TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES
AND
BUDGET COMMITTEE

(Ms. Sissney, Committee Chair; Ms. Charleston; Ms. Clifton, Mr. Colonnetta; & Mr. Moss Committee Members)

AGENDA

April 19, 2012 – 2:00 p.m.
TRS East Building – Room E 345

1. Consider the approval of the June 16, 2011 committee meeting minutes – Nanette Sissney.

2. Review the Budget History Document providing historic budget information for fiscal years 2007–2011 as background – Don Green.

3. Receive a brief update on the administrative operations budgets for fiscal year 2012 – Don Green.

4. Receive overview of proposed administrative operations budgets and general provisions for fiscal year 2013 – Don Green.

5. Discuss TRS' proposed Legislative Appropriations Request for the 2014-2015 biennium – Don Green.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Budget Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because a quorum of the Board may attend the Committee meeting, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

Minutes of the Budget Committee
June 16, 2011

The Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas (TRS) met on Thursday, June 16, 2011, in Room E 345 of the East Building of TRS offices located at 1000 Red River Street, Austin, Texas 78701. The following committee members were present:

Committee members present:

Nanette Sissney, Chair
Charlotte Clifton
Chris Moss
Philip Mullins
Linus Wright

Other Board members present:

Todd Barth
Robert Gauntt
David Kelly
Eric McDonald

TRS executive and other staff present:

Ronnie Jung, Executive Director
Brian Guthrie, Executive Director Designate
Ken Welch, Chief Financial Officer
Amy Barrett, Chief Audit Executive
Conni Brennan, General Counsel
Howard Goldman, Director of Communications
Amy Morgan, Director of Information Technology
Jerry Albright, Deputy Chief Investment Officer
Don Ballard, Assistant General Counsel
Mike Debbs, Compensation Analyst
Janice Engler, Audit Manager
Minerva Evans, Risk Management Specialist
Cindy Haley, Team Leader of Financial Reporting
Clarke Howard, Assistant General Counsel
Dan Junell, Assistant General Counsel and Secretary to the Board
L. Lynn Lau, Assistant Secretary to the Board
Rebecca Merrill, Assistant General Counsel and Assistant Secretary to the Board
Jamie Michels, Manager of General Accounting
Hugh Ohn, Director of Investment Audit and Compliance
Michelle Pagan, ERM Specialist
Patricia Pratt, Budget Analyst
Angella Nichols, Budget Analyst
L. Michele Price, Team Leader of Budgeting
Ellen Small, Budget Analyst
Angela Vogeli, Assistant General Counsel

Tim Wei, Assistant General Counsel

Outside counsel, consultants, contractors, representatives of associations and organizations, or members of the public present:

Steve Huff, Reinhart Boerner Van Deuren s.c., Fiduciary Counsel
Brady O'Connell, Hewitt EnnisKnupp, Inc.

With a quorum of the committee present, the meeting convened at 11:35 a.m.

1. Consider the approval of the April 7, 2011 committee meeting minutes – Nanette Sissney.

On a motion by Mr. Mullins, seconded by Mr. Wright, the committee unanimously approved the minutes of the April 7, 2011 committee meeting.

2. Receive an update on legislative session, including TRS' appropriations and bill pattern for the FY 2012 and FY 2013 biennium – Brian Guthrie.

Mr. Guthrie provided an update on the appropriations process. He stated that the legislature set the state contribution rate for the Pension Trust Fund at 6 percent for the first year of the 2012-2013 biennium and 6.4 percent for the second year. He observed that both of the new rates were less than the current 6.644 percent contribution rate for the state. Regarding the health benefit program for retirees, he said that the legislature provided for any excess in the TRS-Care fund to be re-deposited to that fund. He said the legislature also directed TRS to conduct an interim study on the financial soundness of TRS-Care. He stated that the rider requiring TRS to report to the legislature on TRS' emerging manager program had been removed. He highlighted a rider directing TRS to notify the legislature of an incentive compensation payout 45 days before disbursement. He stated that the legislature had also authorized $25 million for the TEAM program for the biennium. He stated that staff had informed the legislature that the overall cost of the TEAM program would be between $60 and $75 million. Responding to a question from Mr. Mullins, Mr. Guthrie confirmed that the Legislative Budget Board (LBB) had a quality assurance team working in conjunction with the Department of Information Resources to review all major information technology projects to ensure the quality and value of those projects. Ms. Sissney praised the staff for all the efforts they had spent in working with the legislature during the appropriations process.

3. Receive overview of proposed administrative operations budgets and general provisions for fiscal year 2012 – Ken Welch.

4. Consider recommending to the Board the adoption of the proposed fiscal year 2012 pension trust fund administrative operations budget, general provisions, and resolution authorizing transfer of pension trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2012 budget – Ken Welch.

Mr. Welch presented item number 3 and 4 together. He reviewed the proposed administrative operations budgets for FY 2012. He highlighted some proposed changes to the general provisions section to reflect the General Appropriations Act passed by the 82nd Texas Legislature for the 2012-2013 biennium. He explained that staff suggested a new general

provision regarding contractor-provided resources stating that use of such is subject to the same duty of care, general requirements and policies as other Pension Trust Fund assets. He said that staff also added the phrase "as approved from time to time by the board" to the provision concerning prospective changes to the performance incentive compensation pay plan to give the board the flexibility to amend that pay plan as needed without amending the budget. He confirmed for Ms. Sissney that the legislature did not appropriate general revenue funds to TRS to cover the enrollment fee of 1 percent of payroll imposed by the appropriations act on TRS, state agencies and other governmental employers participating in the health benefits plan for active employees under the Employee Retirement System (ERS).

Mr. Welch summarized the requested FY 2012 operating budgets for TRS programs. He noted that staff had added a new column for the TEAM Program. He said that the legislature appropriated $25 million for TEAM for the biennium, $11.9 million of which would be utilized during the first year and the rest for the second year. He noted that all the proposed budgets for TRS' programs were lower than those for the previous year, except for TEAM and TRS-Care. He stated that the proposed FY 2012 budget, including the additional $12 million for TEAM, represented a 7.3 percent increase over FY 2011 projected expenses.

5. Consider recommending to the Board the adoption of the proposed fiscal year 2012 administrative operations budgets and general provisions for the TRS health benefits funds (retired and active plans), including the optional long-term care insurance program – Ken Welch.

6. Consider recommending to the Board adoption of the proposed fiscal year 2012 administrative operations budget and general provisions for the 403(b) company certification and investment product registration program – Ken Welch.

Mr. Welch presented agenda item number 5 and 6 together. He reviewed the proposed board resolution for adopting the FY 2012 operating budgets and general provisions. He explained that the resolution would authorize the staff to transfer money from the Pension Trust Fund interest account to the expense account to pay for the operations budget. He noted that the entire budget would be funded by the Pension Trust Fund. Responding to a question from Mr. Kelly, Mr. Welch explained that the proposed budget resolution would authorize the expenditure of $84,602,761 in pension trust funds to pay for TRS' FY 2012 administrative operations. Mr. Welch stated that the proposed total operating and capital expenses budget for FY 2012 was $81.7 million, a figure which included performance incentive compensation but excluded the TEAM Program. He noted that the proposed budget was about $5.8 million less than the current operating budget, a 6.6 percent decrease. He noted an increase of 1.8 percent in the salaries and other personnel costs category, including an amount set aside for the ERS health benefit-plan enrollment fee. There were further questions discussed relating to the state employee health care plans and how they were compared with the TRS health care plans. Mr. Welch stated that the professional fees and services were projected to decrease by $1.2 million, or 13 percent, about $1 million of which would be allocated for continuing TEAM initiatives. Other operating expenses, he said, were projected to increase about $717,000 due to the production of the benefits handbook, which occurs in the first year of the biennium, and software maintenance costs. He briefly presented the capital expenses and the performance incentive compensation.

