial Funds	
2021	2020	Child Support Employee Deductions	
\$ 45,751,908	\$ 42,079,979		—
<b>\$ 45,751,908</b>	<b>\$ 42,079,979</b>		<b>—</b>
\$ 84,041,974	\$ 5,237,187		—
12,111,993	14,251,030		—
26,410,231	24,291,628		—
85,174,026	41,243,854		—
163,935,428	115,966,236		—
8,137,359	30,657,148		—
105,874,471	104,446,218		—
2,818,397,399	2,721,473,295		—
1,607,091,349	1,594,473,921		—
8,130,517,912	7,150,529,625		—
8,324,434,060	7,288,847,952		—
15,257,192	103,286		—
9,423,002	9,194,156		—
14,268,432	14,341,759		—
86,989	77,899		—
—	—		6,812
<b>\$ 21,405,161,817</b>	<b>\$ 19,115,135,194</b>		<b>\$ 6,812</b>
\$ —	\$ 119,153		—
177,097,762	—		—
23,913,871	22,814,182		—
<b>\$ 201,011,633</b>	<b>\$ 22,933,335</b>		<b>—</b>
\$ 64,991,350	\$ 66,870,634		—
204,281,253,616	167,345,692,541		—
<b>\$ 204,346,244,966</b>	<b>\$ 167,412,563,175</b>		<b>—</b>

**Exhibit II**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**

For the Fiscal Year Ended August 31, 2021 (With Comparative Data for August 31, 2020)

	Pension and Other Post-Employment Benefit (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
<b>Additions</b>		
<b>Contributions</b>		
Member	\$ 3,839,243,646	\$ 250,413,572
Non-Employer Contributing Entity - State Employer (Notes 9, 11)	1,879,553,293	447,337,574
Employer	1,420,917,402	288,924,182
State - Higher Education	171,186,024	—
Employer - Paid at State Rate	—	34,226,988
Employer Surcharges (Notes 9, 11)		
Employment after Retirement - Employee Rate	15,288,232	—
Employment after Retirement - Employer Rate	14,891,135	10,876,829
Public Education Employers	501,744,908	—
Supplemental Appropriation - Non-Employer Contributing Entity	261,000,000	5,520,343
Service Credit Purchase - Refundable	36,919,256	—
Service Credit Purchase - Non-Refundable	33,699,533	—
State Contributions for 415 Excess Benefit Arrangement Employees Retirement System of Texas	3,704,048	—
Service Contributions	29,299,864	—
415 Excess Benefit Arrangement	100,877	—
<b>Other</b>		
Federal Revenue (Note 6)	—	173,912,657
Rebate and Discount Income	—	416,754,264
Funds Received for Others	—	—
<b>Total Contributions and Other</b>	<b>\$ 8,207,548,218</b>	<b>\$ 1,627,966,409</b>
<b>Net Investment Income</b>		
Investment Income (Loss)	\$ 40,736,924,780	\$ 9,226,940
Less: Investing Activity Expenses (Schedule 1)	(244,271,586)	—
<b>Total Investment Income (Loss)</b>	<b>\$ 40,492,653,194</b>	<b>\$ 9,226,940</b>
Securities Lending Income (Loss)	\$ 33,185,250	\$ —
Less: Securities Lending Expenses	(13,699,197)	—
<b>Total Securities Income (Loss)</b>	<b>\$ 19,486,053</b>	<b>\$ —</b>
<b>Total Net Investment Income</b>	<b>\$ 40,512,139,247</b>	<b>\$ 9,226,940</b>
<b>Other Additions</b>		
Miscellaneous Revenue	\$ 3,130,786	\$ —
<b>Total Other Additions</b>	<b>\$ 3,130,786</b>	<b>\$ —</b>
<b>Total Additions</b>	<b>\$ 48,722,818,251</b>	<b>\$ 1,637,193,349</b>

(Continued)

Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds		Custodial Funds	
2021	2020	Child Support Employee Deductions	
\$ 4,089,657,218	\$ 3,980,409,584	\$	—
2,326,890,867	2,280,768,167		—
1,709,841,584	1,634,665,619		—
171,186,024	171,733,531		—
34,226,988	32,562,226		—
15,288,232	15,934,274		—
25,767,964	25,485,338		—
501,744,908	461,074,239		—
266,520,343	493,756,971		—
36,919,256	21,455,174		—
33,699,533	24,817,515		—
3,704,048	3,503,046		—
29,299,864	27,517,707		—
100,877	90,117		—
173,912,657	186,169,146		—
416,754,264	423,426,202		—
—	—		64,603
<b>\$ 9,835,514,627</b>	<b>\$ 9,783,368,856</b>	<b>\$</b>	<b>64,603</b>
\$ 40,746,151,720	\$ 11,279,979,427	\$	—
(244,271,586)	(222,312,131)		—
<b>\$ 40,501,880,134</b>	<b>\$ 11,057,667,296</b>	<b>\$</b>	<b>—</b>
\$ 33,185,250	\$ 238,742,128	\$	—
(13,699,197)	(201,956,251)		—
<b>\$ 19,486,053</b>	<b>\$ 36,785,877</b>	<b>\$</b>	<b>—</b>
<b>\$ 40,521,366,187</b>	<b>\$ 11,094,453,173</b>	<b>\$</b>	<b>—</b>
\$ 3,130,786	\$ 10,284,354	\$	—
<b>\$ 3,130,786</b>	<b>\$ 10,284,354</b>	<b>\$</b>	<b>—</b>
<b>\$ 50,360,011,600</b>	<b>\$ 20,888,106,383</b>	<b>\$</b>	<b>64,603</b>

**Exhibit II**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**

For the Fiscal Year Ended August 31, 2021 (With Comparative Data for August 31, 2020)

	Pension and Other Post-Employment Benefit (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
<b>Deductions</b>		
Benefits	\$ 11,686,211,054	\$ —
Refunds of Contributions - Active	440,690,976	—
Refunds of Contributions - Death	8,444,658	—
415 Excess Benefit Arrangement Paid to Employees Retirement System of Texas	3,569,248	—
Benefits Paid to Employees Retirement System of Texas		
Service Contributions	112,294,348	—
415 Excess Benefit Arrangement	235,677	—
Other Post Employment Benefit Expense	9,255,187	—
Health Care Claims	—	1,553,439,820
Less: Health Care Premiums Paid by Retirees (Note 1)	—	(533,595,349)
Health Care Claims Processing	—	30,725,591
Insurance Premium Payments	—	15,489,580
Affordable Care Act Fees	—	20,302,785
Funds Paid to Others	—	—
Administrative Expenses, Excluding Investing Activity Expenses		
Salaries and Wages	35,960,590	1,216,409
Payroll Related Costs	749,562	1,020,786
Professional Fees and Services	2,702,611	1,846,046
Travel	10,674	947
Materials and Supplies	3,501,862	681,847
Communications and Utilities	1,219,403	71,932
Repairs and Maintenance	4,987,774	1,054,229
Rentals and Leases	344,193	92,110
Printing and Reproduction	202,474	9,834
Depreciation Expense	1,884,655	—
Amortization Expense	10,655,108	217,139
Gain/Loss on Capital Assets	—	—
Other Expenses	9,140,944	1,695,105
<b>Total Deductions</b>	<b>\$ 12,332,060,998</b>	<b>\$ 1,094,268,811</b>
<b>Net Increase (Decrease) in Net Position</b>	<b>\$ 36,390,757,253</b>	<b>\$ 542,924,538</b>
Beginning Net Position Restricted for Pensions and Other Post-Employment Benefits	\$ 165,416,245,243	\$ 1,996,317,932
<b>Ending Net Position Restricted for Pensions and Other Post-Employment Benefits</b>	<b>\$ 201,807,002,496</b>	<b>\$ 2,539,242,470</b>

See accompanying Notes to the Financial Statements.

(Continued)

Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds		Custodial Funds
2021	2020	Child Support Employee Deductions
\$ 11,686,211,054	\$ 10,972,292,168	\$ —
440,690,976	415,829,519	—
8,444,658	5,536,660	—
3,569,248	3,346,831	—
112,294,348	107,757,217	—
235,677	246,332	—
9,255,187	7,734,365	—
1,553,439,820	1,538,211,599	—
(533,595,349)	(499,057,861)	—
30,725,591	37,420,201	—
15,489,580	51,410,469	—
20,302,785	30,832,642	—
—	—	64,603
37,176,999	33,646,776	—
1,770,348	1,244,838	—
4,548,657	8,594,103	—
11,621	197,937	—
4,183,709	4,771,472	—
1,291,335	894,295	—
6,042,003	3,276,660	—
436,303	454,492	—
212,308	133,215	—
1,884,655	2,636,125	—
10,872,247	10,299,336	—
—	—	—
10,836,049	8,055,241	—
<b>\$ 13,426,329,809</b>	<b>\$ 12,745,764,632</b>	<b>\$ 64,603</b>
<b>\$ 36,933,681,791</b>	<b>\$ 8,142,341,751</b>	<b>\$ —</b>
\$ 167,412,563,175	\$ 159,270,221,424	\$ —
<b>\$ 204,346,244,966</b>	<b>\$ 167,412,563,175</b>	<b>\$ —</b>

**Exhibit III****Statement of Net Position****Proprietary Funds**

As of August 31, 2021 (With Comparative Data as of August 31, 2020)

	Enterprise Funds-Major TRS-ActiveCare	
	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
<b>Cash</b>		
Cash In State Treasury	\$ 312,963,644	\$ 368,971,478
Cash On Hand	—	—
<b>Total Cash</b>	<b>\$ 312,963,644</b>	<b>\$ 368,971,478</b>
<b>Receivables</b>		
Interest	\$ 1,667,199	\$ 1,667,199
Health Care Premiums	469,624	—
Rebate and Discount Income	53,464,792	59,867,660
<b>Total Receivables</b>	<b>\$ 55,601,615</b>	<b>\$ 61,534,859</b>
<b>Total Assets</b>	<b>\$ 368,565,259</b>	<b>\$ 430,506,337</b>
<b>Liabilities (Note 1F)</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 26,266,518	\$ 31,528,523
Payroll Payable	148,326	54,938
Fees Payable	1,093,492	952,996
Premiums Payable to HMOs	—	—
Health Care Claims Payable	284,289,922	228,723,434
Employee Compensable Absences Payable (Note 4)	163,798	30,461
<b>Total Current Liabilities</b>	<b>\$ 311,962,056</b>	<b>\$ 261,290,352</b>
<b>Non-Current Liabilities</b>		
Employee Compensable Absences Payable (Note 4)	\$ 79,706	\$ 22,045
<b>Total Non-Current Liabilities</b>	<b>\$ 79,706</b>	<b>\$ 22,045</b>
<b>Total Liabilities</b>	<b>\$ 312,041,762</b>	<b>\$ 261,312,397</b>
<b>Deferred Inflow of Resources</b>		
Deferred Revenue - School Districts	\$ 280,544	\$ 894,596
<b>Total Deferred Inflow of Resources</b>	<b>\$ 280,544</b>	<b>\$ 894,596</b>
<b>Net Position</b>		
Restricted for Health Care Programs	\$ 56,242,953	\$ 168,299,344
<b>Total Net Position</b>	<b>\$ 56,242,953</b>	<b>\$ 168,299,344</b>

See accompanying Notes to the Financial Statements.

**Exhibit IV**  
**Statement of Revenues, Expenses, and Changes in Net Position**
**Proprietary Funds**

For the Fiscal Year Ended August 31, 2021 (With Comparative Data for August 31, 2020)

	Enterprise Funds-Major	
	TRS-ActiveCare	
	2021	2020
<b>Operating Revenues</b>		
Health Care Premiums	\$ 2,031,686,347	\$ 2,158,997,317
Rebate and Discount Income	147,047,176	145,208,054
Administrative Fees	142,718	145,265
<b>Total Operating Revenues</b>	<b>\$ 2,178,876,241</b>	<b>\$ 2,304,350,636</b>
<b>Operating Expenses</b>		
Health Care Claims	\$ 2,041,118,606	\$ 1,932,461,054
Health Care Claims Processing	73,459,141	115,227,048
Premium Payments to HMOs	173,297,782	256,850,839
Affordable Care Act Fees	1,087,842	841,249
Administrative Expenses		
Salaries and Wages	1,918,036	1,834,500
Payroll Related Costs	204,835	309,932
Professional Fees and Services	1,247,051	978,464
Travel	348	19,049
Materials and Supplies	81,910	67,099
Communications and Utilities	29,714	49,317
Repairs and Maintenance	580,371	158,883
Rentals and Leases	639	9,287
Printing and Reproduction	—	336
Other Expenses	28,081	319,320
<b>Total Operating Expenses</b>	<b>\$ 2,293,054,356</b>	<b>\$ 2,309,126,377</b>
<b>Operating Income (Loss)</b>	<b>\$ (114,178,115)</b>	<b>\$ (4,775,741)</b>
<b>Non-Operating Revenues</b>		
Investment Income	\$ 2,121,724	\$ 7,853,806
Other Non-Operating Revenues	—	268,048
<b>Total Non-Operating Revenues</b>	<b>\$ 2,121,724</b>	<b>\$ 8,121,854</b>
<b>Change in Net Position</b>	<b>\$ (112,056,391)</b>	<b>\$ 3,346,113</b>
<b>Beginning Net Position</b>	<b>\$ 168,299,344</b>	<b>\$ 164,953,231</b>
<b>Ending Net Position</b>	<b>\$ 56,242,953</b>	<b>\$ 168,299,344</b>

See accompanying Notes to the Financial Statements.

**Exhibit V**  
**Statement of Cash Flows**  
**Proprietary Funds**

For the Fiscal Year Ended August 31, 2021 (With Comparative Data for August 31, 2020)

	Enterprise Funds-Major TRS-ActiveCare	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Receipts from Health Care Premiums	\$ 2,030,602,671	\$ 2,158,001,197
Receipts from Rebate and Discount Income	153,450,044	143,541,426
Receipts from Long-Term Care Administrative Fees	142,718	145,265
Payments for Administrative Expenses	(9,068,604)	17,956,920
Payments for Health Care Claims	(1,985,552,118)	(1,920,124,602)
Payments for Health Care Claims Processing	(73,459,141)	(115,227,048)
Payments for HMO Premiums	(173,297,782)	(276,739,913)
Payments for Affordable Care Act Fees	(947,346)	(931,549)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (58,129,558)</b>	<b>\$ 6,621,696</b>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Proceeds from Other Non-Operating Revenues	\$ —	\$ 268,048
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>\$ —</b>	<b>\$ 268,048</b>
<b>Cash Flows from Investing Activities</b>		
Interest Received	\$ 2,121,724	\$ 7,589,058
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>\$ 2,121,724</b>	<b>\$ 7,589,058</b>
<b>Net Increase (Decrease) in Cash</b>	<b>\$ (56,007,834)</b>	<b>\$ 14,478,802</b>
Beginning Cash and Cash Equivalents	\$ 368,971,478	\$ 354,492,676
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 312,963,644</b>	<b>\$ 368,971,478</b>

**Exhibit V**  
**Statement of Cash Flows**  
**Proprietary Funds**

For the Fiscal Year Ended August 31, 2021 (With Comparative Data for August 31, 2020)

	Enterprise Funds-Major TRIS-ActiveCare	
	2021	2020
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
<b>Operating Income (Loss)</b>	<b>\$ (114,178,115)</b>	<b>\$ (4,775,741)</b>
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
<b>Changes in Assets &amp; Liabilities</b>		
(Increase) Decrease in Health Care Premium Receivables	\$ (1,083,676)	\$ (996,120)
(Increase) Decrease in Rebate and Discount Income	6,402,868	(1,666,628)
Increase (Decrease) in Premiums Payable to HMOs	—	(19,889,074)
Increase (Decrease) in Health Care Claims Payable	55,566,488	12,336,452
Increase (Decrease) in Affordable Care Act Fees Payable	140,496	(90,300)
Increase (Decrease) in Accounts Payable	(5,262,005)	22,087,346
Increase (Decrease) in Payroll Payable	93,388	(176,654)
Increase (Decrease) in Employee Compensable Absences Payable	190,998	(207,585)
<b>Total Adjustments</b>	<b>\$ 56,048,557</b>	<b>\$ 11,397,437</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (58,129,558)</b>	<b>\$ 6,621,696</b>

See accompanying Notes to the Financial Statements.

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**Notes to the Financial Statements**

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## **Note 1: Summary of Significant Accounting Policies**

### **A. Reporting Entity**

The Teacher Retirement System of Texas (TRS or System) is a separate legal entity and considered a discrete component unit of the State of Texas. The System is governed by a nine member board of trustees which has significant independence in the operation and management of the System under the provisions of the state constitution and laws. The trustees serve staggered six-year terms that expire on August 31 of odd numbered years and are all appointed by the Governor pursuant to Texas Government Code Title 8, Subtitle C, Chapter 825. The trustees are appointed as follows:

- Three direct appointments by the Governor
- Two appointments from a list nominated by the State Board of Education
- Two appointments from three active member candidates from a public school, charter school, regional service center, nominated by members of those districts
- One appointment from three retired member candidates nominated by TRS retirees
- One at-large appointment selected from three candidates nominated from active members of any public or charter school, regional service center, institute of higher learning, or from TRS retirees

The state legislature confirms trustees appointed by the governor, establishes laws with regard to structure, benefits and contributions, and authorizes Pension Trust Fund administrative expenses. State contributions and appropriations received by TRS are determined by the legislature.

This report includes all activities and programs for which TRS exercises fiscal control and responsibility and includes all funds that comprise the System's legal entity.

TRS administers retirement and related benefits to employees and beneficiaries of employees of public, state-supported, educational institutions of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The Pension Trust Fund is a multiple-employer, cost-sharing, defined benefit pension plan with a special funding situation that is a qualified pension trust under Section 401(a) of the Internal Revenue Code.

The System administers the Texas Public School Retired Employees Group Insurance Program and the Texas Active School Employees Uniform Group Benefits Program. These programs provide two separate health care plans, TRS-Care and TRS-ActiveCare, respectively.

TRS-Care is considered an employee benefit trust fund and provides health care coverage for certain persons, and their dependents, who retire under TRS. The statutory authority for the program is Texas Insurance Code, Title 8, Subtitle H, Chapter 1575 and Texas Administrative Code, Title 34, Part 3, Chapter 41. The inception of the plan was fiscal year 1986.

TRS-ActiveCare provides health care coverage to employees, and their dependents, of participating public education entities. Optional life and long-term care insurance, which are provided to active members and retirees, are also accounted for in the fund. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002.

A Custodial Fund is used to account for garnishments of salaries and wages for child support payments from TRS employees.

### **B. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The System's accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, additions/revenues and deductions/expenses. The following fund types are used to reflect the System's transactions:

- Fiduciary Funds include the Pension Trust Fund, TRS-Care (employee benefits trust fund), and the Custodial Fund.
- Proprietary Funds include TRS-ActiveCare which is an Enterprise fund. TRS-ActiveCare is considered a major fund.

Fiduciary funds are used to report assets held in a trustee or custodial capacity for others. The reporting focus is on net position and changes in net position. The pension and other post-employment benefit trust funds are used to report resources held in trust for the members and beneficiaries of the defined benefit pension plan and the other post-employment benefit plan. Custodial funds are a type of fiduciary fund used to report assets collected and transferred to the State or other entities. Custodial funds do not measure the results of operations. Assets and liabilities are recorded using the accrual basis of accounting.

Enterprise funds are a type of proprietary fund used to report any activity for which a fee is charged to external users for goods or services. The reporting focus is on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds distinguish operating activities from non-operating. Operating activities generally result from providing services and producing or delivering goods. Operating revenues for the System's proprietary fund is derived from self-insurance premiums. Operating expenses include the costs of claims and related administrative expenses. Non-operating revenues and expenses are those items that do not meet any of the above definitions.

Separate financial statements are provided for each fund. The fiduciary, excluding custodial funds, and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Additions are recognized when earned, and deductions are recognized when the liability is incurred, regardless of the timing of related cash flows. Contributions are recognized in the period in which amounts are due, pursuant to state law. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. All economic resources, including financial and capital assets, and related liabilities, both current and long-term, and the changes therein are reported in each funds' financial statements.

### **C. New Accounting Pronouncements**

The accompanying financial statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). There were no new GASB statements issued that relate to TRS in fiscal year 2021.

### **D. Comparative Data in Total**

The basic financial statements include certain prior year summarized comparative data in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the fiscal year ended August 31, 2020, from which the summarized information was derived.

### **E. Budgets and Appropriations**

The administrative costs and capital asset outlay for each of the System's funds and programs are controlled by annual budgets approved by the Board of Trustees.

The Pension Trust Fund receives state contributions from the Texas Legislature's general revenue appropriations for retirement benefits for active members employed by a participating employer. In fiscal year 2021, contributions were made by the State of Texas to the System at the rate of 7.5 percent of the pensionable compensation paid to active members for each year.

Although appropriated by the legislature, expenses for the Pension Trust Fund administrative operations and capital expenditures are paid from the Pension Trust Fund and not from the State's General Fund.

TRS-Care received contributions from the State's General Fund equal to 1.25 percent of salaries paid to public education employees in fiscal year 2021. Administrative expenses for this program are paid from the TRS-Care trust fund.

The 86th Texas legislature enacted SB1264 that appropriated funding to TRS-Care for consumer protection against medical and health care billing by out-of-network providers. \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021 will be funded in fiscal year 2021.

TRS-ActiveCare is an Enterprise Fund supported by fees and receives no appropriations from the State for administrative expenses.

TRS administers a governmental excess benefit arrangement under section 415(m) of the Internal Revenue Code of 1986 (26 U.S.C.). Authorized under the provisions of the Texas Government Code, Title 8, Subtitle C, Section 825.517, this program created a separate, non-qualified, unfunded excess benefit arrangement outside the Pension Trust Fund of the retirement system.

Contributions to the excess benefit arrangement are made from the State's general revenue appropriations. These contributions are not held in trust and may not be commingled with other funds of the retirement system. They yield no net position. Therefore, for reporting purposes, only the contributions and benefits are reflected on Exhibit II, Statement of Changes in Fiduciary Net Position.

## **F. Assets, Liabilities, and Legal Reserves**

### **Cash**

Cash includes investments with an original maturity of three months or less that are used for cash management instead of investing activities.

### **Receivables**

Receivables represent the amount of money owed to TRS for goods or services delivered or used that have not been received at fiscal year-end.

- Sale of Investments receivables occur when the trade date is before the fiscal year-end and the settlement date is in the next fiscal year.
- Interest and Dividends receivables represent distributions of income made on bank accounts and other investments that TRS earned in the current fiscal year but did not receive until after fiscal year-end.
- Member and Retiree receivables represent contributions that are due from members.
- Service Credit Purchase receivables represent the outstanding balance due from members on service credit purchase installment contracts. Payments can be made on a monthly basis for up to five years for purchasing additional creditable service. Receivables are recognized when an agreement is signed.
- Due from Employers receivables represent contributions that are due from participating employers.
- Due from State's General Fund receivables represent amounts owed to TRS for contributions not received from the State.
- Due from Employees Retirement System of Texas (ERS) receivables represent ERS' share of current year retirement benefits that are due to TRS for retirees' service earned from ERS.
- Prepaid Expenses and Deposits receivables represent refundable security deposits paid on lease agreements that TRS has entered into.
- Other Receivables represent amounts owed to TRS such as refunds, annuity repayments and Healthcare Premiums due from retirees.

### **Investments**

Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Measurement, recognition, or disclosure of an asset or liability depends on the aggregation or disaggregation of the unit of account of the asset or liability. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. TRS has investments that have values not based on quoted market prices.

### Capital Assets

Capital assets associated with the funds' activities are included in the Statement of Net Position. Purchases of capital assets by the fund are reported at cost on the acquisition date. Donated capital assets, donated works of art, and similar items are reported at acquisition value. Depreciation of all exhaustible capital assets is charged as an expense against the fund's operations. Depreciation is calculated using the straight-line method over the asset's useful life. Note 2 includes a table identifying the capitalization threshold and estimated useful life by asset type.

### Deferred Outflow of Resources

Deferred outflow of resources represent a consumption of net assets that applies to a future period and will not be recognized as an expense until that future period.

- Related to Participation in ERS' Other Post-Employment Benefit (OPEB) plan represents amounts for OPEB expenses that will be recognized in future periods. See Note 10.

### Liabilities

Liabilities represent the amount of money TRS owes to others for goods or services purchased that have not been paid at fiscal year-end.

- Accounts Payable represents the liability that exists for goods and services purchased.
- Payroll Payable represents the liability for employee salaries.
- Investment Fees Payable represents fees due to external investment managers and the custodian bank.
- Benefits Payable represents the liability for retirement, disability, and death benefits due at fiscal year-end and payable within the next 30 days.
- Health Care Claims Payable includes an estimate for health care claims incurred but not reported to the System.
- Fees Payable represents health insurance provider fees.
- Net Other Post-Employment Benefit Liability represents TRS' share of the ERS plan Net OPEB Liability.
- Investments Purchased Payable represents the liability for securities purchased. Foreign investments purchased payable is reported at current exchange rates.
- Securities Sold Short represents obligations to deliver securities which include Equities and Rights.
- Obligations Under Reverse Repurchase Agreements represent the short-term capital borrowed from lending institutions or investors.
- Collateral Obligations represent cash collateral received from borrowers for derivative instruments and the securities lending program.
- Due to State's General Fund represents amounts owed to the State for excess contributions received during the year.
- Due to Employees Retirement System of Texas represents amounts owed for current year retirement benefits due to ERS for retirees' service earned from TRS.
- Employee Compensable Absences Payable represents amounts owed to employees for compensatory time earned.

- Other Liabilities represent taxes payable by the blended component unit, Teacher Retirement Investment Company of Texas, Ltd. (TRICOT). See Note 13.

### Deferred Inflow of Resources

Deferred Inflow of Resources represent an acquisition of net assets that applies to a future period and will not be recognized as income until that future period.

- Unrealized Lease Incentives represent amounts for lease incentives granted to TRS at the inception of a lease that is amortized over future periods.
- Deferred Revenue represents payments for future contributions received during the fiscal year.
- Related to Participation in ERS' OPEB Plan represents amounts for OPEB revenues that will be recognized in future periods. See Note 10.

### Interfund/Interagency Transactions and Balances

The Pension Trust Fund provides various administrative services to other TRS programs and accounts for these services as reciprocal interfund activity. These transactions are reported using the appropriate classification accounts for additions/revenues or deductions/expenses as if transacted with parties external to the State. They are not presented as transfers. The interfund receivables and payables related to reciprocal interfund activity are classified as receivables and accounts payable on the financial statements.

Interagency transactions have been classified using the above criteria for reciprocal interfund activity.

### Note 2: Capital Assets

Capital assets are presented at historical cost or, if not purchased, at fair value at the date of acquisition. When appropriate, straight-line depreciation and amortization have been charged over the shorter of the estimated useful lives of the assets or the lease period.

All capital assets belong to either the Pension Trust Fund or the TRS-Care Fund. Asset and depreciation balances, capitalization thresholds, and depreciable lives for all capital asset classes are shown in the following tables.

<b>Asset Class</b>	<b>Capitalization Threshold</b>	<b>Depreciable Life</b>
Land	\$ —	—
Construction in Progress	—	—
Artwork	—	—
Buildings and Building Improvements	100,000	10-50 years
Furniture and Equipment	5,000	3-10 years
Vehicles, Boats, and Aircraft	5,000	7 years
Leasehold Improvements	100,000	6-22 years
Facilities and Other Improvements	100,000	10-20 years
Internally Generated Computer Software	1,000,000	5 years
Other Computer Software	100,000	5 years

**Table 2.2: Capital Asset Activity**

Asset Class	Balance 9/1/2020	Adjustments	Reclasses & Completed CIP	Additions	Deletions	Balance 8/31/2021 (Exhibit I)
<b>Non-Depreciable Assets</b>						
Land and Land Improvements	\$ 1,658,310	\$ —	\$ —	\$ —	\$ —	\$ 1,658,310
Construction in Progress	22,040,758	—	(7,570,121)	2,700,000	—	17,170,637
Artwork	124,136	—	—	—	—	124,136
<b>Total Non-Depreciable Assets</b>	<b>\$ 23,823,204</b>	<b>\$ —</b>	<b>\$ (7,570,121)</b>	<b>\$ 2,700,000</b>	<b>\$ —</b>	<b>\$ 18,953,083</b>
<b>Depreciable Assets</b>						
Buildings and Building Improvements	\$ 43,048,735	\$ —	\$ —	\$ —	\$ —	\$ 43,048,735
Furniture and Equipment	14,156,843	—	—	996,142	(440,785)	14,712,200
Vehicle, Boats, and Aircraft	47,113	—	—	—	—	47,113
Leasehold Improvements	3,712,318	—	—	—	—	3,712,318
Facilities and Other Improvements	642,082	—	—	—	—	642,082
<b>Total Depreciable Assets</b>	<b>\$ 61,607,091</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 996,142</b>	<b>\$ (440,785)</b>	<b>\$ 62,162,448</b>
<b>Accumulated Depreciation</b>						
Buildings and Building Improvements	\$(26,327,173)	\$ —	\$ —	\$(1,186,689)	\$ —	\$(27,513,862)
Furniture and Equipment	(10,605,552)	—	—	(1,115,614)	440,785	(11,280,381)
Vehicles, Boats, and Aircraft	(44,525)	—	—	(739)	—	(45,264)
Leasehold Improvements	(3,208,624)	—	—	(28,006)	—	(3,236,630)
Facilities and Other Improvements	(365,749)	—	—	(36,322)	—	(402,071)
<b>Total Accumulated Depreciation</b>	<b>\$(40,551,623)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$(2,367,370)</b>	<b>\$ 440,785</b>	<b>\$(42,478,208)</b>
<b>Total Net Depreciable Assets</b>	<b>\$ 21,055,468</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$(1,371,228)</b>	<b>\$ —</b>	<b>\$ 19,684,240</b>
<b>Intangible Assets</b>						
Computer Software	\$ 54,668,221	\$ —	\$ 7,570,121	\$ 7,664,191	\$ —	\$ 69,902,533
<b>Total Intangible Assets</b>	<b>\$ 54,668,221</b>	<b>\$ —</b>	<b>\$ 7,570,121</b>	<b>\$ 7,664,191</b>	<b>\$ —</b>	<b>\$ 69,902,533</b>
<b>Accumulated Amortization</b>						
Computer Software	\$(32,676,259)	\$ —	\$ —	\$(10,872,247)	\$ —	\$(43,548,506)
<b>Total Accumulated Amortization</b>	<b>\$(32,676,259)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$(10,872,247)</b>	<b>\$ —</b>	<b>\$(43,548,506)</b>
<b>Total Net Intangible Assets</b>	<b>\$ 21,991,962</b>	<b>\$ —</b>	<b>\$ 7,570,121</b>	<b>\$(3,208,056)</b>	<b>\$ —</b>	<b>\$ 26,354,027</b>
<b>Total Net Capital Assets</b>	<b>\$ 66,870,634</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$(1,879,284)</b>	<b>\$ —</b>	<b>\$ 64,991,350</b>

### Note 3: Deposits and Investments

#### A. Investment Policy and Target Asset Allocation

The Board of Trustees has the primary fiduciary responsibility for investing TRS trust assets in accordance with Article XVI, Section 67 of the Texas Constitution and with applicable law. The Board adopts the Investment Policy Statement which establishes investment objectives and policy, obtains expert advice and assistance, and oversees the employment of a qualified and competent investment staff (Investment Management Division) and legal staff.

The Board also monitors the actions of staff, consultants, and advisors to ensure compliance with its policies. The current Investment Policy Statement has been in effect since October 1, 2020, and there were no significant investment policy changes during the reporting period. For the fiscal year ended August 31, 2021, there were no significant violations of state statute, investment policy, or contractual provisions. The Statement in its entirety can be accessed at [www.trs.texas.gov](http://www.trs.texas.gov).

The total or overall investment portfolio includes all assets invested by TRS to provide retirement, death, health, and disability benefits administered by the System, and is structured and managed to achieve the following objectives:

- a. Control risk through proper diversification of asset classes and by establishing long-term risk and return expectations; and
- b. As applicable to the pension plan, achieve a long-term rate of return that:
  - i. Exceeds the assumed actuarial rate of return adopted by the Board;
  - ii. Exceeds the long-term rate of inflation by an annualized 5 percent; and
  - iii. Exceeds the return of the Fund Policy Benchmark.

Categories of permissible investments include cash equivalents, debt securities, private markets, derivative instruments, mutual funds, closed-end funds, publicly traded or Rule 144A assets, and commingled funds. The target asset allocation, long-term expected real rate of return, and expected contribution to long-term portfolio returns by asset class set forth in the Investment Policy Statement is shown as of August 31, 2021.

**Table 3.A.1: Asset Allocations**

<b>Asset Class*</b>	<b>Target Allocation %**</b>	<b>Long-Term Expected Geometric Real Rate of Return***</b>	<b>Expected Contribution to Long-Term Portfolio Returns</b>
<b>Global Equity</b>			
USA	18.0 %	3.6 %	0.94 %
Non-US Developed	13.0	4.4	0.83
Emerging Markets	9.0	4.6	0.74
Private Equity	14.0	6.3	1.36
<b>Stable Value</b>			
Government Bonds	16.0 %	(0.2)%	0.01 %
Absolute Return	0.0	1.1	0.00
Stable Value Hedge Funds	5.0	2.2	0.12
<b>Real Return</b>			
Real Estate	15.0 %	4.5 %	1.00 %
Energy, Natural Resources & Infrastructure	6.0	4.7	0.35
Commodities	0.0	1.7	0.00
<b>Risk Parity</b>	8.0 %	2.8 %	0.28 %
<b>Asset Allocation Leverage</b>			
Cash	2.0 %	(0.7)%	(0.01)%
Asset Allocation Leverage	(6.0)	(0.5)	0.03
Inflation Expectation			2.20 %
Volatility Drag****			(0.95)%
<b>Expected Return</b>	<b>100.0 %</b>		<b>6.90 %</b>
*Absolute Return includes Credit Sensitive Investments.			
**Target allocations are based on the FY2021 policy model.			
***Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021).			
****The volatility drag results from the conversion between arithmetic and geometric mean returns.			

For the fiscal year ended August 31, 2021, the annual money-weighted rate of return on pension plan investments was 25.0 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

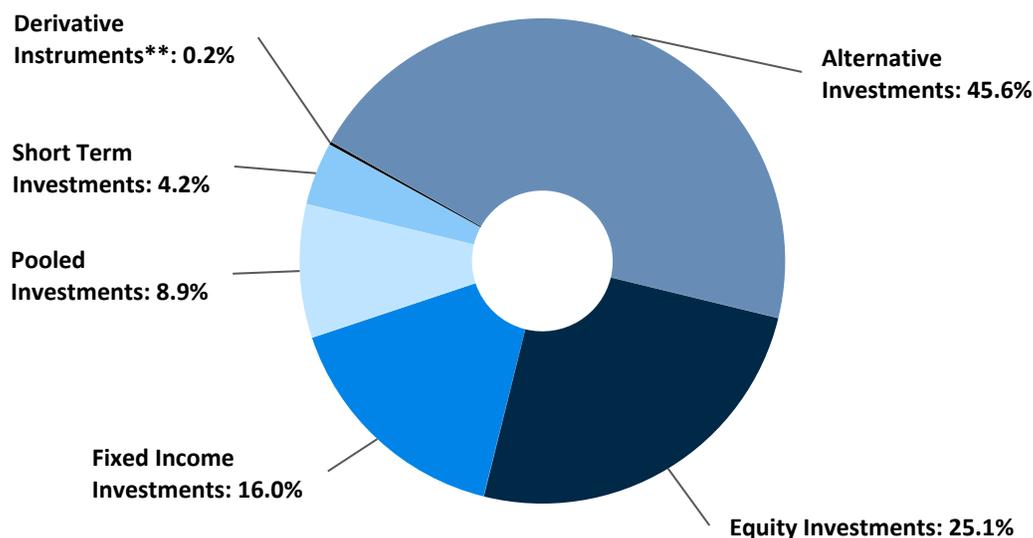
## B. Cash and Deposits

Cash and deposits of the System are maintained in bank accounts and in the State of Texas Treasury. The Treasury invests funds in time deposits, repurchase and reverse repurchase agreements, obligations of the United States government, and obligations of federal credit organizations. The Treasury has an arrangement with financial institutions to collateralize state deposits in excess of depository insurance. As of August 31, 2021. The carrying amount of the system's bank accounts totaled \$214,740,090, the bank balance totaled \$214,740,268, and cash on hand totaled \$6,599,065.

## C. Investments

The chart below presents net investments of the System (excluding securities lending collateral and obligations) allocated based on investment classifications within the Statement of Fiduciary Net Position as of August 31, 2021.

### Asset Allocation of Investments based on the Statement of Fiduciary Net Position\*



\*An overview of each investment type is provided in Note 3.C. of the Notes to the Financial Statements including the fair value of each component.

\*\*Derivative instruments are reported on a net basis in the chart above. Please refer to Note 3.D. of the Notes to the Financial Statements for more information.

### Fair Value Measurement Techniques

Fair value maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value, assigning the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Fair value inputs are categorized into the following three levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the System's measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly;
- Level 3 - Unobservable inputs for an asset or liability.

For investments that do not have a readily determinable fair value and fall outside of the fair value hierarchy, the System establishes fair value by utilizing the Net Asset Value Per Share (NAVPS), or its equivalent, as a practical expedient, provided all of the following criteria are met:

- Fair value is not readily determinable;
- The NAVPS is calculated consistently with the Financial Accounting Standards Board's measurement principles for investment companies (Accounting and Standards Codification Topic 946);
- The NAVPS represents a proportionate share of the net assets to which it is attributed;
- And the NAVPS is provided by the investee.

The System obtains the NAVPS from the most recent capital account statement or audited financial statement issued by a General Partner or Fund Administrator. If either statement's fiscal year-end does not coincide with the

System's fiscal year-end, the NAVPS is adjusted for any distributions or contributions that occur subsequent to the statement's measurement date through the System's fiscal year-end.

### **Short-Term Investments**

Short-Term Investments include Short-Term Foreign Currency Contracts, Short-Term Investment Funds (STIF), Short-Term Commingled Funds, and Treasury Bills.

Short-Term Foreign Currency Contracts are priced at the spot rate in active markets and valued at Level 1. U.S. Treasury Bills are priced at the last sale price of the primary exchange and valued at Level 1.

The STIF is a 2a-7 like fund and is priced at the NAVPS by the custodian bank, State Street Bank and Trust Company. Short-Term Commingled Funds are valued at the NAVPS by the General Partner or Fund Administrator.

### **Equity Investments**

Equity Investments include both Domestic and International Equities.

Equities priced at the last sale price in their respective active markets are valued at Level 1.

Equities that are not actively traded and have a stale price as of the System's measurement date are valued at Level 3.

### **Fixed Income Investments**

Fixed Income Investments include Asset and Mortgage Backed Bonds, Domestic Corporate Bonds, International Corporate Bonds, Sovereign Government Issue Bonds, U.S. Government Agency Bonds, U.S. Treasury Bonds, U.S. Treasury STRIPS, and U.S. TIPS.

U.S. Treasury Bonds priced at the last sale price of the primary exchange are valued at Level 1.

Fixed Income Investments priced using a bid evaluation matrix pricing technique that is based on their relationship to non-proprietary index market quotations, yields, maturities, call features, and ratings are valued at Level 2.

Corporate Bonds priced at Level 3 are valued by a third party.

### **Alternative Investments**

Alternative Investments include Privately Held Equity, Privately Held Debt, Absolute Return, Hedge Funds, Energy, Natural Resources and Infrastructure, Private Equity, Real Estate, and Risk Parity.

Privately Held Equity and Debt are priced by a third party that uses a guideline market multiples approach and a sum of parts valuation analysis is valued at Level 3.

All other Alternative Investments are valued at the NAVPS by the General Partners or Fund Administrators.