Mr. Welch highlighted some significant line items. He stated that the 1 percent employer health insurance enrollment fee was projected to be $375,000. He noted an 857.78 percent increase in the "Other Employee Benefits" line item. He mainly attributed the apparently large increase to the LBB's recommendation that the item include payment of accumulated leave to departed employees. He said an accounting change related to the way in which workers compensations claims were paid also contributed to the large percentage increase shown for "Other Employee Benefits." Mr. Welch also noted the high number of highly paid employees who are currently eligible to retire, which has also been accounted for in the budget. Responding to a question from Mr. Kelly concerning the cost of mailing the employee handbook, there was a discussion relating to possible ways of cutting down the cost.

Mr. Welch laid out the allocation of expenses by Administration and Benefit divisions and Investment Management Division (IMD) and by major expense category. He stated that the 1200 percent increase in utilities expenses for IMD was due to changing the classification of telecommunications for Trading from a miscellaneous item to a utility. He noted that salaries and personnel costs continued to be the vast majority of the allocation.

Mr. Welch presented the detail of the TEAM program budget. He stated that $1.2 million had been budgeted for the creation and hiring for 11 new positions for TEAM, $7 million of which would be for contracted services, $3.7 million for hardware and software purchases and maintenance, and $20,000 for travel. Mr. Welch confirmed for Mr. Mullins that the legislature had not approved the additional FTEs in the appropriation act but were aware of and receptive to TRS' needs. He confirmed for Mr. McDonald that the 11 FTEs would be for internal staff. Mr. Jung noted that it would be difficult to implement the whole TEAM project with existing staff, who were also needed to maintain the current systems.

Mr. Welch presented the soft dollar budget for FY 2012, which was about $33 million, a decrease of 1.1 percent from FY 2011. He stated that $6 million of the total budget was from contractor provided allowances, $20 million from commission sharing agreements (CSAs), and $7 million from soft dollars. He noted that soft dollars and CSAs were regulated by the Security Exchange Commission (SEC) and used primarily to support the operation of IMD. Mr. Welch and Mr. Albright explained for Mr. Mullins what CSAs were. Mr. Albright noted that managing CSAs were more cost-efficient than soft dollar arrangements because TRS could use its custodial bank, State Street, to administer them at less cost to the system. Mr. Welch presented the allocation by expense category in soft dollar administrative operations. He stated that a vast portion was allocated to research and subscription reference information.

Mr. Welch presented the proposed FY 2012 budgets for the health benefit programs, both the retired and active employees' plans, including optional long-term care insurance program. He stated that the proposed budget of $4 million for the retired plan, TRS-Care, represented a 12.8 percent increase over the FY 2011 budget. The projected increase, he said, was resulted from additional full-time positions and professional fees and services. He laid out the detail of those two increases. He noted that other operating expenses were projected to decrease by about $33,000, which was mainly due to the reduced rent charged to the health care programs for utilizing the office facilities owned by the pension fund. He presented the allocation by major expense category. Mr. Jung noted that TRS-Care was operated efficiently with low administrative costs. For the active plan, TRS-ActiveCare, he stated that the proposed budget of $2.5 million represented a 0.7 percent decrease over the FY 2011 budget. He noted that the

increase in salaries and other personnel cost included two additional FTEs to address the additional workload from the continued increase of school districts participating in TRS-ActiveCare. He attributed the decrease in professional fees and services to the external claims and rebate audit being performed only in the second year of the biennium. For the long-term care insurance program, he reported a total operating budget of about $91,000, a decrease of 1.8 percent from FY 2011.

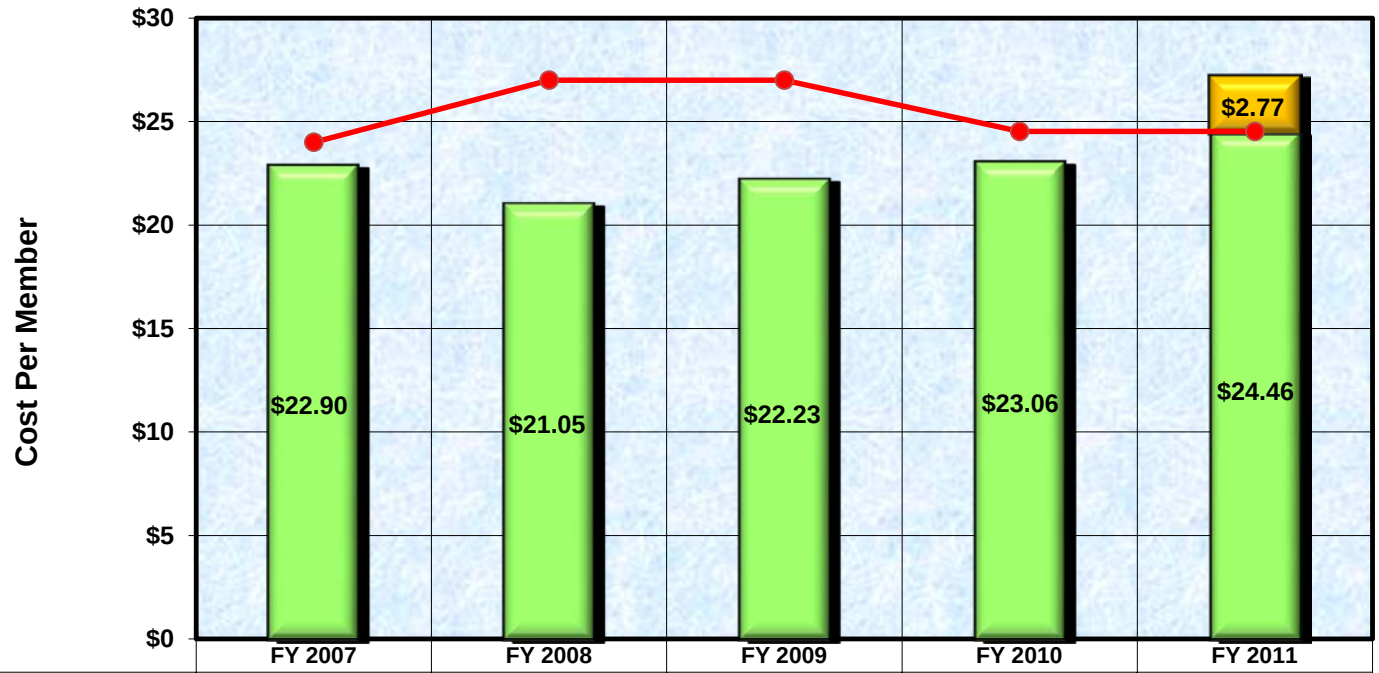
Mr. Welch stated that the proposed administrative operations budget for the 403(b) program was about $58,000, a decrease of about 65 percent from FY 2011 due to reallocating personnel since programming modifications required to implement legislative changes had been completed. Mr. Jung noted that the saving will be re-deposited to the pension fund.

On a motion by Mr. Mullins, seconded by Ms. Clifton, the committee unanimously voted to recommend that the board adopt the proposed FY 2012 administrative operations budgets and related general provisions for paying the operating expenses of the Pension Trust Fund, the TRS health benefits funds (retired and active plans, including the optional long-term care insurance program, and the 403(b) company certification and investment product registration program, as presented by staff.

On a motion by Mr. Moss, seconded by Mr. Mullins, the committee unanimously voted to recommend that the board adopt the proposed resolution authorizing the transfer of funds from the interest account to the expense account of the Pension Trust Fund in an amount necessary to cover the expenses of the retirement system under the FY 2012 budget approved by the board.

The meeting adjourned at 1:26 p.m.

Budget History Document
Fiscal Years 2007 – 2011



	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
NBV Adjustment*					$2.77
Cost Per Member	$22.90	$21.05	$22.23	$23.06	$24.46
Target	$24.00	$27.00	$27.00	$24.52	$24.52

*Under GAAP, the remaining net book value (NBV) of the 2001 BEST technology project was expensed. Including this one-time adjustment, the total Benefit Cost Per Member was $27.23.

TEACHER RETIREMENT SYSTEM OF TEXAS
PENSION TRUST FUND - BENEFIT OPERATIONS
BUDGETARY BASIS ADMINISTRATIVE EXPENSES
FISCAL YEARS 2007 - FY 2011

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SALARIES AND OTHER PERSONNEL COSTS					
Salaries and Wages	$ 16,957,974	$ 17,233,492	$ 18,982,224	$ 20,406,995	$ 21,848,515
Longevity Pay	482,700	470,800	479,700	485,160	503,600
Employer Retirement Contributions	1,024,350	1,106,154	1,136,418	1,339,733	1,442,268
Employer FICA Contributions	1,208,649	1,200,334	1,309,045	1,475,856	1,582,953
Employer Health Insurance Contributions	2,371,872	2,377,237	2,478,971	2,892,248	3,182,826
Benefit Replacement Pay	150,378	138,195	131,844	127,776	120,508
Other Employee Benefits	5,552	26,115	30,545	27,799	33,609
TOTAL SALARIES AND OTHER PERSONNEL COSTS	**$ 22,201,475**	**$ 22,552,327**	**$ 24,548,747**	**$ 26,755,567**	**$ 28,714,279**
PROFESSIONAL FEES AND SERVICES	**$ 469,496**	**$ 1,094,201**	**$ 1,069,462**	**$ 1,919,476**	**$ 1,009,914**
OTHER OPERATING EXPENSES					
Consumable Supplies and Fuels	$ 329,657	$ 388,897	$ 416,304	$ 409,279	$ 349,696
Utilities	826,006	815,878	894,292	861,093	689,917
Travel	161,425	171,315	160,420	209,527	205,767
Rentals	153,080	208,249	373,939	307,644	297,603
Dues, Fees and Staff Development	244,492	246,921	212,673	245,896	264,418
Subscriptions and Reference Information	117,919	117,046	124,227	167,659	160,430
Printing and Reproduction Services	149,149	465,825	220,539	548,187	322,942
Postage, Mailing and Delivery Services	1,510,247	2,110,349	2,049,466	2,307,842	2,065,564
Software Purchases and Maintenance	2,237,605	1,866,823	1,827,415	1,993,683	2,454,001
Computer Hardware Maintenance	453,755	184,391	297,453	349,866	347,454
Miscellaneous Expenses*	317,272	498,618	504,716	462,597	582,181
Insurance Premiums	844,386	839,244	850,702	727,826	668,723
Furniture and Equipment - Expensed	344,372	240,898	364,078	316,035	365,608
Maintenance - Buildings and Equipment	874,974	606,613	665,381	807,200	817,646
TOTAL OTHER OPERATING EXPENSES	**$ 8,564,339**	**$ 8,761,067**	**$ 8,961,605**	**$ 9,714,334**	**$ 9,591,950**
CAPITAL EXPENSES					
Furniture and Equipment	$ 131,008	$ 57,490	$ 44,619	$ 59,041	$ 844,327
Capital Budget Items	2,206,134	908,242	3,866,904	2,991,262	5,597,216
TOTAL CAPITAL EXPENSES	**$ 2,337,142**	**$ 965,732**	**$ 3,911,523**	**$ 3,050,303**	**$ 6,441,543**
TOTAL OPERATING AND CAPITAL EXPENSES	**$ 33,572,452**	**$ 33,373,327**	**$ 38,491,337**	**$ 41,439,680**	**$ 45,757,686**

* Miscellaneous expenses include telecommunication services and disaster recovery planning expenses.

TEACHER RETIREMENT SYSTEM OF TEXAS
PENSION TRUST FUND - INVESTMENT OPERATIONS
BUDGETARY BASIS DIRECT ADMINISTRATIVE EXPENSES
FISCAL YEARS 2007 - FY 2011

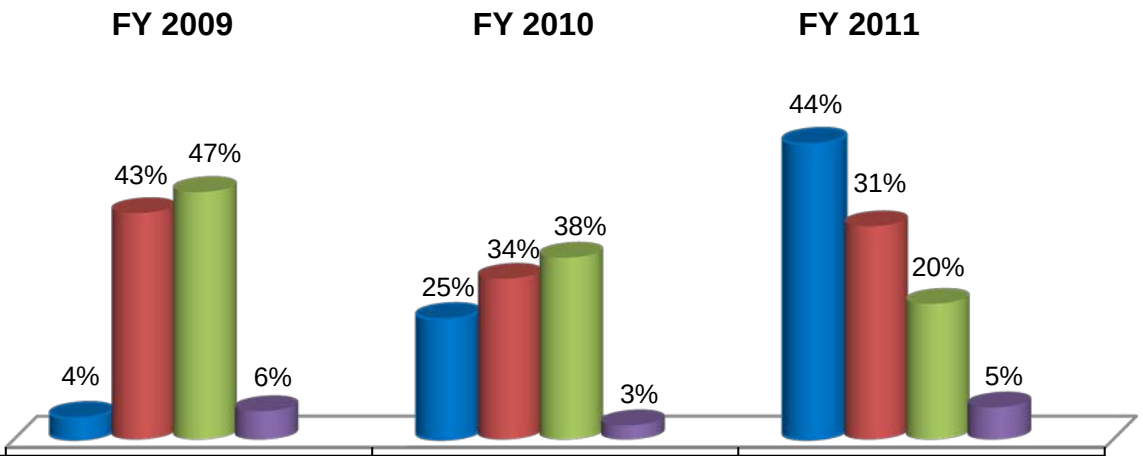
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SALARIES AND OTHER PERSONNEL COSTS					
Salaries and Wages	$ 7,492,884	$ 10,290,434	$ 11,869,510	$ 13,059,614	$ 14,166,004
Longevity Pay	75,640	77,340	81,320	81,840	86,980
Employer Retirement Contributions	446,409	655,771	864,318	834,684	911,899
Employer FICA Contributions	526,727	711,603	819,484	804,562	1,100,615
Employer Health Insurance Contributions	645,394	658,759	692,993	674,569	776,642
Benefit Replacement Pay	22,344	19,337	17,531	16,758	17,531
TOTAL SALARIES AND OTHER PERSONNEL COSTS	**$ 9,209,397**	**$ 12,413,244**	**$ 14,345,156**	**$ 15,472,027**	**$ 17,059,671**
PROFESSIONAL FEES AND SERVICES	**$ 4,338,789**	**$ 5,183,132**	**$ 8,918,567**	**$ 5,324,284**	**$ 3,767,718**
OTHER OPERATING EXPENSES					
Consumable Supplies	$ 4,492	$ 5,546	$ 20,390	$ 9,505	$ 35,633
Utilities				97,418	93,126
Travel	295,329	400,600	388,688	490,909	509,714
Rentals			546,861	1,738,593	1,768,780
Dues, Fees and Staff Development	50,369	50,193	35,520	40,592	25,681
Subscriptions and Reference Materials	59,449	28,123	41,967	40,989	37,600
Printing and Reproduction Services					12,721
Software Purchases and Maintenance			239,347	191,912	150,796
Miscellaneous Expenses *			261,109	201,542	229,896
Furniture and Equipment - Expensed	13,856	45,071	1,635,994	4,008	406
Maintenance - Buildings and Equipment			937,512	545	
TOTAL OTHER OPERATING EXPENSES	**$ 423,495**	**$ 529,533**	**$ 4,107,388**	**$ 2,816,013**	**$ 2,864,353**
CAPITAL EXPENSES					
Capital Budget Items	$	$ 900,000	$ 431,626	$ 123,926	$ 39,680
TOTAL CAPITAL EXPENSES	**$**	**$ 900,000**	**$ 431,626**	**$ 123,926**	**$ 39,680**
TOTAL OPERATING AND CAPITAL EXPENSES	**$ 13,971,681**	**$ 19,025,909**	**$ 27,802,737**	**$ 23,736,250**	**$ 23,731,422**
PERFORMANCE INCENTIVE COMPENSATION	**$**	**$**	**$**	**$**	**$ 10,183,285**
TOTAL OPERATING AND CAPITAL EXPENSES INCLUDING PERFORMANCE INCENTIVE COMPENSATION	**$ 13,971,681**	**$ 19,025,909**	**$ 27,802,737**	**$ 23,736,250**	**$ 33,914,707**