### **Derivative Instruments**

Derivative Instruments include Forwards, Futures, Options, Rights, Swaps, and Warrants, and they are either executed on an exchange or in a bilateral deal in an over-the-counter (OTC) market with an International Swaps and Derivatives Association (ISDA) counterparty as a broker.

Derivative Instruments priced at the last sale price in their respective active markets are valued at Level 1.

Derivative Instrument that are valued using a matrix pricing technique that are based on their relationship to benchmark quoted prices are valued at Level 2.

Derivative Instruments that are not actively traded and have a stale price as of the System's measurement date are valued at Level 3.

### **Pooled Investments**

Pooled Investments include Commingled Equity, Commingled Fixed Income, and Mutual Funds and are priced at the NAVPS by the General Partners or Fund Administrators.

### Other Fair Value Measurements

Invested Securities Lending Collateral is comprised of the reinvested cash collateral received from borrowers in the securities lending program, in addition to the operating costs of the program. Securities priced at the last sale price in their respective active markets are valued at Level 1. Securities priced using a bid evaluation matrix pricing technique that is based on their relationships to non-proprietary index market quotations, yields, maturities, call features, and ratings are valued at Level 2. Securities priced at amortized cost and not exchange traded are valued at Level 3.

Securities Sold Short represent obligations to deliver securities which include Equities and Rights. These obligations are priced at fair value at the last sale price in their respective active markets and valued at Level 1 in the fair value hierarchy.

### Fair Value Measurements and Unfunded Commitments

The recurring fair value measurement of the System as of August 31, 2021 are reported on the following page.

The System manages unfunded capital commitments that it is legally obligated to fund when called by a General Partner. Funding of committed capital occurs over an extended time period and may take several years before the total allocation to each asset class is fully invested. Because an individual investment may begin to return capital to the system prior to the full funding of the system's commitment, the outstanding invested capital of the investment might at times be substantially less than the total commitment.

The System's unfunded capital commitment balance is presented as of August 31, 2021. Additionally, as of August 31, 2021, the System reported an unfunded capital commitment balance of \$835,719,390 that has not yet been allocated to a specific Alternative Investment type and an unfunded capital commitment balance of \$75,000,000 for externally managed funds that are not reported at the NAVPS.

As of August 31, 2021, the System has no plans to sell investments for an amount different from the NAVPS (or its equivalent), and all investments to be sold have been identified.

**Table 3.C.1: Fair Value Measurement**

Investments and Other Items	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Short-Term Investments</b>				
Short-Term Foreign Currency Contracts	\$ 34,853	\$ 34,853	\$ —	\$ —
U.S. Treasury Bills	29,999,649	29,999,648	—	—
<b>Total Short-Term Investments</b>	<b>\$ 30,034,502</b>	<b>\$ 30,034,501</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Equity Investments</b>				
Domestic Equity	\$ 21,545,030,559	\$ 21,544,992,790	\$ —	\$ 37,769
International Equity	31,314,213,987	31,277,916,538	—	36,297,449
<b>Total Equity Investments</b>	<b>\$ 52,859,244,546</b>	<b>\$ 52,822,909,328</b>	<b>\$ —</b>	<b>\$ 36,335,218</b>
<b>Fixed Income Investments</b>				
Asset and Mortgage Backed Bonds	\$ 14,641,830	\$ —	\$ 14,641,830	\$ —
Domestic Corporate Bonds	579	—	552	27
International Corporate Bonds	1,311	—	1,311	—
Sovereign Government Issue Bonds	2,333,938,530	—	2,333,938,530	—
U.S. Government Agency Bonds	1,881,178	—	1,881,178	—
U.S. Treasury Bonds	28,298,715,318	28,298,715,318	—	—
U.S. Treasury STRIPS	12,525,414	—	12,525,414	—
U.S. TIPS	2,949,868,845	—	2,949,868,845	—
<b>Total Fixed Income Investments</b>	<b>\$ 33,611,573,005</b>	<b>\$ 28,298,715,318</b>	<b>\$ 5,312,857,660</b>	<b>\$ 27</b>
<b>Alternative Investments</b>				
Privately Held Debt	\$ 33,655,905	\$ —	\$ —	\$ 33,655,905
Privately Held Equity	951,444,509	—	—	951,444,509
<b>Total Alternative Investments</b>	<b>\$ 985,100,414</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 985,100,414</b>
<b>Derivative Instruments</b>				
Forwards	\$ 9,607,788	\$ —	\$ 9,607,788	\$ —
Futures	122,200,458	122,200,458	—	—
Options	(4,080,424)	—	(4,080,424)	—
Rights	402	397	—	5
Swaps	183,845,288	—	182,299,170	1,546,118
Warrants	34,634,011	918,346	—	33,715,665
<b>Total Derivative Instruments</b>	<b>\$ 346,207,523</b>	<b>\$ 123,119,201</b>	<b>\$ 187,826,534</b>	<b>\$ 35,261,788</b>
<b>Other Fair Value Measurements</b>				
Invested Securities Lending Collateral*	\$ 8,239,196,484	\$ —	\$ 8,078,698,484	\$ 160,498,000
Securities Sold Short	(1,607,091,349)	(1,607,091,349)	—	—
<b>Total Other Fair Value Measurements</b>	<b>\$ 6,632,105,135</b>	<b>\$ (1,607,091,349)</b>	<b>\$ 8,078,698,484</b>	<b>\$ 160,498,000</b>
<b>Total</b>	<b>\$ 94,464,265,125</b>	<b>\$ 79,667,686,999</b>	<b>\$ 13,579,382,678</b>	<b>\$ 1,217,195,447</b>

\*Excludes receivables and payables related to the Securities Lending Pool.

**Table 3.C.2: Net Asset Value and Unfunded Capital Commitments**

Investments	Net Asset Value Per Share (NAVPS)		Unfunded Capital Commitments
<b>Short-Term Investments</b>			
Short-Term Investment Funds	\$	8,713,031,439	\$ —
Short-Term Commingled Funds		89,532,724	—
<b>Total Short-Term Investments</b>	<b>\$</b>	<b>8,802,564,163</b>	<b>\$ —</b>
<b>Alternative Investments</b>			
Absolute Return	\$	4,064,297,632	\$ 3,387,995,703
Hedge Funds		17,034,949,951	342,200,653
Energy, Natural Resources, and Infrastructure		9,690,475,949	7,214,255,341
Private Equity		34,659,128,483	12,667,014,086
Real Estate		24,630,068,298	16,823,500,677
Risk Parity		5,033,138,966	—
<b>Total Alternative Investments</b>	<b>\$</b>	<b>95,112,059,279</b>	<b>\$ 40,434,966,460</b>
<b>Pooled Investments</b>			
Commingled Domestic Equity	\$	6,110,282,317	\$ —
Commingled Fixed Income		1,642,744	—
Commingled International Equity		11,578,769,340	—
Domestic Mutual Funds		1,022,958,190	—
<b>Total Pooled Investments</b>	<b>\$</b>	<b>18,713,652,591</b>	<b>\$ —</b>
<b>Total</b>	<b>\$</b>	<b>122,628,276,033</b>	<b>\$ 40,434,966,460</b>

### Significant Investment Strategies

The System achieves portfolio diversification by investing in a variety of strategies, geographies, and industry sectors for investments reported at the NAVPS.

#### Absolute Return

U.S. Investment Grade - Invests in U.S. dollar-denominated investment grade securities.

U.S. High Yield - Invests in U.S. dollar-denominated, high-yield corporate bonds issued in the U.S.

U.S. Securitized/Structured - Invests in bonds backed by securities.

Non-U.S. Developed Fixed Income - Primarily invests in sovereign debt issued by developed countries outside of the U.S.

Emerging Market Debt - Invests in debt issued by corporations or governments in emerging market countries.

Partnerships - Invests in fixed income related portfolios managed by strategic partners.

#### Commingled Equity, Fixed Income, and Mutual Funds

External Public Total Non-U.S. Developed - Invests in long positions in equity securities as well as certain derivative instruments in non-U.S. developed markets.

External Public Total U.S. - Invests in long positions in equity securities as well as certain derivative instruments in US markets.

External Public Total World Equity - Invests in equity securities in countries represented in the MSCI ACWI Index, as well as certain other global markets. Instruments used include but are not limited to ADRs, swaps, warrants, and other derivative instruments, money market instruments, and currency forwards and/or futures.

External Public Strategic Partnership - Allocations to strategic partners that have a broad mandate to invest in a variety of public markets.

External Public Total Emerging Markets - Invests mainly in equity and equity-related securities traded in the securities markets of newly industrializing countries and emerging markets.

### **Energy, Natural Resources, and Infrastructure**

Energy Diversified - Invests in exploration, production, or distribution of oil, gas and other energy sources.

Infrastructure - Invests in infrastructure projects like roads, railways, ports, airports, telecommunications facilities, etc.

Natural Resources - Invests in companies engaged in extractive practices of commodities, including mining for coal, metallic ore, sand, gravel and oil shale; logging of naturally occurring trees; and drilling for oil and gas.

### **Hedge Funds**

Commodities and Trends - Trades in a number of debt, equity, foreign exchange and commodity instruments and derivative instrument contracts relating to those instruments, including swaps, indices, forwards, futures and option contracts.

Equity Market Neutral - Seeks to exploit differences in stock prices by being long and short in stocks within the same sector, industry, market capitalization, country, etc.

Event Driven - Seeks to exploit pricing inefficiencies that may occur before or after a corporate event, such as an earnings call, bankruptcy, merger, acquisition, or spinoff.

Fixed Income - Assumes opposing positions in fixed income products to take advantage of small price discrepancies while limiting interest rate risk.

Long Short Equity - Involves buying long equities that are expected to increase in value and selling short equities that are expected to decrease in value.

Macro and Volatility - Invests in instruments whose prices fluctuate based on the changes in economic policies, along with the flow of capital around the globe.

Multi-Strategy - Engages in a variety of investment strategies with the objective to smooth returns, reduce volatility, and decrease asset-class and single-strategy risks. Strategies adopted in a multi-strategy fund may include, but are not limited to, convertible bond arbitrage, equity long/short, statistical arbitrage and merger arbitrage.

Other - Trades in a broad range of instruments.

Reinsurance - Provides property catastrophe and specialty reinsurance coverages to insurers and reinsurers on a worldwide basis.

### **Private Equity**

Buyouts - Acquires shares of a company to gain a controlling interest.

Credit/Special Situations - Invests and trades in public and private debt obligations or equity securities or other indebtedness of companies undergoing financial distress, a turn-around in business operations, or companies which management believes are undervalued because of a discrete extraordinary event.

Emerging Managers - Trades in a broad range of instruments with emerging managers.

Venture/Growth Equity - Invests in companies with potential for significant growth.

### **Real Assets**

Core - Invests in stable, fully leased, multi-tenant properties typically within strong, diversified metropolitan markets.

Emerging Managers - Trades in a broad range of instruments with emerging managers.

Opportunistic - Targets underperforming and/or under managed properties, or properties that are temporarily depressed in value.

Other - Trades in a broad range of instruments.

REIT - Invests in companies that own or finance income-producing real estate.

Special Situations - Typically provides both equity and debt capital to distressed properties.

Value Added - Involves buying a property, improving it in some way, and selling it at an opportune time for gain. Properties are considered value added when they exhibit management or operational problems, require physical improvement, and/or suffer from capital constraints.

#### Risk Parity

Targets specific levels of risk to certain factors and/or assets in order to achieve increased portfolio diversification.

#### Short-Term Investment and Commingled Funds

Invests in highly liquid short-term (cash-like) funds.

#### Redemptions

The System's Hedge Funds, Commingled Domestic Equity, and Commingled International Equity are subject to redemption restrictions that constrain the System's ability to redeem these types of Alternative and Pooled Investments. The following table details the redemption frequency, redemption notice period, redemption restrictions, such as lockups and gates, and an estimate of the eventual lapse of those restrictions, or, if an estimate cannot be made, the fiscal year in which the restriction took place, by fair value as of August 31, 2021.

Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Restrictions	Redemption Restrictions Lapse
\$ 1,939,136,542	NA	NA	NA	NA
39,611,718	Daily	5 Days	NA	NA
105,046,920	Monthly	NA	NA	NA
2,924,578,519	Monthly	10 to 30 Days	NA	NA
24,414,426	Quarterly	45 Days	NA	NA
572,309,136	Quarterly	90 Days	NA	Four Quarters
335,723,976	Annually	90 Days	Fund Level Gate 25%	Effective 2010
169,461,080	Two Years	105 Days	NA	NA
<b>\$ 6,110,282,317</b>	<b>Total Commingled Domestic Equity</b>			
\$ 1,367,932,836	NA	NA	NA	NA
67,350,220	Daily	5 to 30 Days	NA	NA
2,084,204,420	Bimonthly	9 Days	Fund Level Gate 30%	Effective 2017
997,927,753	Monthly	NA	NA	NA
3,996,130,694	Monthly	15 to 90 Days	NA	NA
809,177,315	Monthly	20 Days	Soft Lockup 0-12 months	Lockup Lapsed
597,228,292	Monthly	90 Days	Investor Level Gate 20%; Soft Lockup 0-36 months	NA
321,451,357	Quarterly	60 Days	Fund Level Gate 15%	NA
689,063,969	Quarterly	95 Days	NA	NA
648,302,484	Three Years	45 Days	Hard Lockup 36 months	Lockup Lapsed
<b>\$ 11,578,769,340</b>	<b>Total Commingled International Equity</b>			

**Table 3.C.3: Redemptions and Terms (Continued)**

Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Restrictions	Redemption Restrictions Lapse
\$ 504,636,967	NA	NA	NA	NA
298,441,309	Daily	NA	NA	NA
39,587,571	Daily	20 Days	NA	NA
2,879,125,746	Monthly	5 to 30 Days	NA	NA
457,218,648	Monthly	30 Days	Hard Lockup 24 months	NA
14,945,894	Monthly	90 Days	Hard Lockup 12 months	Lockup Lapsed
259,988,746	Monthly	25 Days	Investor Level Gate 25%	Effective 2017
612,532,581	Monthly	33 Days	Fund Level Gate 10%	NA
20,284,189	Monthly	60 Days	Investor Level Gate 25%; Hard Lockup 12 months	Lockup Lapsed
531,443,200	Quarterly	NA	Investor Level Gate 25%	NA
528,173,662	Quarterly	45 to 180 Days	NA	NA
358,160,544	Quarterly	40 to 90 Days	Fund Level Gate 15% to 25%	Effective 2011 to 2015
649,548,837	Quarterly	45 to 90 Days	Hard Lockup 12 to 36 months	Lockup Lapsed
283,789,857	Quarterly	30 Days	Hard Lockup 12 months; Soft Lockup 0-12 months	Lockup Lapsed
51,246,941	Quarterly	60 Days	Investor Level Gate 12.5%; Hard Lockup 24 months	Lockup Lapsed
1,406,737,223	Quarterly	45 to 65 Days	Investor Level Gate 25%	NA
1,800,427,040	Quarterly	45 to 90 Days	Investor Level Gate 8.33% to 25%	Effective 2012 to 2017
1,152,320,401	Quarterly	90 Days	Investor Level Gate 25%; Soft Lockup 0-12 months	Lockup Lapsed
1,047,167,837	Quarterly	90 Days	Investor Level Gate Class EE 25%, Class GG 5%; Soft Lockup Class EE 0-12 months	Lockup Lapsed
89,163,934	Quarterly	30 to 90 Days	Investor Level Gate 8.33% to 25%; Hard Lockup 12 to 18 months	Lockup Lapsed
622,260,881	Quarterly	90 Days	Investor Level Gate 25%; Hard Lockup 12 months	Lockup Lapsed Gate Effective 2015
26,547,154	Quarterly	90 Days	Investor Level Gate 25%; Hard Lockup 12 months	Lockup Expires 2/1/2022
525,280,781	Quarterly	60 Days	Investor Level Gate 25%; Fund Level Gate 10%	Effective 2017
23,057,526	Quarterly	90 Days	Investor Level Gate 25%; Hard Lockup 24 months	Lockup Expires 2/1/2022
645,428,577	Quarterly	60 to 65 Days	Investor Level Gate 25%; Fund Level Gate 20% to 25%; Hard Lockup 12 months	Lockup Lapsed
671,091,760	Semiannually	90 Days	Investor Level Gate 16.67%	Effective 2013
195,498,333	Annually	61 Days	Hard Lockup 12 months	Lockup Lapsed
625,688,204	Annually	90 Days	NA	NA
473,941	Annually	90 Days	Investor Level Gate 25%; Hard Lockup 12 months	NA
20,650,811	Two Years	90 Days	Hard Lockup 24 months	Lockup Lapsed
332,180,723	Three Years	90 Days	Hard Lockup 36 months	Lockup Lapsed
311,258,920	Three Years	90 Days	Investor Level Gate 12.5%; Hard Lockup 36 months	Lockup Lapsed
49,513,306	Illiquid	0 Days	Investor Level Gate 20%	Effective 2014
1,077,907	NA	NA	Illiquid	NA
<b>\$ 17,034,949,951</b>	<b>Total Hedge Funds</b>			

## Liquidations

The System receives distributions through the liquidation of the underlying assets of the investees for a majority of its Alternative Investments since these investments can never be redeemed with the investees. The following table discloses the System's estimate of the period over which the underlying assets are expected to be liquidated by the investees as of August 31, 2021.

<b>Investment Type</b>	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>Greater than 10 Years</b>	<b>N/A</b>	<b>Total</b>
Absolute Return	\$ 51,765,284	\$ 1,645,733,465	\$ 14,970,431	\$ —	\$ 2,351,828,452	\$ 4,064,297,632
Energy, Natural Resources, and Infrastructure	1,346,279,274	3,550,957,831	3,972,027,008	821,211,836	—	9,690,475,949
Hedge Funds	6,058,959,781	8,030,441,990	—	—	2,945,548,179	17,034,949,950
Private Equity	2,776,293,885	14,879,069,816	14,445,910,788	2,557,853,994	—	34,659,128,483
Privately Held Debt	—	—	—	—	33,655,905	33,655,905
Privately Held Equity	—	—	—	—	951,444,509	951,444,509
Real Estate	951,990,449	7,019,397,789	8,772,717,558	7,179,592,659	706,369,843	24,630,068,298
Risk Parity	—	—	—	—	5,033,138,967	5,033,138,967
<b>Total</b>	<b>\$ 11,185,288,673</b>	<b>\$ 35,125,600,891</b>	<b>\$ 27,205,625,785</b>	<b>\$ 10,558,658,489</b>	<b>\$ 12,021,985,855</b>	<b>\$ 96,097,159,693</b>

## D. Derivative Instruments

Derivative instruments are used to efficiently manage and reduce the risk of the overall investment portfolio. Through the use of derivative instruments, the risks that are bound together in traditional cash market investments can be separated and managed independently. Derivative Instruments are classified as Investments on the Statement of Fiduciary Net Position, and the changes in their fair value are classified as Investment Revenue on the Statement of Changes in Fiduciary Net Position. The fair value, changes in fair value, and notional value of the System's Derivative Instruments, classified by derivative instrument type, are displayed in the following table as of August 31, 2021.

The System's over-the counter (OTC) Derivative Instruments include contingent features that require the System to post collateral in the event that the fair value surpasses a specified contractual threshold. The aggregate fair value of all Derivative Instruments with these collateral posting provisions is \$100,867,781, and as of August 31, 2021, the System has posted \$18,661,856 in collateral. At August 31, 2021, the System has not triggered any events that would require the posting of additional collateral to its counterparties.

**Table 3.D.1: Derivative Instruments**

Fiduciary Funds Derivative Instruments	Fair Value	Change in Fair Value Gain/(Loss)	Notional Value
<b>Forwards</b>			
FX Forwards	\$ 9,607,788	\$ (15,602,328)	\$ (3,503,389,939)
<b>Total Forwards</b>	<b>\$ 9,607,788</b>	<b>\$ (15,602,328)</b>	
<b>Futures</b>			
Commodity Futures	\$ 16,678,906	\$ 555,627,449	\$ 3,099,960,637
Fixed Income Futures	39,663,559	(314,649,501)	11,067,936,347
Index Futures	65,857,993	1,726,111,479	8,983,123,187
<b>Total Futures</b>	<b>\$ 122,200,458</b>	<b>\$ 1,967,089,427</b>	
<b>Options</b>			
Equity Options	\$ (3,274,531)	\$ 28,690,377	\$ (10,280,467)
Index Options	(805,893)	210,722,753	(6,971,050)
<b>Total Options</b>	<b>\$ (4,080,424)</b>	<b>\$ 239,413,130</b>	
<b>Rights</b>			
Rights	\$ 402	\$ 2,358,890	\$ —
<b>Total Rights</b>	<b>\$ 402</b>	<b>\$ 2,358,890</b>	
<b>Swaps</b>			
Credit Default Swaps	\$ 72,856,771	\$ 24,654,337	\$ 1,233,644,548
Interest Rate Swaps	15,648,101	(9,756,634)	238,078,444
Total Return Swaps	95,340,417	772,032,114	3,302,675,623
<b>Total Swaps</b>	<b>\$ 183,845,289</b>	<b>\$ 786,929,817</b>	
<b>Warrants</b>			
Warrants	\$ 34,634,011	\$ 19,210,491	\$ 1,862,646
<b>Total Warrants</b>	<b>\$ 34,634,011</b>	<b>\$ 19,210,491</b>	
<b>Total</b>	<b>\$ 346,207,524</b>	<b>\$ 2,999,399,427</b>	

## E. Securities Lending

The System is authorized by Section 825.303, Govt Code, to lend securities in accordance with the Securities Lending Policy adopted effective May 1, 2019 by the Board of Trustees and as required by statute. The system's custodian and lending agent, State Street Bank and Trust Company, administers the securities lending program for domestic and international equity and fixed income securities. TRS securities held by a prime broker are not eligible for securities lending by the prime broker. The Securities Lending Policy can be accessed at [www.trstexas.gov](http://www.trstexas.gov). There were no significant policy violations during the fiscal year.

Collateral received from borrowers is delivered to the lending agent in the form of cash or government securities eligible for book entry in either the Federal Reserve system or the Participants Trust Company, or their respective successors. The initial collateral delivered to secure a loan of domestic securities must have a fair value of at least 102 percent of the initial fair value of domestic loaned securities and at least 105 percent of the initial fair value of international loaned securities. Collateral is marked to market daily. If, while the loan is outstanding, the current fair value of the collateral initially delivered is less than 100 percent or 105 percent of the current fair value of the domestic or international securities, respectively, the lending agent must require the borrower to deliver additional collateral to restore the value to 102 percent or 105 percent of the current fair value of the loaned securities for domestic or international securities, respectively. The system is authorized to invest cash collateral in the following types of instruments: U.S. government securities or U.S. government-sponsored enterprise (GSE)

securities, money market instruments, repurchase agreements, fixed or floating rate debt obligations, and derivative instruments.

The securities lending contracts require the custodian to indemnify the system against loss resulting from borrower default or failure of the agent to properly execute its responsibilities under the lending agreement as required by Section 825.303(b)(3), Govt Code. Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by the System or the borrower, and there are no restrictions on the amount of loans that can be made.

The par value, dollar-weighted average maturity of the collective cash collateral investment portfolio may not exceed 120 days. The expected final maturity of any individual fixed-rate instrument and individual floating-rate instrument may not exceed 36 months and seven years, respectively. As of August 31, 2021, the maturities of the investments made with cash collateral generally match the maturities of their securities loans, with the weighted average maturity of the invested cash collateral at 32 days, and the weighted average term of all securities on loan at 13 days.

As of August 31, 2021, the system reported Invested Securities Lending Collateral worth \$8,239,392,879. The system holds \$8,239,898,323 in cash collateral and \$1,128,703,568 in non-cash collateral. Securities on loan totaled \$9,865,928,883, which included \$731,233,321 lent to the lending agent. Securities on loan include investments in Domestic Corporate Bonds, Domestic Equities, International Equities, U.S. Government Agency Bonds, and U.S. Treasury Bonds.

## **F. Deposit and Investment Risk Factors**

### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

#### **Deposits**

The System does not have a formal deposit policy for custodial credit risk. Deposits held at the State of Texas Treasury are not subject to custodial credit risk since the Treasury holds collateral in the System's name in excess of depository insurance. Deposits held in bank accounts in excess of depository insurance are uninsured and uncollateralized. As of August 31, 2021, \$214,103,704 of the System's bank balance was uninsured and uncollateralized.

#### **Investments**

The System has contracted with State Street Bank and Trust Company and Goldman Sachs to serve as custodians for the System's investments. The System does not have a formal investment policy for custodial credit risk. As of August 31, 2021, the Short-Term Investment Fund is held by the custodian in a 2a-7 like investment pool not evidenced by a security and is not exposed to custodial credit risk. These securities are held in the name of the system by the custodian. All other investments are registered in the name of the Teachers Retirement System of Texas or in the name of the System's custodian.

#### **Securities Lending**

The System does not have a formal investment policy for custodial credit risk for its securities lending program. The System reinvests all cash collateral received in an unrated cash collateral pool held by the System's securities lending agent and is, therefore, not exposed to custodial credit risk. Since non-cash collateral is not reported on the balance sheet, it is exposed to custodial credit risk, as is the related underlying securities on loan. The following table shows the underlying securities for the non-cash collateral loans, which are held by the

counterparty, the securities lending agent, but not in the System's name and are not insured as of August 31, 2021.

<b>Investment Type</b>	<b>Securities on Loan Fair Value</b>	<b>Non-Cash Collateral Value</b>
Domestic Equity	\$ 687,527,364	\$ 692,376,318
International Equity	427,827,133	436,327,250
<b>Total</b>	<b>\$ 1,115,354,497</b>	<b>\$ 1,128,703,568</b>

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

**Investments**

The System does not have a formal credit risk policy for its investments. The S&P, Moody's, and comparative Fitch credit rating and fair value of the System's Fixed Income Investments as of August 31, 2021 is disclosed in the following table. The hierarchy is based on S&P and then Moody's. Comparative Fitch Rating is displayed for reference only. NR represents unrated securities. WR represents the removal of a rating on either an obligation or an issuer due to inadequate information, bankruptcy, reorganization, liquidation, or maturity of obligation.

Credit ratings of U.S. Treasuries, U.S. Treasury STRIPS, and U.S. TIPS are not disclosed since these investments are explicitly guaranteed by the U.S. Government. The System's Short-Term Investment Funds and Short-Term Commingled Funds are unrated.

**Table 3.F.2: Credit Risk: Fixed Income Credit Rating**

Rating	Fixed Income Investment Type					Total
	Asset and Mortgage Backed Bonds	Domestic Corporate Bonds	International Corporate Bonds	Sovereign Government Issue Bonds	U.S. Government Agency Bonds*	
AAA/Aaa/AAA	\$ —	\$ —	\$ —	\$ 365,061,480	\$ 1,013,513	\$ 366,074,993
AA+/Aa1/AA+	—	—	—	—	867,665	867,665
AA/Aa2/AA	259,265	—	—	237,098,646	—	237,357,911
AA-/AA3/AA-	—	—	—	1,167,305,206	—	1,167,305,206
A+/A1/A+	195,017	—	—	—	—	195,017
A/A2/A	611,257	—	—	—	—	611,257
BBB+/Baa1/BBB+	601,435	—	—	45,134,760	—	45,736,195
BBB/Baa2/BBB	196,428	—	—	—	—	196,428
BBB-/Baa3/BBB-	—	—	—	226,350,211	—	226,350,211
BB+/Ba1/BB+	451,903	—	—	—	—	451,903
BB/Ba2/BB	109,870	—	—	85,320,235	—	85,430,105
BB-/Ba3/BB-	193,600	—	—	—	—	193,600
B+/B1/B+	463,292	—	—	—	—	463,292
B/B2/B	307,208	—	—	—	—	307,208
B-/B3/B-	252,168	—	—	—	—	252,168
CCC+/CAA1/CCC	130,779	—	—	—	—	130,779
CCC/CAA2/CCC	6,946,785	—	—	—	—	6,946,785
CCC-/CAA3/CCC	487,847	—	—	—	—	487,847
CC/CA/CCC	78,200	—	—	—	—	78,200
D/C/DDD	342,729	—	—	—	—	342,729
NR	1,428,044	579	1,311	207,667,992	—	209,097,926
WR	1,586,003	—	—	—	—	1,586,003
<b>Total</b>	<b>\$ 14,641,830</b>	<b>\$ 579</b>	<b>\$ 1,311</b>	<b>\$ 2,333,938,530</b>	<b>\$ 1,881,178</b>	<b>\$ 2,350,463,428</b>

\* U.S. Government Agency Bonds (FHLB, FNMA, FHLMC) are implicitly guaranteed by the U.S. Government.

### Derivative Instruments

The maximum allowable unsecured counter-party exposure for over-the-counter (OTC) derivative instrument transactions is \$500 million, based on the total net fair value of all OTC positions held with each counterparty. The total counterparty exposure for each counterparty, including the collateralized portions of these agreements, may not exceed 5 percent of the System's total fund fair value. The minimum credit rating, based on a Nationally Recognized Statistical Rating Organization (NRSRO), must be rated at least A- or better at the inception of the contract. For any counterparty that experiences deterioration in credit quality that results in a NRSRO rating below the A- level, subsequent to the inception of transaction, additional eligible collateral may be posted, or the transaction may be terminated. All OTC derivative instruments must be governed by an International Swaps and Derivatives Association (ISDA) Master Agreement and Credit Support Annex or, if centrally cleared by clearing agreements, the close-out netting provisions and collateralization provisions must be included.

The following table discloses the net Derivative Instruments exposure to credit risk by counterparty and their corresponding credit rating by each of the Big Three credit rating agencies as of August 31, 2021.

The aggregate fair value of Derivative Instruments in asset positions as of August 31, 2021, was \$183,058,627, which represents the maximum amount of loss due to credit risk that would be recognized if all counterparties failed to perform as contracted. The exposure is reduced by \$102,891,102 of collateral held and \$62,313,026 of liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of \$17,854,499.

Collateral held by the System in its custodial accounts are not available for use in any other purposes. If any, this collateral has been excluded from the Statement of Net Position as it does not represent an asset to the System. Additional collateral of \$84,535,737 is held by the System and under the terms of the related ISDAs, may be rehypothecated by the System. Depending on the nature of the collateral held and the ability rehypothecate the collateral, this balance is included within short-term investments within the Statement of Net Position, and is offset by a related Collateral Obligations liability

The System's net exposure to credit risk is limited to 5 percent of the fair value of the system's total fund value. Significant concentrations of net exposure to credit risk existed, but the net exposure for the counterparty did not surpass 5 percent of the System's total fund fair value. As of August 31, 2021, the credit risk exposure related to derivative counterparty is summarized in the following table.

<b>Counterparty</b>	<b>Net Exposure</b>	<b>Percentage of Net Exposure</b>	<b>S&amp;P Rating</b>	<b>Fitch Rating</b>	<b>Moody's Rating</b>
Bank of America, N.A.	\$ 8,972,979	50.3 %	A+	AA	Aa2
Morgan Stanley	4,041,623	22.6	BBB+	A	A1
BNP Paribas SA	3,888,947	21.8	A+	A+	Aa3
Societe Generale	588,230	3.3	A	A-	A1
Macquarie Bank Limited	362,719	2.0	A+	A	A2
<b>Total</b>	<b>\$ 17,854,498</b>	<b>100.0 %</b>			

### Reverse Repurchase Agreements

TRS held \$8,130,517,912 in reverse repurchase agreements at August 31, 2021. The System's Investment Policy Statement permits TRS to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing counterparties a margin against a decline in fair value of the securities. If a counterparty defaults on its obligations to resell these securities to TRS or provide securities or cash of equal value, the System would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. No losses were recognized during the year due to default by counterparties to reverse repurchase agreements.

The counterparty limits for reverse repurchase transactions and tri-party reverse repurchase transactions may not exceed 5 percent of the System's total fund fair value, unless the transactions are covered by a third-party indemnification agreement by an organization that bears a long-term NRSRO credit rating of A- or better and is enhanced by acceptable collateral. Each repurchase agreement will be entered into under the Public Securities Association (PSA) and International Securities Market Association (ISMA) Global Master Repurchase Agreement. Each ISDA Master Agreement must also include a table that delineates the excess purchased securities margin (haircut) required, based on the collateral type, duration, and credit quality. There were no significant policy violations during the fiscal year. The System's counterparty credit exposure for reverse repurchase agreements at August 31, 2021 is summarized in the following table.

**Table 3.F.4: Credit Risk: Reverse Repurchase Agreements**

	Fair Value of Collateral Held by Counterparty*	Cash and Interest Due to Counterparty*	Net Credit Risk
<b>Counterparty - Term Agreements</b>			
Barclays	\$ 740,472,997	\$ 743,332,396	\$ (2,859,399)
Goldman Sachs	2,280,029,212	2,217,822,721	62,206,491
JP Morgan Chase	3,701,428,077	3,652,945,884	48,482,193
Nomura	122,529,212	120,589,843	1,939,369
CIBC	605,177,736	595,541,496	9,636,240
<b>Total Term Reverse Repurchase Agreements</b>	<b>\$ 7,449,637,234</b>	<b>\$ 7,330,232,340</b>	<b>\$ 119,404,894</b>
<b>Counterparty - Overnight Agreements</b>			
State Street	\$ 815,798,071	\$ 801,297,495	\$ 14,500,576
<b>Total Overnight Reverse Repurchase Agreements</b>	<b>\$ 815,798,071</b>	<b>\$ 801,297,495</b>	<b>\$ 14,500,576</b>
<b>Total Reverse Repurchase Agreements*</b>	<b>\$ 8,265,435,305</b>	<b>\$ 8,131,529,835</b>	<b>\$ 133,905,470</b>

\*Includes accrued interest.

The cash proceeds from reverse repurchase agreements are reinvested by the System. Purchases made with the proceeds of reverse repurchase agreements are not necessarily restricted to certain investment types or maturities. The cash due to counterparties resulting from reverse repurchase agreements is reported as "Obligation Under Reverse Repurchase Agreements" and the interest due to counterparties is included in "Investment Payables" on the Statement of Fiduciary Net Position. The underlying assets, as well as the reinvested proceeds, are reported in the "Investments at Fair Value" section on the Statement of Fiduciary Net Position.

### Securities Lending

Instruments having a maturity at the time of purchase of less than 13 months must be rated in one of the two highest short-term ratings categories of the following Nationally Recognized Statistical Ratings Organizations (NRSRO) - Moody's, Standard & Poor's, Fitch or DBRS - or be considered by the Board of Trustees to be of comparable quality. Instruments having a maturity at the time of purchase greater than 13 months must be rated at the time of purchase within the highest major, long-term rating category of an NRSRO (e.g., Moody's A3 or Standard & Poor's A-), or, if unrated, be determined to be of comparable quality by the Board of Trustees. As of August 31, 2021, there was no credit risk exposure because the amounts owed to borrowers exceeded the amounts owed to the system.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

### Investments

The System does not have a formal interest rate risk policy for its investments. The following table presents the fair value and the weighted effective duration rate for the System's Fixed Income Investments that are subject to interest rate risk as of August 31, 2021.

Asset and Mortgage Backed Bonds are based on cash flows from interest payments on underlying mortgages, which makes them sensitive to interest rate changes when mortgagees make prepayments in periods of declining interest rates.

**Table 3.F.5: Interest Rate Risk: Fixed Income Weighted Effective Duration Rate**

Fixed Income Investment Type	Fair Value	Weighted Effective Duration Rate
Domestic Corporate Bonds	\$ 579	19.5
U.S. Treasury STRIPS	12,525,414	18.2
U.S. Treasury Bonds	28,298,715,318	18.2
Sovereign Government Issue Bonds	2,333,938,530	9.9
U.S. TIPS	2,949,868,845	7.7
U.S. Government Agency Bonds	1,881,178	4.1
International Corporate Bonds	1,311	2.3
Asset and Mortgage Backed Bonds	14,641,830	1.3
<b>Total</b>	<b>\$ 33,611,573,005</b>	<b>16.7</b>

### Derivative Instruments

The System does not have a formal interest rate risk policy for its Derivative instruments. The System's investments in Swaps are highly sensitive to interest rate changes because they are based on fluctuating Interbank Offered Rates.

As the Rates fluctuate, the total expected cash flows will fluctuate. The reference rates, embedded options, fair value, and notional value of the system's Interest Rate and Return Swaps that are exposed to interest rate risk, as of August 31, 2021, are presented in the following table.

**Table 3.F.6: Interest Rate Risk: Derivative Instruments by Maturities**

Reference Rate & Embedded Options	Investment Maturities (in Years)				Notional Value
	Fair Value	Less than 1	1-5	6-10	
<b>Interest Rate Swaps</b>					
Receive Variable 12-Month USCPI, Pay Fixed 1.26937%	\$ 3,643,092	\$ —	\$ —	\$ 3,643,092	\$ (24,100,419)
Receive Variable 12-Month USCPI, Pay Fixed 1.17600%	2,497,090	—	—	2,497,090	(15,551,363)
Receive Fixed 2.57600%, Pay Variable 00-Month CNRR	1,457,256	—	1,457,256	—	180,820,337
Receive Variable 12-Month USCPI, Pay Fixed 1.23500%	1,442,864	—	—	1,442,864	(9,327,442)
Receive Variable 12-Month USCPI, Pay Fixed 1.29750%	1,383,268	—	—	1,383,268	(9,329,442)
Receive Variable 12-Month USCPI, Pay Fixed 1.74500%	1,353,695	—	—	1,353,695	(10,797,000)
Receive Variable 12-Month USCPI, Pay Fixed 1.31125%	937,955	—	—	937,955	(6,337,000)
Receive Variable 12-Month USCPI, Pay Fixed 2.18250%	898,631	—	—	898,631	(13,469,000)
Receive Variable 12-Month USCPI, Pay Fixed 1.36700%	762,614	—	—	762,614	(5,098,000)
Receive Fixed 6.14000%, Pay Variable 01-Month TIE	515,339	—	515,339	—	72,706,305
Receive Variable 12-Month USCPI, Pay Fixed 1.95600%	453,294	—	—	453,294	(4,580,000)
Receive Fixed 6.12500%, Pay Variable 01-Month TIE	247,669	—	247,669	—	36,353,153
Receive Fixed 6.68000%, Pay Variable 01-Month TIE	240,243	—	240,243	—	20,754,210
Receive Variable 12-Month USCPI, Pay Fixed 2.57000%	182,617	—	—	182,617	(11,031,000)
Receive Fixed 6.66000%, Pay Variable 01-Month TIE	111,202	—	111,202	—	10,377,105
Receive Fixed 2.56250%, Pay Variable 12-Month USCPI	(478,729)	—	—	(478,729)	26,688,000
<b>Subtotal</b>	<b>\$ 15,648,100</b>	<b>\$ —</b>	<b>\$ 2,571,709</b>	<b>\$ 13,076,391</b>	
<b>Total Return Swaps</b>					
Receive Equity, Pay Variable 03-Month LIBOR	\$ 127,662,225	\$ 127,662,225	\$ —	\$ —	\$ 4,804,542,215
Receive Equity, Pay Variable 12-Month FEDL	2,132,919	43,888	2,089,031	—	188,083,261
Receive Equity, Pay Variable 01-Month FEDL	1,311,110	—	1,311,110	—	8,732,709
Receive Variable 12-Month FEDL, Pay Equity	(167,482)	(96,471)	(71,010)	—	(66,865,517)
Receive Variable 12-Month SOFR, Pay Equity	(1,163,094)	(913,672)	(249,422)	—	(38,350,703)
Receive Variable 03-Month LIBOR, Pay Equity	(36,873,778)	(36,873,778)	—	—	(2,097,092,643)
<b>Subtotal</b>	<b>\$ 92,901,900</b>	<b>\$ 89,822,192</b>	<b>\$ 3,079,709</b>	<b>\$ —</b>	
<b>Total</b>	<b>\$ 108,550,000</b>	<b>\$ 89,822,192</b>	<b>\$ 5,651,418</b>	<b>\$ 13,076,391</b>	

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or an investment. The System does not have a formal deposit policy for foreign currency risk. The risk of holding investments in foreign currency is managed by applying currency hedge ratios to the system's public markets and private markets non-dollar exposures. Each currency hedge ratio is the percentage of aggregate, non-dollar currency exposure to be passively hedged, and the hedging horizon is intermediate (one to three years). The System's exposure to foreign currency risk as of August 31, 2021 is presented in the following table.

**Table 3.F.7: Foreign Currency Risk**

Currency by Country	Cash	Alternative Investments	Derivative Instruments*	Equity Investments*	Fixed Income Investments	Pooled Investments	Total
Australia Dollar	\$(12,900,542)	\$ —	\$ 59,946,829	\$ 1,001,284,265	\$ 331,549,739	\$ —	\$ 1,379,880,291
Botswana Pula	6,535	—	—	73,030	—	—	79,565
Brazil Real	15,039,249	—	(698,364)	276,741,639	82,744,089	—	373,826,613
Canada Dollar	89,696,128	—	3,746,221	1,928,433,884	—	—	2,021,876,233
Chile Peso	7,717	—	61,201	11,992,688	—	—	12,061,606
China Yuan Renminbi	4,075,459	—	2,298,409	504,144,114	47,009,060	—	557,527,042
China Yuan Renminbi Offshore	(2,008,305)	—	(36,158)	—	—	—	(2,044,463)
Colombia Peso	—	—	(17,206)	3,765,248	—	—	3,748,042
Czech Republic Koruna	3,964,574	—	228,866	32,222,753	—	—	36,416,193
Denmark Krone	338,701	—	23,005	466,329,596	—	—	466,691,302
Egypt Pound	—	—	—	1,933,996	—	—	1,933,996
Euro Member Countries	39,335,101	5,110,031,695	59,200,181	5,894,764,577	705,330,436	799,240,122	12,607,902,112
Hong Kong Dollar	(19,306,678)	—	7,003,474	3,207,203,211	—	—	3,194,900,007
Hungary Forint	—	—	209,387	50,719,299	—	—	50,928,686
India Rupee	1,994,786	—	157,325	1,340,341,951	1,311	—	1,342,495,373
Indonesia Rupiah	12,042	—	(158,763)	203,639,124	—	—	203,492,403
Israel Shekel	117,853	—	(28,790)	59,522,738	—	—	59,611,801
Japan Yen	29,238,064	—	(7,420,213)	4,296,456,665	—	—	4,318,274,516
Korea (South) Won	28,254,562	—	(3,207,276)	1,238,063,995	—	—	1,263,111,281
Kuwait Dinar	—	—	—	15,443,248	—	—	15,443,248
Malaysia Ringgit	1	—	—	65,853,589	—	—	65,853,590
Mexico Peso	(17,844,292)	—	1,394,217	334,886,339	—	—	318,436,264
New Zealand Dollar	1,813	—	(1,289,948)	21,635,341	—	—	20,347,206
Nigeria Naira	166	—	—	3,421	—	—	3,587
Norway Krone	86,388	—	1,748,693	359,695,887	—	—	361,530,968
Pakistan Rupee	—	—	—	1,585,619	—	—	1,585,619
Peru Sol	—	—	(17,066)	—	—	—	(17,066)
Philippines Peso	—	—	(373,270)	17,116,967	—	—	16,743,697
Poland Zloty	451,315	—	161,899	122,991,416	—	—	123,604,630
Qatar Riyal	(27)	—	—	35,350,596	—	—	35,350,569
Romania New Leu	—	—	38,123	—	—	—	38,123
Russia Ruble	202,154	—	134,690	152,081,480	—	—	152,418,324
Saudi Arabia Riyal	369,657	—	—	196,010,350	—	—	196,380,007
Singapore Dollar	900,424	—	(1,714,355)	166,796,709	—	—	165,982,778
South Africa Rand	56,507	—	(1,157,868)	350,189,715	—	—	349,088,354
Sweden Krona	1,308,182	—	(629,554)	665,885,134	—	—	666,563,762
Switzerland Franc	372,721	—	(585,117)	1,176,841,992	—	—	1,176,629,596

**Table 3.F.7: Foreign Currency Risk (Continued)**

Currency by Country	Cash	Alternative Investments	Derivative Instruments*	Equity Investments*	Fixed Income Investments	Pooled Investments	Total
Taiwan New Dollar	1,856,580	—	(93,381)	1,405,420,413	—	—	1,407,183,612
Thailand Baht	3,853,100	—	(267,354)	219,279,519	—	—	222,865,265
Tunisia Dinar	—	—	5	—	—	—	5
Turkey Lira	(1,214,064)	—	299,595	15,729,336	—	—	14,814,867
United Arab Emirates Dirham	4,275	—	—	54,012,380	—	—	54,016,655
United Kingdom Pound	15,047,139	733,276,985	(3,283,523)	2,392,544,547	1,167,305,206	—	4,304,890,354
Viet Nam Dong	1	—	—	113	—	—	114
<b>Total</b>	<b>\$183,317,286</b>	<b>\$5,843,308,680</b>	<b>\$ 115,673,914</b>	<b>\$28,286,986,884</b>	<b>\$ 2,333,939,841</b>	<b>\$ 799,240,122</b>	<b>\$37,562,466,727</b>

\*Derivative and Equity Investments are net of securities sold short (Other Fair Value Investments).

#### Note 4: Employee Compensable Leave

Salary costs related to an employee's right to be compensated for leave balances are accrued as an expense in the period in which the services are rendered. Accumulated compensable leave liabilities are reported in the Statement of Fiduciary Net Position for the Pension and Other Post-Employment Benefit Trust Funds and in the Statement of Net Position for the Proprietary Funds.

#### Note 5: Operating Leases

In fiscal year 2014, TRS entered into a non-cancelable operating lease agreement for building space which was due to expire in 2021. This lease has been extended and now expires March 31, 2023. As part of the building lease, TRS received a construction allowance which is being amortized on a straight-line basis over the life of the lease as a reduction of rental expenses.

Rental expenses related to the building space lease for the fiscal year ended August 31, 2021 for the Pension Trust Fund were \$4,011,604, including an adjustment for amortization of unrealized lease incentives of \$119,153. Fees for off-site storage for data security, copier rentals, and a mail machine were \$13,550, \$279,110, and \$166,359, respectively. Rental expenses related to the Teacher Retirement Investment Company of Texas (TRICOT) located in London were \$369,566 for leases.

The future minimum lease payments for the next ten years are listed in the following table.

Fiscal Year	Amount
2022	\$ 3,454,796
2023	2,288,982
2024	266,217
2025	239,210
2026	238,175
2027-2031	714,524
<b>Total</b>	<b>\$ 7,201,904</b>

## **Note 6: Fringe Benefits Paid by the State of Texas and the Federal Government**

The State has a joint contributory retirement plan for substantially all its employees. The employees of TRS participate in the same pension plan they administer (Note 11).

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. TRS-Care's Employer Group Waiver Plan (EGWP) reimbursements totaled \$4,818,317 for Medicare Part D direct subsidies, \$155,590,280 for catastrophic reinsurance subsidies, and \$13,504,060 for low income subsidies.

## **Note 7: Contingent Liabilities**

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is taken only in the event of illness or paid to the estate of an employee in the event of death. Pursuant to Texas Government Code 661.033, the maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The balance of vacation leave, the accumulation of which is limited based on years of service is also paid to the estate of an employee in the event of death. The System's policy is to recognize the cost of any sick leave when paid and to recognize the cost of any vacation leave when earned.

The System is contingently liable for retro-active retirement benefits payable to retiring members who complete the retirement process within one year of applying for retirement benefits. As of August 31, 2021, the maximum liability for pending retirement benefits payable is \$43.6 million.

In addition, under Texas Insurance Code, Article 3.51-7, the System is liable to pay a lump-sum death benefit of \$2,500 when added to the death benefit authorized under Texas Government Code, Title 8, Chapter 824, to the beneficiaries of deceased, retired employees.

A Performance Incentive Compensation Plan was established by the Board in September 2007 and most recently amended in September 2018, to enable the system to remain competitive in its efforts to attract, retain and motivate high caliber investment division staff. The purpose of the Plan is to provide the opportunity for investment division employees to earn performance incentive pay based on the fund's investment performance and the employee's job performance. The performance incentive pay is paid over the subsequent 2 years. The remaining liability for the incentive pay plan year ending September 30, 2020 will not exceed \$3.5 million. For the incentive pay plan year ending September 30, 2021, the liability is estimated not to exceed \$17 million. Payments can only be earned following years in which the Pension Trust Fund experiences a positive return, and employees must be employed by TRS on the designated dates in the Plan in order to earn and receive payment. The Board of Trustees may cancel or modify the Plan at any time.

An Executive Performance Incentive Plan was adopted effective July 1, 2016 in order to remain competitive in its efforts to attract and retain high caliber executives. The purpose of the plan is to provide an opportunity for select executive management to earn performance incentive pay based on key objectives tied to the overall success of TRS. The performance incentive pay is paid over the subsequent 2 years. For the incentive pay plan year ending September 30, 2020, the remaining liability is estimated at \$8,878. For the incentive pay plan year ending September 30, 2021, the maximum award opportunity is estimated at \$213,085.

TRS is a defendant in litigation involving issues arising from its normal activities. The outcome of this litigation cannot be determined at this time. Based upon consultation with legal counsel, management believes there will be no material adverse effect on the basic financial statements as a result of the ultimate outcome of these matters.

## Note 8: Continuance Subject to Review

As provided by Texas Government Code, Title 8, Section 825.006, "The Board of Trustees of the Teacher Retirement System of Texas is subject to review under Chapter 325 (Texas Sunset Act), but is not abolished under that chapter. The board shall be reviewed during the period in which state agencies abolished in 2033, and every 12th year after that year, are reviewed."

## Note 9: Other Post-Employment Benefits (OPEB) Plan - TRS-Care

### A. Plan Description

The Texas Public School Retired Employees Group Insurance Program (TRS-Care) is a multiple-employer, cost-sharing, defined benefit OPEB plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The Board of Trustees of TRS administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards. Information regarding the TRS-Care board and its composition can be found on page 3 and in Note 1.

### B. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional service centers, and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. For more information on TRS-Care eligibility and detailed information on TRS-Care, please refer to the Benefits section.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th legislature also passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$271,311,000 as of August 31, 2021.

### C. Contributors to the Plan

Contributors to the plan include active and retired members, employers, and the State of Texas as the only non-employer contributing entity.

During fiscal year 2021, the number of participating employers are presented in the following table.

<b>Participating Employers</b>	<b>Number</b>
Independent School Districts*	1,020
Open Enrollment Charter Schools	192
Regional Service Centers	20
Other Educational Districts	3
<b>Total</b>	<b>1,235</b>
*Excludes Windham School District which is not covered by TRS-Care.	

TRS-Care plan membership as of August 31, 2020 is shown in the following table. Because the actuarial valuation was based on a roll-forward from that date (See Section F), the counts are as of that date.

<b>Membership Type</b>	<b>Number</b>
Active plan members	745,937
Inactive plan members currently receiving benefits	188,244
Inactive plan members entitled to but not yet receiving benefits	12,312
<b>Total</b>	<b>946,493</b>

The Average Expected Remaining Service Life (AERSL) of 9.1672 is based on the membership information as of the beginning of the fiscal year.

**D. Contributions**

Contribution rates for the TRS-Care plan are established in State Statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions; and contributions from the state, active employees, and participating employers are based on active employee compensation. The TRS Board does not have the authority to set or amend contribution rates.

At the inception of the plan, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, appropriations and contributions have been established to fund the benefits for each successive biennium.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee rate which is 0.65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2021. The following table shows contributions to the TRS-Care plan by type of contributor.

<b>Contributor</b>	<b>Rate</b>	<b>Amount</b>
Active Employee	0.65 %	\$ 250,413,572
Non-Employer Contributing Entity (State)	1.25	447,337,574
Participating Employers	0.75	288,924,182
Federal/Private Funding*	1.25	34,226,988
<b>Total</b>		<b>\$1,020,902,316</b>

\*Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of the TRS. The TRS-Care surcharges for fiscal year 2021 totaled \$10,876,829.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding for both years was in fiscal year 2021.

The premium rates for retirees are reflected in the following table.

<b>Retiree Type</b>	<b>Medicare</b>	<b>Non-Medicare</b>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

### E. Net OPEB Liability

Components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2021 are disclosed in the following table.

<b>Components of Liability</b>	<b>Amount</b>
Total OPEB Liability	\$ 41,113,711,083
Less: Plan Fiduciary Net Position	(2,539,242,470)
<b>Net OPEB Liability</b>	<b>\$ 38,574,468,613</b>
<b>Net Position as a Percentage of Total OPEB Liability</b>	<b>6.18 %</b>

The Net OPEB Liability increased by \$.6 billion, from \$38.0 billion as of August 31, 2020 to \$38.6 billion as of August 31, 2021. The increase was less than expected, due primarily to favorable claims experience. The \$4.0 billion experience gain offset the impact of the lower discount rate, from 2.33 percent to 1.95 percent, and also offset much of the natural liability increase due to the passage of time.

### F. Actuarial Methods and Assumptions

#### Roll Forward

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex.

In addition to the Demographic assumptions; salary increases, inflation rates used for members of TRS are identical to the assumptions employed in the August 31, 2021 TRS annual pension actuarial valuation.

#### Demographic Assumptions

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

#### Mortality Assumptions

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

**Election Rates**

Normal Retirement - 65 percent participation rate prior to age 65 and 40 percent participation rate after age 65  
 Pre-65 retirees - 25 percent are assumed to discontinue coverage at age 65

**Health Care Trend Rates**

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.

<b>Table 9.F.1: Actuarial Methods and Assumptions</b>	
<b>Component</b>	<b>Result</b>
Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30 %
Single Discount Rate	1.95 % as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05 % to 9.05 %, including inflation
Ad Hoc Post-Employment Benefit Changes	None

**G. Discount Rate**

A single discount rate of 1.95 percent was used to measure the total OPEB liability. This was a decrease of 0.38 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

**H. Change of Assumptions Since the Prior Measurement Date**

The single discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent, as of August 31, 2021. This change increased the Total OPEB Liability.

**J. Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption**

The following presents the Net OPEB Liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, .95 percent or one percentage point higher, 2.95 percent, than the AA/Aa rate. The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

<b>Table 9.J.1: Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption</b>		
<b>1% Decrease</b>	<b>Current Single Discount Rate</b>	<b>1% Increase</b>
<b>0.95%</b>	<b>1.95%</b>	<b>2.95%</b>
\$ 46,529,697,637	\$ 38,574,468,613	\$ 32,313,444,468

**K. Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumption**

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher than the assumed healthcare cost trend rate.

<b>Table 9.K.1: Sensitivity of the Net OPEB Liability to the Health Care Cost Trend Rate Assumption</b>		
<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
\$ 31,244,041,262	\$ 38,574,468,613	\$ 48,410,081,189

**Note 10: Other Post-Employment Benefits (OPEB) Plan - TRS Employees**

**A. Plan Description**

The employees of TRS are provided post-employment health care and basic life insurance benefits through the Texas Employees Group Benefits Program (GBP). The GBP is administered by the board of trustees of the Employees Retirement System (ERS) of Texas and operates under the provisions of the Texas Insurance Code, Chapter 1551. The GBP is a cost-sharing, multiple-employer, post-employment benefit plan with a special funding situation. Benefit and contribution provisions of the plan are authorized by state law and may be amended by the Texas Legislature.

**B. Benefits Provided**

The Plan covers retired employees of the State and other entities as specified by the State legislature.

Eligibility is limited to retirees:

- with 10 or more years of service credit, and who are at least 65 years of age, or
- when the sum of a member’s age and years of service credit equals or exceeds 80, and
- if the individual was employed, as the last state employment before retirement, by a state agency whose employees are authorized to participate in the group benefits program, or
- if the individual retires under the jurisdiction of the Employees Retirement System of Texas or the Teacher Retirement System of Texas

The benefits include a health plan providing medical and prescription drug coverage and \$2,500 of life insurance. A retiree may pay for spouse and dependent coverage as well as coverage for dental, vision, life and dependent life insurance.

**C. Contributors to the Plan**

Contributors to the plan include state agencies, universities, junior and community colleges, other entities, the State of Texas as the only non-employer contributing entity, active and retired employees and their dependents.

**D. Contributions**

Employer and employee contribution rates are determined annually by the ERS Board of Trustees based upon the total amount appropriated by the Texas Legislature. The State of Texas is the only non-employer contributing entity in the plan and is required to contribute the cost of the retiree’s group health coverage to the plan. The amount the state will contribute to the monthly health insurance premium depends on whether the employee had fewer than five years of eligible service at a GBP-participating agency or institution as of September 1, 2014. If an employee had five years of service by that date, they are "grandfathered" and the state will pay 100 percent of the health insurance premium when they become eligible. (50 percent if they were a part-time employee in the last

three months of employment). If an employee had fewer than five years of service as of September 1, 2014, the state's health insurance premium will be "tiered"; based on the number of years of participation in the GBP.

- 100 percent with at least 20 years of service
- 75 percent with 15 years of service
- 50 percent with 10 years of service

Employers are required to contribute 1 percent of base payroll for group health insurance. TRS pays the State contribution for its employees and retirees. For the fiscal year ended August 31, 2021, there are four programs offered by ERS. The table below represents contribution rates for the most prevalent program.

Type of Coverage	Employer Pays	Employee Pays
Employee Only	\$ 624.82	\$ —
Employee + Spouse	982.36	357.54
Employee + Children	864.20	239.38
Employee + Family	1,221.74	596.92

TRS covers 100 percent of a member only premium and 50 percent of the additional premium for family coverage. The retiree contributes any premium over and above the system's contribution for additional coverage. The amount of TRS contributions recognized by the OPEB plan during the reporting period was \$9,631,711.

**E. OPEB Plan Fiduciary Net Position**

The fiduciary net position of the Employees Retirement System of Texas (ERS) and their OPEB plan has been determined using the full accrual basis of accounting and the economic resources measurement focus. For purposes of measuring the Net OPEB Liability, this includes deferred outflow of resources and deferred inflow of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to and deductions from ERS' fiduciary net position. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan.

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The ERS Board of Trustees adopted an amendment to the investment policy in August 2017 requiring that all funds be invested in short-term fixed income securities and specified that the expected rate of return on these investments is 2.4 percent.

**F. Net OPEB Liability**

At August 31, 2021, the amounts recognized by TRS as its proportionate share of the ERS Net OPEB Liability, the related State support and the Total Net OPEB Liability attributable to TRS are disclosed in the following table.

Components of the ERS OPEB Liability	Amount
TRS' proportionate share of the collective Net OPEB Liability	105,874,471
State's proportionate share of the collective Net OPEB Liability associated with TRS	N/A*
<b>Total</b>	<b>\$ 105,874,471</b>

\*Pursuant to Texas Insurance Code, Sec. 1551.315, TRS paid the State contribution for TRS employees since they were compensated from funds not appropriated in the General Appropriations Act; the State was not allocated any proportionate share of TRS' Net OPEB Liability.

TRS' portion of the collective Net OPEB Liability at August 31, 2021 was 0.3203984 percent and was based on TRS' employer contributions to the OPEB plan relative to the employer contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020. There was an increase of 0.01820472 percent in TRS' proportionate share from the prior year of 0.30219368 percent.

The Net OPEB Liability at August 31, 2021 was based on a measurement date of August 31, 2020, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of August 31, 2020.

**G. Actuarial Assumptions**

Significant assumptions and other inputs used to measure the Total OPEB Liability for the Group Benefits Program (GPB) are disclosed in the following table.

<b>Table 10.G.1: Group Benefits Program Actuarial Methods and Assumptions</b>	
<b>Component</b>	<b>Result</b>
Valuation Date	August 31, 2020
Discount Rate	2.20%
Actuarial Cost Method	Entry Age
Salary Increases	2.30% to 9.05% including inflation
Inflation	2.30%
Ad Hoc Post-Employment Benefit Changes	None
	<u>HealthSelect</u>
Annual Healthcare Trend Rates	8.80% for FY2022, 5.25% for FY2023, 5.00% for FY2024, 4.75% for FY2025, 4.60% for FY2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2029 and later years
	<u>HealthSelect Medicare Advantage</u>
Annual Healthcare Trend Rates	(53.30)% for FY2022, 0.00% for FY2023, 66.67% for FY2024, 24.00% for FY2025, 4.60% for FY2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2029 and later years
	<u>Pharmacy</u>
	10.00% for FY2022 and FY2023, decreasing 100 basis points per year to 5.00% for FY2028 and 4.30% for FY2029 and later years

Projections of the sharing of benefit-related costs are based on an established pattern of practice.

The sources of the mortality assumptions for State Agency Members are:

- For Service Retirees, Survivors and other Inactive Members - The 2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2020
- For Disability Retirees - The 2020 State Retirees of Texas Mortality table with a 3 year set forward for males and females with minimum rates at all ages of 3 percent for males and 2.5 percent for females, and Ultimate MP Projection Scale projected from the year 2020
- For Active Members - Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP Projection Scale from the year 2010

The sources of the mortality assumptions for Higher Education Members are:

- For Service Retirees, Survivors and other Inactive Members - Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018

- Disability Retirees - Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3 year set forward and minimum mortality rates of 4 per 100 male members and 2 per 100 female members
- Active Members - Sex Distinct RP-2014 Employee Mortality multiplied by 90 percent with Ultimate MP Projection Scale from the year 2014

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS retirement plan actuary as of August 31, 2019 and the TRS retirement plan actuary as of August 31, 2017.

**H. Discount Rate**

The discount rate used to measure the Total OPEB Liability was 2.20 percent. The change in the discount rate since the OPEB plan's prior fiscal year-end is a decrease of 0.77 percent (from 2.97 percent to 2.20 percent).

Projected cash flows into the plan are equal to projected benefit payments out of the OPEB plan.

The long-term expected rate of return on OPEB plan investments, the assumed asset allocation and the arithmetic versus geometric means are not applicable since the plan operates on a pay-as-you-go basis and is not intended to accumulate assets.

The municipal bond rate was 2.20 percent and the source of the rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor Corporation's AA rating.

The periods of projected benefit payments to which the long-term expected rate of return applies is zero years.

**I. Sensitivity of the Net OPEB Liability**

The sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rate assumptions are disclosed in the following table.

<b>Table 10.I.1: Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions</b>		
<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
\$ 88,609,968	\$ 105,874,471	\$ 128,506,432

The sensitivity of the Net OPEB Liability to variations in the single discount rate assumption is disclosed in the following table.

<b>Table 10.I.2: Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption</b>		
<b>1% Decrease</b>	<b>Current Single Discount Rate</b>	<b>1% Increase</b>
<b>1.20%</b>	<b>2.20%</b>	<b>3.20%</b>
\$ 125,839,275	\$ 105,874,471	\$ 90,233,837

## **J. Changes of Assumptions Since the Prior Measurement Date**

### **Demographic Assumptions**

The following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends.

- Assumed rates of pre-retirement and post-disability mortality for all State Agency members, assumed rates of termination and retirement for certain CPO/CO members and assumed salary and aggregate payroll increases have been updated to reflect assumptions adopted by the ERS Trustees since the last valuation date. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends.

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence
- Proportion of future female retirees assumed to be married and electing coverage for their spouse
- Proportion of future retirees assumed to cover dependent children

### **Economic Assumptions**

- Assumed per capita health benefit costs, and health benefit costs and retiree contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on short-term expectations.
- The Patient-Centered Outcome Research Institute (PCORI) fees payable under the Affordable Care Act have been updated since the previous valuation to reflect IRS Notice 2020-44 published June 8, 2020.
- Assumed inflation has been updated to reflect an assumption adopted by the ERS Trustees since the last valuation date. This new assumption was adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.
- The discount rate was changed from 2.97 percent to 2.20 percent as a result of requirements by GASB Statement 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

## **K. Changes of Benefit Terms since prior Measurement Date**

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2021, are provided for in the FY2021 Assumed Per Capita Health Benefit Costs. There were no benefit changes for HealthSelect retirees and the dependents for whom Medicare is primary.

## **L. OPEB Expense and Deferred Inflow and Outflow of Resources**

TRS recognized \$9,255,187 in OPEB expense during fiscal year 2021.

At August 31, 2021, TRS reported its proportionate share of the ERS collective deferred outflow and deferred inflow of resources related to OPEB from the sources listed in the following table.

Category	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ —	\$ (3,878,185)
Changes in assumptions	5,781,130	(20,035,686)
Net difference between projected and actual earnings	27,901	—
Changes in proportion and differences between employer's contributions and employer's proportionate share of contributions	29,546,651	—
Employer contributions subsequent to the measurement date of the ending Net OPEB Liability	10,396,226	—
<b>Total</b>	<b>\$ 45,751,908</b>	<b>\$ (23,913,871)</b>

The OPEB expense that TRS will recognize in future years and the remaining balance of deferred outflow and deferred inflow of resources each year is disclosed in the following table.

Measurement Year Ended August 31,	OPEB Expense Amounts	Balance of Deferred Outflows (Inflows)
2021	\$ 906,451	\$ 10,535,360
2022	3,182,956	7,352,404
2023	4,713,965	2,638,439
2024	2,410,312	228,127
2025	228,127	—
Thereafter	—	—
<b>Total</b>	<b>\$ 11,441,811</b>	<b>\$ 20,754,330</b>

### M. OPEB Plan Financial Report

ERS issues a publicly available financial report that includes financial statements and required supplementary information for the GBP. The report may be obtained by visiting [www.ers.texas.gov](http://www.ers.texas.gov), by writing to the Finance Division of the Employees Retirement System of Texas at 200 East 18<sup>th</sup> Street, Austin, Texas 78701, or by calling 1-877-275-4377.

## Note 11: TRS Pension Plan

### A. Plan Description

The Teacher Retirement System of Texas (TRS or System or Plan) is a public employee retirement system (PERS) that is a multiple-employer, cost-sharing, defined benefit pension plan with a special funding situation. The Plan is administered by the Board of Trustees of TRS. Information regarding the Board and its composition can be found on page 3 or in Note 1.

Benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits.

## B. Benefits Provided

TRS provides retirement, disability, and death benefits. Membership in the Plan includes all employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.002.

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

## C. Contributors to the Plan

Contributors to the Plan include active members, employers, and the State of Texas as the only non-employer contributing entity. The State is also the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to the plan in accordance with State Statutes and the General Appropriations Act.

The number of participating employers during fiscal year 2021 are disclosed in the following table.

Employer Type	Number
Independent School Districts	1,021
Charter Schools (open enrollment only)	192
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Educational Districts	3
State Agency	1
<b>Total</b>	<b>1,344</b>

Plan membership as of August 31, 2020 is shown in the following table. Because the actuarial valuation was based on a roll forward from fiscal year 2020 (see Section F), the Plan membership counts are as of August 31, 2020.

Pension Plan Member Type	Number
Inactive plan members or beneficiaries currently receiving benefits	445,274
Inactive plan members entitled to but not yet receiving benefits	322,682
Active plan members	914,752
<b>Total</b>	<b>1,682,708</b>

The Average Expected Remaining Service Life (AERSL) of 6.3082 years is based on membership information as of the beginning of the fiscal year.

**D. Contributions**

Contribution requirements are established or amended pursuant to the following state laws:

- Article 16, Section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.
- Government Code section 821.006 prohibits benefit improvements if it increases the amortization period of TRS' unfunded actuarial liability to greater than 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

As the non-employer contributing entity, the State of Texas contributes to the retirement system the current employer contribution rate times the aggregate annual compensation of all members of the Plan during the fiscal year, reduced by the employer contributions described below.

All participating employers and the State of Texas, as the employer for senior universities and medical schools, are required to pay the employer contribution rate in the following situations:

- On the portion of a member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code
- During a new member's first 90 days of employment
- When any or all of an employee's salary is paid by federal, private, local or non-educational and general funds
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

The following table shows contributions to the Plan by type of contributor for the fiscal year 2021.

<b>Contributor</b>	<b>Contribution Rate</b>	<b>Amount</b>
Member	7.7 %	\$3,839,243,646
Non-Employer Contributing Entity (State)	7.5	2,140,553,293
Employers	7.5	1,592,103,426
<b>Total</b>		<b>\$7,571,900,365</b>

Employers are also required to pay surcharges in the following cases:

- All public schools, charter schools and regional education service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of TRS, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

Employer surcharges paid for the fiscal year 2021 are shown below.

Surcharge	Rate	Amount
Public Education Employers	1.6 %	\$ 501,744,908
Employment after Retirement - Employer	7.5	14,891,135
Employment after Retirement - Employee	7.7	15,288,232
<b>Total</b>		<b>\$ 531,924,275</b>

The current and future contribution rates are shown below.

Fiscal Year	State	Public Education Employer	Active Employee
2021	7.50 %	1.60 %	7.70 %
2022	7.75	1.70	8.00
2023	8.00	1.80	8.00
2024	8.25	1.90	8.25
2025	8.25	2.00	8.25

#### **E. Net Pension Liability**

Components of the Net Pension Liability of the Plan as of August 31, 2021 are disclosed below.

Components of Liability	Amount
Total Pension Liability	\$ 227,273,463,630
Less: Plan Fiduciary Net Position	(201,807,002,496)
<b>Net Pension Liability</b>	<b>\$ 25,466,461,134</b>
<b>Net Position as Percentage of Total Pension Liability</b>	<b>88.79 %</b>

#### **F. Actuarial Methods and Assumptions**

##### **Roll Forward**

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three year period ending August 31, 2017 and were adopted in July 2018.

The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioners Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projection scale ("U-MP"). The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, also with full generational mortality.

The long-term expected rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021 are summarized in Note 3.

The following table discloses the assumptions that were applied to this measurement period.

<b>Component</b>	<b>Result</b>
Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

**G. Discount Rate**

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. Change of Assumptions Since the Prior Measurement Date**

There were no changes in assumptions since the prior measurement date.

### I. Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

The following table presents the net pension liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

<b>1% Decrease</b>	<b>Current Single Discount Rate</b>	<b>1% Increase</b>
<b>6.25%</b>	<b>7.25%</b>	<b>8.25%</b>
\$ 55,648,259,551	\$ 25,466,461,134	\$ 979,861,293

### J. Deferred Retirement Option Program

The Deferred Retirement Option Plan (DROP) was closed to new members on December 31, 2005. The Plan was available for active members who were eligible for normal age retirement with at least 25 years of credited service. Participation options were in 12-month increments for up to five years. For detailed information on the Plan, see the Summary of Benefits section. The balance in the DROP reserve account at August 31, 2021 was \$1,653,570 and had 6 members.

### K. Funding Progress

The required Schedule of Changes in the Employer's Net Pension Liability and Related Ratios immediately following the Notes to the Financial Statements presents multi-year trend information about whether the net position of the Plan is increasing or decreasing relative to the pension liability over time.

## Note 12: Risk Management

The 77th Texas Legislature enacted the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343), establishing a new statewide health coverage program for public school employees and their dependents. TRS began administering this program, known as TRS-ActiveCare, September 1, 2002. The plan is available to all public school districts, charter schools with open enrollment, regional service centers and certain other employers. The risk associated with this program is retained by the plan's participants, and no risk is transferred to the plan's administrators, to employers, or to the state.

## Note 13: Component Units

### A. Description

Teacher Retirement Investment Company of Texas, Ltd. (TRICOT) is a limited liability corporation organized under United Kingdom (UK) law that began operating in November 2015. TRS is the sole shareholder of TRICOT. TRS formed TRICOT for the purpose of increasing investment opportunities for the TRS portfolio. TRICOT is presented as a blended component unit in the Pension Trust Fund fiduciary fund type of TRS with a fiscal year-end of August 31.

## **B. Criteria for Inclusion as a Component Unit**

TRS used the following criteria and determined TRICOT to be a component unit according to GASB 14, as modified by GASB 39 and 61:

- TRICOT is considered a special-purpose government entity engaged only in fiduciary activities on behalf of TRS.
- TRICOT is a part of the System. TRS maintains complete control over TRICOT and all related assets. If TRICOT were dissolved, any remaining assets, net of liabilities, would revert back to TRS.
- As a "private limited liability company" in the UK, TRICOT is legally separate according to GASB 14, paragraph 15.
- TRS' executive director, as a shareholder representative, appoints the sole director of TRICOT.
- TRICOT is financially dependent upon TRS and has no other sources of funding.
- TRICOT provides services exclusively to TRS.
- It would be misleading to exclude TRICOT in the financial statements.

Written requests for TRICOT's financial statements should be addressed to: Communications Department, Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701, 1-800-223-8778.

## **Note 14: Subsequent Events**

In September 2021, in the Second Called Special Session of the 87th Texas legislature, Senate Bill 7 approved a one-time supplemental payment for members who retired on or before December 31, 2020 in the amount of their monthly annuity payment or \$2,400, whichever is less. All eligible members will receive an extra annuity check in January 2022. House Bill 5 provides \$701 million in direct funding from the State to pay for the one-time payment.

In September 2021, the Board of Trustees voted to authorize the purchase of a new headquarters outside of downtown Austin. With that vote, the Board delegated the Executive Director the authority to move forward in acquiring space to serve TRS members and employees. The purchase is not to exceed \$300 million and will be expensed over the next four years. The contract to finalize the purchase of the land and construction of two buildings was completed in November 2021.

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## Required Supplementary Information

### Pension Trust Fund

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**Schedule of Changes in the Employers' Net Pension Liability and Related Ratios**

**Pension Trust Fund**

For the Fiscal Years Ended August 31

Last Ten Fiscal Years\*

(Dollars in Thousands)

	2021	2020	2019	2018
<b>Total Pension Liability</b>				
Service Cost	\$ 5,793,398	\$ 5,651,647	\$ 5,642,075	\$ 4,654,171
Interest on the Total Pension Liability	15,645,734	15,014,048	14,267,256	14,109,277
Benefit Changes		—	588,828	—
Differences between Expected and Actual Experience	(1,004,527)	(259,157)	(982,694)	—
Changes of Actuarial Assumptions		—	(7,425,279)	22,106,679
Benefit Payments	(11,686,211)	(10,972,292)	(11,253,729)	(10,172,997)
Refunds of Member Accounts	(449,136)	(421,366)	(486,461)	(422,336)
<b>Net Change in Total Pension Liability</b>	<b>\$ 8,299,259</b>	<b>\$ 9,012,880</b>	<b>\$ 349,996</b>	<b>\$ 30,274,794</b>
Beginning Total Pension Liability	\$ 218,974,205	\$ 209,961,325	\$ 209,611,329	\$ 179,336,535
<b>Ending Total Pension Liability (a)</b>	<b>\$ 227,273,464</b>	<b>\$ 218,974,205</b>	<b>\$ 209,961,325</b>	<b>\$ 209,611,329</b>
<b>Plan Fiduciary Net Position</b>				
Employer Contributions	\$ 2,124,028	\$ 2,016,482	\$ 1,761,822	\$ 1,671,257
Member Contributions	3,839,244	3,736,877	3,482,870	3,360,773
Non-Employer Contributing Entity Contributions	2,140,553	2,107,999	1,737,852	1,715,785
Net Investment Income	40,512,139	11,068,917	7,669,029	11,242,814
Benefit Payments	(11,686,211)	(10,972,292)	(11,253,729)	(10,172,997)
Refunds of Member Accounts	(449,136)	(421,366)	(486,461)	(422,336)
Administrative Expenses	(71,360)	(67,136)	(60,486)	(64,926)
Other	(18,500)	(31,435)	558,400	(123,390)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 36,390,757</b>	<b>\$ 7,438,046</b>	<b>\$ 3,409,297</b>	<b>\$ 7,206,980</b>
Beginning Plan Fiduciary Net Position	\$ 165,416,245	\$ 157,978,199	\$ 154,568,902	\$ 147,361,922
<b>Ending Plan Fiduciary Net Position (b)</b>	<b>\$ 201,807,002</b>	<b>\$ 165,416,245</b>	<b>\$ 157,978,199</b>	<b>\$ 154,568,902</b>
<b>Ending Net Pension Liability (a)-(b)</b>	<b>\$ 25,466,461</b>	<b>\$ 53,557,960</b>	<b>\$ 51,983,126</b>	<b>\$ 55,042,427</b>

**Notes to the Schedule of Changes in the Employers' Net Pension Liability and Related Ratios**

\*Schedule is presented on a prospective basis in accordance with GASB 67, paragraph 50.

2018 - Changes of assumptions: The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

2020 - Change of assumptions: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

2021 - Changes of assumptions: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.

(Continued)

2017	2016	2015	2014
\$ 4,489,046	\$ 4,392,077	\$ 4,225,449	\$ 3,965,994
13,515,486	12,896,571	12,555,646	11,813,446
—	—	—	—
(969,831)	373,669	(1,588,619)	482,639
700,880	—	(1,474,724)	2,028,541
(9,775,775)	(9,379,123)	(8,935,112)	(8,548,643)
(420,421)	(373,419)	(391,341)	(410,600)
<b>\$ 7,539,385</b>	<b>\$ 7,909,775</b>	<b>\$ 4,391,299</b>	<b>\$ 9,331,377</b>
\$ 171,797,150	\$ 163,887,375	\$ 159,496,076	\$ 150,164,699
<b>\$ 179,336,535</b>	<b>\$ 171,797,150</b>	<b>\$ 163,887,375</b>	<b>\$ 159,496,076</b>
\$ 1,588,309	\$ 1,483,390	\$ 1,377,973	\$ 984,552
3,242,556	2,943,669	2,576,024	2,357,686
1,697,963	1,675,631	1,591,483	1,530,624
17,079,807	9,193,281	(412,759)	19,434,430
(9,775,775)	(9,379,123)	(8,935,112)	(8,548,643)
(420,421)	(373,419)	(391,341)	(410,600)
(44,190)	(44,403)	(35,557)	(41,904)
(14,964)	(29,095)	(11,248)	84,954
<b>\$ 13,353,285</b>	<b>\$ 5,469,931</b>	<b>\$ (4,240,537)</b>	<b>\$ 15,391,099</b>
\$ 134,008,637	\$ 128,538,706	\$ 132,779,243	\$ 117,388,144
<b>\$ 147,361,922</b>	<b>\$ 134,008,637</b>	<b>\$ 128,538,706</b>	<b>\$ 132,779,243</b>
<b>\$ 31,974,613</b>	<b>\$ 37,788,513</b>	<b>\$ 35,348,669</b>	<b>\$ 26,716,833</b>

**Schedule of the Net Pension Liability**

**Pension Trust Fund**

For the Fiscal Years Ended August 31

Last Ten Fiscal Years\*

Fiscal Year	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 159,496,075,886	\$ 132,779,243,085	\$ 26,716,832,801	83.25 %	\$ 36,654,290,800	72.89 %
2015	163,887,375,172	128,538,706,212	35,348,668,960	78.43	38,448,124,045	91.94
2016	171,797,150,487	134,008,637,473	37,788,513,014	78.00	40,742,826,333	92.75
2017	179,336,534,819	147,361,922,120	31,974,612,699	82.17	42,111,120,273	75.93
2018	209,611,328,793	154,568,901,833	55,042,426,960	73.74	43,646,405,156	126.11
2019	209,961,325,288	157,978,199,075	51,983,126,213	75.24	45,232,074,364	114.93
2020	218,974,205,084	165,416,245,243	53,557,959,841	75.54	48,530,876,156	110.36
2021	227,273,463,630	201,807,002,496	25,466,461,134	88.79	49,860,307,091	51.08

\*This schedule is presented on a prospective basis in accordance with GASB 67, paragraph 50

**Schedule of Employer and Non-Employer Contributing Entity Actuarially Determined Contributions (ADC)**

**Pension Trust Fund**

For the Fiscal Years Ended August 31

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 3,177,927,012	\$ 2,515,176,220	\$ 662,750,792	\$ 36,654,290,800	6.86 %
2015	3,171,970,234	2,969,455,641	202,514,593	38,448,124,045	7.72
2016	3,226,831,846	3,159,020,596	67,811,250	40,742,826,333	7.75
2017	3,343,622,950	3,286,271,953	57,350,997	42,111,120,273	7.80
2018	3,426,242,805	3,387,041,853	39,200,952	43,646,405,156	7.76
2019	4,288,000,650	3,499,674,404	788,326,246	45,232,074,364	7.74
2020	4,527,930,745	4,124,481,029	403,449,716	48,530,876,156	8.50
2021	4,522,329,853	4,264,580,994	257,748,859	49,860,307,091	8.55

This schedule will ultimately contain 10 years of information. Additional years will be presented on a prospective basis in accordance with GASB 67, paragraph 50

**Notes to the Schedule of Actuarially Determined Contributions**

The following methods and assumptions were used to determine the Actuarially Determined Contributions.