* Miscellaneous Expenses include investment data lines and telecommunication services.

TEACHER RETIREMENT SYSTEM OF TEXAS
PENSION TRUST FUND - INVESTMENT SOFT DOLLARS
BUDGETARY BASIS ADMINISTRATIVE EXPENSES
FISCAL YEARS 2007- FY 2011

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
PROFESSIONAL FEES AND SERVICES	**$ 44,968**	**$ 1,100,043**	**$**	**$ 1,656,248**	**$**
OTHER OPERATING EXPENSES					
Dues, Fees and Staff Development	$ 97,606	$ 111,553	$ 103,200	$ 143,071	$ 105,699
Subscriptions and Reference Materials	4,917,870	6,984,739	6,783,852	4,730,593	5,919,002
Software Purchases and Maintenance	9,990	55,027	13,610		
Miscellaneous Expenses	125,227	114,105	138,371	130,500	130,500
TOTAL OTHER OPERATING EXPENSES	**$ 5,150,693**	**$ 7,265,424**	**$ 7,039,033**	**$ 5,004,164**	**$ 6,155,201**
TOTAL OPERATING EXPENSES	**$ 5,195,661**	**$ 8,365,467**	**$ 7,039,033**	**$ 6,660,412**	**$ 6,155,201**

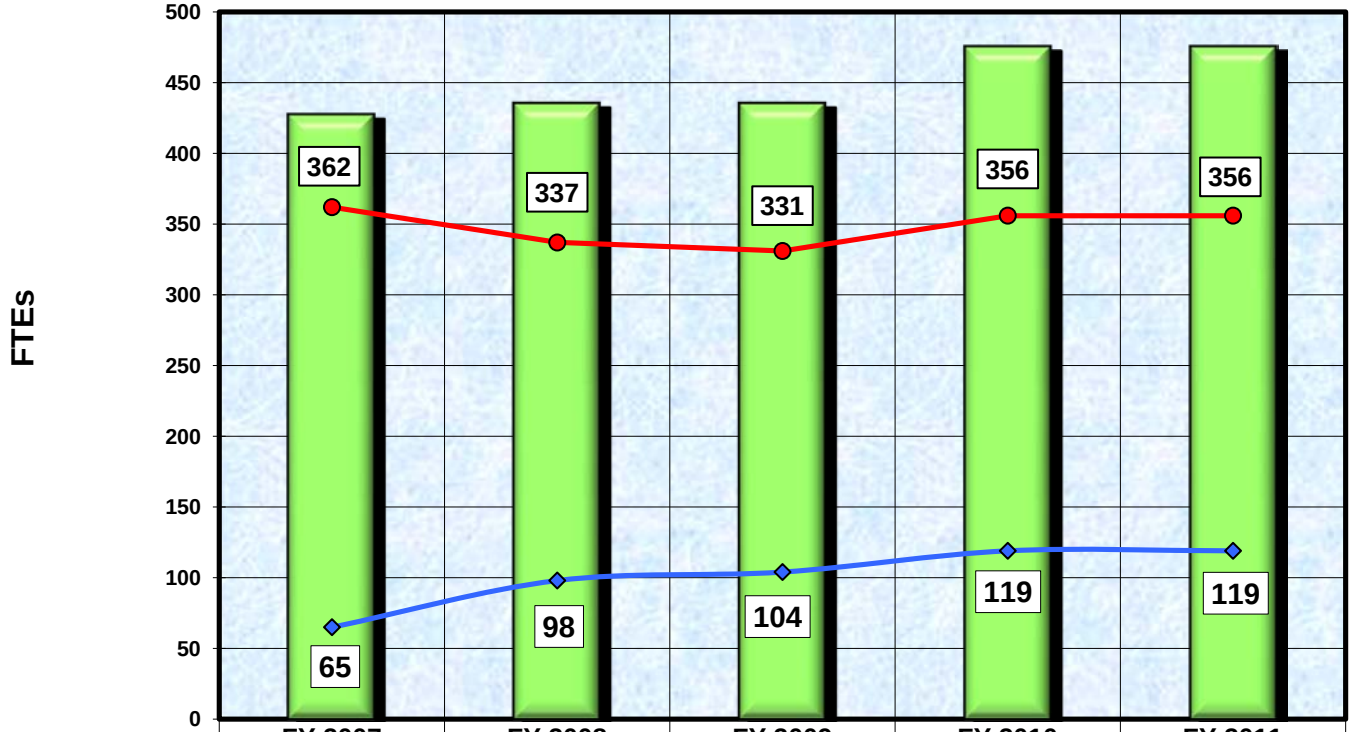
TRS Pension Trust Fund - SSB/TRS Partnership Account
Administrative Expenses
FY 2009 - FY 2011



	FY 2009	FY 2010	FY 2011
Professional Fees and Services	$214,285	$1,205,337	$2,959,725
Subscriptions and Reference Information	$2,267,100	$1,609,387	$2,134,827
Contracted Services	$2,477,645	$1,820,675	$1,358,375
Other Operating Expenses *	$282,819	$141,652	$320,291
Total Expenses	$5,241,849	$4,777,051	$6,773,218