Component	Result
Valuation Date	August 31, 2020 (to determine contribution rate for fiscal year ending August 31, 2021)
Actuarial Cost Method	Individual Entry Age Normal actuarial cost method
Amortization Method	Level Percentage of Payroll, Floating
Remaining Amortization Period	27 years based on increased employer and member contribution rates enacted during the 2019 legislative session
Asset Valuation Method	5 year smoothed market
Inflation	2.30%
Salary Increases	3.05% to 9.05%, including inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study conducted for the period ending on August 31, 2017.
Mortality	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females with full generational mortality.  Post-Retirement: The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projected scale "U-MP".
Benefit Changes	None
Notes	Actuarially determined contribution rates are calculated as of August 31 of the preceding fiscal year.  Members and employers contribute based on statutorily fixed rates.

**Schedule of Investment Returns**

**Annual Money-Weighted Rate of Return, Net of Investment Expense**

**Pension Trust Fund**

For the Fiscal Years Ended August 31

Last Ten Fiscal Years

2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
25.0 %	7.2 %	5.1 %	7.8 %	13.0 %	7.3 %	(0.3)%	16.9 %	9.0 %	7.4 %

**Schedule of Employer's (TRS) Proportionate Share of ERS' Net OPEB Liability**

**Pension Trust Fund**

For the Fiscal Years Ended August 31

Last Ten Fiscal Years\*

Fiscal Year	Employer's (TRS) Proportionate Share of Collective Net OPEB Liability	Employer's (TRS) Proportionate Share of Collective Net OPEB Liability %	Employer's (TRS) Covered Employee Payroll	Employer's Proportionate Share of Collective Net OPEB Liability as a % of Employer's (TRS) Covered Employee Payroll	ERS Fiduciary Net Position as a % of Total OPEB Liability
2018	\$ 81,850,260	0.24022021 %	\$ 53,125,067	154.07 %	2.04 %
2019	85,009,492	0.28682846	60,679,696	140.10	1.27
2020	104,446,218	0.30219368	67,365,146	155.04	0.17
2021	105,874,471	0.32039840	75,970,957	139.36	0.32

The amounts presented above are as of the measurement date of the collective Net OPEB Liability for the respective fiscal year.

\*This schedule will ultimately contain 10 years of information. Additional years will be presented on a prospective basis in accordance with GASB 75, paragraph 245.

**Schedule of Employer's (TRS) Contributions to ERS' OPEB Plan**

**Pension Trust Fund**

For the Fiscal Years Ended August 31

Last Ten Fiscal Years\*

Fiscal Year	Statutory Employer (TRS) Contributions**	Actual Employer (TRS) Contributions***	Contributions Deficiency (Excess)	Employer's (TRS) Covered Employee Payroll	Employer (TRS) Contributions as a % of Covered Employee Payroll
2018	\$ 2,251,441	\$ 2,251,441	\$ —	\$ 60,679,696	3.71 %
2019	8,954,706	8,954,706	—	67,365,146	13.29
2020	9,628,763	9,628,763	—	75,970,957	12.67
2021	10,396,226	10,396,226	—	83,160,325	12.50

The amounts presented above are as of the employer's most recent fiscal year end.

\*This schedule will ultimately contain 10 years of information. Additional years will be presented on a prospective basis in accordance with GASB 75, paragraph 245.

\*\*ERS excluded Active Employee Health Insurance Contributions in fiscal year 2018 only.

\*\*\*Contributions are not based on a measurement of pay.

## Schedule of Changes in Employers' Net OPEB Liability and Related Ratios

### TRS-Care

For the Fiscal Years Ended August 31

Last Ten Fiscal Years\*

(Dollars in Thousands)

	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>					
Service Cost	\$ 2,123,507	\$ 2,580,691	\$ 2,306,961	\$ 2,284,418	\$ 4,312,406
Interest on the Total OPEB Liability	951,216	1,304,452	1,904,512	1,524,880	2,356,367
Changes of Benefit Terms	—	—	—	—	(18,610,363)
Differences between Expected and Actual Experience	(4,029,450)	(11,973,222)	(7,950,584)	2,979,259	(1,027,634)
Changes of Actuarial Assumptions	2,553,299	64,950	2,133,219	936,862	(19,563,767)
Benefit Payments	(495,695)	(549,284)	(540,351)	(881,714)	(995,486)
<b>Net Change in Total OPEB Liability</b>	<b>\$ 1,102,877</b>	<b>\$ (8,572,413)</b>	<b>\$ (2,146,243)</b>	<b>\$ 6,843,705</b>	<b>\$ (33,528,477)</b>
Beginning Total OPEB Liability	\$ 40,010,834	\$ 48,583,247	\$ 50,729,490	\$ 43,885,785	\$ 77,414,262
<b>Ending Total OPEB Liability (a)</b>	<b>\$ 41,113,711</b>	<b>\$ 40,010,834</b>	<b>\$ 48,583,247</b>	<b>\$ 50,729,490</b>	<b>\$ 43,885,785</b>
<b>Plan Fiduciary Net Position</b>					
Employer Contributions	\$ 334,028	\$ 324,974	\$ 305,363	\$ 296,098	\$ 215,361
Non-Employer Contributing Entity Contributions	452,858	666,588	482,056	789,870	324,662
Member Contributions	250,413	243,532	227,338	221,325	213,241
Net Investment Income	9,227	25,537	25,047	10,127	4,697
Benefit Payments **	(495,696)	(549,284)	(540,351)	(881,714)	(995,486)
Administrative Expense	(7,906)	(7,069)	(6,006)	(6,672)	(4,954)
Other	—	18	—	(29,995)	529
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 542,924</b>	<b>\$ 704,296</b>	<b>\$ 493,447</b>	<b>\$ 399,039</b>	<b>\$ (241,950)</b>
Beginning Plan Fiduciary Net Position	\$ 1,996,318	\$ 1,292,022	\$ 798,575	\$ 399,536	\$ 641,486
<b>Ending Plan Fiduciary Net Position (b)</b>	<b>\$ 2,539,242</b>	<b>\$ 1,996,318</b>	<b>\$ 1,292,022</b>	<b>\$ 798,575</b>	<b>\$ 399,536</b>
<b>Ending Net OPEB Liability (a)-(b)</b>	<b>\$ 38,574,469</b>	<b>\$ 38,014,516</b>	<b>\$ 47,291,225</b>	<b>\$ 49,930,915</b>	<b>\$ 43,486,249</b>

### Notes to the Schedule of Changes in Employers' Net OPEB Liability and Related Ratios

\*Total OPEB liability is presented on a prospective basis in accordance with GASB 74, paragraph 62.

\*\* Benefit Payments are shown net of Health Care Premiums paid by Retirees.

2021: Changes of Assumptions: The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021.

2020: Changes of Assumptions: The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

2019: Changes of Assumptions: The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, lowered the participation rates and updated the health care trend rate assumption.

2018: Changes of Assumptions: The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018, updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.

**Schedule of the Net OPEB Liability**

**TRS-Care**

For the Fiscal Years Ended August 31

Last Ten Fiscal Years\*

Fiscal Year	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2017	\$ 43,885,784,621	\$ 399,535,986	\$ 43,486,248,635	0.91 %	\$ 32,806,335,231	132.55 %
2018	50,729,490,103	798,574,633	49,930,915,470	1.57	34,050,058,000	146.64
2019	48,583,247,239	1,292,022,349	47,291,224,890	2.66	34,975,146,769	135.21
2020	40,010,833,815	1,996,317,932	38,014,515,883	4.99	37,466,480,000	101.46
2021	41,113,711,083	2,539,242,470	38,574,468,613	6.18	38,525,164,923	100.13

\*This schedule is presented on a prospective basis in accordance with GASB 74, paragraph 62.

**Other Supplementary Information**

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**Schedule 1**  
**Schedule of Administrative and Investing Activity Expenses**  
**All Funds**  
For the Fiscal Year Ended August 31, 2021

	Pension Trust Fund	
	Benefits	Investments
<b>Administrative Expenses</b>		
<b>Personnel Services</b>		
Salaries and Wages	\$ 35,960,590	\$ 48,485,810
Payroll Related Costs	749,562	5,031,603
<b>Total Personnel Services</b>	<b>\$ 36,710,152</b>	<b>\$ 53,517,413</b>
<b>Total Professional Fees and Services</b>	<b>\$ 2,702,611</b>	<b>\$ 5,130,985</b>
<b>Other Operating Expenses</b>		
Travel	\$ 10,674	\$ 109,817
Materials and Supplies		
Consumable Supplies and Fuels	140,514	32,731
Subscriptions and Reference Information	689,679	1,157,381
Postage, Mailing and Delivery Services	2,321,154	239,086
Furniture and Equipment - Expensed	350,515	513,132
Communications and Utilities	1,219,403	233,778
Repairs and Maintenance		
Software Purchases and Maintenance	3,891,917	5,535,044
Computer Hardware Maintenance	560,101	788,703
Buildings and Equipment Maintenance	535,756	753,435
Rentals and Leases	344,193	4,398,601
Printing and Reproduction	202,474	77,049
Depreciation Expense	1,884,655	41,929
Amortization Expense	10,655,108	—
Gain/Loss on Capital Assets	—	—
Other Expenses		
Dues, Fees And Staff Development	81,009	181,000
Insurance Premiums	287,186	432,651
Miscellaneous Expenses	8,772,749	2,814,031
<b>Total Other Operating Expenses</b>	<b>\$ 31,947,087</b>	<b>\$ 17,308,368</b>
<b>Total Administrative Expenses</b>	<b>\$ 71,359,850</b>	<b>\$ 75,956,766</b>

(Continued)

TRS-Care	TRS-ActiveCare	Total
\$ 1,216,409	\$ 1,918,036	\$ 87,580,845
1,020,786	204,835	7,006,786
<b>\$ 2,237,195</b>	<b>\$ 2,122,871</b>	<b>\$ 94,587,631</b>
<b>\$ 1,846,046</b>	<b>\$ 1,247,051</b>	<b>\$ 10,926,693</b>
\$ 947	\$ 348	\$ 121,786
23,146	1,422	197,813
90,775	35,032	1,972,867
493,366	4,409	3,058,015
74,560	41,047	979,254
71,932	29,714	1,554,827
825,065	454,212	10,706,238
117,680	64,784	1,531,268
111,484	61,375	1,462,050
92,110	639	4,835,543
9,834	—	289,357
—	—	1,926,584
217,139	—	10,872,247
—	—	—
22,159	12,759	296,927
37,666	13,990	771,493
1,635,280	1,331	13,223,391
<b>\$ 3,823,143</b>	<b>\$ 721,062</b>	<b>\$ 53,799,660</b>
<b>\$ 7,906,384</b>	<b>\$ 4,090,984</b>	<b>\$ 159,313,984</b>

**Schedule 1**  
**Schedule of Administrative and Investing Activity Expenses**  
**All Funds**  
 For the Fiscal Year Ended August 31, 2021

	Pension Trust Fund	
	Benefits	Investments
<b>Investment Fees</b>		
Bank Fees	\$ —	\$ 23,983,557
Research Fees	—	6,936,542
External Manager Fees*	—	111,462,448
External Legal and Other Fees	—	3,932,273
External Custodial Fees	—	22,000,000
<b>Total Investment Fees</b>	<b>\$ —</b>	<b>\$ 168,314,820</b>
<b>Total Administrative Expenses and Investment Fees**</b>	<b>\$ 71,359,850</b>	<b>\$ 244,271,586</b>

\*For more information on External Manager Fees, including fees that are netted against returns, please refer to the Investment Section.

\*\* Pension Trust Fund - Investments reported as Investing Activity Expenses under Investment Income on Exhibit II.

(Continued)

TRS-Care	TRS-ActiveCare	Total
\$ —	\$ —	\$ 23,983,557
—	—	6,936,542
—	—	111,462,448
—	—	3,932,273
—	—	22,000,000
<b>\$ —</b>	<b>\$ —</b>	<b>\$ 168,314,820</b>
<b>\$ 7,906,384</b>	<b>\$ 4,090,984</b>	<b>\$ 327,628,804</b>

**Schedule 2****Schedule of Professional and Consulting Services****All Funds**

For the Fiscal Year Ended August 31, 2021

	Amount		Amount
<b>Consulting Services</b>		<b>Investment Research Fees</b>	
Focus Consulting Group Inc	\$ 236,661	Credit Suisse	\$ 889,098
Square One Consultants Inc	142,319	JP Morgan Securities	831,620
Elite Research LLC	80,500	Macquarie Group	763,382
International Center for Management	72,750	Wolfe Advisors LP	600,000
Crowe LLP	49,040	Sanford Bernstein	346,408
Addison Professional Financial Search LLC	36,927	Jefferies & Company	342,921
Colliers International Valuation & Advisory Services LLC	12,500	Exane BNP	336,722
<b>Total Consulting Services</b>	<b>\$ 630,697</b>	Bank of America Merrill Lynch	251,462
<b>Financial &amp; Accounting Services</b>		Green Street Advisors	228,250
Deloitte Consulting LLP	\$ 860,157	HSBC Bank	222,454
Ernst & Young LLP	815,689	Kepler Cheuvreux	217,294
Gabriel Roeder Smith & Company	557,838	Nomura Group	200,000
Segal Company (Southeast) Inc	499,000	CLSA Limited	167,290
Texas State Auditor's Office	295,000	DrillingInfo Inc	127,500
Milliman Inc	282,903	SMBC Nikko	112,912
Gallagher Benefit Services Inc	203,903	Evercore ISI	112,500
CEM Benchmarking Inc	50,000	Deutsche Bank	111,819
<b>Total Financial &amp; Accounting Services</b>	<b>\$ 3,564,490</b>	Berenberg Capital Markets	106,365
<b>Investment Consulting Services</b>		Grupo Santander	103,206
Albourne	\$ 1,366,625	Raymond James	102,091
AON Hewitt Consulting Services	900,000	Robert W Baird	90,106
Keith C Brown	80,000	Gartner Research	77,250
<b>Total Investment Consulting Services</b>	<b>\$ 2,346,625</b>	BCA Research	50,000
<b>IT Consulting Services</b>		BMO Capital Markets	50,000
Neos Consulting Group LLC	\$ 1,436,315	Cornerstone Macro	50,000
Accenture	1,209,914	Keefe Bruyette & Woods	50,000
TEKsystems Inc	1,091,629	Redburn (Europe) Limited	50,000
Advanced Call Center Technologies LLC	581,651	Zelman & Associates	50,000
Gartner Inc	434,508	Gerson Lehrman Group	45,000
Talend Inc	93,146	Empirical Research Partners	37,500
Crowdstrike Inc	54,938	KeyBanc Capital Markets	33,815
Catapult Systems LLC	52,530	The Leuthold Group	32,000
Presidio Networked Solutions Group LLC	44,171	Stifel Nicolaus & Co	31,719
Diligent Corporation	39,232	RBC Capital Markets	26,133
Apex Systems Inc	29,568	BTG Pactual	25,000
Adjacent Technologies Inc	26,125	Yardeni Research	25,000
<b>Total IT Consulting Services</b>	<b>\$ 5,093,727</b>	Piper Jaffray	24,725
		Renaissance Macro	15,000
		<b>Total Investment Research Fees</b>	<b>\$ 6,936,542</b>

(Continued)

Amount	Amount
<b>Legal Services</b>	
Seyfarth Shaw LLP \$ 737,182	Dale Carnegie 15,000
Morgan Lewis & Bockius LLP 685,241	University of Texas - Austin 11,830
Norton Rose Fulbright US LLP 676,201	Performance Training Resources LLC 11,750
Foster Garvey PC 406,533	Aggregate Payees less than \$10,000 60,012
Ice Miller LLP 352,520	<b>Total Other Professional Services \$ 2,399,010</b>
Ropes & Gray LLP 296,794	<b>Research Services</b>
White & Case LLP 252,345	Info-Tech Research Group Inc 75,580
Katten Muchin Rosenman LLP 244,187	<b>Total Research Services \$ 75,580</b>
DLA Piper LLP US 239,629	
Jackson Walker LLP 200,280	<b>Total Professional and Consulting Services \$ 25,765,430</b>
Purrington Moody Weil LLP 119,876	
Cohen Milstein Sellers & Toll PLLC 112,931	
Proskauer Rose LLP 102,225	
BLA Schwartz PC 86,578	
Foley & Lardner LLP 74,237	
<b>Total Legal Services \$ 4,586,759</b>	
<b>Medical Services</b>	
Alice D Cox MD \$ 44,000	
Brian Buck MD 44,000	
David E Rothschild MD 44,000	
<b>Total Medical Services \$ 132,000</b>	
<b>Other Professional Services</b>	
Cushman & Wakefield \$ 1,236,502	
Valuation Research Corporation 242,803	
McLagan 150,000	
Institutional Shareholder Services Inc 140,690	
Amity Search Partners 110,000	
Perryman Consultants Inc 100,400	
Leanne Lowish Consulting 69,850	
Jordan-Markham Executive Coaching 51,140	
Citibank NA 43,473	
Texas A&M University 34,714	
Netsync Network Solutions Inc 23,345	
Texas Comptroller of Public Accounts 22,500	
Nicolaj Siggelkow 22,000	
Studio8 Architects Inc 19,362	
Carahsoft Technology Corporation 17,000	
Workers Assistance Program Inc 16,639	

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*McAllen - Hidalgo County, Texas*



## **THEODORE ROOSEVELT ELEMENTARY SCHOOL**

THEODORE ROOSEVELT ELEMENTARY SCHOOL IN McALLEN WAS ESTABLISHED IN 1904 AND A SMALL "COMMON" SCHOOL SERVED THE COMMUNITY. THE TOWN WAS INCORPORATED IN 1911 AND McALLEN COMMON SCHOOL DISTRICT WAS FORMED IN 1915. THE McALLEN SCHOOL BOARD BEGAN CONSTRUCTION OF A SCHOOL THAT WOULD SERVE THE HISPANIC POPULATION. THE SCHOOL, NAMED AFTER THEODORE ROOSEVELT, THE 26TH PRESIDENT, OPENED IN JANUARY 1921. AN ANNEX DESIGNED BY RALPH CAMERON OF SAN ANTONIO WAS CONSTRUCTED IN 1927. ITS UNIQUE PRE-COLUMBIAN INDIAN TRIM WAS ORIGINALLY UNPAINTED. ZARA THIGPEN WAS THE PRINCIPAL, SERVING FROM 1921 UNTIL THE SCHOOL CLOSED IN THE 1960s. THE SCHOOL BECAME A McALLEN LANDMARK IN 2009.



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**Jase Auby**  
*Chief Investment Officer*

This year presented both challenges and opportunities for the TRS Pension Fund (Trust) as it recovered from the impacts of the global COVID-19 pandemic. Although various economic and health uncertainties existed for much of the year, global financial markets rallied and continuously broke new records. While the majority of the TRS Investment Management Division (IMD) staff worked remotely throughout the year, the team nonetheless collaborated effectively and worked tirelessly to produce value for the Trust's members. The Trust returned 24.98% for the fiscal year ended August 31, 2021, which was over three times in excess of the fund's 7.25% investment return assumption and the highest Trust return over the last 10 years. Further, the total investment value of the fund broke a major milestone, closing the year at \$201.2 billion as of August 31, 2021, a \$36.6 billion increase over last year, net of benefit payments. Annual rates of return for the 5-year and 10-year period ending August 31, 2021 were 11.43% and 9.69%, respectively.

TRS continues to be positioned to use its long-term investment horizon as an advantage and this strength was on full display over the past year and throughout the pandemic. The Trust's long-term investment strategy allows the fund to weather short-term volatility and ultimately realize higher returns for members over time. The current mix of public, private, U.S. and international assets along with active and passive asset management continues to provide the fund diversification while preserving the flexibility to quickly capitalize on changing conditions. Given the high level of uncertainty driven by the economic slowdown and the health crisis, the TRS investment division focused on liquidity, portfolio rebalancing, and identifying new investment opportunities.

The Reduce Investment Fees initiative to bring more investment personnel in house to reduce fees paid to external managers made significant progress through FY2021 despite the challenges presented by the pandemic and labor markets. The goal of hiring 120 investor and operational support positions is in progress and the Trust is on target to complete the program. In January 2021, TRS resumed its normal process for hiring after a slowdown in 2020 due to the pandemic. During that time, only critical and vacant positions were being approved. As of August 31, 2021, 60 employees have been hired as part of the initiative. During the 87<sup>th</sup> Texas Legislature, policymakers enacted the 2022-23 General Appropriations Act which provides 25 additional investment professionals for the next phase of the Reduce Investment Fees initiative. The initiative has successfully resulted in cost savings and the direct reduction of fees paid to external investment managers, as the Trust reported \$93 million in net management fee savings for the calendar year ended December 31, 2020.

In Public Markets, TRS's investment portfolios rallied through one of the strongest capital market growth periods of all time. Throughout the end of 2020 and in 2021, global equities in all markets rose to record highs as growth was boosted by fiscal stimulus, economic re-opening, and increased consumer confidence across the world. Early economic cycle conditions supported small-cap company growth in the US and the rotation of capital market flows from growth to value stocks also positively benefitted the Trust's investment performance. Due to these factors, the Trust's Public Equity investments had a strong return of 29.4% for the year. Within the portfolio, US and Non-US Developed Equities outperformed, returning 35.9% and 25.5%, respectively. Among the Trust's more defensive Stable Value assets, \$9.4 billion in Stable Value Hedge Funds gained 12.7% for the fiscal year ended August 31, 2021. While the \$28.5 billion Government Bonds portfolio declined 7.6% in fiscal year ended August 31, 2021, this portfolio performed extremely well in the prior fiscal year, earning 12.9% while other asset classes struggled. This change in performance of the Government Bond portfolio showcases the importance of diversification for the Trust to be able to meet obligations to our members under varying market conditions. The Trust asset allocation had 39.0% in Public Equity investments valued at \$78.4 billion as of August 31, 2021, including over \$31.0 billion in internally managed strategies.

The Trust's Private Markets portfolios successfully navigated through the complexities of the pandemic and have had a strong recovery in both performance and new activity since last fiscal year. Across the three private markets asset classes, the fund is making healthy progress towards meeting 2021 goals of committing \$3.0 billion to Private

Equity opportunities, \$2.0 billion to Energy, Natural Resources and Infrastructure (ENRI) investments, and \$3.0 billion to Real Estate. Further, the Private Markets teams successfully onboarded 9 new employees in FY2021, which helped continue to scale the team's skillset and capabilities to invest in Principal Investments, an important part of the Reduce Investment Fees initiative. The current Private Markets component of the asset allocation comprised 34.6% of the Trust and as of August 31, 2021 was valued at \$69.6 billion with a total return of 35.2% for the current year. The individual asset class portfolios had tremendous performance, with Private Equity returning 58.9%, ENRI returning 18.1%, and Real Estate returning 16.8% for the 1-year period ended August 31, 2021.

TRS continues to develop ongoing relationships with emerging managers as an additional diversification component for the Trust's long-term growth. As of August 31, 2021, the Emerging Manager Program (EMP) comprised 1.3% of the total Trust value and since inception the team has allocated \$4.8 billion to funds under four major asset classes, 53% of which was allocated to diverse managers. The team continued the implementation of the Emerging Manager Select initiative, a \$1 billion program with allocations to two existing Emerging Managers within Real Estate. This capital will promote and strengthen the relationships with these managers as they transition from EMP into the main Trust. In January 2021, TRS hosted its first virtual Emerging Manager Conference in light of the pandemic. The conference was a success, attracting 1,000 more participants than the previous year's conference.

The TRS Risk and Portfolio Management (RPM) Team plays a critical role in managing the Trust to enable efficient risk usage and enhance portfolio returns. Throughout the year, the RPM team successfully held all key risk metrics within compliance and maintained a healthy liquidity position for the Trust, which is an important metric to monitor as TRS continues to deliver benefits totaling over \$11.6 billion a year to its members. The Risk Parity portfolio comprised 7.9% of the Trust's investments and was valued at \$15.9 billion as of August 31, 2021. The Risk Parity portfolio performed well, gaining 21.8% for FY2021.

TRS will continue to conscientiously and prudently manage the Trust for the long-term financial interest of the members we serve. If we can provide you with additional information on the Trust's performance, please let us know.

Prepared by:  
Investment Staff of the System

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## Report on Investment Activities

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## A. Investment Policy

The Board of Trustees (Board) has the primary fiduciary responsibility for investing the Teacher Retirement System of Texas (TRS or System) trust assets in accordance with Article XVI, Section 67 of the Texas Constitution and with applicable law. The Board establishes investment objectives and policy, obtains expert advice and assistance, and oversees the employment of a qualified and competent investment staff, the Investment Management Division (IMD), and legal staff. The Board also monitors the actions of staff, consultants and advisors to ensure compliance with its policies. The Board has a Policy Committee of the Board, an Investment Management Committee of the Board and a Risk Management Committee of the Board, each of which is a standing committee of the Board charged with those responsibilities set forth in the Bylaws of the Board. The Board and the IMD are assisted by outside investment consultants and internal and external legal counsel.

The total or overall investment portfolio includes all assets invested by TRS to provide retirement, death, health, and disability benefits administered by the System, and is structured and managed to achieve the following objectives:

- a. Control risk through proper diversification of asset classes and by establishing long-term risk and return expectations; and
- b. As applicable to the pension plan, achieve a long-term rate of return that:
  - i. Exceeds the assumed actuarial rate of return adopted by the Board;
  - ii. Exceeds the long-term rate of inflation by an annualized 5 percent; and
  - iii. Exceeds the return of the Fund Policy Benchmark.

## B. Portfolio Structure

TRS follows a diversified investment approach that focuses on the three most common economic scenarios. Scenario One is characterized by favorable Gross Domestic Product (GDP) growth and moderate inflation as measured by the Consumer Price Index (CPI), which has been the prevailing economic condition 68 percent of the time since 1948. Scenario Two is one of low GDP growth and high inflation, which has occurred 18 percent of the time. Finally, Scenario Three is characterized by stagnant GDP growth and low inflation, which has occurred 14 percent of the time. TRS is positioned to take advantage of any of these various market scenarios.

TRS' long-term asset allocation target is 54 percent to Global Equity markets, which should perform well under Scenario One, 21 percent to Real Return, which should perform well in Scenario Two, 21 percent to a Stable Value portfolio, which should perform well and minimize downside risk in Scenario Three, and 8 percent to the Risk Parity strategy, which has a balanced exposure to all three economic scenarios. A negative 4 percent of Net Asset Allocation Leverage reflects the allocation to the combined cash and investment exposure in excess of 100 percent.

## C. Asset Allocation

The normal portfolio mix represents the portfolio that is expected to meet the Board's actuarial return objectives for the Pension Trust Fund within the risk tolerances specified in the Investment Policy Statement. Each asset class allocation percentage has a "long-term target" position within the overall portfolio and a maximum and minimum range around that target allocation. All percentages refer to fair value.

Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB) require that investments be reported at fair value in the basic financial statements (Exhibit 1 and Note 3). However, the System's asset allocation is based on fair value, which includes investment-related cash, receivables, and payables, and securities sold short. These items cannot be included as part of the fair value of investments under GAAP. Table 1 presents the asset allocation policy ranges and fair values as of August 31, 2021. A reconciliation to fair value is provided following Table 1.

**Table 1: Asset Allocation as of August 31, 2021**

Asset Class	Policy Range			Actual Value	
	Minimum Range	Maximum Range	Target	Fair Value	% of Total Fund
<b>Global Equity</b>					
USA	13 %	23 %	18 %	\$ 34,911,821,424	17.4 %
Non-US Developed	8	18	13	26,768,843,571	13.3
Emerging Markets	4	14	9	16,736,499,133	8.3
Private Equity	9	19	14	34,764,378,190	17.3
<b>Total Global Equity</b>	<b>47 %</b>	<b>61 %</b>	<b>54 %</b>	<b>\$ 113,181,542,318</b>	<b>56.3 %</b>
<b>Stable Value</b>					
Government Bonds	0 %	21 %	16 %	\$ 28,501,014,027	14.2 %
Stable Value Hedge Funds	0	10	5	9,362,810,769	4.7
Absolute Return	0	20	0	5,514,212,513	2.7
<b>Total Stable Value</b>	<b>14 %</b>	<b>28 %</b>	<b>21 %</b>	<b>\$ 43,378,037,309</b>	<b>21.6 %</b>
<b>Real Return</b>					
Real Estate	10 %	20 %	15 %	\$ 25,025,264,168	12.4 %
Energy, Natural Resources & Infrastructure	1	11	6	9,840,770,860	4.9
Commodities	0	5	0	441,354,464	0.2
<b>Total Real Return</b>	<b>14 %</b>	<b>28 %</b>	<b>21 %</b>	<b>\$ 35,307,389,492</b>	<b>17.5 %</b>
<b>Total Risk Parity</b>	<b>0 %</b>	<b>13 %</b>	<b>8 %</b>	<b>\$ 15,932,830,071</b>	<b>7.9 %</b>
<b>Asset Allocation Leverage</b>					
Cash	0 %	7 %	2 %	\$ 2,605,540,893	1.3 %
Asset Allocation Leverage	0	0	(6)	(9,242,529,948)	(4.6)
<b>Net Asset Allocation Leverage</b>			<b>(4)%</b>	<b>\$ (6,636,989,055)</b>	<b>(3.3)%</b>
<b>Total Fund Fair Value</b>			<b>100 %</b>	<b>\$ 201,162,810,135</b>	<b>100.0 %</b>
<b>Reconciling Items</b>					
Investment Related Cash				\$ (214,351,995)	
Investment Related Receivables				(3,154,974,744)	
Investment Related Payables				2,844,807,629	
Securities Sold Short				1,607,091,349	
Obligations under Reverse Repurchase Agreements				8,130,517,912	
Collateral Obligations*				84,535,737	
<b>Total Reconciling Items</b>				<b>\$ 9,297,625,888</b>	
<b>Total Fund Fair Value (Exhibit 1)</b>				<b>\$ 210,460,436,023</b>	

\*Excludes Securities Lending Collateral Obligations.

**Table 2: Investment Summary as of August 31 (Dollars in Billions)**

Asset Class	Fair Value				
	2011	2016	2018	2020	2021
<b>Global Equity</b>					
USA <sup>1</sup>	\$ 26.528	\$ 26.815	\$ 27.151	\$ 26.006	\$ 30.501
Non-US Developed <sup>1</sup>	12.488	18.237	20.341	21.237	24.769
Emerging Markets <sup>1</sup>	15.296	13.669	13.584	15.090	16.623
Directional Hedge Funds <sup>1,4</sup>	N/A	5.101	6.073	5.589	6.525
Private Equity	11.099	15.951	21.239	23.927	34.764
<b>Total Global Equity</b>	<b>\$ 65.411</b>	<b>\$ 79.773</b>	<b>\$ 88.388</b>	<b>\$ 91.849</b>	<b>\$ 113.182</b>
<b>Stable Value</b>					
Government Bonds <sup>2</sup>	\$ 17.542	\$ 17.925	\$ 21.109	\$ 23.680	\$ 28.501
Stable Value Hedge Funds <sup>4</sup>	4.324	5.528	6.502	8.219	9.363
Absolute Return <sup>4</sup>	3.214	2.544	3.830	6.052	5.514
<b>Total Stable Value</b>	<b>\$ 25.080</b>	<b>\$ 25.997</b>	<b>\$ 31.441</b>	<b>\$ 37.951</b>	<b>\$ 43.378</b>
<b>Real Return</b>					
Real Estate <sup>4</sup>	\$ 11.880	\$ 18.580	\$ 18.277	\$ 22.023	\$ 25.025
Energy, Natural Resources & Infrastructure <sup>4</sup>	N/A	2.581	7.696	8.225	9.841
Commodities	3.323	0.237	0.053	0.342	0.441
<b>Total Real Return</b>	<b>\$ 15.203</b>	<b>\$ 21.398</b>	<b>\$ 26.026</b>	<b>\$ 30.590</b>	<b>\$ 35.307</b>
<b>Total Risk Parity<sup>4</sup></b>	<b>N/A</b>	<b>\$ 5.969</b>	<b>\$ 7.675</b>	<b>\$ 13.256</b>	<b>\$ 15.933</b>
<b>Asset Allocation Leverage</b>					
Asset Allocation Leverage	N/A	N/A	N/A	\$ (11.551)	\$ (9.243)
Cash <sup>3</sup>	\$ 1.376	\$ 0.295	\$ 0.597	2.546	2.606
<b>Net Asset Allocation Leverage</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ (9.005)</b>	<b>\$ (6.637)</b>
<b>Total Fund</b>	<b>\$ 107.070</b>	<b>\$ 133.432</b>	<b>\$ 154.127</b>	<b>\$ 164.641</b>	<b>\$ 201.163</b>

<sup>1</sup>Beginning in Fiscal Year 2020, Directional Hedge Funds were allocated across USA, Non US-Developed, and Emerging Market Equities.

<sup>2</sup>Beginning in Fiscal Year 2020, TIPS and US Treasuries were combined under the Stable Value Allocation into Government Bonds.

<sup>3</sup>Cash was included with the Stable Value Allocation through FY2018.

<sup>4</sup>Allocation includes Alternative Investments.

**Table 3: Investment Allocations as of August 31**

Asset Class	% of Total Fund				
	2011	2016	2018	2020	2021
<b>Global Equity</b>					
USA <sup>1</sup>	24.8 %	20.1 %	17.6 %	15.8 %	15.2 %
Non-US Developed <sup>1</sup>	11.7	13.7	13.2	12.9	12.3
Emerging Markets <sup>1</sup>	14.3	10.2	8.8	9.2	8.3
Directional Hedge Funds <sup>1,4</sup>	N/A	3.8	3.9	3.4	3.2
Private Equity <sup>4</sup>	10.4	12.0	13.8	14.5	17.3
<b>Total Global Equity</b>	<b>61.1 %</b>	<b>59.8 %</b>	<b>57.3 %</b>	<b>55.8 %</b>	<b>56.3 %</b>
<b>Stable Value</b>					
Government Bonds <sup>2</sup>	16.4 %	13.4 %	13.7 %	14.4 %	14.2 %
Stable Value Hedge Funds <sup>4</sup>	4.0	4.1	4.2	5.0	4.7
Absolute Return <sup>4</sup>	3.0	1.9	2.5	3.7	2.7
<b>Total Stable Value</b>	<b>23.4 %</b>	<b>19.5 %</b>	<b>20.4 %</b>	<b>23.1 %</b>	<b>21.6 %</b>
<b>Real Return</b>					
Real Estate <sup>4</sup>	11.1 %	13.9 %	11.9 %	13.4 %	12.4 %
Energy, Natural Resources & Infrastructure <sup>4</sup>	N/A	1.9	5.0	5.0	4.9
Commodities	3.1	0.2	0.0	0.2	0.2
<b>Total Real Return</b>	<b>14.2 %</b>	<b>16.0 %</b>	<b>16.9 %</b>	<b>18.6 %</b>	<b>17.5 %</b>
<b>Total Risk Parity<sup>4</sup></b>	<b>N/A</b>	<b>4.5 %</b>	<b>5.0 %</b>	<b>8.1 %</b>	<b>7.9 %</b>
<b>Asset Allocation Leverage</b>					
Asset Allocation Leverage	N/A	N/A	N/A	(7.0)%	(4.6)%
Cash <sup>3</sup>	1.3 %	0.2 %	0.4 %	1.5	1.3
<b>Net Asset Allocation Leverage</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>(5.5)%</b>	<b>(3.3)%</b>
<b>Total Fund</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

<sup>1</sup>Beginning in Fiscal Year 2020, Directional Hedge Funds were allocated across USA, Non US-Developed, and Emerging Market Equities.

<sup>2</sup>Beginning in Fiscal Year 2020, TIPS and US Treasuries were combined under the Stable Value Allocation into Government Bonds.

<sup>3</sup>Cash was included with the Stable Value Allocation through FY2018.

<sup>4</sup>Allocation includes Alternative Investments.

## D. Largest Holdings

### Fixed Income Investments

Table 4 discloses the Fund's ten largest fixed income investments as of August 31, 2021 reported at GAAP fair value which constitute 25.6 percent of all fixed income securities. A complete list of fixed income investments is available by contacting the TRS Communications Department.

Rank	Fixed Income Investments	Par Value	GAAP Fair Value	% of Total Fixed Income Investments
1	U.S Treasury Bond 1.875% Due 02/15/2051	\$ 1,035,310,000	\$ 1,022,853,927	3.0 %
2	U.S Treasury Bond 1.875% Due 02/15/2041	1,010,310,000	1,018,360,908	3.0
3	U.S Treasury Bond 2.375% Due 05/15/2051	801,190,000	884,939,392	2.6
4	U.S Treasury Bond 1.625% Due 11/15/2050	912,845,000	850,086,906	2.5
5	U.S Treasury Bond 3.375% Due 11/15/2048	634,100,000	834,039,656	2.5
6	U.S Treasury Bond 2.875% Due 05/15/2049	682,300,000	824,516,906	2.5
7	U.S Treasury Bond 3.000% Due 02/15/2049	658,195,000	812,562,296	2.4
8	U.S Treasury Bond 1.375% Due 08/15/2050	922,365,000	807,357,614	2.4
9	U.S Treasury Bond 3.000% Due 08/15/2048	645,020,000	793,979,306	2.4
10	U.S Treasury Bond 1.375% Due 11/15/2040	842,500,000	780,233,984	2.3
<b>Total Top Ten</b>		<b>\$ 8,144,135,000</b>	<b>\$ 8,628,930,895</b>	<b>25.6 %</b>
<b>Total Fixed Income Investments</b>			<b>\$ 33,611,573,005</b>	

### Equity Investments

Table 5 discloses the Fund's ten largest equity investments as of August 31, 2021 reported at GAAP fair value which constitute 10.8 percent of the Fund's total equity exposure.

A complete list of equity investments is available by contacting the TRS Communications Department.

Rank	Equity Investments	Total Shares	GAAP Fair Value	% of Total Equity Investments
1	APPLE INC	6,231,913	\$ 946,191,351	1.8 %
2	MICROSOFT CORP	2,911,630	878,962,864	1.7
3	TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	29,133,451	645,459,394	1.2
4	AMAZON.COM INC	172,786	599,703,921	1.1
5	TENCENT HOLDINGS LTD	8,387,836	518,971,974	1.0
6	ALPHABET INC	171,439	496,135,894	0.9
7	ASML HOLDING NV	519,414	431,958,499	0.8
8	FACEBOOK INC	1,085,988	412,002,127	0.8
9	SAMSUNG ELECTRONICS CO LTD	6,159,847	407,486,537	0.8
10	ALIBABA GROUP HOLDING LTD	16,710,136	355,587,380	0.7
<b>Total Top Ten</b>		<b>71,484,440</b>	<b>\$ 5,692,459,941</b>	<b>10.8 %</b>
<b>Total Equity Investments</b>			<b>\$ 52,859,244,546</b>	

## E. Investment Results

### Performance Reporting

Each asset class is described by an associated benchmark that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain private or more complex asset classes, the benchmark serves as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. Those benchmarks are identified in Table 6 and are referred to as the "Policy Benchmarks".