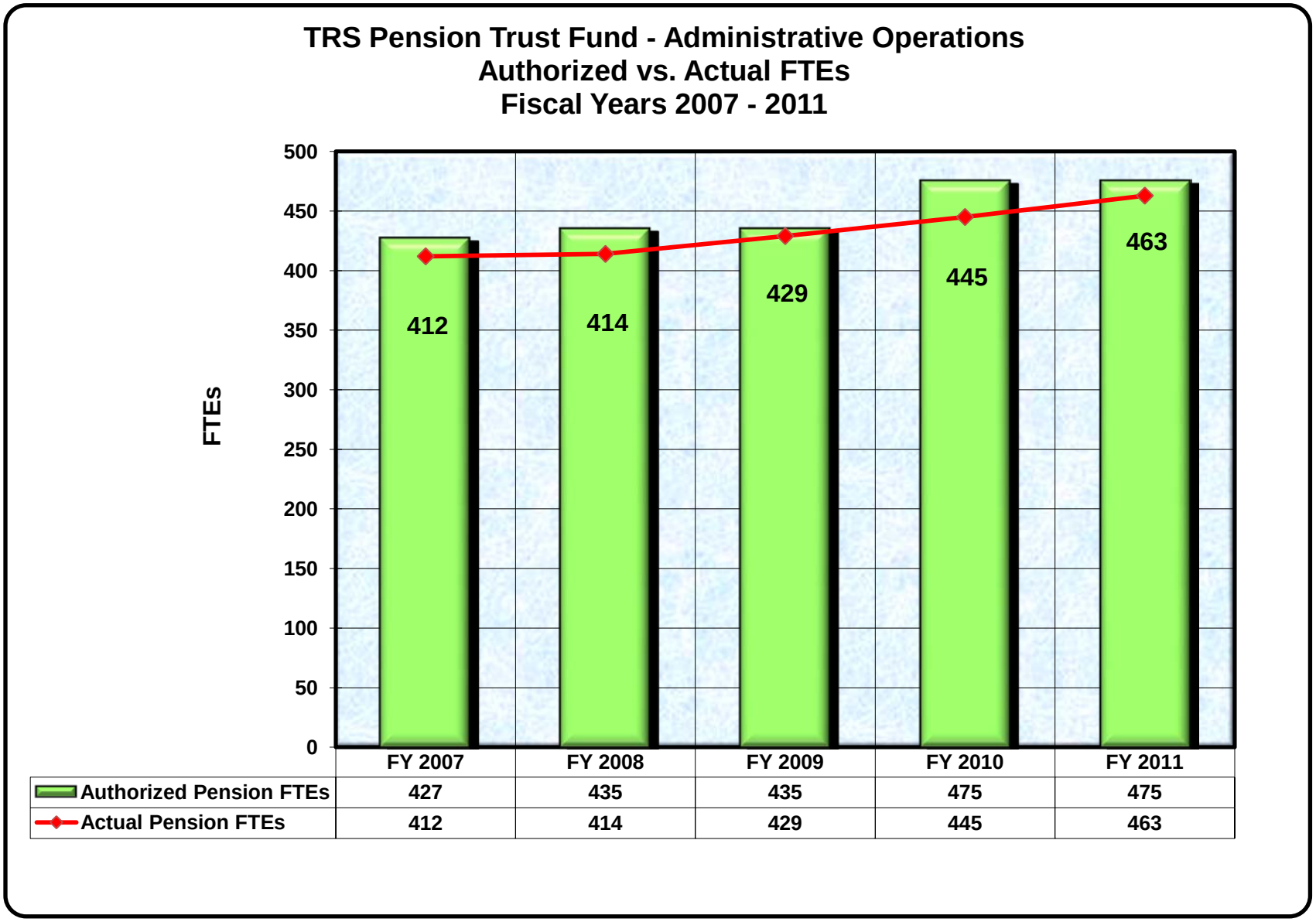
*** Includes Rentals, Dues, Fees and Staff Development, Software Purchases and Maintenance, and Furniture and Equipment.**

TRS Pension Trust Fund - Administrative Operations
Authorized FTEs
Fiscal Years 2007- 2011



	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Authorized Pension FTEs	427	435	435	475	475
Authorized Benefit FTEs	362	337	331	356	356
Authorized Investment FTEs	65	98	104	119	119

FTE = Full Time Equivalent Employee



FTE = Full Time Equivalent Employee

TEACHER RETIREMENT SYSTEM OF TEXAS
TRS-CARE
BUDGETARY BASIS ADMINISTRATIVE EXPENSES
FISCAL YEARS 2007 - FY 2011

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SALARIES AND OTHER PERSONNEL COSTS					
Salaries and Wages	$ 905,467	$ 1,368,876	$ 1,433,354	$ 1,502,926	$ 1,614,819
Longevity Pay	21,220	33,060	37,360	43,060	45,100
Employer Retirement Contributions	55,932	91,945	95,929	101,511	108,440
Employer FICA Contributions	68,004	102,579	107,420	113,846	121,526
Employer Health Insurance Contributions	93,200	138,338	145,710	153,669	172,048
Benefit Replacement Pay	8,267	12,375	11,859	13,239	12,633
Other Employee Benefits		1,456			
TOTAL SALARIES AND OTHER PERSONNEL COSTS	**$ 1,152,090**	**$ 1,748,629**	**$ 1,831,632**	**$ 1,928,251**	**$ 2,074,566**
PROFESSIONAL FEES AND SERVICES	**$ 1,172,620**	**$ 884,937**	**$ 833,129**	**$ 887,603**	**$ 799,865**
OTHER OPERATING EXPENSES					
Consumable Supplies	$ 3,289	$ 1,542	$ 1,695	$ 2,046	$ 2,749
Utilities	1,503	1,364	1,479	1,643	1,466
Travel	5,436	4,098	4,796	4,220	4,486
Rentals	123,745	144,762	144,762	120,867	116,564
Dues, Fees and Staff Development	3,378	4,002	1,202	1,068	3,270
Subscriptions and Reference Information	210	300		270	242
Printing and Reproduction Services	7,696	10,631	8,936	11,963	14,276
Postage, Mailing and Delivery Services	31,489	46,090	49,517	57,969	117,101
Miscellaneous Expenses	9,726	10,508	6,905	4,975	5,240
Furniture and Equipment - Expensed	49,421	3,274	353		45
Maintenance - Buildings and Equipment					
TOTAL OTHER OPERATING EXPENSES	**$ 235,893**	**$ 226,571**	**$ 219,645**	**$ 205,021**	**$ 265,438**
TOTAL OPERATING EXPENSES	**$ 2,560,603**	**$ 2,860,137**	**$ 2,884,406**	**$ 3,020,875**	**$ 3,139,869**
Budgeted Positions	23	30	30	32	32

* Miscellaneous expenses include telecommunication services.

TEACHER RETIREMENT SYSTEM OF TEXAS
TRS-ACTIVECARE
BUDGETARY BASIS ADMINISTRATIVE EXPENSES
FISCAL YEARS 2007 - FY 2011

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SALARIES AND OTHER PERSONNEL COSTS					
Salaries and Wages	$ 754,062	$ 1,006,479	$ 1,061,565	$ 1,047,562	$ 1,103,421
Longevity Pay	16,180	21,700	22,260	26,600	27,820
Employer Retirement Contributions	46,446	61,894	64,975	64,328	67,373
Employer FICA Contributions	56,097	75,975	80,301	79,399	82,758
Employer Health Insurance Contributions	84,358	97,793	92,853	99,078	107,501
Benefit Replacement Pay	4,383	2,836	2,543	2,320	1,805
Other Employee Benefits		1,456			
TOTAL SALARIES AND OTHER PERSONNEL COSTS	**$ 961,526**	**$ 1,268,133**	**$ 1,324,497**	**$ 1,319,287**	**$ 1,390,678**
PROFESSIONAL FEES AND SERVICES	**$ 695,407**	**$ 446,412**	**$ 434,799**	**$ 533,081**	**$ 866,115**
OTHER OPERATING EXPENSES					
Consumable Supplies	$ 1,807	$ 1,652	$ 3,274	$ 2,231	$ 1,152
Utilities	1,115	860	1,122	1,021	883
Travel	3,204	4,937	2,466	3,363	2,221
Rentals	68,632	80,290	80,290	65,745	65,140
Dues, Fees and Staff Development	4,081	2,645	1,127	1,568	5,255
Subscriptions and Reference Information	1,372	872	1,130	1,294	689
Printing and Reproduction Services	2,492	1,849	1,655	209	885
Postage, Mailing and Delivery Services	1,925	4,385	3,973	4,372	2,883
Miscellaneous Expenses	1,266	1,229	956	1,424	1,251
Furniture and Equipment - Expensed	486	126	358	2,584	132
TOTAL OTHER OPERATING EXPENSES	**$ 86,380**	**$ 98,845**	**$ 96,351**	**$ 83,811**	**$ 80,491**
TOTAL OPERATING EXPENSES	**$ 1,743,313**	**$ 1,813,390**	**$ 1,855,647**	**$ 1,936,179**	**$ 2,337,284**
Budgeted positions (Active Plan)	15	20	20	20	20
Budgeted positions (Long-Term Care)	1	1	1	1	1
RECAP OF OPERATING EXPENSES BY PROGRAM					
Active Plan	$ 1,695,767	$ 1,750,174	$ 1,760,486	$ 1,879,832	$ 2,280,604
Long-Term Care Insurance	47,546	63,216	95,161	56,347	56,680
	$ 1,743,313	**$ 1,813,390**	**$ 1,855,647**	**$ 1,936,179**	**$ 2,337,284**