<b>Table 6: Policy Benchmarks</b>	
<b>Asset Class</b>	<b>Benchmark Portfolio</b>
<b>Global Equity</b>	
USA	MSCI USA Investable Market
Non-US Developed	MSCI EAFE and Canada
Emerging Markets	MSCI EM
Private Equity	Customized State Street Private Equity Index – lagged one quarter
<b>Stable Value</b>	
Government Bonds	Bloomberg Barclays Long Treasury Index
Absolute Return	3 Month LIBOR + 2%
Stable Value Hedge Funds	HFRI Fund of Funds Conservative
<b>Real Return</b>	
Real Estate	NCREIF ODCE – lagged one quarter
Energy, Natural Resources & Infrastructure	40% Cambridge Associates Natural Resources 40% Cambridge Associates Infrastructure 20% quarterly Consumer Price Index– lagged one quarter
Commodities	Goldman Sachs Commodity Index
<b>Risk Parity</b>	
Risk Parity	HFR Risk Parity Vol 12 Institutional Index
<b>Asset Allocation Leverage</b>	
Cash	FTSE 3 Month Treasury Bill
Asset Allocation Leverage	3 Month LIBOR

### Performance Results

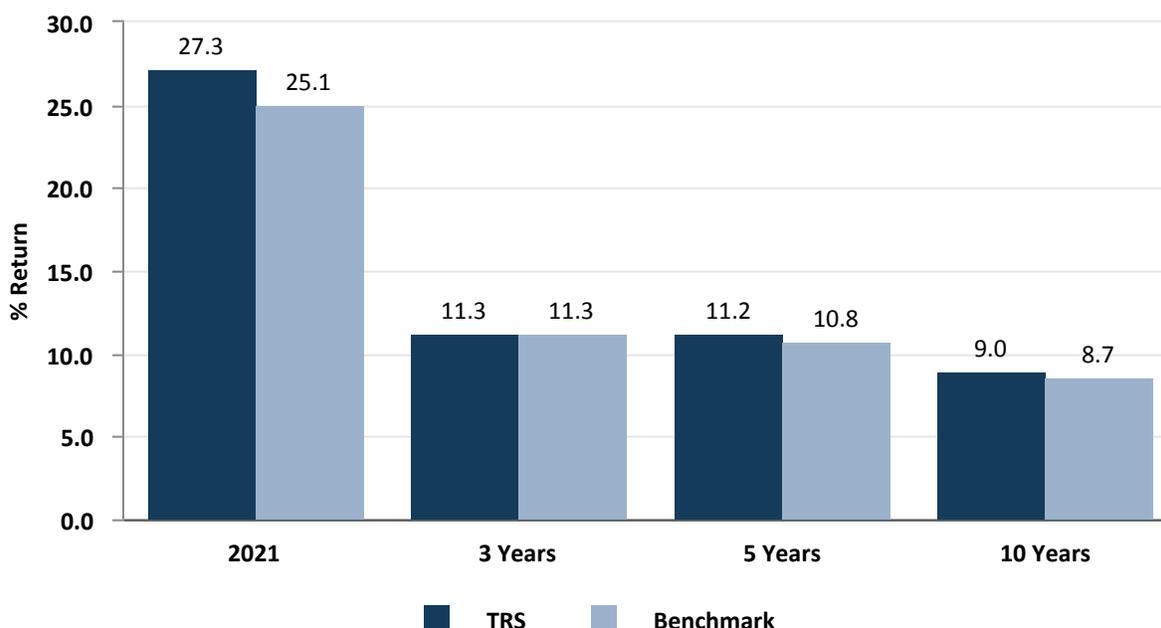
Investment performance is calculated using a time-weighted rate of return. Returns are calculated by State Street Bank and Trust Company, TRS' custodian bank, independently and using industry best practices. The total time-weighted rates of return have been adjusted for cash flows and are calculated net of bank fees, external manager fees, external legal and research fees, and external custodial fees.

Administrative expenses for the IMD are not netted against or included in performance calculations.

Due to TRS' fiscal year ending on August 31, 2021, the most complete performance and benchmark information by asset class is available as of June 30, 2021, presented in Table 7. For a complete list of benchmark composites, contact the TRS Communications Department.

<b>Table 7: Investment Performance: Time-Weighted Returns as of June 30, 2021</b>				
<b>Asset Class</b>	<b>2021</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
<b>Global Equity</b>				
USA	46.2 %	16.1 %	16.1 %	13.0 %
USA Composite Benchmark	44.4	18.9	18.0	14.7
Non-US Developed	33.1	8.6	10.4	6.4
Non-US Developed Composite Benchmark	33.5	8.6	10.4	5.7
Emerging Markets	42.1	12.5	13.7	5.2
Emerging Markets Composite Benchmark	40.9	11.4	13.1	4.3
Private Equity	55.1	19.0	17.5	14.9
Private Equity Composite Benchmark	52.8	18.9	17.1	13.1
<b>Total Global Equity</b>	<b>44.8 %</b>	<b>14.4 %</b>	<b>14.5 %</b>	<b>9.9 %</b>
<b>Global Equity Composite Benchmark</b>	<b>44.4 %</b>	<b>15.1 %</b>	<b>14.9 %</b>	<b>9.9 %</b>
<b>Stable Value</b>				
Government Bonds	(11.0)%	8.2 %	3.2 %	7.2 %
Government Bonds Benchmark	(10.6)	8.0	3.1	6.7
Absolute Return	22.8	9.1	7.9	10.1
Absolute Return Composite Benchmark	2.2	3.5	3.5	2.9
Stable Value Hedge Funds	13.2	5.8	6.2	4.6
Stable Value Hedge Funds Composite Benchmark	14.8	5.3	5.0	3.9
<b>Total Stable Value</b>	<b>(1.3)%</b>	<b>7.6 %</b>	<b>4.6 %</b>	<b>6.7 %</b>
<b>Stable Value Composite Benchmark</b>	<b>(5.1)%</b>	<b>7.5 %</b>	<b>3.8 %</b>	<b>6.0 %</b>
<b>Real Return</b>				
Real Estate	10.0 %	7.4 %	9.3 %	10.7 %
Real Estate Composite Benchmark	1.5	4.0	5.3	8.7
Energy, Natural Resources & Infrastructure	15.0	2.5	N/A	N/A
Energy, Natural Resources & Infrastructure Composite Benchmark	14.9	2.2	N/A	N/A
Commodities	20.8	(2.8)	(0.2)	(8.9)
Commodities Composite Benchmark	57.4	(2.7)	1.7	(6.5)
<b>Total Real Return</b>	<b>11.5 %</b>	<b>5.9 %</b>	<b>7.6 %</b>	<b>7.7 %</b>
<b>Real Return Composite Benchmark</b>	<b>5.0 %</b>	<b>3.4 %</b>	<b>4.7 %</b>	<b>6.5 %</b>
<b>Total Risk Parity</b>	<b>24.3 %</b>	<b>8.3 %</b>	<b>8.5 %</b>	<b>N/A</b>
<b>Risk Parity Benchmark</b>	<b>25.2 %</b>	<b>11.0 %</b>	<b>9.4 %</b>	<b>N/A</b>
<b>Asset Allocation Leverage</b>				
Cash	0.6 %	1.1 %	1.6 %	1.9 %
Cash Composite Benchmark	0.1	1.3	1.2	0.6
<b>Net Asset Allocation Leverage</b>				
<b>TRS</b>	<b>27.3 %</b>	<b>11.3 %</b>	<b>11.2 %</b>	<b>9.0 %</b>
<b>Custom Benchmark</b>	<b>25.1 %</b>	<b>11.3 %</b>	<b>10.8 %</b>	<b>8.7 %</b>

## Time-Weighted Returns as of June 30, 2021



## F. Fees and Commissions

### Investment Manager Fees

Management Fees that are paid from the Pension Trust Fund are charged by the manager or general partner to cover normal operating costs and the expenses of administering the partnership. The manager or general partner usually receives an annual management fee paid in quarterly, but sometimes in semi-annual or annual installments, from the limited partners. Management fees are typically 1.5 percent to 2 percent of the investment or the investment commitment during the investment period and are sometimes scaled down after the investment period. The management fee rate, basis for the calculation, and specific terms are agreed to in the Limited Partnership Agreement (LPA).

Performance fees/carried interest are accrued and paid based on the amount of profit or returns in excess of a benchmark or hurdle rate established in the LPA. Certain other management fees are charged by investment partnerships and netted against the investment earnings of the partnership. For investments in private markets, Performance Fees/Carried Interest represent the general partner's share of the partnership's profits, which is typically 20 percent, with 80 percent going to limited partners, such as TRS.

Carried interest is calculated and paid as partnership investments are realized, and carried interest on the unrealized investments is accrued over the life of the partnership based on the current valuation.

Fees paid from the Pension Trust Fund are booked as expenses on the Statement of Changes in Net Position. Fees netted against returns are charged by investment partnerships and netted against the investment earnings of the partnership. Generally, the information for fees netted against returns are requested and received from Fund general partners on a quarterly basis. Due to the timing of information received from Fund general partners, fees paid or accrued in conjunction with investment activities, along with the related fair value of assets under management, is presented for the twelve months ended June 30, 2021 in Table 8.

The amount of fees paid from the Pension Trust Fund and booked as expenses in Table 8 are for the twelve months ended June 30, 2021. The amount of fees paid from the Pension Trust Fund and booked as expenses for the fiscal year ended August 31, 2021, which appear in Exhibit II and Schedule 1 as External Manager Fees,

amounted to \$111,462,448, which includes \$50,578,515 in management fees and \$60,883,933 in performance fees.

<b>Table 8: Investment Manager Fees</b>					
<b>For the Twelve Months Ended June 30, 2021</b>					
Asset Class	Fair Value of Assets Under Management	Fees Paid from the Pension Trust Fund		Fees Netted Against Returns	
		Management Fees	Performance Fees	Management Fees	Performance Fees/Carried Interest
<b>Global Equity</b>					
USA	\$ 33,610,439,854	\$ 20,662,703	\$ 15,825,819	\$ 53,402,199	\$ 174,696,830
Non-US Developed	26,050,778,563	9,619,358	22,073,541	40,148,824	143,700,753
Emerging Markets	17,342,737,302	11,267,608	8,973,843	13,620,664	46,157,686
Private Equity	31,491,210,908	—	—	199,709,525	247,250,159
<b>Total Global Equity</b>	<b>\$108,495,166,627</b>	<b>\$ 41,549,669</b>	<b>\$ 46,873,203</b>	<b>\$ 306,881,212</b>	<b>\$ 611,805,428</b>
<b>Stable Value</b>					
Government Bonds	\$ 28,339,520,315	\$ 1,953,761	\$ 382,341	\$ —	\$ —
Absolute Return	5,674,564,466	906,564	177,410	23,851,566	2,853,708
Stable Value Hedge Funds	9,522,695,257	—	—	122,944,614	283,249,707
<b>Total Stable Value</b>	<b>\$ 43,536,780,038</b>	<b>\$ 2,860,325</b>	<b>\$ 559,751</b>	<b>\$ 146,796,180</b>	<b>\$ 286,103,415</b>
<b>Real Return</b>					
Real Estate	\$ 24,099,316,410	\$ 873,165	\$ 12,506,919	\$ 178,430,803	\$ 120,435,649
Energy, Natural Resources & Infrastructure	9,220,667,623	—	—	74,477,589	5,584,628
Commodities	608,098,901	47,210	9,239	—	—
<b>Total Real Return</b>	<b>\$ 33,928,082,934</b>	<b>\$ 920,375</b>	<b>\$ 12,516,158</b>	<b>\$ 252,908,392</b>	<b>\$ 126,020,277</b>
<b>Total Risk Parity</b>	<b>\$ 15,380,628,132</b>	<b>\$ 3,906,431</b>	<b>\$ —</b>	<b>\$ 13,740,364</b>	<b>\$ —</b>
Asset Allocation Leverage	\$(11,108,938,850)	\$ —	\$ —	\$ —	\$ —
Cash	2,818,823,410	—	—	—	—
<b>Total Asset Allocation Leverage</b>	<b>\$ (8,290,115,440)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total Fund</b>	<b>\$193,050,542,291</b>	<b>\$ 49,236,800</b>	<b>\$ 59,949,111</b>	<b>\$ 720,326,148</b>	<b>\$ 1,023,929,120</b>

TRS engages investment managers to administer and search for investment opportunities in the private markets. As of August 31, 2021, the names of these investment managers are listed in Table 9.

**Table 9: External Managers**

Abacus Capital Group	Cinven Capital Management	Hines
Aberdeen Asset Management	Citadel	Hony Capital
Actis	Clayton Dubilier & Rice	HPS Investment Partners
Adelphi Capital	Clearlake Capital Group	IDR Investment Management
Advent International	CLSA Capital Partners	Insight Partners
Aeolus Capital Management	Crestview Advisors	Invesco
AEW Capital Management	CVC Capital Partners	Iron Point Partners
Alterna Capital Partners	D. E. Shaw	J.H. Whitney Capital Partners
American Securities	Deer Park Road Corporation	J.P. Morgan
Ankura Consulting Group	DigitalBridge	Kelso and Company
Apollo Global Management	DivcoWest	KKR
AQR Capital Management	Echo Minerals	Kohlberg & Company
Arrowstreet	EIG Global Energy Partners	LaSalle Investment Management
Austin Ventures	Element Capital	Leonard Green & Partners
Avenue Capital Group	EnCap/EnCap Flatrock	Lightspeed Venture Partners
AXA Investment Managers	Energy Capital Partners	Lindsay Goldberg
Bain Capital	EQT Partners	Lion Capital
Baker Brothers Advisors	Equity International	LionStone Investments
Balyasny Asset Management	ExodusPoint Capital Management LP	Lone Star Funds
Banner Oak Capital Partners	Fir Tree Partners	Luxor Capital
Baring Asset Management	First Reserve	Mack Real Estate Group
Baring Private Equity Asia	Five Mile Capital Partners	Madison Dearborn Partners
BFAM Partners	Fortress Investment Group LLC	Madison International Realty
BlackRock	Forum Partners	Madrone Reinsurance Partners
Blackstone Group	GCM Grosvenor	Magnetar
BlueMountain	Glen Point Capital LLP	Man Group
Blueshift	Global Infrastructure Partners	Marathon Asset Management LP
Brandes Investment Partners	Goldman Sachs	Marshall Wace
Bridgepoint Advisers	Gores Group	Millennium Partners
Bridgewater Associates Holdings	Great Hill Equity Partners	Monashee
Brockton Capital	Green Court Capital	Morgan Creek Capital Management
Brookfield/Oaktree	Greystar Real Estate Partners	Morgan Stanley
Camden Property Trust	Groupe Alpha	Nautic Partners
Cantillon Capital Management	GTCR	Neuberger Berman
Canyon Capital Realty Advisors	Halcyon Capital	New Enterprise Associates
Capri Capital Partners	Harrison Street	NGP Energy Capital Management
Carlyle Group	Hawkeye Partners	Nordic Capital
CBRE Global Investors	Heitman Capital Management	Normandy Real Estate Partners
CCMP Capital Advisors	Hellman & Friedman	Oak Investment Partners
Cerberus Capital Management	Hg	Oak Street Real Estate Capital
Charterhouse Capital Partners	Highland Capital Partners	Oasis Management Co Ltd
CIM Group	Hillhouse Capital Group	Onex Partners

**Table 9: External Managers (Continued)**

Orchard Group	TA Associates
Orchid Asia Group	Teays River Investments
P2 Capital Partners	Theleme Partners
Pacific Coast Capital Partners	TIAA
PAG Investment Advisors	Tilden Park Capital
PAI Partners	TPG Capital
Paine Schwartz Partners	Tricon Capital Group
Parvus Armadillo	Tristan Capital Partners
Patria Investimentos	Triton Capital Partners
PDT Partners	Two Sigma
Peak Rock Capital	USAA Real Estate/Square Mile
Pennybacker Capital	Vaughan Nelson
Permira	Verition
Perry Partners	Vista Equity Partners
Pershing Square Capital	Walton Street Capital
PGIM Real Estate	Warburg Pincus
Pharo Management	Wayzata Investment Partners
Pickering Energy Partners	Wellington
Platinum Equity	Westbrook Partners
Polaris Venture Partners	Wheelock Street Capital
Principal Global Investors	Whitebox Advisors
Prologis	WindAcre
Providence Equity Partners	Wolverine Asset Management
Providence Strategic Growth Capital Partners	
Quad-C Management	
Related Fund Management	
Reservoir Strategic Partners	
REVCAP Advisors	
Ridgewood Energy	
Riverstone Holdings	
Roark Capital Group	
Rock Creek	
Senator Investment Group	
Silver Lake Partners	
Sixth Street Partners	
Soroban Capital	
Starboard	
Starwood Capital Group	
SteelRiver Infrastructure Partners	
Stockbridge Capital Group	
Stonepeak Partners	
Systematica Investment Management	

### Broker Commissions

Broker commissions are the incremental direct costs incurred to purchase, sell, or transfer investment assets and liabilities. Table 10 presents the commissions paid to brokers for the fiscal year ended August 31, 2021. Over 17 billion shares were traded by 129 brokers, and commissions paid amounted to over \$50 million.

For the fiscal year ended August 31, 2021, a portion of the total commissions was paid through various Commission Sharing Arrangements (CSA) and

Commission Recapture Arrangements (CRA). CSA proceeds generated \$11,183,299 and were used in accordance with Section 28(e) of the Securities Exchange Act of 1934 to acquire research services from various investment-related firms, totaling \$15,446,710. CRA proceeds generated \$20,688 and were used to acquire services totaling \$248,274. Unspent CSA proceeds, totaling \$4,827,291, and unspent CRA proceeds, totaling \$146,186, were held by State Street Bank and Trust Company as the Fund's CSA and CRA Administrator.

Vendor paid expenses are legal arrangements that are used to acquire investment-related items other than those paid for with commission credit proceeds. Through contractual agreements with various firms, the Fund benefited from \$6,042,280 in vendor paid expenses and contractual allowances for the fiscal year ended August 31, 2021.

Brokerage Firm	Shares Traded*	Commissions Paid**
GOLDMAN SACHS	5,342,876,243	\$ 8,579,323
BANK OF AMERICA MERRILL LYNCH	3,917,377,548	6,757,153
JP MORGAN CHASE	1,571,657,692	3,581,628
CREDIT SUISSE FIRST BOSTON	319,397,178	3,480,616
CITIBANK	764,782,940	3,072,706
JEFFERIES + COMPANY INC	393,912,873	2,705,100
UBS AG	798,154,018	2,283,212
MORGAN STANLEY	985,807,965	1,816,047
BANK OF NEW YORK	131,052,189	1,695,853
CLSA	151,649,951	1,632,044
Summary of remaining 119 brokerage firms	2,864,309,419	14,826,214
<b>Total</b>	<b>17,240,978,016</b>	<b>\$ 50,429,896</b>

\* Shares traded exclude transactions with \$0 commissions paid.

\*\* Commissions paid per share is less than \$0.01.

**Table 11: Broker Commissions by Asset Class for the Fiscal Year Ended August 31, 2021**

<b>Asset Class</b>	<b>Shares Traded*</b>	<b>Commissions Paid**</b>
<b>Global Equity</b>		
USA	473,857,857	\$ 7,410,665
Non-US Developed	2,006,271,241	22,706,042
Emerging Markets	14,697,134,546	14,970,826
Private Equity	7,037,543	128,043
<b>Total Global Equity</b>	<b>17,184,301,187</b>	<b>\$ 45,215,576</b>
<b>Stable Value</b>		
Government Bonds	335,069	805,101
Absolute Return	4,589,596	82,939
<b>Total Stable Value</b>	<b>4,924,665</b>	<b>\$ 888,040</b>
<b>Real Return</b>		
Real Estate	23,648,615	386,942
Energy, Natural Resources & Infrastructure	14,789,698	197,140
Commodities	11,195,744	417,699
<b>Total Real Return</b>	<b>49,634,057</b>	<b>\$ 1,001,781</b>
<b>Risk Parity</b>	<b>2,118,107</b>	<b>3,324,499</b>
<b>Total Risk Parity</b>	<b>2,118,107</b>	<b>\$ 3,324,499</b>
<b>Total Commissions Paid</b>	<b>17,240,978,016</b>	<b>\$ 50,429,896</b>
* Shares traded exclude transactions with \$0 commissions paid.		
**Commissions paid per share is less than \$0.01.		

### **G. Performance Pay Plan (PPP)**

To remain competitive in its efforts to attract and retain high caliber Investment Management Division (IMD) employees, TRS Board of Trustees established the PPP in September 2007. The PPP is the incentive compensation plan developed to attract and retain IMD employees, reinforce long-term investment performance, and align compensation with Trust performance.

The award for each participant in the PPP is based on the participant's annual base salary, a maximum potential award for the participant, and the results of the performance measurement metrics assigned to the participant. Participants' awards are prorated if they join the PPP, receive a promotion, or transfer within IMD during the plan year. The weights of the performance measurement metrics are described as follows:

- 50 percent based on performance against established benchmarks, using 33 percent of one-year and 67 percent of three-year returns
- 30 percent based on performance against selected peer groups, using 33 percent of one-year and 67 percent of three-year returns
- 20 percent based on a qualitative assessment of a participant's job performance

PPP awards are paid to participants only when the performance results exceed targets and the Trust return is positive. The awards are paid in two fiscal years: 50 percent in the fiscal year after the plan year and the remaining 50 percent in the following fiscal year. Participants will receive their awards only when they are still employed by TRS subject to the plan requirements.

A total of \$9,544,594 was paid to 162 employees in February 2021. \$3,557,834 of which represents one half of the award from plan year 2019-2020 and \$5,986,760 for one half of the award from plan year 2018-2019. The average payout was \$58,917 with a range from \$725 to \$372,324. The remaining half of the 2019-2020 awards will be paid in February 2022.

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## UNIVERSITY OF TEXAS AT EL PASO

THE UNIVERSITY OF TEXAS AT EL PASO TRACES ITS HISTORY TO APRIL 16, 1913, WHEN THE TEXAS LEGISLATURE APPROVED THE CREATION OF A STATE SCHOOL OF MINES AND METALLURGY. THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS FORMALLY ESTABLISHED THE SCHOOL ONE YEAR LATER. THE CITIZENS OF EL PASO DONATED LAND EAST OF FORT BLISS FOR THE SCHOOL. THE SITE INCLUDED BUILDINGS OF THE FORMER EL PASO MILITARY INSTITUTE. FOLLOWING A FIRE IN OCTOBER 1916, THE COLLEGE WAS MOVED TO THIS LOCATION. BY THE END OF 1918 FIVE BUILDINGS HAD BEEN COMPLETED IN AN ARCHITECTURAL STYLE IMITATING THAT OF THE HIMALAYAN COUNTRY OF BHUTAN. DESIGNATED A BRANCH OF THE UNIVERSITY OF TEXAS IN 1919, THE COLLEGE OF MINES AND METALLURGY ADDED LIBERAL ARTS COURSES AND BY 1931 OFFERED A BACHELOR OF ARTS DEGREE. FURTHER EXPANSIONS LED TO A MASTER OF ARTS DEGREE PROGRAM IN 1940 AND A DOCTORAL DEGREE PROGRAM IN 1974. THE NAME WAS CHANGED TO TEXAS WESTERN COLLEGE IN 1949, AND TO THE UNIVERSITY OF TEXAS AT EL PASO IN 1967. THE INSTITUTION'S CAMPUS, WITH ITS MOUNTAIN SETTING AND DISTINCTIVE ARCHITECTURE, IS UNIQUE AMONG THE STATE'S COLLEGES.

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**Pension Trust Fund Actuarial Information**

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November 9, 2020

Board of Trustees  
Teacher Retirement System of Texas  
1000 Red River Street  
Austin, TX 78701-2698

**Subject: Actuary's Certification of the Actuarial Valuation as of August 31, 2020**

We certify that the information included herein and contained in the 2020 Actuarial Valuation Report is accurate and fairly presents the actuarial position of the Teacher Retirement System of Texas (TRS) as of August 31, 2020. This report was prepared at the request of the Board and is intended for use by the TRS staff and those designated or approved by the Board. This report may be provided to parties other than TRS staff only in its entirety and only with the permission of the Board.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented comply with the requirements of the Texas statutes and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. Mr. Siblik and Mr. Newton are Enrolled Actuaries, members of the American Academy of Actuaries and are qualified to give a Statement of Opinion. All are experienced in performing valuations for large public retirement systems.

**ACTUARIAL VALUATIONS**

The primary purpose of the valuation report is to determine the adequacy of the statutory contribution rates through measuring the resulting funding period, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the report provides various summaries of the data. This report may not be appropriate for other purposes. The information required by the System in connection with Governmental Accounting Standards Board Statement No. 67 (GASB No. 67) will be provided under separate cover.

Valuations are prepared annually, as of August 31 of each year, the last day of the System's plan and fiscal year.

**FINANCING OBJECTIVE OF THE PLAN**

The employee, employer, and State contribution rates are established by Law that, over time, are intended to remain level as a percent of payroll and provide assets to cover benefits when due. The

Board of Trustees  
November 9, 2020  
Page 2

actuarially determined employer contribution rates determined in this actuarial valuation are intended to provide for the normal cost plus the level percentage of payroll required to amortize the unfunded actuarial accrued liability. Please see Appendix 2 for more discussion of these determinations.

**PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVE**

The actuarial accrued liability, the unfunded actuarial accrued liability (UAAL), and the calculation of the resulting funding period illustrate the progress toward the realization of financing objectives. Based on this actuarial valuation as of August 31, 2020, the System's under-funded status has increased to \$50.6 billion as of August 31, 2020 compared to \$49.5 billion as of August 31, 2019. The primary reason for the increase was the interest on the UAAL being greater than the contributions towards the UAAL. This shortfall was \$1.3 billion for the fiscal year. This means that the UAAL would have increased \$1.3 billion even if all assumptions were met and shows why it was imperative that contribution rates were increased prospectively as that rate of growth would have continued.

The UAAL actually grew less than \$1.5 billion because liability gains more than offset losses on the actuarial value of assets.

This valuation shows a normal cost equal to 11.62% of pay plus 0.14% of pay to cover the annual cost of administrative expenses. The 2019 Legislature increased contribution rates for the State, employers, and the members in a phase-in schedule that will end in Fiscal Year 2025. The State's base rate of 6.80% in Fiscal Year 2019 increased to 7.50% in Fiscal Year 2020 and will phase-in to 8.25% by Fiscal Year 2024. In addition, covered employers whose employees are not participating in Social Security began contributing 1.50% of salary (capped at the minimum salary schedule) in Fiscal Year 2015. Beginning in Fiscal Year 2020, all public education employers will pay this supplemental payment and the amount will gradually increase from 1.60% in Fiscal Year 2021 to 2.00% in Fiscal Year 2025. These supplemental contributions are assumed to be approximately 1.26% of total payroll at the end of the phase-in. Combined, these contributions are ultimately assumed to approximate 9.51% of total payroll. The member contribution rate will increase from the current 7.70% to 8.00% in Fiscal Year 2022 and ultimately 8.25% in Fiscal Year 2024. In addition to these contributions, there are contributions made on behalf of members who are receiving a pension but who have also returned to work. These contributions are assumed to be approximately 0.06% of total payroll. As a result, for FY2025 and thereafter, the System is expected to receive a total contribution rate of 17.82% of pay. All funding calculations in this report assume the rate will remain at that level thereafter.

If payroll grows as expected (3.0% per year), the contributions provided by this contribution rate pattern are sufficient to amortize the current unfunded actuarial accrued liabilities of the System over a period of 27 years based on the smoothed asset value as of the valuation date. Therefore, the financing objectives of the System are expected to be met (assuming all assumptions are realized).

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The actuarial valuation report as of August 31, 2020 reveals that the funded ratio (the ratio of actuarial assets to actuarial accrued liability) is 76.8%. The funded status is one of many metrics used to show trends and develop future expectations about the health of the System. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

The System earned less than the prior year's assumed rate of return during fiscal year 2019 (7.1% on market value compared to an assumed 7.25%). In addition, the System was deferring investment shortfalls from the prior year, and hence the System experienced an actuarial loss on assets this year. Because the prior year's base and the current year's base are both shortfalls, a portion of each base will be recognized and the remainder deferred. The System is now deferring an investment shortfall of \$2.016 billion and the funded status using the market value of assets is 75.9%. If there are no significant investment excesses or other actuarial gains over the next several years, the funded status of the System would be expected to decrease towards this number. This \$2.016 billion in net deferred shortfall compares to the last valuation when the System was deferring a shortfall of \$2.225 billion.

Based on the actuarial (smoothed) value of assets, the number of years needed to amortize the UAAL will decrease annually if all assumptions are met. Please note that this annual decrease in the funding period will only occur if the currently scheduled contribution levels remain in place over the funding period. Any decrease in the contribution rates will result in longer funding periods.

Due to the current funding policy which utilizes level percentage of payroll amortization, the amortization payments will not be sufficient to cover all of the interest charges on the UAAL until the funding period reaches approximately 20 years. Table 11a provides a 10 year projection of various valuation results, including the UAAL, and that projection shows the UAAL is expected to increase to \$54.6 billion in 2027. Extending the projection further would show the UAAL is fully amortized 20 years after that (assuming all assumptions are exactly met including a 7.25% annual return on assets).

Please note these expectations are based on the current benefit provisions, assumptions, contribution rates and a level active population. Any additional benefit enhancements (ad hoc Cost of Living Adjustments or "COLAs") granted without additional funding would increase the ultimate UAAL and extend the funding period before the funding status begins to improve. Thus, we continue to advise against any future benefit enhancements without additional sources of funding that cover the cost of the enhancement.

#### **PLAN PROVISIONS**

The plan provisions used in the actuarial valuation are described in Appendix 1 of the valuation report. There have been no changes to the ongoing benefit provisions of the System since the prior valuation.



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The 2019 Legislature increased the member contribution rates to be paid into the System beginning in Fiscal Year 2022. The member rate will increase from the current 7.70% to 8.00% in Fiscal Year 2022 and increase again in Fiscal Year 2024 to 8.25% of pay, where it is expected to remain.

**DISCLOSURE OF PENSION INFORMATION**

Beginning with Fiscal Year 2014, the System began reporting financial information in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67. The disclosure information for GASB No. 67 is provided in a separate report and is not contained herein.

This report should not be relied on for any purpose other than the purpose described above. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

**ACTUARIAL METHODS AND ASSUMPTIONS**

The actuarial methods and assumptions have been selected by the Board of Trustees of the Teacher Retirement System of Texas based upon our analysis and recommendations. These assumptions and methods are the same as used in the prior valuation and are detailed in Appendix 2 of the valuation report. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the period ending August 31, 2017 and adopted on July 27, 2018. Please see our experience study report dated July 27, 2018 for more information on the rationale for the current assumptions. In our opinion, the actuarial assumptions and methods used in this funding valuation meet the parameters set by the Actuarial Standards of Practice issued by the Actuarial Standards Board for such purposes.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions.

Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. To illustrate this point, on page 9 of this report we have shown illustrative results based on future investment experience deviating from the assumptions. Based on the scope of this engagement, we have not performed analysis on the potential range of future measurements based on other factors. The actuarial calculations are intended to provide information for rational decision making.

In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are internally consistent and reasonably related to the experience of the System and to reasonable expectations.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.



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**Data**

Member data for retired, active and inactive members was supplied as of August 31, 2020 by the TRS staff. The staff also supplied asset information as of August 31, 2020. While GRS did not audit this data, we did apply a number of tests to the data and concluded that it was reasonable and consistent with the prior year's data. It is also our understanding that TRS's auditor has attested to this information. GRS is not responsible for the accuracy or completeness of the information provided to us by TRS.

The following schedules in the Actuarial Section of the TRS CAFR were prepared by GRS:

- Actuarial Present Value of Future Benefits
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Schedule of Funding Progress
- Post-Retirement Mortality
- Rates of Retirement
- Probability of Decrement due to Withdrawal
- Active Mortality

All other schedules shown in the actuarial section were prepared by TRS staff based upon our work. For further information please see the full actuarial valuation report.

This document and the PowerPoint presentation of the actuarial valuation results presented to the TRS Board in December 2020 comprise the full actuarial report.

Respectfully submitted,  
Gabriel, Roeder, Smith & Company



Lewis Ward  
Consultant



Daniel J. Siblik, ASA, EA, MAAA  
Consultant



Joseph P. Newton, FSA, EA, MAAA  
Pension Market Leader and Actuary

## Actuarial Disclosure

The Actuarial Section is based on a valuation as of August 31, 2020.

**Table 1: Actuarial Present Value of Future Benefits**  
(With Comparative Data for August 31, 2019)

	2020	2019
<b>Present Value of Benefits Presently Being Paid</b>		
Service Retirement Benefits	\$ 104,711,036,084	\$ 101,448,968,265
Disability Retirement Benefits	1,275,003,187	1,289,682,794
Death Benefits	971,729,748	959,742,481
Present Survivor Benefits	317,609,363	306,369,380
<b>Total Present Value of Benefits Presently Being Paid</b>	<b>\$ 107,275,378,382</b>	<b>\$ 104,004,762,920</b>
<b>Present Value of Benefits Payable in the Future to Present Active Members</b>		
Service Retirement Benefits	\$ 130,002,795,248	\$ 124,636,617,005
Disability Retirement Benefits	3,134,740,143	2,794,848,963
Termination Benefits	13,562,336,880	12,528,081,082
Death and Survivor Benefits	2,490,509,152	2,380,100,956
<b>Total Active Member Liabilities</b>	<b>\$ 149,190,381,423</b>	<b>\$ 142,339,648,006</b>
<b>Present Value of Benefits Payable in the Future to Present Inactive Members</b>		
Inactive Vested Participants	\$ 5,333,225,597	\$ 5,035,114,478
Refunds of Contributions to Inactive Non-vested Members	608,233,876	549,266,564
Future Survivor Benefits Payable On Behalf of Present Annuitants	1,754,129,997	1,697,553,914
<b>Total Inactive Liabilities</b>	<b>\$ 7,695,589,470</b>	<b>\$ 7,281,934,956</b>
<b>Total Actuarial Present Value of Future Benefits</b>	<b>\$ 264,161,349,275</b>	<b>\$ 253,626,345,882</b>

**Table 2: Summary of Cost Items**  
(With Comparative Data for August 31, 2019)

	2020	2019
Present Value of Future Benefits	\$ 264,161,349,275	\$ 253,626,345,882
Present Value of Future Normal Costs	(46,123,765,778)	(43,906,658,835)
<b>Actuarial Accrued Liability</b>	<b>\$ 218,037,583,497</b>	<b>\$ 209,719,687,047</b>
Actuarial Value of Assets	\$ (167,432,159,118)	\$ (160,233,295,324)
<b>Unfunded Actuarial Accrued Liability</b>	<b>\$ 50,605,424,379</b>	<b>\$ 49,486,391,723</b>

## **Financing Objective and Funding Policy**

The financing objective of the pension plan is the responsibility of the legislature. The contribution rates are established by the Legislature, that over time, are intended to remain level as a percent of payroll, and provide assets to cover benefits when due.

The funding policy of the pension plan is the responsibility of the TRS Board of Trustees. The Board supports contribution and benefit policies that will systematically decrease the Unfunded Actuarial Accrued Liability (UAAL) over time in order to achieve a funded ratio of the system that is equal to or greater than 100 percent. A declining UAAL over time will evidence that contribution and benefit policies are being implemented consistent with Texas Government Code §802.2011.

The contribution rates and scheduled increases, as described in Texas Government Code §§825.402, 825.4035, and 825.404 are expected to eliminate the UAAL over a period of 29 years.

Contribution rates may not be reduced or eliminated, and benefits may not be improved, if as a result of the particular action, the time required to amortize the unfunded actuarial liabilities of the System, would be increased to a period that exceeds 31 years. For detailed information, see Note 11.

## **Plan Provisions**

For plan provisions, see Note 11.

## **Actuarial Methods and Assumption**

The actuarial valuation for the TRS pension fund was prepared by Gabriel, Roeder, Smith & Company (GRS). The actuary relied on membership data and asset information provided by TRS staff. While GRS did not audit this data, a number of tests to the data were performed, and concluded it was reasonable and consistent with the prior year's data.

Since the data in this report is based on the roll-forward method, the results of the data collected as of August 31, 2021 will not be reported herein.

The actuarial methods and assumptions have been selected by the TRS Board of Trustees based upon GRS analysis and recommendations. The Board has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the period ending August 31, 2017 and adopted on July 27, 2018.

The results of the actuarial valuation are dependent on the assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Seemingly minor changes in assumptions can materially change the liabilities, calculated contribution rates, and funding periods.

## **Actuarial Methods**

The actuarial cost method used for both financial reporting purposes and funding purposes was the Individual Entry Age Normal method as prescribed by GASB 67. The Individual EAN cost method is used because it creates the most level funding requirement across the generations of members and stakeholders. Under Individual EAN, the normal cost for each member is based on the benefit tier for that member.

## **Actuarial Assumptions**

The actuarial assumptions used for funding purposes were the same assumptions used for financial reporting purposes.

### **A. Investment Rate of Return**

The investment rate of return for the fiscal year ending August 31, 2020 was 7.25 percent, compounded annually, which was composed of an assumed 2.30 percent inflation rate and a 4.95 percent real rate of return, net of investment expenses. This was the same rate used to discount the actuarial accrued liability. The rate of return for fiscal year 2020 was used because of the selection of the Roll Forward Method for GASB 67.

**B. Post-Retirement Mortality, Assumed Retirement Age, Disability Retirement, Death, and Withdrawal from System**

Rates and scales were developed based on the experience in the actuarial investigation as of August 31, 2017, with values at specimen ages shown in the tables below.

<b>Table 3: Post Retirement Mortality Projections</b>		
<b>Age</b>	<b>Male Members</b>	<b>Female Members</b>
40	0.000615	0.000388
50	0.001652	0.001080
60	0.004651	0.002668
70	0.014356	0.008969
80	0.046716	0.032270
90	0.152340	0.116359
100	0.490265	0.422361
110	0.496658	0.496658
120	1.000000	1.000000

Rates for members younger than age 65 will be reduced by 15 percent to reflect anticipated behavior changes stemming from the modifications to TRS-Care in the 2017 legislature. Five percent will be added to the rate at age 65 for members who reach normal retirement age prior to age 65.

For members hired after August 31, 2007 and who are vested as of August 31, 2014, the retirement rates for members once they reach unreduced retirement eligibility at age 60 are increased 10 percent for each year the member is beyond the Rule of 80 (i.e. if the member reached the Rule of 80 at age 58 then the probability of retirement at age 60 is 120 percent of the rate shown in Table 4 below).

For members hired after August 31, 2007 and who are not vested as of August 2014 or for members hired after August 2014, the retirement rates for members once they reach unreduced retirement eligibility at age 62 are increased 10 percent for each year the member is beyond the Rule of 80 (i.e. if the member reached the Rule of 80 at age 58, then the probability of retirement at age 62 is 140 percent of the rate shown in Table 4 below). The following table shows the probability of retirement at the various age brackets.

<b>Table 4: Assumed Retirement Age</b>					
<b>Normal Retirement</b>			<b>Early Retirement</b>		
<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>Age</b>	<b>Male</b>	<b>Female</b>
50-54	0.13	0.14	45-59	0.01	0.01
55	0.13	0.15	60	0.01	0.02
56	0.14	0.16	61	0.02	0.02
57	0.15	0.17	62	0.04	0.04
58	0.16	0.18	63-65	0.05	0.05
59	0.17	0.19			
60	0.18	0.20			
61	0.19	0.21			
62	0.20	0.22			
63	0.21	0.23			
64	0.22	0.24			
65-73	0.25	0.25			
74	1.00	1.00			

The disability retirement rates for members once they reach the Rule of 80 but not eligible for unreduced retirement are adjusted by an additional 1 percent. Table 5 below shows the rates of disability retirement by age.