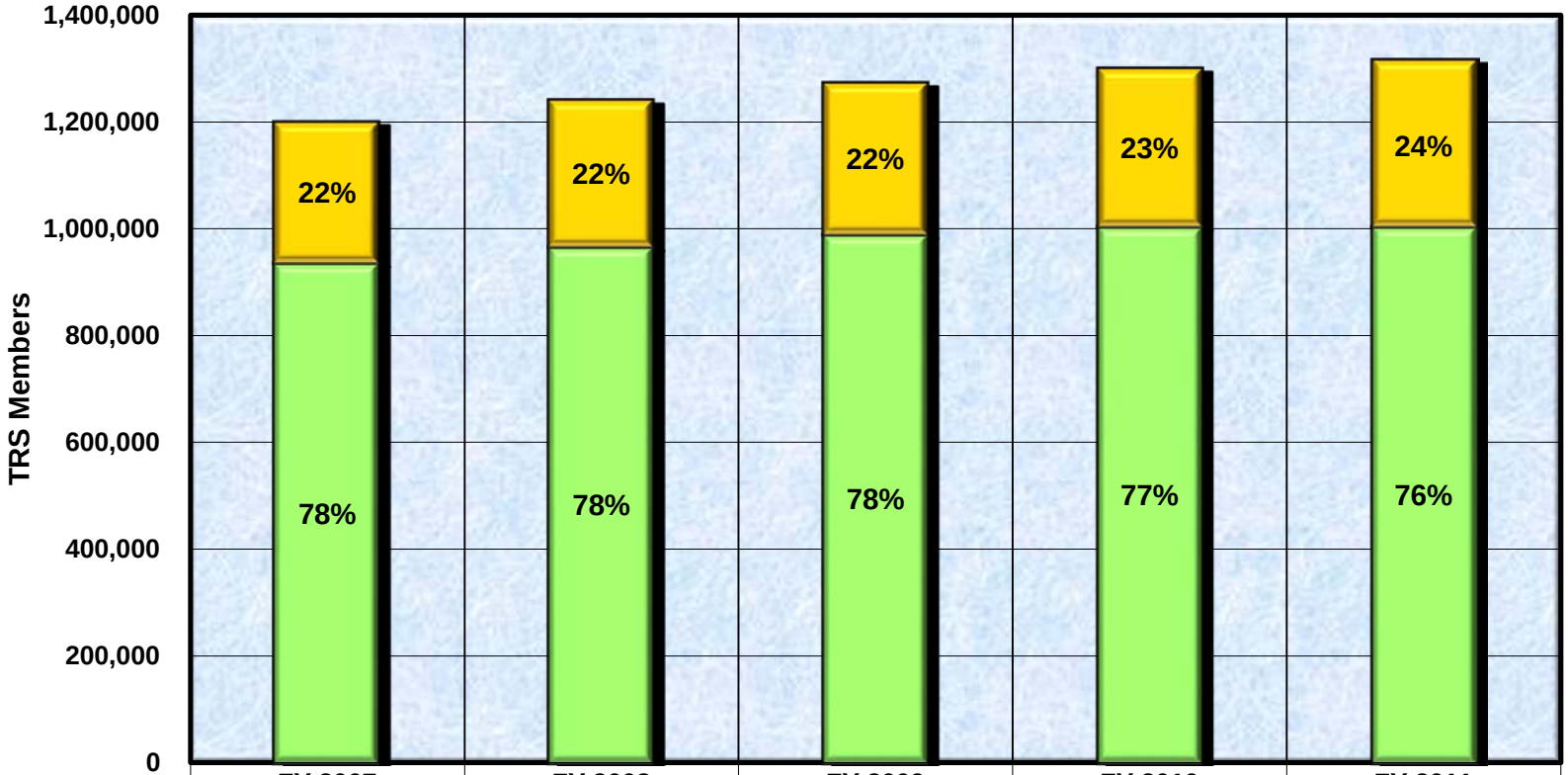
* Miscellaneous expenses include telecommunication services.

TEACHER RETIREMENT SYSTEM OF TEXAS
403 (b) CERTIFICATION PROGRAM
BUDGETARY BASIS ADMINISTRATIVE EXPENSES
FISCAL YEARS 2007 - FY 2011