<b>Table 5: Probability of Decrement Due to Disability</b>				
<b>Age</b>	<b>For Service &gt;= 10</b>		<b>For Service &lt; 10</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
20	0.000147	0.000262	0.000018	0.000028
30	0.000147	0.000262	0.000018	0.000028
40	0.000344	0.000446	0.000043	0.000047
50	0.001594	0.001726	0.000199	0.000182
60	0.002804	0.002616	0.000351	0.000275

The probability of decrement due to death is shown in Table 6 below.

<b>Table 6: Probability of Decrement Due to Death *</b>			
<b>Age</b>	<b>Male Members</b>		<b>Female Members</b>
20		0.000351	0.000140
30		0.000391	0.000188
40		0.000543	0.000342
50		0.001458	0.000953
60		0.004053	0.002111
70		0.011977	0.005454
80		0.033554	0.015890
90		0.119209	0.089535

\*RP-2014 Employee Mortality Tables for male and female multiplied by 90%, with full generational projection assuming immediate convergence of rates in the mortality projection scale MP-2018, 2D for male and female.

The probability of decrement due to termination is shown in Table 7 below.

<b>Table 7: Probability of Decrement Due to Termination</b>		
<b>Years of Service</b>	<b>Male Members</b>	<b>Female Members</b>
1	0.155507	0.162296
2	0.124963	0.133070
3	0.100839	0.111030
4	0.075417	0.087064
5	0.065169	0.077625
6	0.057971	0.068467
7	0.049227	0.056290
8	0.043267	0.048891
9	0.038586	0.043639
10	0.035246	0.039995

### C. Rates of Salary Increase

The rates of salary increase in Table 8 below reflects an inflation rate of 2.30 percent, plus productivity component of 0.75 percent, plus step-rate/promotional component as shown.

Years of Service	Merit, Promotion, Longevity	General	Total
1	6.00 %	3.05 %	9.05 %
2	2.50	3.05	5.55
3	1.90	3.05	4.95
4	1.50	3.05	4.55
5	1.40	3.05	4.45
6	1.20	3.05	4.25
7	1.10	3.05	4.15
8-10	1.00	3.05	4.05
11-12	0.90	3.05	3.95
13	0.80	3.05	3.85
14	0.70	3.05	3.75
15	0.60	3.05	3.65
16-17	0.50	3.05	3.55
18	0.40	3.05	3.45
19-20	0.30	3.05	3.35
21-22	0.20	3.05	3.25
23-24	0.10	3.05	3.15
25 or more	0.00	3.05	3.05

### D. Actuarial Value of Assets

The intent of the actuarial asset valuation method is to smooth out year-to-year fluctuations in market rates of return. The actuarial value of assets is equal to the market value of assets less a five year phase-in of the excess/ (shortfall) between expected investment returns and actual income. The actual calculation is based on the difference between actual market value and the expected actuarial value of assets each year and recognizes the cumulative excess return (or shortfall) over a minimum rate of 20 percent per year. Each year a base is set up to reflect this difference. If the current year's base is of the opposite sign from the remaining deferred bases then it is offset against any prior deferred bases of the opposite sign. Any remaining bases are then recognized over the remaining number of years. This is intended to ensure the smoothed value of assets will converge towards the market value in a reasonable and finite amount of time.

This year's shortfall in investment income of \$406 million was combined with the prior years' remaining shortfalls of \$2,255 million, for a total of \$2,661 million. After recognizing 1/5th of this year's amount (\$81 million) and 1/4th of last year's amount (\$564 million) in this year's actuarial assets, \$2,016 million in deferred shortfalls remain to be recognized in future valuations. The actuarial value of assets was \$167.4 billion at 08/31/2020.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets adjusted for receipts and disbursements during the year. The returns are computed net of investment expenses.

### E. Funding of Unfunded Actuarial Accrued Liability

The Unfunded Actuarial Accrued Liability (UAAL) is funded by the excess of future State and employer contributions required by law over the amount of such contributions required to fund the normal cost of benefits.

The normal cost for the System is deemed to be equal to the average cost of benefits for active members at each valuation date. The normal cost to pay for the benefits earned under the retirement system is 11.62 percent of pay, this amount being inclusive of the amount contributed by the employees. In addition, to the cost of benefits an addition is made to the normal cost to cover annual administrative expenses. It is estimated that administrative expenses will be approximately 0.14 percent of payroll. For fiscal year 2020, the total normal cost is 11.76 percent of pay and the net employer cost is 4.06 percent of pay based on the fiscal year 2021 member contribution rate of 7.70 percent.

The actuarial accrued liability for benefits payable in the future to present active members is calculated as the present value of benefits payable in the future to present active members less the present value of future normal costs.

From an actuarial perspective, the contribution rate in excess of the System's normal cost should be sufficient to amortize the UAAL over a reasonable period of time. Based on the future increases in the member and employer contribution rates, the contributions in excess of the System's normal cost is sufficient to amortize the System's UAAL over a period of 27.0 years (assuming all actuarial assumptions are met).

The active member valuation data is shown in Table 9 below.

Valuation Year	Active Members	Annualized Payroll in Thousands	Average Annual Salary	Annual % Increase in Average Salary	Number of Participating Employers
2011	828,919	\$ 36,797,372	\$ 44,392	1.1 %	1,360
2012	815,155	36,309,449	44,543	0.3	1,357
2013	831,302	37,104,333	44,634	0.2	1,365
2014	857,342	39,195,104	45,717	2.4	1,357
2015	828,851	37,121,750	44,787	(2.0)	1,347
2016	847,631	39,281,763	46,343	3.5	1,332
2017	864,233	40,904,148	47,330	2.1	1,325
2018	872,978	42,105,475	48,232	1.9	1,326
2019	884,522	43,779,416	49,495	2.6	1,332
2020	914,741	47,088,122	51,477	4.0	1,340

The Schedule of retirees, beneficiaries and disabled participants added to and removed from the rolls is shown in Table 10.

Valuation as of August 31	Added to Rolls		Removed from Rolls		Rolls - End of Year		Average Annual Benefits	% Increase Average Annual Benefits
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits		
2011	24,688	\$ 620,038,676	8,499	\$ 147,985,004	312,680	\$6,803,215,141	\$ 21,758	7.5 %
2012	27,915	697,134,389	8,848	155,597,838	331,747	7,344,751,692	22,140	8.0
2013	25,825	743,998,946	9,344	165,231,795	348,228	7,923,518,843	22,754	7.9
2014	24,429	573,876,713	9,475	174,915,127	363,182	8,322,480,429	22,915	5.0
2015	25,134	604,436,264	10,578	191,966,951	377,738	8,734,949,742	23,124	5.0
2016	27,018	673,313,552	10,842	195,097,916	393,914	9,213,165,378	23,389	5.5
2017	24,739	613,145,920	10,885	203,792,399	407,768	9,622,518,899	23,598	4.4
2018	24,317	611,173,964	11,627	219,236,845	420,458	10,014,456,018	23,818	4.1
2019	25,420	642,167,173	11,452	217,977,284	434,426	10,438,645,907	24,029	4.2
2020	24,197	630,241,319	13,349	256,566,773	445,274	10,812,320,453	24,282	3.6

The analysis of financial trends is shown in Table 11.

As of August 31	Investment Gains/ (Losses)	Contribution Experience	Assumption Changes	Liability Experience	Net Increase/ (Decrease)	Beginning UAAL	Ending UAAL
2011	\$ (1.958)	\$ 0.826	\$ (0.271)	\$ (1.350)	\$ 1.163	\$ 22.899	\$ 24.062
2012	(2.208)	1.258	—	(1.427)	2.039	24.062	26.101
2013	(2.045)	1.911	0.708	(1.829)	2.835	26.101	28.936
2014	1.095	1.157	2.282	0.358	2.702	28.936	31.638
2015	(1.237)	0.912	0.682	(1.501)	1.330	31.638	32.968
2016	(1.504)	0.525	—	(0.460)	2.485	32.968	35.453
2017	0.270	0.415	(0.701)	0.828	0.018	35.453	35.471
2018	0.173	0.371	(10.592)	0.095	10.694	35.471	46.165
2019	(0.564)	0.961	(1.997)	0.200	3.321	46.165	49.486
2020	(0.645)	1.338	—	0.863	1.119	49.486	50.605

\*Resulting from differences between assumed experience and actual experience. Calculated on a 5-year smoothed market basis.

## Solvency Test

A short-term solvency test is one means of checking a retirement System's progress under its funding program. The schedule below provides a historical illustration of a short-term solvency test for TRS wherein present assets are compared with:

- active member contributions on deposit
- the liabilities for future benefits to present annuitants (Retirees and Beneficiaries)
- the liabilities for active members under the entry age normal actuarial cost method including a projection of future salary increases and anticipated future service Active Members-State Financed Portion

Under the level percent of payroll financing followed by TRS, liabilities for active member contributions on deposit and the liabilities for future benefits to present retirees and beneficiaries will be fully covered by present assets except in rare circumstances. In addition, liabilities for active member benefits earned or to be earned in the future will be partially covered by the remainder of present assets. Generally, if the System has been using level cost financing, the funded portion of active member benefits will increase over time. The solvency test is shown in Table 12.

Valuation as of August 31	Aggregate Actuarial Accrued Liabilities For			Valuation Assets	Portion of Aggregate Actuarial Accrued Liabilities Covered by Valuation Assets		
	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Active Members (State Financed Portion) (3)		Active Member Contributions (1)	Retirees and Beneficiaries (2)	Active Members (State Financed Portion) (3)
2011	\$ 28,911	\$ 63,470	\$ 46,934	\$ 115,253	100 %	100 %	48.7 %
2012	30,006	68,449	45,972	118,326	100	100	43.2
2013	31,365	73,841	45,460	121,730	100	100	36.3
2014	33,028	78,431	48,576	128,398	100	100	34.9
2015	33,856	82,535	50,062	133,485	100	100	34.1
2016	34,803	86,986	52,451	138,786	100	100	32.4
2017	36,513	90,573	54,667	146,282	100	100	35.1
2018	37,834	101,911	60,472	154,051	100	100	23.7
2019	39,212	105,702	64,806	160,233	100	100	23.6
2020	41,470	109,030	67,538	167,432	100	100	25.1

## Schedule of Funding Progress

Taking into account only the dollar amounts of aggregate actuarial accrued liabilities and Unfunded Actuarial Accrued Liabilities (UAAL) can be misleading. The dollar amounts of these two items can be increasing at a time when their actual substance may be decreasing. Dividing valuation asset dollars by aggregate actuarial accrued liability dollars and dividing UAAL dollars by active member payroll dollars provide clarifying indices. The larger the ratio of valuation assets to aggregate actuarial accrued liabilities, the stronger the system.

Observation of these relative indices over a period of years will give an indication of whether the System is becoming stronger or weaker. The schedule of funding progress is shown in Table 13.

The 10-year Schedule of Actuarially Determined Contributions is located in the Required Supplementary Information section.

<b>Table 13: Schedule of Funding Progress (Dollars in Millions)</b>						
<b>Valuation as of August 31</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio Assets as a % of AAL</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
<b>[1]</b>	<b>[2]</b>	<b>[3]</b>	<b>[4]</b>	<b>[5]</b>	<b>[6]</b>	<b>[7]</b>
2011	\$ 115,253	\$ 139,315	\$ 24,062	82.7 %	\$ 36,797	65.4 %
2012	118,326	144,427	26,101	81.9	36,310	71.9
2013	121,730	150,666	28,936	80.8	37,104	78.0
2014	128,398	160,036	31,638	80.2	38,522	82.1
2015	133,485	166,453	32,968	80.2	39,620	83.2
2016	138,786	174,239	35,453	79.7	42,376	83.7
2017	146,282	181,753	35,471	80.5	43,164	82.2
2018	154,051	200,216	46,165	76.9	44,956	102.7
2019	160,233	209,720	49,486	76.4	47,414	104.4
2020	167,432	218,038	50,605	76.8	49,987	101.2

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**TRS-Care Actuarial Information**

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November 3, 2020

Board of Trustees  
Teacher Retirement System of Texas  
1000 Red River Street  
Austin, TX 78701-2698

**Subject: Actuary's Certification of the GASB Statement No. 74 Actuarial Valuation as of August 31, 2020 for TRC-Care**

Submitted in this report are the results of an Actuarial Valuation of the liabilities associated with the employer financed retiree health benefits provided through TRC-Care, a benefit program designed to provide post-retirement medical benefits for certain members of the Teacher Retirement System of Texas (TRS). The date of the valuation was August 31, 2019. Update procedures were used to roll forward the total OPEB liability to August 31, 2020. This report was prepared at the request of TRS.

The actuarial calculations were prepared for purposes of complying with the requirements of Statement No. 74 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of this accounting standard. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the financial reporting requirements of TRC-Care and participating employers may produce significantly different results. Actuarial valuations of the post-retirement benefits are performed annually.

The valuation was based upon information, furnished by TRS, concerning retiree health benefits, members' census, and financial data. Data was checked for internal consistency but was not otherwise audited. Certain actuarial assumptions applicable only to the TRC-Care OPEB valuation have changed since the prior report. These changes are disclosed in the assumptions section of this report.

The following CAFR schedules were prepared by GRS and can be found in Sections D and E of this report:

1. Key Actuarial Assumptions and Methods
2. Schedule of Retirants and Beneficiaries Added and Removed from Rolls

GRS is not responsible for any trend data schedules not found in this report.

Board of Trustees  
Teacher Retirement System of Texas  
November 3, 2020  
Page 2

The current objective is to fund the Trust in order to maintain benefits through individual biennial periods. There is no arrangement into which the participating employers would make contributions to advance-fund the obligation. However, a Trust does exist into which participating employers are making contributions based on the current funding policy.

The Net OPEB Liability (NOL) decreased by \$9.3 billion, from \$47.3 billion as of August 31, 2019 to \$38.0 billion as of August 31, 2020. The primary reasons for the decrease were (a) savings to the fully-insured Medicare Advantage premiums, which resulted from Congress' repeal of the Health Insurer Fee in December of 2019 and vendor premium guarantees, and (b) favorable claims and rebate experience for the prescription drug benefits provided to Medicare retirees. These factors account for approximately 90% of the \$12.0 billion gain due to the difference between expected and actual experience shown on page 14.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

To the best of our knowledge, this report is complete and accurate. The assumptions and methods used for financial reporting purposes are reasonable and in accordance with generally accepted actuarial principles set by the Actuarial Standards of Practice (ASOPs). Joseph Newton and Mehdi Riazi are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein. The signing individuals are independent of the plan sponsor.

Respectfully submitted,



Joseph P. Newton, FSA, EA, FCA, MAAA  
Pension Market Leader



Mehdi Riazi, FSA, EA, FCA, MAAA  
Senior Consultant and Actuary



**Actuarial Disclosure**

The Actuarial Section is based on a valuation as of August 31, 2020.

**Funding Objective and Funding Policy**

The current funding objective for the TRS-Care OPEB Trust fund is to provide sufficient funding through individual biennial legislative periods. There is no arrangement where the participating employers would make contributions to advance-fund the obligation. However, participating employers and the State are making contributions based on the current funding policy. The Texas Legislature is responsible for establishing and maintaining the funding policy.

There was not an actuarial valuation prepared for funding purposes because the TRS-Care plan is a pay-as-you-go-plan.

The actuarial valuation of TRS-Care for financial reporting purposes was prepared by Gabriel, Roeder, Smith & Company. The valuation was based on information provided by TRS concerning retiree health benefits, member census and financial data. While not auditing the data, the actuary checks for internal consistency.

The actuarial calculations were prepared for purposes of complying with the requirements of GASB Statement No. 74 for financial reporting purposes only. The calculation of the plan’s liability is not applicable for funding purposes of the plan. A calculation of the Plan’s liability for purposes other than satisfying the requirements of GASB Statement No. 74 may produce significantly different results.

The TRS-Care OPEB plan is discussed in detail in Note 9 and provides the following information.

- Plan provisions
- Identification of the Plan type
- Number of covered individuals

**Table 1: Retirees and Beneficiaries Added to and Removed from Membership**

Valuation as of August 31	Added to Rolls		Removed from Rolls		Rolls - End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances*		
2011	20,467	\$ 109,331,023	8,019	\$ 24,802,618	222,454	\$ 898,001,599	18.5 %	\$ 4,037
2012	19,407	92,279,848	8,220	28,700,248	233,641	768,682,199	(14.4)	3,290
2013	19,798	98,603,255	10,176	25,946,471	243,263	824,715,257	7.3	3,390
2014	18,916	97,956,524	10,656	27,648,497	251,523	933,885,969	13.2	3,713
2015	19,171	106,177,651	11,116	31,400,277	259,578	1,050,329,854	12.5	4,046
2016	20,883	120,035,127	12,250	48,462,388	268,211	1,132,169,358	7.8	4,221
2017	19,121	105,535,109	13,113	59,695,737	274,219	986,039,302	(12.9)	3,596
2018	11,101	79,394,032	48,958	150,243,653	236,362	955,490,192	(3.1)	4,042
2019	14,066	95,931,742	21,253	69,775,594	229,175	839,871,317	(12.1)	3,665
2020	13,222	88,444,718	18,420	55,330,044	223,977	810,214,242	(3.5)	3,617

\*Expected employer provided claims and expenses (net of retiree premiums). Annual allowances in Column (7) include increases due to health care inflation and the impact of plan changes. As a result, the annual allowances are not equal to the beginning of year allowances plus the "Added to Rolls" allowances minus the "Removed from Rolls" allowances.

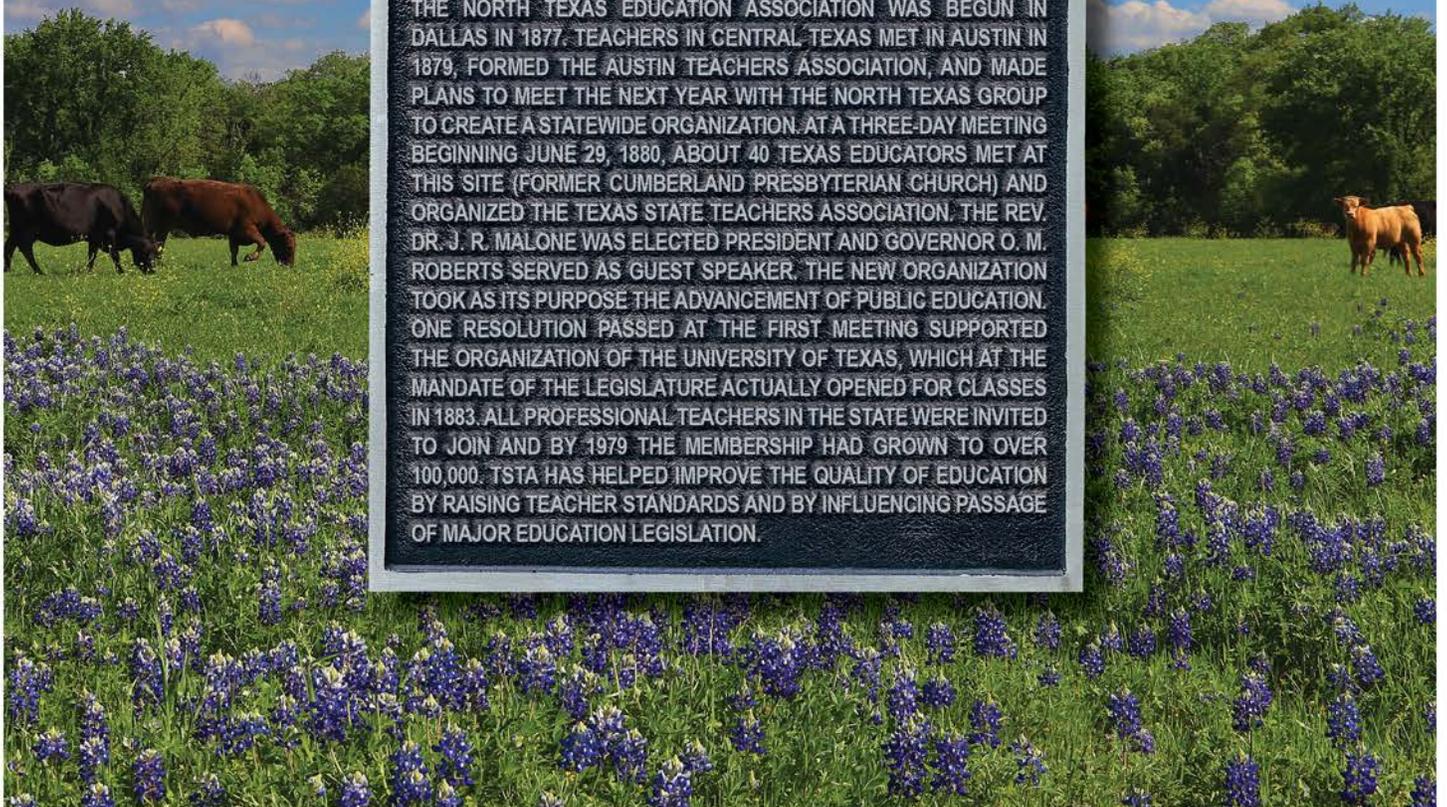


*Mexia - Limestone County, Texas*



## ORIGIN OF THE TEXAS STATE TEACHERS ASSOCIATION

THE FIRST STATEWIDE TEACHER ASSOCIATION IN TEXAS HAD ITS BEGINNINGS IN TWO REGIONAL TEACHERS ORGANIZATIONS. THE NORTH TEXAS EDUCATION ASSOCIATION WAS BEGUN IN DALLAS IN 1877. TEACHERS IN CENTRAL TEXAS MET IN AUSTIN IN 1879, FORMED THE AUSTIN TEACHERS ASSOCIATION, AND MADE PLANS TO MEET THE NEXT YEAR WITH THE NORTH TEXAS GROUP TO CREATE A STATEWIDE ORGANIZATION. AT A THREE-DAY MEETING BEGINNING JUNE 29, 1880, ABOUT 40 TEXAS EDUCATORS MET AT THIS SITE (FORMER CUMBERLAND PRESBYTERIAN CHURCH) AND ORGANIZED THE TEXAS STATE TEACHERS ASSOCIATION. THE REV. DR. J. R. MALONE WAS ELECTED PRESIDENT AND GOVERNOR O. M. ROBERTS SERVED AS GUEST SPEAKER. THE NEW ORGANIZATION TOOK AS ITS PURPOSE THE ADVANCEMENT OF PUBLIC EDUCATION. ONE RESOLUTION PASSED AT THE FIRST MEETING SUPPORTED THE ORGANIZATION OF THE UNIVERSITY OF TEXAS, WHICH AT THE MANDATE OF THE LEGISLATURE ACTUALLY OPENED FOR CLASSES IN 1883. ALL PROFESSIONAL TEACHERS IN THE STATE WERE INVITED TO JOIN AND BY 1979 THE MEMBERSHIP HAD GROWN TO OVER 100,000. TSTA HAS HELPED IMPROVE THE QUALITY OF EDUCATION BY RAISING TEACHER STANDARDS AND BY INFLUENCING PASSAGE OF MAJOR EDUCATION LEGISLATION.



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## Statistical Section Overview

The Statistical Section presents additional information to provide financial statement users with added historical perspective, context, and detail to assist in using the information in the Basic Financial Statements, Notes to the Financial Statements, and Required Supplementary Information to understand and assess the System's financial condition. Information is presented for the Pension Trust Fund, TRS-Care, and TRS-ActiveCare.

## Financial Trends Information

The financial trend schedules assist users in understanding and assessing how the System's financial position has changed over time and include:

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## Operating Information

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In addition, a complete list of participating employers has been included. The information was derived from internal sources.

**Changes in Fiduciary Net Position**

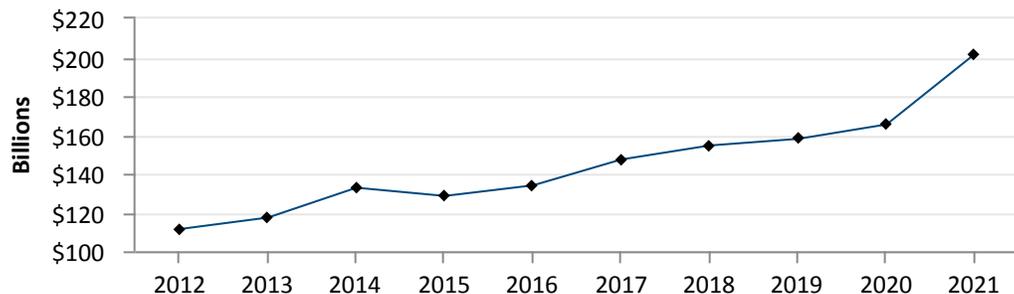
**Pension Trust Fund**

For the Fiscal Years Ended August 31

	2021	2020	2019	2018
<b>Additions</b>				
Member Contributions	\$ 3,839,243,646	\$ 3,736,877,464	\$ 3,482,869,726	\$ 3,360,773,197
Non-Employer Contributing Entity Contributions	1,883,257,341	1,848,502,439	1,741,178,188	1,715,784,550
Employer Contributions	2,124,027,701	2,016,481,636	1,761,821,902	1,671,257,303
Purchase of Service Credit	70,618,789	46,272,689	42,205,185	41,538,371
Contributions from ERS	29,400,741	27,607,824	26,464,135	27,670,302
Net Investment Income	40,512,139,247	11,068,916,613	7,669,028,874	11,242,813,657
Other*	264,130,786	273,266,473	592,671,805	8,108,248
<b>Total Additions</b>	<b>\$ 48,722,818,251</b>	<b>\$ 19,017,925,138</b>	<b>\$ 15,316,239,815</b>	<b>\$ 18,067,945,628</b>
<b>Deductions</b>				
Benefits	\$ 11,689,780,302	\$ 10,975,638,999	\$ 11,256,781,486	\$ 10,176,447,093
Refunds of Contributions	449,135,634	421,366,179	486,460,902	422,335,740
Service Contributions Transferred to ERS	112,530,025	108,003,549	103,044,924	97,333,401
Other Post-Employment Benefit Expense	9,255,187	7,734,365	4,438,264	4,380,304
Administrative Expenses, Excluding Investing Activity Expenses	71,359,850	67,135,878	60,485,645	64,926,169
<b>Total Deductions</b>	<b>\$ 12,332,060,998</b>	<b>\$ 11,579,878,970</b>	<b>\$ 11,911,211,221</b>	<b>\$ 10,765,422,707</b>
<b>Net Increase (Decrease)</b>	<b>\$ 36,390,757,253</b>	<b>\$ 7,438,046,168</b>	<b>\$ 3,405,028,594</b>	<b>\$ 7,302,522,921</b>
Beginning Net Position	\$ 165,416,245,243	\$ 157,978,199,075	\$ 154,568,901,833	\$ 147,361,922,120
Prior Period Adjustments	—	—	4,268,648	(95,543,208)
Beginning Net Position, as Restated	\$ 165,416,245,243	\$ 157,978,199,075	\$ 154,573,170,481	\$ 147,266,378,912
<b>Ending Net Position</b>	<b>\$ 201,807,002,496</b>	<b>\$ 165,416,245,243</b>	<b>\$ 157,978,199,075</b>	<b>\$ 154,568,901,833</b>

\*Supplemental Appropriation - Non-Employer Contributing Entity included in Other.

**Net Position  
Pension Trust Fund  
Last Ten Years**



(Continued)

2017	2016	2015	2014	2013	2012
\$ 3,242,556,261	\$ 2,943,669,320	\$ 2,576,024,311	\$ 2,357,686,000	\$ 2,252,094,934	\$ 2,188,020,423
1,697,962,608	1,675,631,248	1,591,482,988	1,530,623,829	1,337,214,693	1,299,077,635
1,588,309,345	1,483,389,348	1,377,972,653	984,552,391	925,693,992	760,837,633
55,092,741	37,389,534	50,089,106	143,534,091	148,400,880	125,971,764
24,974,328	23,950,878	21,205,594	19,714,145	18,885,872	17,423,597
17,079,807,347	9,193,280,560	(412,759,100)	19,434,430,034	9,834,136,005	7,847,298,290
1,299,284	1,993,029	3,733,133	4,143,449	2,629,383	1,867,389
<b>\$ 23,690,001,914</b>	<b>\$ 15,359,303,917</b>	<b>\$ 5,207,748,685</b>	<b>\$ 24,474,683,939</b>	<b>\$ 14,519,055,759</b>	<b>\$ 12,240,496,731</b>
\$ 9,778,497,039	\$ 9,382,696,876	\$ 8,937,328,045	\$ 8,550,916,357	\$ 8,077,729,314	\$ 7,726,105,535
420,421,056	373,418,687	391,341,181	410,600,319	391,292,412	381,231,352
93,609,174	88,854,383	84,059,353	80,163,847	75,513,146	70,985,963
—	—	—	—	—	—
44,189,998	44,402,710	35,556,979	41,904,190	36,264,062	33,073,740
<b>\$ 10,336,717,267</b>	<b>\$ 9,889,372,656</b>	<b>\$ 9,448,285,558</b>	<b>\$ 9,083,584,713</b>	<b>\$ 8,580,798,934</b>	<b>\$ 8,211,396,590</b>
<b>\$ 13,353,284,647</b>	<b>\$ 5,469,931,261</b>	<b>\$ (4,240,536,873)</b>	<b>\$ 15,391,099,226</b>	<b>\$ 5,938,256,825</b>	<b>\$ 4,029,100,141</b>
\$ 134,008,637,473	\$ 128,538,706,212	\$ 132,779,243,085	\$ 117,388,143,859	\$ 111,449,887,034	\$ 107,420,786,893
—	—	—	—	—	—
\$ 134,008,637,473	\$ 128,538,706,212	\$ 132,779,243,085	\$ 117,388,143,859	\$ 111,449,887,034	\$ 107,420,786,893
<b>\$ 147,361,922,120</b>	<b>\$ 134,008,637,473</b>	<b>\$ 128,538,706,212</b>	<b>\$ 132,779,243,085</b>	<b>\$ 117,388,143,859</b>	<b>\$ 111,449,887,034</b>

**Changes in Fiduciary Net Position**

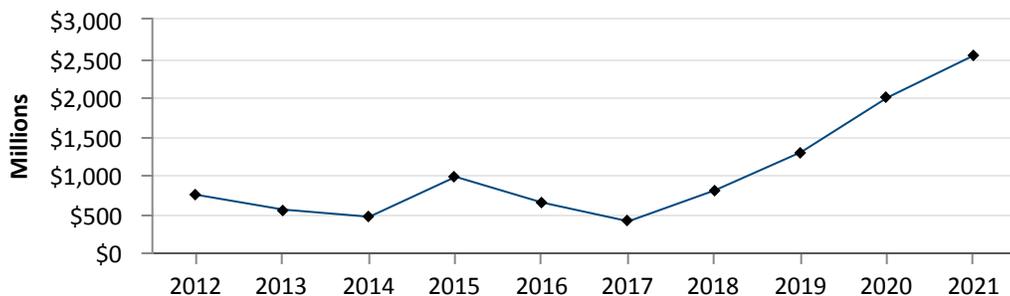
**TRS-Care**

For Fiscal Years Ended August 31

	2021	2020	2019	2018
<b>Additions</b>				
Member Contributions	\$ 250,413,572	\$ 243,532,120	\$ 227,338,454	\$ 221,325,377
Non-Employer Contributing Entity - State Contributions	447,337,574	435,768,774	404,936,501	395,588,628
Employer Contributions	334,027,999	324,973,591	305,363,084	296,098,420
Fringe Benefits Paid by State's General Fund on Behalf of TRS Employees	—	—	—	—
Supplemental Appropriation - Non-Employer Contributing Entity	5,520,343	230,756,971	73,641,562	394,600,000
Federal Revenue	173,912,657	186,169,146	220,783,898	103,402,579
Rebate and Discount Income*	416,754,264	423,426,202	356,439,596	284,291,173
Investment Income	9,226,940	25,536,560	25,046,771	10,127,259
Miscellaneous Revenue	—	17,879	—	803,022
<b>Total Additions</b>	<b>\$ 1,637,193,349</b>	<b>\$ 1,870,181,243</b>	<b>\$ 1,613,549,866</b>	<b>\$ 1,706,236,458</b>
<b>Deductions</b>				
Health Care Claims	\$ 1,553,439,820	\$ 1,538,211,599	\$ 1,515,397,609	\$ 1,593,381,709
Less: Health Care Premiums Paid by Retirees	(533,595,349)	(499,057,861)	(517,965,033)	(488,069,004)
Health Care Claims Processing and Other	51,028,376	68,252,843	44,868,838	80,585,608
Insurance Premium Payments	15,489,580	51,410,469	71,794,507	83,828,910
Administrative Expenses	7,906,384	7,068,610	6,006,229	6,672,488
<b>Total Deductions</b>	<b>\$ 1,094,268,811</b>	<b>\$ 1,165,885,660</b>	<b>\$ 1,120,102,150</b>	<b>\$ 1,276,399,711</b>
<b>Net Increase (Decrease)</b>	<b>\$ 542,924,538</b>	<b>\$ 704,295,583</b>	<b>\$ 493,447,716</b>	<b>\$ 429,836,747</b>
Beginning Net Position	\$ 1,996,317,932	\$ 1,292,022,349	\$ 798,574,633	\$ 399,535,986
Prior Period Adjustments	—	—	—	(30,798,100)
Beginning Net Position, as Restated	\$ 1,996,317,932	\$ 1,292,022,349	\$ 798,574,633	\$ 368,737,886
<b>Ending Net Position</b>	<b>\$ 2,539,242,470</b>	<b>\$ 1,996,317,932</b>	<b>\$ 1,292,022,349</b>	<b>\$ 798,574,633</b>

\*Prior to fiscal year 2013, rebates were offset within health care claims.

**Net Position  
TRS-Care  
Last Ten Years**



(Continued)

	2017	2016	2015	2014	2013	2012
\$	213,241,179	\$ 208,581,990	\$ 198,196,273	\$ 189,003,903	\$ 180,824,523	\$ 176,751,407
	303,760,632	297,070,920	281,098,358	267,497,910	139,095,786	271,925,242
	215,360,520	212,936,351	202,976,470	193,124,772	160,952,396	154,607,926
	—	—	—	139,422	117,770	103,676
	15,559,552	—	768,100,754	36,058,148	102,363,704	—
	101,718,551	124,739,649	126,806,652	78,589,415	74,511,473	68,633,946
	291,725,635	218,995,436	231,569,472	200,859,859	82,074,803	—
	4,696,973	5,421,446	1,495,680	2,061,745	3,041,001	5,189,934
	529,020	89,388	—	—	—	—
<b>\$</b>	<b>1,146,592,062</b>	<b>\$ 1,067,835,180</b>	<b>\$ 1,810,243,659</b>	<b>\$ 967,335,174</b>	<b>\$ 742,981,456</b>	<b>\$ 677,212,131</b>
\$	1,678,892,217	\$ 1,651,712,836	\$ 1,554,181,197	\$ 1,347,532,839	\$ 1,240,508,361	\$ 1,142,131,410
	(404,027,710)	(374,736,269)	(369,066,459)	(363,631,292)	(355,685,504)	(363,348,030)
	46,931,559	48,361,151	47,380,407	45,387,769	43,577,852	44,470,323
	61,792,671	69,228,872	59,000,081	27,507,106	1,148,013	101,060
	4,953,492	4,701,677	3,769,680	3,646,546	3,398,109	3,714,018
<b>\$</b>	<b>1,388,542,229</b>	<b>\$ 1,399,268,267</b>	<b>\$ 1,295,264,906</b>	<b>\$ 1,060,442,968</b>	<b>\$ 932,946,831</b>	<b>\$ 827,068,781</b>
<b>\$</b>	<b>(241,950,167)</b>	<b>\$ (331,433,087)</b>	<b>\$ 514,978,753</b>	<b>\$ (93,107,794)</b>	<b>\$ (189,965,375)</b>	<b>\$ (149,856,650)</b>
\$	641,486,153	\$ 972,919,240	\$ 457,940,487	\$ 551,048,281	\$ 741,013,656	\$ 890,870,306
	—	—	—	—	—	—
\$	—	\$ —	\$ —	\$ —	\$ —	\$ —
<b>\$</b>	<b>399,535,986</b>	<b>\$ 641,486,153</b>	<b>\$ 972,919,240</b>	<b>\$ 457,940,487</b>	<b>\$ 551,048,281</b>	<b>\$ 741,013,656</b>

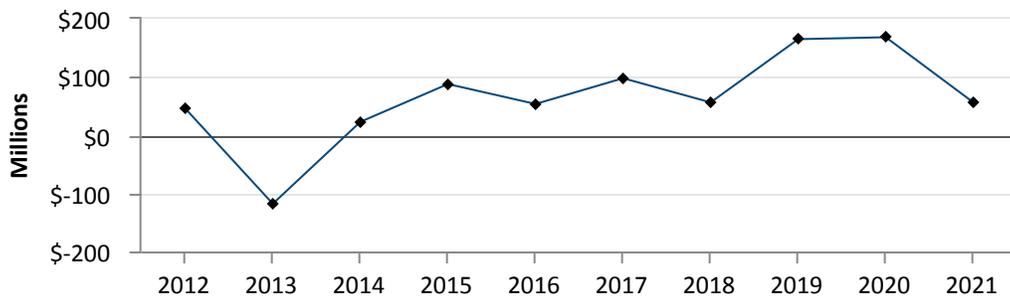
**Revenues, Expenses, and Changes in Net Position**

**TRS-ActiveCare**

For the Fiscal Years Ended August 31

	2021	2020	2019	2018
<b>Revenues</b>				
Health Care Premiums	\$ 2,031,686,347	\$ 2,158,997,317	\$ 2,170,132,057	\$ 2,171,125,097
Rebate and Discount Income	147,047,176	145,208,054	157,307,700	144,543,929
Administrative Fees and Non-Operating Revenue	142,718	413,313	685,623	259,417
Investment Income	2,121,724	7,853,806	10,623,456	6,883,872
Federal Revenue ARRA-COBRA Reimbursements	—	—	—	—
Fringe Benefits Paid by State's General Fund on Behalf of TRS Employees	—	—	—	—
<b>Total Revenues</b>	<b>\$ 2,180,997,965</b>	<b>\$ 2,312,472,490</b>	<b>\$ 2,338,748,836</b>	<b>\$ 2,322,812,315</b>
<b>Expenses</b>				
Health Care Claims	2,041,118,606	1,932,461,054	1,863,374,439	2,002,142,744
Health Care Claims Processing and Other	74,546,983	116,068,297	119,811,563	121,483,408
Premium Payments to HMOs	173,297,782	256,850,839	243,198,667	237,386,929
Administrative Expenses	4,090,985	3,746,187	3,703,320	3,311,679
<b>Total Expenses</b>	<b>\$ 2,293,054,356</b>	<b>\$ 2,309,126,377</b>	<b>\$ 2,230,087,989</b>	<b>\$ 2,364,324,760</b>
<b>Change in Net Position</b>	<b>\$ (112,056,391)</b>	<b>\$ 3,346,113</b>	<b>\$ 108,660,847</b>	<b>\$ (41,512,445)</b>
Beginning Net Position	168,299,344	164,953,231	56,292,384	97,804,829
<b>Ending Net Position</b>	<b>\$ 56,242,953</b>	<b>\$ 168,299,344</b>	<b>\$ 164,953,231</b>	<b>\$ 56,292,384</b>

**Net Position  
TRS-ActiveCare  
Last Ten Years**



(Continued)

2017	2016	2015	2014	2013	2012
\$ 2,119,959,039	\$ 2,055,658,822	\$ 1,938,621,262	\$ 1,919,557,855	\$ 1,797,745,785	\$ 1,738,705,410
120,049,492	17,904,885	5,328,003	9,337,610	10,775,898	11,199,707
321,030	356,054	236,749	139,608	137,630	136,324
4,668,888	3,079,039	1,537,408	940,022	746,936	1,697,553
—	—	—	—	—	29,706
—	—	—	79,792	75,664	72,094
<b>\$ 2,244,998,449</b>	<b>\$ 2,076,998,800</b>	<b>\$ 1,945,723,422</b>	<b>\$ 1,930,054,887</b>	<b>\$ 1,809,481,913</b>	<b>\$ 1,751,840,794</b>
1,846,526,430	1,768,287,120	1,565,255,957	1,521,834,989	1,785,069,768	1,718,903,645
123,783,747	125,802,110	135,073,416	109,925,954	84,903,101	83,346,223
227,088,895	214,529,160	178,192,468	154,913,859	100,905,702	89,706,406
3,345,442	2,644,792	2,225,417	2,569,850	2,351,802	2,176,610
<b>\$ 2,200,744,514</b>	<b>\$ 2,111,263,182</b>	<b>\$ 1,880,747,258</b>	<b>\$ 1,789,244,652</b>	<b>\$ 1,973,230,373</b>	<b>\$ 1,894,132,884</b>
<b>\$ 44,253,935</b>	<b>\$ (34,264,382)</b>	<b>\$ 64,976,164</b>	<b>\$ 140,810,235</b>	<b>\$ (163,748,460)</b>	<b>\$ (142,292,090)</b>
\$ 53,550,894	\$ 87,815,276	\$ 22,839,112	\$ (117,971,123)	\$ 45,777,337	\$ 188,069,427
<b>\$ 97,804,829</b>	<b>\$ 53,550,894</b>	<b>\$ 87,815,276</b>	<b>\$ 22,839,112</b>	<b>\$ (117,971,123)</b>	<b>\$ 45,777,337</b>

**Benefit and Refund Deductions from Net Position by Type****Pension Trust Fund**

For the Fiscal Years Ended August 31

	2021	2020	2019	2018
<b>Benefits</b>				
<b>Service Retirements</b>	\$ 10,881,357,829	\$ 10,272,047,096	\$ 10,503,570,237	\$ 9,495,487,665
Deferred Retirement Option	1,778,707	2,488,283	2,871,239	3,407,936
Partial Lump Sum Option	312,957,038	237,796,738	258,417,662	234,071,031
Disability Retirements	191,856,226	189,250,368	199,708,594	181,817,426
<b>Death and Survivor Benefits</b>				
Annual Salary	45,040,179	38,560,083	45,133,662	35,735,208
Survivor Annuities	127,921,344	116,051,294	116,094,299	106,201,977
Life Annuities	99,935,054	93,091,163	102,595,155	94,809,551
60 Monthly Payments	18,063,389	15,786,007	17,326,148	16,184,228
Remainder of Contributions	7,301,288	7,221,136	8,011,977	5,281,986
<b>Total Benefits</b>	<b>\$ 11,686,211,054</b>	<b>\$ 10,972,292,168</b>	<b>\$ 11,253,728,973</b>	<b>\$ 10,172,997,008</b>
<b>Refunds</b>				
Death	\$ 8,444,658	5,536,660	6,060,703	5,574,637
Separation	440,690,976	415,829,519	480,400,199	416,761,103
<b>Total Refunds</b>	<b>\$ 449,135,634</b>	<b>\$ 421,366,179</b>	<b>\$ 486,460,902</b>	<b>\$ 422,335,740</b>

**Benefit Deductions from Net Position by Type****TRS-Care**

For the Fiscal Years Ended August 31

	2021	2020	2019	2018
<b>Claims</b>				
Medical Claims and Insurance Premiums	\$ 605,096,859	\$ 659,834,968	\$ 688,148,610	\$ 840,420,584
Prescription Drugs**	705,239,917	668,307,637	648,749,351	669,082,905
<b>Total Claims</b>	<b>\$ 1,310,336,776</b>	<b>\$ 1,328,142,605</b>	<b>\$ 1,336,897,961</b>	<b>\$ 1,509,503,489</b>

\*\* Note: For TRS-Care, 2013 and 2014 prescription claim amounts have been revised to reflect claims net of rebates. These two years were reported gross of rebates.