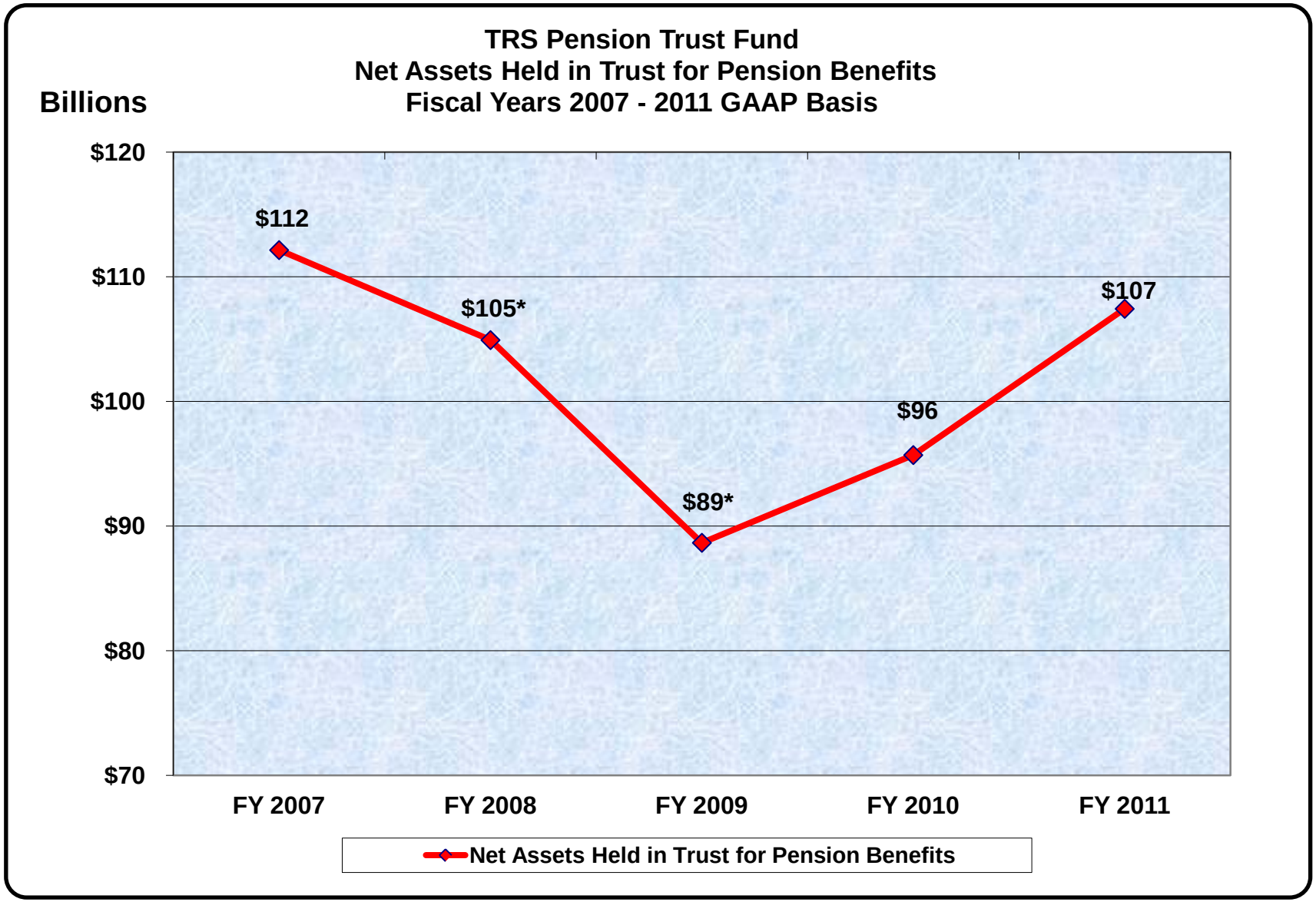
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SALARIES AND OTHER PERSONNEL COSTS					
Salaries and Wages	$	$	$	$ 120,298	$ 116,830
Longevity Pay				2,100	2,220
Employer Retirement Contributions				8,034	7,898
Employer FICA Contributions				8,712	8,434
Employer Health Insurance Contributions				16,307	17,099
TOTAL SALARIES AND OTHER PERSONNEL COSTS	**$**	**$**	**$**	**$ 155,451**	**$ 152,480**
PROFESSIONAL FEES AND SERVICES*	**$ 24,000**	**$ 192,000**	**$ 88,000**	**$**	**$**
OTHER OPERATING EXPENSES					
Subscriptions and Reference Information	$	$	$	$ 159	$
TOTAL OTHER OPERATING EXPENSES	**$**	**$**	**$**	**$ 159**	**$ -**
TOTAL OPRATING EXPENSES	**$ 24,000**	**$ 192,000**	**$ 88,000**	**$ 155,610**	**$ 152,480**
Budgeted Positions				2	2

*Professional Fees and Services include Administrative Services Provided by the Pension Fund.

TRS Pension Trust Fund
Membership Growth
Fiscal Years 2007 - 2011

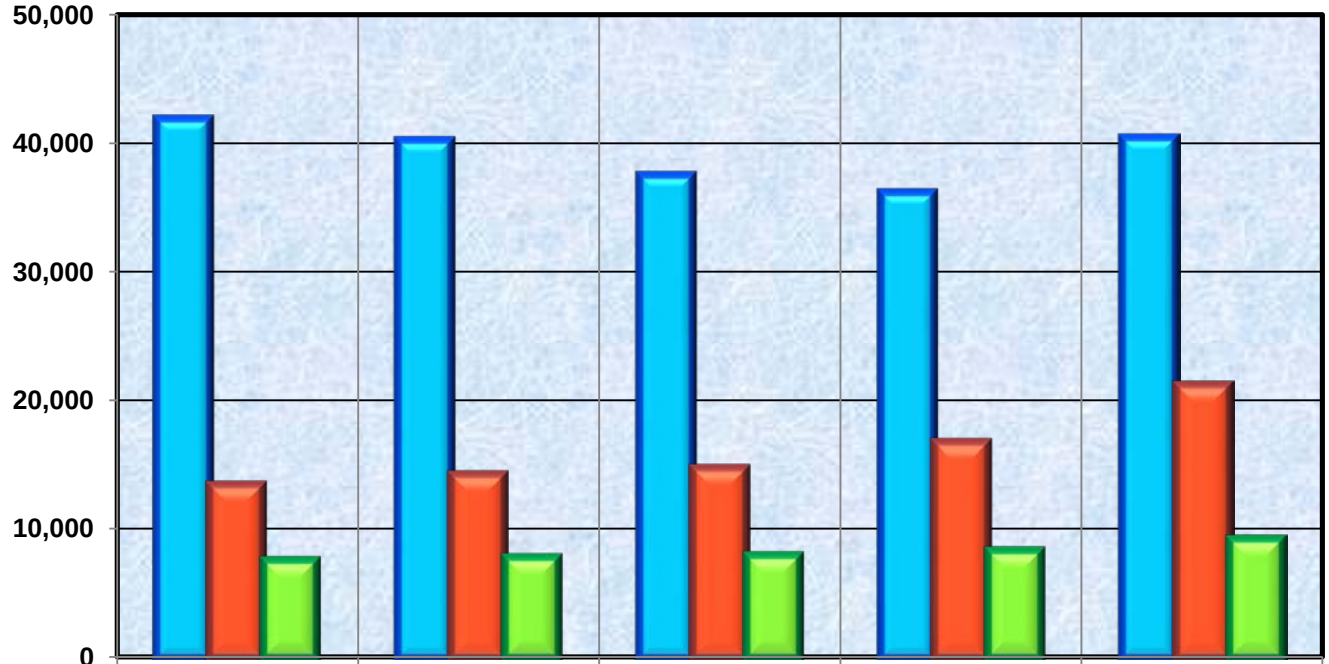


	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Total Members	1,201,038	1,241,271	1,273,582	1,300,680	1,316,566
Retired Members	265,307	275,228	284,614	296,491	312,680
Active Members	935,731	966,043	988,968	1,004,189	1,003,886



*Decrease due to net investment losses resulting from the sharpest market decline since 1929.

TRS Refunds, Retirements and Claims Processed
Fiscal Years 2007-2011



	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Refunds	41,854	40,182	37,473	36,140	40,402
Retirements	13,446	14,236	14,722	16,706	21,154
Beneficiary Claims	7,479	7,697	7,847	8,234	9,127