**Benefit Deductions from Net Position by Type****TRS-ActiveCare**

For Fiscal Years Ended August 31

	2021	2020	2019	2018
<b>Claims</b>				
Medical Claims and Insurance Premiums	\$ 1,790,208,094	\$ 1,780,181,703	\$ 1,702,719,298	\$ 1,826,632,040
Prescription Drugs	285,092,898	271,480,530	254,168,852	275,730,514
<b>Total Claims</b>	<b>\$ 2,075,300,992</b>	<b>\$ 2,051,662,233</b>	<b>\$ 1,956,888,150</b>	<b>\$ 2,102,362,554</b>

(Continued)

2017	2016	2015	2014	2013	2012
\$ 9,059,855,790	\$ 8,633,505,859	\$ 8,215,765,876	\$ 7,795,690,586	\$ 7,251,369,740	\$ 6,808,592,209
5,231,060	5,166,851	9,643,121	14,974,505	17,223,523	22,361,937
263,705,342	300,420,702	288,923,266	322,033,388	410,323,790	501,152,157
177,627,306	173,464,936	169,318,064	164,299,506	156,308,471	150,238,202
44,398,830	44,952,730	39,574,595	44,846,010	41,219,707	46,859,444
109,519,771	108,509,074	100,150,048	97,822,817	94,563,001	92,126,049
93,714,871	92,087,967	90,563,081	89,547,742	87,044,328	85,816,402
15,518,472	15,523,059	14,443,193	13,415,885	12,659,471	11,816,313
6,204,030	5,491,553	6,730,215	6,012,086	4,496,453	4,659,453
<b>\$ 9,775,775,472</b>	<b>\$ 9,379,122,731</b>	<b>\$ 8,935,111,459</b>	<b>\$ 8,548,642,525</b>	<b>\$ 8,075,208,484</b>	<b>\$ 7,723,622,166</b>
\$ 6,371,748	\$ 7,379,576	\$ 5,474,475	\$ 5,455,829	\$ 4,705,228	\$ 5,294,006
414,049,308	366,039,111	385,866,706	405,144,490	386,587,184	375,937,346
<b>\$ 420,421,056</b>	<b>\$ 373,418,687</b>	<b>\$ 391,341,181</b>	<b>\$ 410,600,319</b>	<b>\$ 391,292,412</b>	<b>\$ 381,231,352</b>

(Continued)

2017	2016	2015	2014	2013	2012
\$ 807,831,048	\$ 858,985,138	\$ 805,668,819	\$ 691,283,731	\$ 687,469,016	\$ 687,987,585
734,805,874	716,536,786	649,457,501	539,842,962	496,229,923	454,143,825
<b>\$ 1,542,636,922</b>	<b>\$ 1,575,521,924</b>	<b>\$ 1,455,126,320</b>	<b>\$ 1,231,126,693</b>	<b>\$ 1,183,698,939</b>	<b>\$ 1,142,131,410</b>

(Continued)

2017	2016	2015	2014	2013	2012
\$ 1,653,483,496	\$ 1,644,795,868	\$ 1,479,302,696	\$ 1,397,249,236	\$ 1,613,167,792	\$ 1,450,574,875
306,703,364	325,475,512	264,145,729	279,499,612	272,807,678	268,328,770
<b>\$ 1,960,186,860</b>	<b>\$ 1,970,271,380</b>	<b>\$ 1,743,448,425</b>	<b>\$ 1,676,748,848</b>	<b>\$ 1,885,975,470</b>	<b>\$ 1,718,903,645</b>

<b>Average Benefit Payments Pension Trust Fund Last Ten Fiscal Years</b>							
<b>Retirements Effective</b>	<b>Years of Credited Service</b>						
	<b>5-10</b>	<b>11-15</b>	<b>16-20</b>	<b>21-25</b>	<b>26-30</b>	<b>30+</b>	
<b>2021</b>							
Average Monthly Benefit*	\$ 511	\$ 991	\$ 1,589	\$ 2,228	\$ 3,148	\$ 4,314	
Average Final Average Salary	\$ 39,213	\$ 44,350	\$ 49,672	\$ 53,384	\$ 62,169	\$ 72,089	
Number of Retirees	1,744	1,976	2,618	3,534	3,544	3,429	
<b>2020</b>							
Average Monthly Benefit*	\$ 509	\$ 971	\$ 1,585	\$ 2,227	\$ 3,091	\$ 4,226	
Average Final Average Salary	\$ 39,239	\$ 43,846	\$ 49,613	\$ 53,505	\$ 61,067	\$ 69,981	
Number of Retirees	1,936	2,500	3,410	4,188	4,627	4,257	
<b>2019</b>							
Average Monthly Benefit*	\$ 481	\$ 947	\$ 1,513	\$ 2,118	\$ 3,080	\$ 4,137	
Average Final Average Salary	\$ 37,281	\$ 43,724	\$ 48,190	\$ 51,416	\$ 61,096	\$ 69,230	
Number of Retirees	2,160	2,614	3,317	4,359	4,542	4,068	
<b>2018</b>							
Average Monthly Benefit*	\$ 480	\$ 906	\$ 1,432	\$ 2,127	\$ 3,003	\$ 4,145	
Average Final Average Salary	\$ 36,807	\$ 42,860	\$ 46,295	\$ 51,591	\$ 59,757	\$ 69,063	
Number of Retirees	2,070	2,478	3,403	4,246	4,320	4,192	
<b>2017</b>							
Average Monthly Benefit*	\$ 447	\$ 868	\$ 1,411	\$ 2,079	\$ 2,961	\$ 4,055	
Average Final Average Salary	\$ 34,635	\$ 41,504	\$ 45,942	\$ 50,617	\$ 58,755	\$ 67,598	
Number of Retirees	2,211	2,452	3,524	4,331	4,568	4,632	
<b>2016</b>							
Average Monthly Benefit*	\$ 445	\$ 838	\$ 1,350	\$ 2,052	\$ 2,896	\$ 4,057	
Average Final Average Salary	\$ 33,907	\$ 40,408	\$ 44,703	\$ 50,288	\$ 57,750	\$ 67,429	
Number of Retirees	2,184	2,278	3,195	4,299	4,290	4,668	
<b>2015</b>							
Average Monthly Benefit*	\$ 425	\$ 825	\$ 1,347	\$ 2,011	\$ 2,854	\$ 3,996	
Average Final Average Salary	\$ 33,580	\$ 40,064	\$ 44,613	\$ 49,606	\$ 56,891	\$ 66,598	
Number of Retirees	2,274	2,234	3,101	4,131	4,391	4,413	
<b>2014</b>							
Average Monthly Benefit*	\$ 413	\$ 801	\$ 1,328	\$ 1,966	\$ 2,850	\$ 3,881	
Average Final Average Salary	\$ 32,906	\$ 39,263	\$ 43,884	\$ 49,220	\$ 56,835	\$ 65,447	
Number of Retirees	2,291	2,285	3,082	4,251	4,429	4,197	
<b>2013</b>							
Average Monthly Benefit*	\$ 390	\$ 743	\$ 1,293	\$ 1,940	\$ 2,802	\$ 3,871	
Average Final Average Salary	\$ 31,582	\$ 37,078	\$ 43,056	\$ 49,217	\$ 56,453	\$ 65,472	
Number of Retirees	2,234	2,380	3,067	4,388	4,675	4,952	
<b>2012</b>							
Average Monthly Benefit*	\$ 390	\$ 728	\$ 1,309	\$ 1,927	\$ 2,787	\$ 3,871	
Average Final Average Salary	\$ 32,113	\$ 36,522	\$ 43,164	\$ 49,383	\$ 56,755	\$ 66,322	
Number of Retirees	2,138	2,226	2,853	4,257	4,372	5,207	

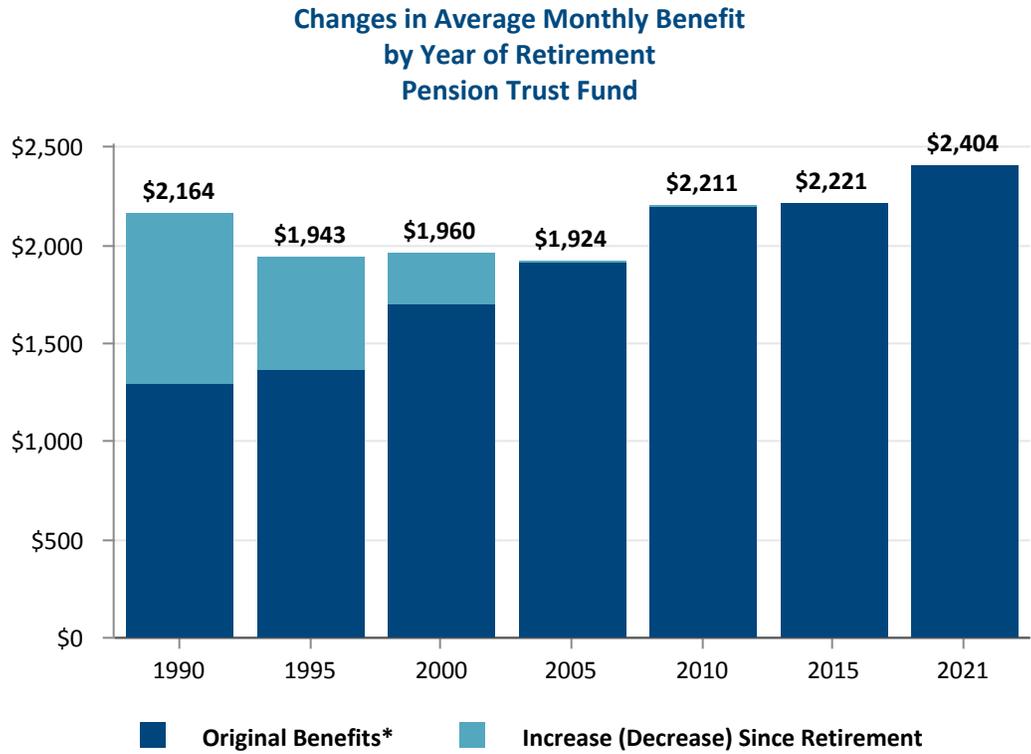
\*Average monthly benefits have been reduced for Partial Lump Sum Option payments of \$501.2, \$410.3, \$322.0, \$288.9, \$300.4, \$263.7, \$234.1, \$258.4, \$237.8 and \$313.0 million in fiscal years 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021, respectively.

Average Monthly Benefits Pension Trust Fund For Fiscal Years Ended August 31							
	1990	1995	2000	2005	2010	2015	2021
<b>Benefits</b>							
Original Benefits*	\$ 1,298	\$ 1,372	\$ 1,703	\$ 1,911	\$ 2,201	\$ 2,216	\$ 2,408
Increase (Decrease) Since Retirement	866	571	257	13	10	5	(4)
<b>Current Benefits</b>	<b>\$ 2,164</b>	<b>\$ 1,943</b>	<b>\$ 1,960</b>	<b>\$ 1,924</b>	<b>\$ 2,211</b>	<b>\$ 2,221</b>	<b>\$ 2,404</b>
<b>Number of Retirees**</b>	<b>1,976</b>	<b>3,844</b>	<b>8,575</b>	<b>9,212</b>	<b>15,062</b>	<b>19,669</b>	<b>16,863</b>

\*Before adjustment for the Partial Lump Sum Option, average original benefits were \$1,844, \$2,088, \$2,381, \$2,326, and \$2,498 for fiscal years 2000, 2005, 2010, 2015, and 2021, respectively.

\*\*For each of the retirement years shown, number of service retirees currently receiving benefits.

The following graph of service retiree accounts as of August 31, 2021 reflects benefit increases and decreases since retirement.



<b>Average Benefit Payments</b>		
<b>TRS-Care</b>		
Last Ten Fiscal Years		
<b>2021</b>		
Average Benefit Per Participant	\$	5,862
Benefit Payments	\$	1,310,336,776
Average Participants		223,514
<b>2020</b>		
Average Benefit Per Participant	\$	5,917
Benefit Payments	\$	1,328,142,605
Average Participants		224,476
<b>2019</b>		
Average Benefit Per Participant	\$	5,818
Benefit Payments	\$	1,336,897,961
Average Participants		229,775
<b>2018</b>		
Average Benefit Per Participant	\$	6,074
Benefit Payments	\$	1,509,503,489
Average Participants		248,515
<b>2017</b>		
Average Benefit Per Participant	\$	5,755
Benefit Payments	\$	1,542,636,922
Average Participants		268,066
<b>2016</b>		
Average Benefit Per Participant	\$	6,062
Benefit Payments	\$	1,575,521,924
Average Participants		259,889
<b>2015</b>		
Average Benefit Per Participant	\$	5,780
Benefit Payments	\$	1,455,126,320
Average Participants		251,758
<b>2014</b>		
Average Benefit Per Participant	\$	5,059
Benefit Payments	\$	1,231,126,693
Average Participants		243,336
<b>2013</b>		
Average Benefit Per Participant	\$	5,053
Benefit Payments	\$	1,183,698,939
Average Participants		234,277
<b>2012</b>		
Average Benefit Per Participant	\$	5,115
Benefit Payments	\$	1,142,131,410
Average Participants		223,287

<b>Average Benefit Payments</b>		
<b>TRS-ActiveCare</b>		
Last Ten Fiscal Years		
<b>2021</b>		
Average Benefit Per Participant	\$	4,398
Benefit Payments	\$	2,075,300,992
Average Participants		471,822
<b>2020</b>		
Average Benefit Per Participant	\$	4,312
Benefit Payments	\$	2,051,662,233
Average Participants		475,749
<b>2019</b>		
Average Benefit Per Participant	\$	4,051
Benefit Payments	\$	1,956,888,150
Average Participants		483,113
<b>2018</b>		
Average Benefit Per Participant	\$	4,267
Benefit Payments	\$	2,102,362,554
Average Participants		492,746
<b>2017</b>		
Average Benefit Per Participant	\$	3,932
Benefit Payments	\$	1,960,186,861
Average Participants		498,462
<b>2016</b>		
Average Benefit Per Participant	\$	4,053
Benefit Payments	\$	1,970,271,380
Average Participants		486,139
<b>2015</b>		
Average Benefit Per Participant	\$	3,607
Benefit Payments	\$	1,743,448,426
Average Participants		483,299
<b>2014</b>		
Average Benefit Per Participant	\$	3,603
Benefit Payments	\$	1,676,748,847
Average Participants		465,330
<b>2013</b>		
Average Benefit Per Participant	\$	3,966
Benefit Payments	\$	1,885,975,470
Average Participants		475,508
<b>2012</b>		
Average Benefit Per Participant	\$	3,868
Benefit Payments	\$	1,718,903,645
Average Participants		444,382

Retired Members by Type of Benefit									
Pension Trust Fund									
For the Fiscal Year Ended August 31, 2021									
Amounts of Monthly Benefits	Number of Retired Members	Type of Retirement*							
		1	2	3	4	5	6	7	
\$ 1-200	14,975	5,952	6,781	162	1,987	50	29	14	
201-400	43,886	12,039	11,771	583	3,146	897	1,155	14,295	
401-600	27,702	14,437	8,591	1,202	2,889	391	192	0	
601-800	25,798	16,054	5,543	1,224	2,343	433	201	0	
801-1,000	25,402	17,627	3,920	1,126	2,118	452	159	0	
1,001-1,200	23,379	17,318	2,658	941	1,975	370	117	0	
1,201-1,400	20,207	15,179	1,965	773	1,917	279	94	0	
1,401-1,600	20,044	15,101	2,104	696	1,787	292	64	0	
1,601-1,800	19,817	15,435	1,937	613	1,533	240	59	0	
1,801-2,000	20,896	17,150	1,587	513	1,353	261	32	0	
2,001-3,000	105,528	93,217	4,570	1,358	5,390	925	68	0	
3,001-4,000	67,416	63,238	888	218	2,605	459	8	0	
4,001-5,000	26,628	25,340	191	29	890	175	3	0	
Over 5,000	16,455	15,739	81	4	533	97	1	0	
<b>Totals</b>	<b>458,133</b>	<b>343,826</b>	<b>52,587</b>	<b>9,442</b>	<b>30,466</b>	<b>5,321</b>	<b>2,182</b>	<b>14,309</b>	
<b>*Type of Retirement:</b>									
1 Normal Retirement of Age and Service					5 Survivor Payment, Death in Service				
2 Early Retirement					6 Survivor Payment, After Disability Retirement				
3 Disability Retirement					7 Survivor Payment, After Service Retirement				
4 Survivor Payment, Joint Life or Guarantee									

Retired Members by Type of Benefit								
Pension Trust Fund								
For the Fiscal Year Ended August 31, 2021								
Amounts of Monthly Benefits	Number of Retired Members	Option Selected**						
		1	2	3	4	5	6	
\$ 1-200	14,975	6,451	5,165	1,667	548	1,103	41	
201-400	43,886	12,133	9,160	3,261	1,213	2,122	15,997	
401-600	27,702	12,210	8,562	3,743	1,266	1,921	—	
601-800	25,798	11,304	7,838	3,952	1,146	1,558	—	
801-1,000	25,402	11,201	7,546	4,141	1,199	1,315	—	
1,001-1,200	23,379	9,751	7,335	4,025	1,013	1,255	—	
1,201-1,400	20,207	8,013	6,703	3,708	833	950	—	
1,401-1,600	20,044	7,830	6,736	3,683	809	986	—	
1,601-1,800	19,817	7,726	6,708	3,711	726	946	—	
1,801-2,000	20,896	7,973	7,277	3,902	738	1,006	—	
2,001-3,000	105,528	38,761	38,301	20,007	3,447	5,012	—	
3,001-4,000	67,416	25,443	23,483	13,410	2,028	3,052	—	
4,001-5,000	26,628	10,519	8,493	5,904	731	981	—	
Over 5,000	16,455	6,146	5,701	3,756	345	507	—	
<b>Totals</b>	<b>458,133</b>	<b>175,461</b>	<b>149,008</b>	<b>78,870</b>	<b>16,042</b>	<b>22,714</b>	<b>16,038</b>	
<b>**Option Selected:</b>								
Option 1 - Life Annuity			Option 4 - 5-year Guarantee					
Option 2 - Joint to Survivor			Option 5 - 10-year Guarantee					
Option 3 - Joint to Survivor 50% / Joint to Survivor 75%			Option 6 - Survivor Benefit					

<b>Health Benefit Payments by Range</b>	
<b>TRS-Care</b>	
For the Fiscal Year Ended August 31, 2021	
<b>Benefit Range</b>	<b>Average Participants</b>
\$ 0	5,651
1 - 5,000	161,656
5,001 - 10,000	28,052
10,001 - 20,000	14,880
20,001 - 30,000	4,053
30,001 - 40,000	1,996
40,001 - 50,000	1,440
50,001 - 100,000	3,517
over 100,000	2,269
<b>Total</b>	<b>223,514</b>

<b>Health Benefit Payments by Range</b>	
<b>TRS-ActiveCare</b>	
For the Fiscal Year Ended August 31, 2021	
<b>Benefit Range</b>	<b>Average Participants</b>
\$ 0	54,085
1 - 5,000	341,690
5,001 - 10,000	43,881
10,001 - 20,000	16,169
20,001 - 30,000	5,290
30,001 - 40,000	2,981
40,001 - 50,000	1,822
50,001 - 100,000	3,539
over 100,000	2,365
<b>Total</b>	<b>471,822</b>

<b>Principal Participating Employers Pension Trust Fund</b>						
For the Fiscal Years Ended August 31						
Participating Reporting Entity	2021			2012		
	Covered Employees	Rank	Percentage of Total Covered Employment	Covered Employees	Rank	Percentage of Total Covered Employment
Houston ISD	24,912	1	2.36 %	22,316	1	2.81 %
Dallas ISD	23,626	2	2.24	18,456	2	2.32
UT MD Anderson Cancer Center	22,375	3	2.12	16,886	3	2.13
UT SW Medical Center - Dallas	19,152	4	1.82	8,852	10	1.11
Cypress Fairbanks ISD	17,811	5	1.69	12,863	4	1.62
Northside ISD	15,438	6	1.47	12,269	5	1.55
UT at Austin	13,843	7	1.31	10,176	8	1.28
Katy ISD	13,705	8	1.30			
UT Medical Branch at Galveston	12,999	9	1.23	8,893	9	1.12
Austin ISD	12,477	10	1.18	11,909	6	1.50
Fort Worth ISD				10,962	7	1.38
All Others	878,179		83.28	660,241		83.18
<b>Total</b>	<b>1,054,517</b>		<b>100.00 %</b>	<b>793,823</b>		<b>100.00 %</b>

Source: Information submitted to TRS by participating employers

<b>Principal Participating Employers TRS-Care</b>						
For the Fiscal Years Ended August 31						
Participating Reporting Entity	2021			2012		
	Covered OPEB Employees	Rank	Percentage of Total Covered OPEB Employment	Covered OPEB Employees	Rank	Percentage of Total Covered OPEB Employment
Houston ISD	24,912	1	2.94 %	22,316	1	3.41 %
Dallas ISD	23,626	2	2.78	18,456	2	2.82
Cypress Fairbanks ISD	17,811	3	2.10	12,863	3	1.96
Northside ISD	15,438	4	1.82	12,269	4	1.87
Katy ISD	13,705	5	1.62			
Austin ISD	12,477	6	1.47	11,909	5	1.82
Fort Bend ISD	11,977	8	1.41			
Fort Worth ISD	11,655	7	1.37	10,962	6	1.67
North East ISD	10,187	9	1.20	8,805	7	1.34
Aldine ISD	9,950	10	1.17	8,093	9	1.24
El Paso ISD				8,479	8	1.30
Arlington ISD				7,730	10	1.18
All Others	696,917		82.12	532,960		81.39
<b>Total</b>	<b>848,655</b>		<b>100.00 %</b>	<b>654,842</b>		<b>100.00 %</b>

Source: Information submitted to TRS by participating employers

## List of Participating Employers

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Public Schools		
Abbott ISD	Avinger ISD	Bovina ISD
Abernathy ISD	Axtell ISD	Bowie ISD
Abilene ISD	Azle ISD	Boyd ISD
Academy ISD	Baird ISD	Boys Ranch ISD
Adrian ISD	Ballinger ISD	Brackett ISD
Agua Dulce ISD	Balmorhea ISD	Brady ISD
Alamo Heights ISD	Bandera ISD	Brazos ISD
Alba - Golden ISD	Bangs ISD	Brazosport ISD
Albany ISD	Banquette ISD	Breckenridge ISD
Aldine ISD	Barbers Hill ISD	Bremond ISD
Aledo ISD	Bartlett ISD	Brenham ISD
Alice ISD	Bastrop ISD	Bridge City ISD
Alief ISD	Bay City ISD	Bridgeport ISD
Allen ISD	Beaumont ISD	Broaddus ISD
Alpine ISD	Beckville ISD	Brock ISD
Alto ISD	Beeville ISD	Bronte ISD
Alvarado ISD	Bellevue ISD	Brookeland ISD
Alvin ISD	Bells ISD	Brookesmith ISD
Alvord ISD	Bellville ISD	Brooks County ISD
Amarillo ISD	Belton ISD	Brownfield ISD
Amherst ISD	Ben Bolt-Palito ISD	Brownsboro ISD
Anahuac ISD	Benavides ISD	Brownsville ISD
Anderson - Shiro CISD	Benjamin ISD	Brownwood ISD
Andrews ISD	Big Sandy ISD - Big Sandy	Bruceville - Eddy ISD
Angleton ISD	Big Sandy ISD - Dallardsville	Bryan ISD
Anna ISD	Big Spring ISD	Bryson ISD
Anson ISD	Birdville ISD	Buckholts ISD
Anthony ISD	Bishop CISD	Buena Vista ISD
Anton ISD	Blackwell CISD	Buffalo ISD
Apple Springs ISD	Blanco ISD	Bullard ISD
Aquilla ISD	Bland ISD	Buna ISD
Aransas County ISD	Blanket ISD	Burkburnett ISD
Aransas Pass ISD	Bloomburg ISD	Burkeville ISD
Archer City ISD	Blooming Grove ISD	Burleson ISD
Argyle ISD	Bloomington ISD	Burnet CISD
Arlington ISD	Blue Ridge ISD	Burton ISD
Arp ISD	Bluff Dale ISD	Bushland ISD
Aspermont ISD	Blum ISD	Bynum CISD
Athens ISD	Boerne ISD	Caddo Mills ISD
Atlanta ISD	Boles ISD	Calallen ISD
Aubrey ISD	Boling ISD	Caldwell ISD
Austin ISD	Bonham ISD	Calhoun County ISD
Austwell - Tivoli ISD	Booker ISD	Callisburg ISD
Avalon ISD	Borden County ISD	Calvert ISD
Avery ISD	Borger ISD	Cameron ISD
	Bosqueville ISD	Campbell ISD

Canadian ISD	Coahoma ISD	Cypress - Fairbanks ISD
Canton ISD	Coldspring - Oakhurst CISD	Daingerfield - Lone Star ISD
Canutillo ISD	Coleman ISD	Dalhart ISD
Canyon ISD	College Station ISD	Dallas ISD
Carlisle ISD	Collinsville ISD	Damon ISD
Carrizo Springs CISD	Colmesneil ISD	Danbury ISD
Carroll ISD	Colorado ISD	Darrouzett ISD
Carrollton - Farmers Branch ISD	Columbia - Brazoria ISD	Dawson ISD - Dawson
Carthage ISD	Columbus ISD	Dawson ISD - Welch
Castleberry ISD	Comal ISD	Dayton ISD
Cayuga ISD	Comanche ISD	De Leon ISD
Cedar Hill ISD	Comfort ISD	Decatur ISD
Celeste ISD	Commerce ISD	Deer Park ISD
Celina ISD	Community ISD	DeKalb ISD
Center ISD	Como-Pickton CISD	Del Valle ISD
Center Point ISD	Comstock ISD	Dell City ISD
Centerville ISD - Centerville	Connally CISD	Denison ISD
Centerville ISD - Groveton	Conroe ISD	Denton ISD
Central ISD	Coolidge ISD	Denver City ISD
Central Heights ISD	Cooper ISD	DeSoto ISD
Channelview ISD	Coppell ISD	Detroit ISD
Channing ISD	Copperas Cove ISD	Devers ISD
Chapel Hill ISD - Mount Pleasant	Corpus Christi ISD	Devine ISD
Chapel Hill ISD - Tyler	Corrigan - Camden ISD	Dew ISD
Charlotte ISD	Corsicana ISD	Deweyville ISD
Cherokee ISD	Cotton Center ISD	D'Hanis ISD
Chester ISD	Cotulla ISD	Diboll ISD
Chico ISD	Coupland ISD	Dickinson ISD
Childress ISD	Covington ISD	Dilley ISD
Chillicothe ISD	Crandall ISD	Dime Box ISD
Chilton ISD	Crane ISD	Dimmitt ISD
China Spring ISD	Cranfills Gap ISD	Divide ISD
Chireno ISD	Crawford ISD	Dodd City ISD
Chisum ISD	Crockett ISD	Donna ISD
Christoval ISD	Crockett County School District	Doss Consolidated CSD
Cisco ISD	Crosby ISD	Douglass ISD
City View ISD	Crosbyton CISD	Dripping Springs ISD
Clarendon CISD	Cross Plains ISD	Driscoll ISD
Clarksville ISD	Cross Roads ISD	Dublin ISD
Claude ISD	Crowell ISD	Dumas ISD
Clear Creek ISD	Crowley ISD	Duncanville ISD
Cleburne ISD	Crystal City ISD	Eagle Mountain - Saginaw ISD
Cleveland ISD	Cuero ISD	Eagle Pass ISD
Clifton ISD	Culberson County - Allamoore ISD	Eanes ISD
Clint ISD	Cumby ISD	Early ISD
Clyde ISD	Cushing ISD	East Bernard ISD

## List of Participating Employers

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East Central ISD	Fort Elliott CISD	Grand Prairie ISD
East Chambers ISD	Fort Hancock ISD	Grand Saline ISD
Eastland ISD	Fort Sam Houston ISD	Grandfalls - Royalty ISD
Ector ISD	Fort Stockton ISD	Grandview ISD
Ector County ISD	Fort Worth ISD	Grandview - Hopkins ISD
Edcouch - Elsa ISD	Franklin ISD	Granger ISD
Eden CISD	Frankston ISD	Grape Creek ISD
Edgewood ISD - Edgewood	Fredericksburg ISD	Grapeland ISD
Edgewood ISD - San Antonio	Freer ISD	Grapevine - Colleyville ISD
Edinburg CISD	Frenship ISD	Greenville ISD
Edna ISD	Friendswood ISD	Greenwood ISD
El Campo ISD	Friona ISD	Gregory - Portland ISD
El Paso ISD	Frisco ISD	Groesbeck ISD
Electra ISD	Frost ISD	Groom ISD
Elgin ISD	Fruitvale ISD	Groveton ISD
Elkhart ISD	Gainesville ISD	Gruver ISD
Elysian Fields ISD	Galena Park ISD	Gunter ISD
Ennis ISD	Galveston ISD	Gustine ISD
Era ISD	Ganado ISD	Guthrie CSD
Etoile ISD	Garland ISD	Hale Center ISD
Eula ISD	Garner ISD	Hallettsville ISD
Eustace ISD	Garrison ISD	Hallsburg ISD
Evadale ISD	Gary ISD	Hallsville ISD
Evant ISD	Gatesville ISD	Hamilton ISD
Everman ISD	Gause ISD	Hamlin ISD
Excelsior ISD	George West ISD	Hamshire - Fannett ISD
Ezzell ISD	Georgetown ISD	Happy ISD
Fabens ISD	Gholson ISD	Hardin ISD
Fairfield ISD	Giddings ISD	Hardin-Jefferson ISD
Falls City ISD	Gilmer ISD	Harlandale ISD
Fannindel ISD	Gladewater County Line ISD	Harleton ISD
Farmersville ISD	Glasscock County ISD	Harlingen CISD
Farwell ISD	Glen Rose ISD	Harmony ISD
Fayetteville ISD	Godley ISD	Harper ISD
Ferris ISD	Goldburg ISD	Harrold ISD
Flatonia ISD	Goldthwaite ISD	Hart ISD
Florence ISD	Goliad ISD	Hartley ISD
Floresville ISD	Gonzales ISD	Harts Bluff ISD
Flour Bluff ISD	Goodrich ISD	Haskell CISD
Floydada ISD	Goose Creek CISD	Hawkins ISD
Follett ISD	Gordon ISD	Hawley ISD
Forestburg ISD	Gorman ISD	Hays CISD
Forney ISD	Grady ISD	Hearne ISD
Forsan ISD	Graford ISD	Hedley ISD
Fort Bend ISD	Graham ISD	Hemphill ISD
Fort Davis ISD	Granbury ISD	Hempstead ISD

Henderson ISD	Jacksonville ISD	La Pryor ISD
Henrietta ISD	Jarrell ISD	La Vega ISD
Hereford ISD	Jasper ISD	La Vernia ISD
Hermleigh ISD	Jayton - Girard ISD	La Villa ISD
Hico ISD	Jefferson ISD	Lackland ISD
Hidalgo ISD	Jim Hogg County ISD	Lago Vista ISD
High Island ISD	Jim Ned CISD	Lake Dallas ISD
Highland ISD	Joaquin ISD	Lake Travis ISD
Highland Park ISD - Amarillo	Johnson City ISD	Lake Worth ISD
Highland Park ISD - Dallas	Jonesboro ISD	Lamar CISD
Hillsboro ISD	Joshua ISD	Lamesa ISD
Hitchcock ISD	Jourdanton ISD	Lampasas ISD
Holland ISD	Judson ISD	Lancaster ISD
Holliday ISD	Junction ISD	Laneville ISD
Hondo ISD	Karnack ISD	LaPoynor ISD
Honey Grove ISD	Karnes City ISD	Laredo ISD
Hooks ISD	Katy ISD	Lasara ISD
Houston ISD	Kaufman ISD	Latexo ISD
Howe ISD	Keene ISD	Lazbuddie ISD
Hubbard ISD - DeKalb	Keller ISD	Leakey ISD
Hubbard ISD - Hubbard	Kelton ISD	Leander ISD
Huckabay ISD	Kemp ISD	Leary ISD
Hudson ISD	Kenedy ISD	Lefors ISD
Huffman ISD	Kenedy County Wide CSD	Leggett ISD
Hughes Springs ISD	Kennard ISD	Leon ISD
Hull - Daisetta ISD	Kennedale ISD	Leonard ISD
Humble ISD	Kerens ISD	Levelland ISD
Hunt ISD	Kermit ISD	Leveretts Chapel ISD
Huntington ISD	Kerrville ISD	Lewisville ISD
Huntsville ISD	Kilgore ISD	Lexington ISD
Hurst - Euless - Bedford ISD	Killeen ISD	Liberty ISD
Hutto ISD	Kingsville ISD	Liberty - Eylau ISD
Idalou ISD	Kirbyville CISD	Liberty Hill ISD
Industrial ISD	Klein ISD	Lindale ISD
Ingleside ISD	Klondike ISD	Linden - Kildare CISD
Ingram ISD	Knippa ISD	Lindsay ISD
Iola ISD	Knox City - O'Brien CISD	Lingleville ISD
Iowa Park CISD	Kopperl ISD	Lipan ISD
Ira ISD	Kountze ISD	Little Cypress - Mauriceville CISD
Iraan - Sheffield ISD	Kress ISD	Little Elm ISD
Iredell ISD	Krum ISD	Littlefield ISD
Irion County ISD	La Feria ISD	Livingston ISD
Irving ISD	La Gloria ISD	Llano ISD
Italy ISD	La Grange ISD	Lockhart ISD
Itasca ISD	La Joya ISD	Lockney ISD
Jacksboro ISD	La Porte ISD	Lohn ISD

## List of Participating Employers

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Lometa ISD	McGregor ISD	Muenster ISD
London ISD	McKinney ISD	Muleshoe ISD
Lone Oak ISD	McLean ISD	Mullin ISD
Longview ISD	McLeod ISD	Mumford ISD
Loop ISD	McMullen County ISD	Munday CISD
Lorraine ISD	Meadow ISD	Murchison ISD
Lorena ISD	Medina ISD	Nacogdoches ISD
Lorenzo CISD	Medina Valley ISD	Natalia ISD
Los Fresnos CISD	Melissa ISD	Navarro ISD
Louise ISD	Memphis ISD	Navasota ISD
Lovejoy ISD	Menard ISD	Nazareth ISD
Lovelady ISD	Mercedes ISD	Neches ISD
Lubbock ISD	Meridian ISD	Nederland ISD
Lubbock - Cooper ISD	Merkel ISD	Needville ISD
Lueders - Avoca ISD	Mesquite ISD	New Boston ISD
Lufkin ISD	Mexia ISD	New Braunfels ISD
Luling ISD	Meyersville ISD	New Caney ISD
Lumberton ISD	Miami ISD	New Deal ISD
Lyford CISD	Midland ISD	New Diana ISD
Lytle ISD	Midlothian ISD	New Home ISD
Mabank ISD	Midway ISD - Henrietta	New Summerfield ISD
Madisonville CISD	Midway ISD - Woodway	New Waverly ISD
Magnolia ISD	Milano ISD	Newcastle ISD
Malakoff ISD	Mildred ISD	Newton ISD
Malone ISD	Miles ISD	Nixon - Smiley CISD
Malta ISD	Milford ISD	Nocona ISD
Manor ISD	Miller Grove ISD	Nordheim ISD
Mansfield ISD	Millsap ISD	Normangee ISD
Marathon ISD	Mineola ISD	North East ISD
Marble Falls ISD	Mineral Wells ISD	North Hopkins ISD
Marfa ISD	Mission CISD	North Lamar ISD
Marion ISD	Monahans - Wickett - Pyote ISD	North Zulch ISD
Marlin ISD	Montague ISD	Northside ISD - San Antonio
Marshall ISD	Monte Alto ISD	Northside ISD - Vernon
Mart ISD	Montgomery ISD	Northwest ISD
Martins Mill ISD	Moody ISD	Nueces Canyon CISD
Martinsville ISD	Moran ISD	Nursery ISD
Mason ISD	Morgan ISD	Oakwood ISD
Matagorda ISD	Morgan Mill ISD	Odem - Edroy ISD
Mathis ISD	Morton ISD	O'Donnell ISD
Maud ISD	Motley County ISD	Oglesby ISD
May ISD	Moulton ISD	Olfen ISD
Maypearl ISD	Mount Calm ISD	Olney ISD
McAllen ISD	Mount Enterprise ISD	Olton ISD
McCamey ISD	Mount Pleasant ISD	Onalaska ISD
McDade ISD	Mount Vernon ISD	Orange Grove ISD

Orangefield ISD	Post ISD	Robstown ISD
Ore City ISD	Poteet ISD	Roby CISD
Overton ISD	Poth CISD	Rochelle ISD
Paducah ISD	Pottsboro ISD	Rockdale ISD
Paint Creek ISD	Prairie Lea ISD	Rocksprings ISD
Paint Rock ISD	Prairie Valley ISD	Rockwall ISD
Palacios ISD	Prairiland ISD	Rogers ISD
Palestine ISD	Premont ISD	Roma ISD
Palmer ISD	Presidio ISD	Roosevelt ISD
Palo Pinto ISD	Priddy ISD	Ropes ISD
Pampa ISD	Princeton ISD	Roscoe Collegiate ISD
Panhandle ISD	Pringle - Morse CISD	Rosebud - Lott CISD
Panther Creek CISD	Progreso ISD	Rotan ISD
Paradise ISD	Prosper ISD	Round Rock ISD
Paris ISD	Quanah ISD	Round Top - Carmine ISD
Pasadena ISD	Queen City ISD	Royal ISD
Patton Springs ISD	Quinlan ISD	Royse City ISD
Pawnee ISD	Quitman ISD	Rule ISD
Pearland ISD	Rains ISD	Runge ISD
Pearsall ISD	Ralls ISD	Rusk ISD
Peaster ISD	Ramirez Common School District	S&S CISD
Pecos - Barstow - Toyah ISD	Randolph Field ISD	Sabinal ISD
Penelope ISD	Ranger ISD	Sabine ISD
Perrin - Whitt CISD	Rankin ISD	Sabine Pass ISD
Perryton ISD	Raymondville ISD	Saint Jo ISD
Petersburg ISD	Reagan County ISD	Salado ISD
Petrolia ISD	Red Lick ISD	Saltillo ISD
Pettus ISD	Red Oak ISD	Sam Rayburn CISD
Pewitt CISD	Redwater ISD	San Angelo ISD
Pflugerville ISD	Refugio ISD	San Antonio ISD
Pharr - San Juan - Alamo ISD	Ricardo ISD	San Augustine ISD
Pilot Point ISD	Rice CISD	San Benito CISD
Pine Tree ISD	Rice ISD	San Diego ISD
Pittsburg ISD	Richards ISD	San Elizario ISD
Plains ISD	Richardson ISD	San Felipe - Del Rio CISD
Plainview ISD	Richland Springs ISD	San Isidro ISD
Plano ISD	Riesel ISD	San Marcos CISD
Pleasant Grove ISD	Rio Grande City CISD	San Perlita ISD
Pleasanton ISD	Rio Hondo ISD	San Saba ISD
Plemons - Stinnett - Phillips CISD	Rio Vista ISD	San Vicente ISD
Point Isabel ISD	Rising Star ISD	Sands CISD
Ponder ISD	River Road ISD	Sanford - Fritch ISD
Poolville ISD	Rivercrest ISD	Sanger ISD
Port Aransas ISD	Riviera ISD	Santa Anna ISD
Port Arthur ISD	Robert Lee ISD	Santa Fe ISD
Port Neches - Groves ISD	Robinson ISD	Santa Gertrudis ISD

## List of Participating Employers

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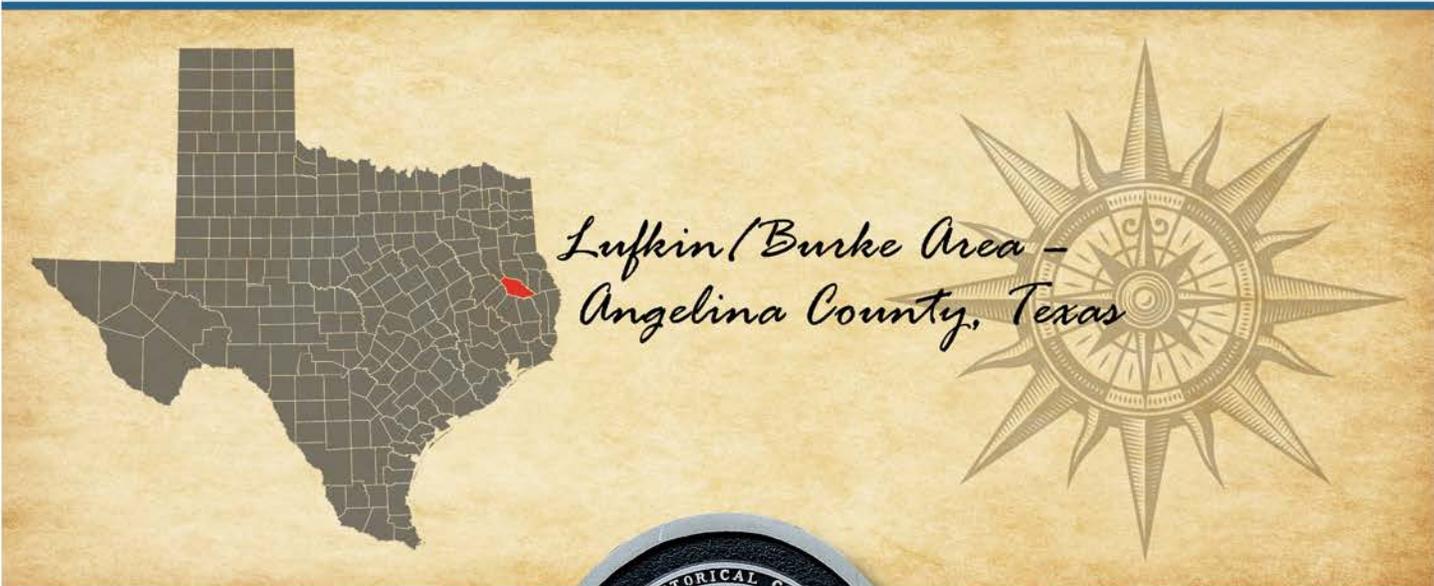
Santa Maria ISD	Splendora ISD	Tidehaven ISD
Santa Rosa ISD	Spring ISD	Timpson ISD
Santo ISD	Spring Branch ISD	Tioga ISD
Savoy ISD	Spring Creek ISD	Tolar ISD
Schertz - Cibolo - Universal City ISD	Spring Hill ISD	Tom Bean ISD
Schleicher County ISD	Springlake - Earth ISD	Tomball ISD
Schulenburg ISD	Springtown ISD	Tornillo ISD
Scurry - Rosser ISD	Spur ISD	Trent ISD
Seagraves ISD	Spurger ISD	Trenton ISD
Sealy ISD	Stafford Municipal School District	Trinidad ISD
Seguin ISD	Stamford ISD	Trinity ISD
Seminole Public Schools	Stanton ISD	Troup ISD
Seymour ISD	Stephenville ISD	Troy ISD
Shallowater ISD	Sterling City ISD	Tulia ISD
Shamrock ISD	Stockdale ISD	Tuloso - Midway ISD
Sharyland ISD	Stratford ISD	Turkey - Quitaque ISD
Shelbyville ISD	Strawn ISD	Tyler ISD
Sheldon ISD	Sudan ISD	Union Grove ISD
Shepherd ISD	Sulphur Bluff ISD	Union Hill ISD
Sherman ISD	Sulphur Springs ISD	United ISD
Shiner ISD	Sundown ISD	Utopia ISD
Sidney ISD	Sunnyvale ISD	Uvalde CISD
Sierra Blanca ISD	Sunray ISD	Valentine ISD
Silsbee ISD	Sweeny ISD	Valley Mills ISD
Silverton ISD	Sweet Home ISD	Valley View ISD - Pharr
Simms ISD	Sweetwater ISD	Valley View ISD - Valley View
Sinton ISD	Taft ISD	Van ISD
Sivells Bend ISD	Tahoka ISD	Van Alstyne ISD
Skidmore - Tynan ISD	Tarkington ISD	Van Vleck ISD
Slaton ISD	Tatum ISD	Vega ISD
Slidell ISD	Taylor ISD	Venus ISD
Slocum ISD	Teague ISD	Veribest ISD
Smithville ISD	Temple ISD	Vernon CISD
Smyer ISD	Tenaha ISD	Victoria ISD
Snook ISD	Terlingua CSD	Vidor ISD
Snyder ISD	Terrell ISD	Vysehrad ISD
Socorro ISD	Terrell County ISD	Waco ISD
Somerset ISD	Texarkana ISD	Waelder ISD
Somerville ISD	Texas City ISD	Walcott ISD
Sonora ISD	Texhoma ISD	Wall ISD
South San Antonio ISD	Texline ISD	Waller ISD
South Texas ISD	Thorndale ISD	Walnut Bend ISD
Southland ISD	Thrall ISD	Walnut Springs ISD
Southside ISD	Three Rivers ISD	Warren ISD
Southwest ISD	Three Way ISD	Waskom ISD
Spearman ISD	Throckmorton ISD	Water Valley ISD

Waxahachie ISD	Wortham ISD	Compass Academy
Weatherford ISD	Wylie ISD - Abilene	Compass Rose Education Inc
Webb CISD	Wylie ISD - Wylie	Comquest Academy
Weimar ISD	Yantis ISD	Corpus Christi Montessori School
Wellington ISD	Yoakum ISD	Crosstimbers Academy
Wellman - Union ISD	Yorktown ISD	Cumberland Academy
Wells ISD	Ysleta ISD	Democracy Prep Public Schools
Weslaco ISD	Zapata County ISD	Dr M L Garza-Gonzalez Charter School
West ISD	Zavalla ISD	Draw Academy
West Hardin County CISD	Zephyr ISD	Eagle Advantage School
West Orange - Cove CISD		East Fort Worth Montessori School
West Osó ISD	<b>Charter Schools</b>	East Texas Charter School
West Rusk County CISD	A Plus Academy	East Texas Advanced Academies
West Sabine ISD	A Plus Unlimited Potential	Ector Success Academy Network
Westbrook ISD	A W Brown Fellowship Charter School	Education Center International Academy
Westhoff ISD	Academy of Accelerated Learning Inc	El Paso Academy East
Westphalia ISD	Academy of Dallas	El Paso Leadership Academy
Westwood ISD	Accelerated Intermediate Academy	Eleanor Kolitz Hebrew Language Academy
Wharton ISD	Alief Montessori School	Elementary School for Education Innovation
Wheeler ISD	Ambassadors Preparatory Academy	Elevate Collegiate Charter School
White Deer ISD	Amigos Por Vida-Friends For Life Charter	Erath Excels Academy
White Oak ISD	Aristoi Classical Academy	Etoile Academy Charter School
White Settlement ISD	Arlington Classics Academy	Evolution Academy Charter School
Whiteface ISD	Arrow Academy	Excellence in Leadership Academy
Whitehouse ISD	Austin Achieve Public Schools	Faith Family Academy Waxahachie
Whitesboro ISD	Austin Discovery School	Fort Worth Academy Fine Arts
Whitewright ISD	Basis San Antonio	Gateway Charter Academy
Whitharral ISD	Beatrice Mayes Institute Charter School	George Gervin Academy
Whitney ISD	Ben Milam International Academy	George I Sanchez Charter School
Wichita Falls ISD	Beta Academy	Golden Rule Charter School
Wildorado ISD	Bexar County Academy	Goodwater Montessori School
Willis ISD	Big Springs Charter School	Great Hearts Academy - San Antonio
Wills Point ISD	Bloom Academy Charter School	Green Dot Public Schools Southeast Texas
Wilson ISD	Bob Hope School	Gulf Coast Trades Center
Wimberley ISD	Brazos School for Inquiry & Creativity	Harmony School of Excellence - Houston
Windham School District	Brazos River Charter School	Harmony School of Science - Houston
Windthorst ISD	Bridgeway Preparatory Academy	Harmony Science Academy - Austin
Wink - Loving CISD	Brooks Academy of Science & Engineering	Harmony Science Academy - El Paso
Winnsboro ISD	Burnham Wood Charter School District	Harmony Science Academy - Houston
Winona ISD	Calvin Nelms Charter Schools	Harmony Science Academy - San Antonio
Winters ISD	Carver Center	Harmony Science Academy - Waco
Woden ISD	Cedars International Academy	Henry Ford Academy Alameda School
Wolfe City ISD	Chaparral Star Academy	Heritage Academy
Woodsboro ISD	Chapel Hill Academy	High Point Academy
Woodson ISD	Cityscape Schools Inc	Houston Classical Charter School
Woodville ISD	Collegiate Edu-Nation	Houston Gateway Charter School





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*Lufkin/Burke Area –  
Angelina County, Texas*



### **FAIRVIEW SCHOOL**

THE ANGELINA COUNTY SCHOOL BOARD CREATED FAIRVIEW COMMON SCHOOL DISTRICT NUMBER 69 IN THE LATE 1800s. A ONE-ROOM SCHOOLHOUSE WAS BUILT THAT SERVED STUDENTS FROM A WIDE RURAL AREA. THE FIRST SCHOOL TERM, IN 1898, WAS FIVE MONTHS LONG. FAIRVIEW SCHOOL STUDENTS MET AT FAIRVIEW BAPTIST CHURCH FROM ABOUT 1905 UNTIL 1913, WHEN THE COUNTY SCHOOL BOARD REORGANIZED THE COMMON SCHOOL DISTRICTS. IN 1915 LAND WAS PURCHASED FOR A SCHOOL SITE. A TWO-ROOM SCHOOLHOUSE WAS CONSTRUCTED IN 1917 AND ENLARGED WITH THE ADDITIONS OF A CAFETERIA AND AN AUDITORIUM IN THE 1940s. THE SCHOOL BECAME A COMMUNITY CENTER FOR AREA RESIDENTS. IT SERVED AS A VOTING PLACE AND WAS THE FOCUS OF SOCIAL ACTIVITIES AND HOLIDAY EVENTS. COUNTY-WIDE SPORTING EVENTS WERE HELD ON THE GROUNDS. THE FAIRVIEW SCHOOL NOT ONLY PROVIDED QUALITY EDUCATION FOR GRADES ONE THROUGH SEVEN, BUT ALSO HOSTED PROGRAMS THAT BENEFITED FARMERS. GOVERNMENT ADVISORS GAVE INSTRUCTION ON AGRICULTURAL TECHNIQUES TO INCREASE PRODUCTION OF CATTLE AND THE LOCAL CROPS OF PEANUTS, CORN, AND COTTON. THE SCHOOL CLOSED IN 1963 AND WAS CONSOLIDATED WITH THE LUFKIN SCHOOL DISTRICT.

## Changes in State Law

### A. Health Care Benefits

#### TRS-Care

House Bill 2022, 87<sup>th</sup> Legislature, created a one-time opportunity for members of TRS-Care that voluntarily terminated coverage between January 1, 2017, and December 31, 2019, and which are eligible for Medicare, to return to TRS-Care as long as they apply on or before December 31, 2023. The bill requires TRS to issue rules to implement this opportunity.

#### TRS-Active Care

Senate Bill 1444, 87<sup>th</sup> Legislature, created a new Section 1579.1045. This new statute prohibits TRS-ActiveCare participating entities from offering or making available alternative health plan coverage to their employees and their respective dependents, beginning on September 1, 2022. This section closes the loophole created by the Districts of Innovation under Chapter 12A of the Education Code, under which many participating entities were offering alternative coverage to TRS-ActiveCare. However, this same SB 1444 amended Section 1579.155 to allow all participating entities or eligible entities the ability to leave or join TRS-ActiveCare disregarding their size. Effective on September 1, 2022, participating entities that choose to leave TRS-ActiveCare may do so by giving TRS notice no later than December 31<sup>st</sup> of the year preceding the plan year in which the election to leave will be effective. At the same time, eligible entities may join TRS-ActiveCare by giving TRS notice no later than December 31<sup>st</sup> of the year preceding the plan year in which their election to join will become effective. Those entities that choose to leave or join TRS-ActiveCare will have to commit to stay in or out of TRS-ActiveCare for a five-year period with no exceptions. The bill requires TRS to issue rules to implement this statute.

#### Health Care Benefits

Starting on plan years that begin on or after January 1, 2022, Senate Bill 827, 87<sup>th</sup> Legislature, now prohibits non-Medicare TRS-Care plans and non-high-deductible TRS-ActiveCare plans from imposing cost-sharing amounts that exceed \$25 per prescription for a 30-day supply of an insulin product included in the plan's formulary. The plans are also required to include in the formulary at least one insulin from each therapeutic class.

Also starting on plan years that begin on or after January 1, 2022, Senate Bill 1065, 87<sup>th</sup> Legislature, expanded the diagnostic imaging coverage that must be included under the annual breast cancer screening mandate under Chapter 1356 of the Insurance Code. The bill now requires that imaging services include mammography, ultrasound imaging, or magnetic resonance imaging to evaluate a patient, including when the individual has a personal history of dense breast tissue. This mandate also applies to non-Medicare TRS-Care plans and non-high-deductible TRS-ActiveCare plans.

#### New Pre-Authorization Process

House Bill 3459, 87<sup>th</sup> Legislature, established new rules for pre-authorization requirements under certain health benefit plans in Texas, including non-Medicare TRS-Care and TRS-ActiveCare plans. Beginning on January 1, 2022, health plans that use a preauthorization process for health care services must evaluate samples of a provider's prior services during a six-month evaluation period to determine if that provider may be exempted from having to submit preauthorization requests for a particular health care service for a six-month period. If during the evaluation period the health plan has approved or would have approved not less than 90% of the provider's preauthorization requests for a particular service, the health plan must exempt that provider from having to submit any further preauthorization request for that service until the next evaluation is conducted. The health plan must conduct such evaluations without the provider having to request them, and once a determination is made that a provider must be exempted, the health plan must give notice to the provider. Once an exemption is given to a provider, if during any future evaluation period the health plan determines that the provider does not qualify for the exemption anymore, the health plan must give the provider prior notice and must allow the provider to request an appeal before an independent review organization at the health plan's expense. The independent review organization's determination on appeal will be binding on both parties.

## **B. Pensions**

The 87th Regular Session of the Texas Legislature passed four major bills that contained provisions relating to pension benefits.

### **TRS Sunset Bill (HB 1585)**

TRS underwent the Sunset Review process during the 87th Regular Legislative Session. The resulting Sunset Bill (HB 1585) made a number of statutory revisions and additions that impact pension benefits, including:

- Allowing members who retired on or before January 1, 2021 to return to work for a Texas public education institution without forfeiture of TRS benefits. Previously, the date was January 1, 2011.
- Creating a “three strikes” system for service retirees who exceed limits on employment after retirement (“EAR”). Previously, a retiree would forfeit the entire amount of the retiree’s annuity for any month in which the retiree exceeded EAR limits. Under the new system, when a retiree exceeds EAR limits for the first time, the retiree receives a warning without the loss of annuity. After notice of their first violation, the retiree must pay back the lesser of earnings for the month the violation occurred or their full annuity. After notice of their second violation, the retiree must forfeit their full monthly annuity for all subsequent violations of EAR limits.
- Requiring TRS to develop a policy to locate and notify a member or the member’s heirs of their entitlement to a return of contributions, including sending certified letters and manual internet searches.
- Creating a TRS ombudsman position, designated by the Board of Trustees, for the purpose of assisting active and retired members by performing member protection and advocacy functions and regularly submitting a report recommending changes to operations that would benefit members and retirees.

### **Surcharge Pass-Through Prohibition (SB 202)**

Beginning in the 2021-2022 school year, SB 202 provided that a reporting employer is ultimately responsible for the pension and applicable health care surcharges for retirees returning to work full time. As a result, SB 202 provided that the employer is prohibited from directly or indirectly passing the costs to the retiree.

### **COVID-19 Learning Loss Positions (SB 288)**

SB 288 created a temporary exemption to EAR limits, pension surcharges, and healthcare surcharges for service retirees who return to work in a position related to mitigating student learning loss due to COVID-19 at a K-12 Texas public educational institution. Additionally, the position must be wholly funded by federal funds enacted for the purpose of providing relief related to the COVID-19 pandemic, must be in addition to the normal staffing levels at the Texas public educational institution, and must end on or before December 31, 2024.

### **Tutor Exception (SB 1356)**

SB 1356 created an exception to EAR limits for both service and disability retirees who participate in a tutoring program created by a school district under Texas Education Code §33.913. SB 1356 did not create a surcharge exemption for these retirees, unless the retirees are otherwise exempt. TRS is required to provide information about the tutoring program to members.

## Changes in Federal Law

### A. Investments

#### Implementation of Rulemaking Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) (Dodd-Frank)

During this fiscal year, TRS continued monitoring the second implementation phase of the new margin requirements for uncleared swaps, which will address initial margin, for example requiring two-way posting and segregation of initial margin. The timetable for complying with these rules has been pushed back due to COVID-19, so the initial-margin regulations should apply to TRS effective September 2022. Ahead of that deadline, TRS will amend some or all of its International Swaps and Derivatives Association agreements to account for the new requirements and also put into place arrangements for third-party custody of initial margin.

### B. Health Care Benefits

#### Federal Patient Protection and Affordable Care Act of 2010 (PPACA)

During this fiscal year, in a continued effort to identify any impact upon the health benefit programs administered by TRS, TRS continued to monitor regulations issued with regard to the PPACA.

TRS continues to allow certain participating employers in TRS-ActiveCare to designate TRS, acting in its capacity as trustee of TRS-ActiveCare, to fulfill the reporting requirements under Internal Revenue Code Section 6055 for months of enrollment in calendar year 2020. Section 6055 addresses the reporting of health care coverage selected by active employees and COBRA qualified beneficiaries (and their dependents) who are enrolled in one of the PPO plans offered under TRS-ActiveCare.

TRS also continues to make efforts to ensure that the coverage it offers under TRS-ActiveCare meets the PPACA's minimum value and affordability standards, in order to assist the participating entities' efforts to avoid the PPACA's shared responsibility penalties.

On June 17, 2021 the United States Supreme Court issued its decision in the case of California v. Texas (formerly known as Texas v. U.S.) after the Fifth Circuit Court of Appeals determined that the PPACA's individual mandate was unconstitutional, but failed to rule on whether that conclusion renders the remaining provisions of the PPACA invalid. The Supreme Court decided that neither of the parties challenging PPACA in this case had standing to question PPACA's constitutionality. This determination rendered all the lower courts' prior decisions in the case invalid, thus leaving the questions on the constitutionality of PPACA unanswered. Therefore, the technical effect of this decision is that PPACA remains in effect.

The Further Consolidated Appropriations Act of 2020 repealed Internal Revenue Code Section 4980I (introduced by the PPACA and informally known as "the Cadillac Tax") which would have imposed a 40 percent excise tax on certain high cost group health plans. Its effective date had previously been delayed until 2022, but it is now completely repealed. On the other hand, this Act extended the Patient Centered Outcomes Research Institute Fee for an additional ten years until 2029. This is a fee imposed on group health plans based on total enrollment and the funds raised are to be used for specified medical research. The current fee is \$2.54 per covered life, but increases each year.

#### High Deductible Health Plans

TRS continues to monitor changes that affect TRS-ActiveCare HD and TRS-Care Standard plans, which are both deductible health plans. For example, the IRS annually releases cost-of-living increases related to the minimum deductibles and maximum out-of-pocket amounts allowed under a high deductible health plan. TRS ensures TRS-ActiveCare HD plan meets those requirements.

#### COVID-19

The federal government's response to the COVID-19 pandemic resulted in changes to the health plans offered under TRS-Care and TRS-ActiveCare. The Families First Coronavirus Response Act ("FFCRA") and the Coronavirus Aid, Relief, and Economic Security ("CARES") Act require mandatory coverage, without cost sharing, of COVID-19 diagnostic testing and related services under TRS' health programs in certain circumstances. The CARES Act also

requires the rapid coverage of a COVID-19 vaccine when one is developed and approved by federal governmental entities and provides a temporary safe harbor that allows the high deductible health plans of TRS-Care and TRS-ActiveCare to cover telehealth and other remote health services without a deductible. Guidance from the U.S. Department of Health and Human Services also allows TRS' health programs to extend certain deadlines for participants to provide notice of special enrollment events and COBRA elections, to pay COBRA premiums, and to appeal adverse benefit determinations, among other things.

### **C. Pension**

#### **Tax Laws, Regulations, and Guidance**

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) went into effect on March 27, 2020. TRS implemented certain provisions of the CARES Act related to Coronavirus Distribution Payments. The American Rescue Plan Act (“ARP”) went into effect on March 11, 2021. TRS provided guidance to participating employers regarding the impact under the TRS plan terms when ARP funds are used by employers to fund certain positions.

During this fiscal year, TRS continued to monitor the status of proposed regulations regarding income tax withholding on certain periodic retirement and annuity payments, the applicability of normal retirement age regulations, and the determination of governmental plan status.

### **D. Other Developments**

#### **Data Privacy**

The General Data Protection Act (“GDPR”) went into effect on May 25, 2018. This Regulation restricts the use and storage of the personal information of individuals in the European Union and restricts the international transfer of such data. TRS is continuing to implement and apply the GDPR restrictions as it applies to the operations of TRS' subsidiary in the UK.

#### **Market Abuse Regulation (MAR)**

MAR took effect on July 3, 2016, and contains the rules on insider dealing, unlawful disclosure of inside information and market manipulation that applies in the European Union. It affects any firm that trades on an in-scope European Economic Area (EEA) market, regardless of whether the firm is within the EEA. MAR includes compliance and legal provisions that are similar to U.S insider trading laws as well as additional requirements such as “market soundings” that involve the communication of potentially insider information by the sell side to the buy side.

#### **Markets in Financial Instruments Directive II (MiFID II)**

MiFID II took effect on January 3, 2018 and regulates certain investment services across the EEA. In particular, it requires unbundling of trading costs between research and execution services and fees such that EEA managers must either pay for research themselves or set up a research payment account, where the budget has been agreed with the client. Many managers have determined to pay for research themselves, which has led to a drop in research budgets. Some US managers have adopted a similar approach.

## Summary of Benefits

The Teacher Retirement System of Texas (TRS) administers the TRS Pension Trust Fund, a defined benefit retirement plan that is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Pension Trust Fund provides service retirement, disability retirement, death and survivor benefits to eligible employees of public and higher education in Texas. The TRS Benefits Handbook, a general information booklet, is available to TRS members, annuitants, and the public on the TRS website, [www.trs.texas.gov](http://www.trs.texas.gov).

TRS also administers two separate health care related trust funds:

- TRS-ActiveCare is the statewide health benefits program for eligible active public education employees of participating employers and their eligible dependents.
- TRS-Care is the statewide health benefits program for eligible retired public education employees and their eligible dependents.

TRS also administers an optional long-term care insurance program for eligible retirees, public school employees, their dependents, and other family members. The Plan is available on an enrollee-pay-all-basis.

## Retirement Plan Benefits

This summary of benefits is based on statutory provisions of the plan, effective for fiscal year 2021.

### A. Service Retirement

#### Normal Retirement Eligibility

For members whose membership began prior to September 1, 2007, who had at least five years of service credit as of August 31, 2014, and who maintained membership until retirement:

- Age 65 with at least five years of credited service, or
- The sum of the member's age and years of credited service equals or exceeds 80 with at least five years of credited service.

For members whose membership began on or after September 1, 2007 but prior to September 1, 2014, who had at least five years of service credit as of August 31, 2014, and who maintained membership until retirement:

- Age 65 with at least five years of credited service, or
- Age 60 and the sum of the member's age and years of credited service equals or exceeds 80 with at least five years of credited service.

For members who did not have at least five years of service credit as of August 31, 2014, who established TRS membership on or after September 1, 2014, or who had at least five years of service credit as of August 31, 2014 but terminated membership in TRS by withdrawal of accumulated contributions and later resumed TRS membership:

- Age 65 with at least five years of credited service, or
- Age 62 and the sum of the member's age and years of credited service equals or exceeds 80 with at least five years of credited service.

#### Standard Annuity

A monthly benefit payable at retirement throughout the retiree's lifetime and calculated according to the statutory benefit formula.

#### Benefit Formula

The annual standard annuity is based on the average of the five highest annual creditable salaries multiplied by the years of credited service multiplied by 2.3 percent. For members who are grandfathered, the three highest annual salaries are used in the benefit formula.

### **Minimum Benefit**

\$150 per month less any reduction for early age retirement or optional annuity selection.

### **Early Age Retirement Eligibility**

For members whose membership began prior to September 1, 2007, who had at least five years of service credit as of August 31, 2014, and who maintained membership until retirement:

- At least 55 with five or more years of service credit, but the sum of the member's age and years of service credit total less than 80, or
- 30 or more years of service credit, but the sum of the member's age and years of service credit total less than 80.

For members whose membership began on or after September 1, 2007 but prior to September 1, 2014, who had at least five years of service credit as of August 31, 2014, and who maintained membership until retirement:

- At least 55 with five or more years of service credit, but the sum of the member's age and years of service credit total less than 80, or
- 30 or more years of service credit, but the sum of the member's age and years of service credit total less than 80, and the member is less than age 60, or
- The sum of the member's age and years of service credit total at least 80, but the member is less than age 60.

For members who met the requirements to be grandfathered before September 1, 2005, there is no reduction to their benefit based on actuarial tables if they are at least age 55, the sum of their age and years of service credit total at least 80, and they are below age 60. These members are still considered early-age retirees.

For members who did not have at least five years of service credit as of August 31, 2014, who established TRS membership on or after September 1, 2014, or who had at least five years of service credit as of August 31, 2014 but terminated membership in TRS by withdrawal of accumulated contributions and later resumed TRS membership:

- At least 55 with five or more years of service credit, but the sum of the member's age and years of service credit total less than 80, or
- 30 or more years of service credit, but the sum of the member's age and years of service credit total less than 80, and the member is less than age 62, or
- the sum of the member's age and years of service credit total at least 80, but the member is less than age 62.

For members who met the requirements to be grandfathered before September 1, 2005, there is no reduction to their benefit based on actuarial tables if they are at least age 55, have at least 20 years of service credit, the sum of their age and years of service credit total at least 80, and they are below age 62. These members are still considered early-age retirees.

### **Early Age Retirement Benefit**

The standard annuity amount calculated under the benefit formula (or the minimum benefit, if applicable) and used to determine the amount of any optional retirement annuity is reduced for early age retirement. The amount of the reduction varies depending on age, years of service credit, and whether a member is grandfathered.

## **B. Disability Retirement**

### **Eligibility**

Physical or mental disability precludes the member's continued performance of current duties and the disability is probably permanent, as certified by the TRS Medical Board.

### **Benefit**

For disabled members with at least 10 years of credited service, the greater of the standard annuity unreduced for early age or \$150 per month minimum benefit, less any reduction for the selection of an optional annuity. For disabled members with fewer than 10 years of credited service, \$150 per month. The minimum benefit amounts are subject to reduction for the selection of an optional retirement annuity.

### **Duration**

For retirees with 10 or more years of credited service, payments continue for as long as the disability continues. For those with fewer than 10 years of credited service, payments continue for the life of the retiree, the duration of the disability, or the number of months of credited service, whichever is shorter.

### **Earnings Limit**

Disability retirees who applied and retired after August 31, 2007 are subject to an annual limit on earnings from any employment. The current limit is the greater of the highest annual salary before retirement or \$40,000. Excess earnings will cause benefits to be forfeited until such time as the excess earnings cease or are reduced to an allowable amount.

## **C. Annuity Payment Options**

All service and eligible disability retirees may select an optional form of payment that reduces the standard annuity by application of actuarial reduction factors in order to continue payment to a beneficiary after the retiree's death. Actuarial factors for disability retirees are different from those for service retirees because of different assumptions about life expectancy for the two groups. The available options include 100, 75, and 50 percent joint and survivor annuities, and five and ten year guaranteed period annuities. Selection of a 100 or 75 percent joint and survivor annuity and a five or ten year guaranteed period annuity may not be allowed in certain situations based on the minimum distribution provisions of federal tax law.

## **D. The Pop-Up Provision**

If a designated beneficiary under any of the joint and survivor options dies while the retiree is still living, the retiree's future monthly payment increases to the amount of the standard annuity.

## **E. Partial Lump Sum Option**

Under the Partial Lump Sum Option (PLSO), available for election at the time of retirement, eligible members may elect to receive an actuarially reduced service retirement annuity plus a lump sum distribution.

Members may elect to receive a PLSO if they are eligible for service retirement, meet the Rule of 90 (age and years of service credit equal at least 90), are not participating in the Deferred Retirement Option Plan (DROP), and are not retiring with disability retirement benefits. Grandfathered members may elect PLSO at retirement if they are eligible for normal age service retirement under the pre-September 1, 2005 law (age 65 with at least five years of credited service, or the sum of the member's age and years of credited service equals or exceeds 80 with at least five years of credited service), are not participating in DROP, and are not retiring with disability retirement benefits. Members retiring under the proportionate retirement program are not eligible to elect the PLSO.

Partial lump sum distributions equal to 12, 24, or 36 months of a standard service retirement annuity may be selected. When a member selects this option, the monthly annuity is actuarially reduced to reflect the lump sum distribution. Flexible annual distribution options are available, including rollovers to another eligible retirement plan.

## **F. Deferred Retirement Option Plan**

The TRS Pension Plan permitted eligible members to participate in a Deferred Retirement Option Plan (DROP) by enrolling no later than December 31, 2005. DROP participants continued employment while accumulating a portion of their standard retirement annuity in a special account that is disbursed beginning at the time of their retirement or death.

Members who elected DROP chose to participate in 12-month increments for up to five years. During DROP participation, the member did not accrue additional service credit for their pension annuity, nor is any compensation earned during DROP participation considered in calculating the standard pension annuity.

During DROP participation, the member's statutory contributions to TRS continue. However, contributions were not credited to the member's contribution account and are not refundable.

Interest on the DROP account balance prior to September 1, 2014 was computed at an annual rate of five percent. Subsequent to that date, the interest rate changed to two percent.

Members who participated in DROP but continued working in membership eligible employment after the close of their participation period earn post-DROP retirement benefits based solely on creditable compensation received and service credit earned after their DROP participation period ended. Post-DROP benefits are distributed with the retirement and DROP benefits. Although the DROP plan is closed to new participants, there are members who participated and have not yet retired.

## **G. Minimum Service Credit Required for Service Retirement Benefits**

Under current law, a member who has completed at least five years of credited service has earned a right to service retirement benefits after reaching eligible retirement age, provided that the member's accumulated contributions are not withdrawn from the system.

Service credited in another retirement system that participates in the Proportionate Retirement Program may be combined with TRS service credit to determine eligibility for TRS service retirement benefits. Any qualifying USERRA military service, up to a maximum of five years, may also be counted in determining eligibility for TRS service retirement benefits. The USERRA service and/or compensation credit may also be purchased to increase the amount of the retirement benefit or may simply be verified and used to establish eligibility.

An eligible member must apply for benefits and meet other requirements, such as termination of Texas public education employment, in order to begin receiving benefits.

## **H. Death and Survivor Benefits**

### **Active Members**

The beneficiary of an active member may elect to receive one of the following benefits in the event of the member's death before retirement in any of the following situations:

- if the member dies during a school year in which the member performed service, or
- if the member was absent from service because of sickness, accident or another reason TRS determines is involuntary, or
- in furtherance of the objectives or welfare of the public school system, or
- if the member dies when eligible to retire, or
- would have become eligible without further service before the fifth anniversary of the member's last day of service as a member
- if the member dies while performing qualified military service as defined by applicable federal law
- when the member is absent from service as described by law, such as when the absence is due to sickness, accident, or other involuntary cause
- when the member is within five years of being eligible to retire when leaving employment.

### Benefit Options

- A lump sum payment equal to twice the member's annual rate of compensation or \$80,000, whichever is less, or
- Sixty monthly payments equal to the member's standard annuity without reduction for early age, provided the member had at least five years of service credit at the time of death, or
- Lifetime payments equal to a 100 percent joint and survivor annuity, provided the member had at least five years of service credit, and is subject to any reduction applicable for early age. This benefit is only available when there is a sole beneficiary, or
- An amount equal to a return of the member's contributions with accumulated interest, or
- Survivor benefits of \$2,500 lump sum payment plus a monthly benefit to eligible beneficiaries. For example, \$350 per month to a beneficiary spouse with minor children, continuing until the youngest child reaches age 18. When the spouse turns age 65, or when the youngest child reaches age 18, whichever is later, the spouse would begin receiving \$250 per month for life.

In addition to these five options, a lump sum death benefit of \$160,000 is available if the active member is employed in a TRS-covered position and dies as the result of a physical assault during the performance of the employee's regular job duties.

Also, the beneficiary of a DROP participant will receive the accumulated DROP account balance, payable as a lump sum or in periodic installments.

### Retirees

In addition to any joint and survivor or guaranteed period annuity that may be payable under an optional form of payment a retiree elected, the beneficiary of a service or disability retiree is entitled to a \$10,000 lump sum payment. Eligible survivors may select alternate payment options in lieu of the lump sum benefit. The alternate payment options include a lump sum payment of \$2,500 plus an applicable monthly survivor benefit.

If total payments made before death to a retiree and, when applicable, to a beneficiary for an optional service retirement annuity, are less than accumulated contributions at retirement, an amount equal to the remainder of the balance of accumulated contributions is paid to the beneficiary or as otherwise provided by law. Should a retiree die prior to receiving all PLSO payments that are due, TRS will pay any remaining PLSO payments in a single lump sum payment to the beneficiary. If the retiree participated in DROP and died before receiving all DROP distributions, any unpaid DROP payments are paid to the beneficiary designated by the retiree.

### I. Grandfathered Provisions

A person who, as a member, met any one of the following criteria on or before Aug. 31, 2005, is grandfathered under plan provisions repealed with respect to non-grandfathered members:

- the member was at least 50 years old, or
- the member's age and years of service credit equaled at least 70 ("Rule of 70"), or
- the member had at least 25 years of service credit.

Members who are grandfathered will have their benefits determined in the following manner:

- Final Average Salary at retirement will be determined by the highest three years (instead of five years) of salary.
- Preservation of certain retirement reduction factors means that members age 55 or older with 20 to 24 years of credited service who take early retirement will receive a lesser reduction to their annuities than those members who are not grandfathered.
- Partial Lump Sum Option eligibility will require either age 65 with at least five years of service credit, or a combined age plus years of credited service that equals at least 80 ("Rule of 80") instead of 90.

## **Health Benefits**

### **A. Health Benefits for Active Public School Employees**

TRS-ActiveCare, the statewide health benefits program for eligible full-time and part-time employees of participating employers of public schools, open enrollment charter schools, regional service centers, and other educational districts, went into effect on September 1, 2002. The program initially focused on smaller districts, where affordable health coverage was often harder to find, and later expanded to include larger school districts. Employees can choose from three plan options and in certain areas, employees also have the option of enrolling in a health maintenance organization.

For information on TRS-ActiveCare, please refer to the TRS website.

### **B. Retiree Health Coverage**

TRS administers TRS-Care, a health benefits program for eligible retired public education employees and their eligible dependents that was established in 1985. TRS-Care is the source of health benefits coverage which a substantial portion of retired public education employees rely upon. Details of the plan can be found in Note 9.

For information on TRS-Care eligibility, please refer to the TRS website.

### **C. Long-Term Care Insurance Program**

Eligible retirees and eligible public school employees, their eligible dependents, and certain other family members may participate in the TRS long-term care insurance program. The plan pays benefits if the participant becomes unable to perform at least two activities of daily living without substantial assistance from another person. The plan also pays benefits as a result of a severe cognitive impairment that requires supervision or verbal direction from another person in order to protect the member or others from serious injury.

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THANK YOU

*We are extremely grateful to all of our  
members who allow us the privilege of  
earning their trust every day.*



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