TEACHER RETIREMENT SYSTEM OF TEXAS
SUMMARY OF ADMINSTRATIVE OPERATIONS BUDGETS
BUDGETED FISCAL YEAR 2012

	PENSION TRUST FUND			HEALTH BENEFITS FUNDS			
	Administrative Operations	TEAM	Investments Soft Dollar	TRS-Care	TRS-ActiveCare	403 (b) Certification	TOTAL
REVENUES AND OTHER SOURCES:							
Legislative Appropriations - Administrative Operations	$ 88,251,518						$ 88,251,518
Capital Budget Appropriation - TEAM	(25,000,000)	$ 25,000,000					-
Estimated Unexpended Balance of Capital Budget Appropriation		(13,323,430)					(13,323,430)
Employee Benefits Paid by Pension Trust Fund *	9,458,723	215,950					9,674,673
Performance Incentive Compensation	6,080,798						6,080,798
Section 28 (e) Arrangements/Contractor Provided Allowances			$ 32,972,058				32,972,058
Reserved for Administrative Expenses				$ 3,997,330	$ 2,514,462	$ 58,452	6,570,244
TOTAL REVENUES AND OTHER SOURCES	**$ 78,791,039**	**$ 11,892,520**	**$ 32,972,058**	**$ 3,997,330**	**$ 2,514,462**	**$ 58,452**	**$130,225,861**
OPERATING AND CAPITAL EXPENSES:							
Salaries and Other Personnel Costs	$ 48,659,244	$ 1,154,520		$ 2,351,611	$ 1,685,872	$ 58,452	$ 53,909,699
Professional Fees and Services	8,146,224	7,058,000	$ 3,206,250	1,344,500	726,500		20,481,474
Consumable Supplies	471,610			5,200	3,000		479,810
Utilities	1,191,605			2,031	1,500		1,195,136
Travel	887,708	20,000		10,355	9,100		927,163
Rentals	2,180,687		40,000	107,416	62,840		2,390,943
Other Operating Expenses	10,185,207	2,750,000	29,725,808	176,217	25,650		42,862,882
Capital Expenses	987,956	910,000					1,897,956
TOTAL OPERATING AND CAPITAL EXPENSES	**$ 72,710,241**	**$ 11,892,520**	**$ 32,972,058**	**$ 3,997,330**	**$ 2,514,462**	**$ 58,452**	**$124,145,063**
PERFORMANCE INCENTIVE COMPENSATION	**$ 6,080,798**	**$**	**$**	**$**	**$**	**$**	**$ 6,080,798**
TOTAL OPERATING AND CAPITAL EXPENSES INCLUDING INCLUDING PERFORMANCE INCENTIVE COMPENSATION	**$ 78,791,039**	**$ 11,892,520**	**$ 32,972,058**	**$ 3,997,330**	**$ 2,514,462**	**$ 58,452**	**$130,225,861**
Less: Employer Retirement Contributions paid on behalf of Employees				(96,847)	(76,856)	(2,739)	(176,442)
TOTAL CASH OUTLAY FOR OPERATING AND CAPITAL EXPENSES, PERFORMANCE INCENTIVE COMPENSATION AND INVESTMENTS SOFT DOLLAR	**$ 78,791,039**	**$ 11,892,520**	**$ 32,972,058**	**$ 3,900,483**	**$ 2,437,606**	**$ 55,713**	**$130,049,419**

*** Includes Employer Retirement Contributions, Employer Health Insurance Contributions, Employer FICA Taxes, and Benefit Replacement Pay.**

Administrative Operations Budget
Fiscal Year 2012 - Update

Pension Trust Fund:

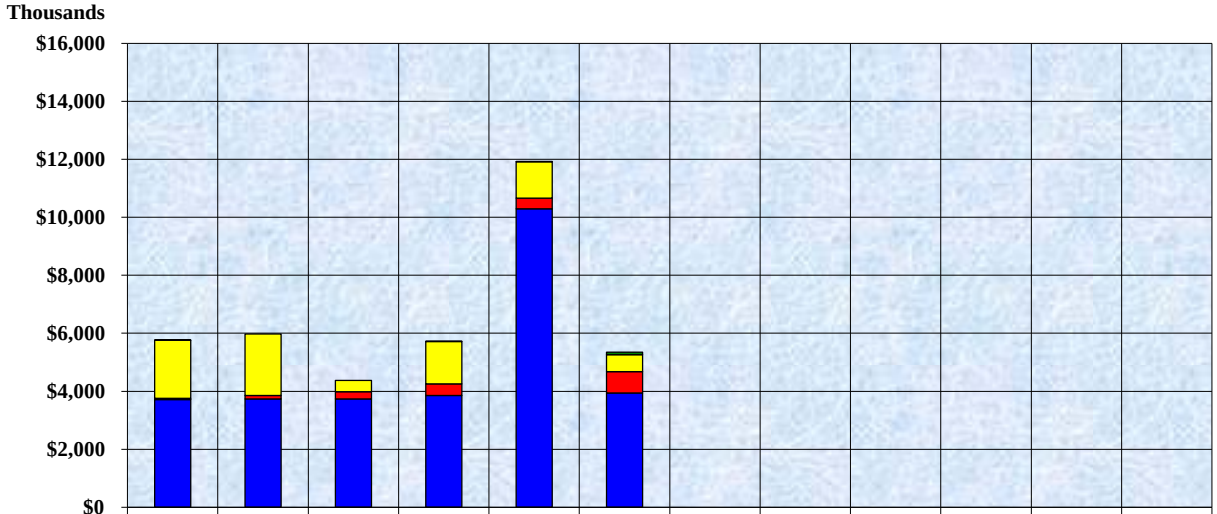
- Overall funding should be sufficient to cover anticipated expenses.
  - Pension plan changes study required by GAA, Article IX, Section 18.03 is to be funded from administrative operations and could potentially strain resources.
- Certain areas will be paid overtime monthly for the remainder of Fiscal Year 2012 due to increased workloads resulting from legislative implementation and increased member retirements.
- If sufficient funding is available, management's recommendation is to approve payment of accrued overtime balances.
- Approximately $200,000 has been distributed as of mid-fiscal year for accrued leave balances to TRS employees upon retirement.
  - It is anticipated to further increase with August retirements.
- Staffing is being maintained below 475.3 cap for the Pension Trust Fund, but is anticipated to be tight for the remainder of Fiscal Year 2012.
- Out of state mission critical travel is no longer applied towards agency travel cap.

Administrative Operations Budget
Fiscal Year 2012 – Update (continued)

- Total Administrative Expenses at mid-year, February 29, 2012, were approximately $39.1 million.
  - Salaries and Other Personnel Costs were $29.3 million and included $6.1 million for performance incentive compensation in the month of January.
  - Professional Fees and Services were $1.9 million, Other Operating Expenses were $7.8 million, and Capital Expenses were $102,000.
  - At the end of the second quarter, 55% of the total funds budgeted were remaining.

Pension Trust Fund
Administrative Expenses
(Excludes Encumbered Funds)

Monthly - FY 2012

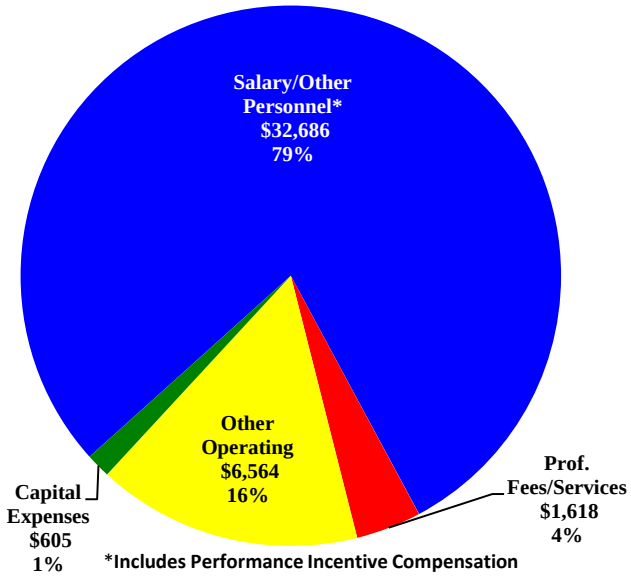


	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
Capital Expenses	5	-	-	2	7	88						
Other Operating	2,007	2,118	385	1,456	1,246	582						
Prof. Fees/Services	42	127	259	398	369	734						
Salary/Other Personnel	3,713	3,731	3,730	3,859	10,297	3,942						
Remaining Budget %	92%	84%	78%	70%	57%	55%						

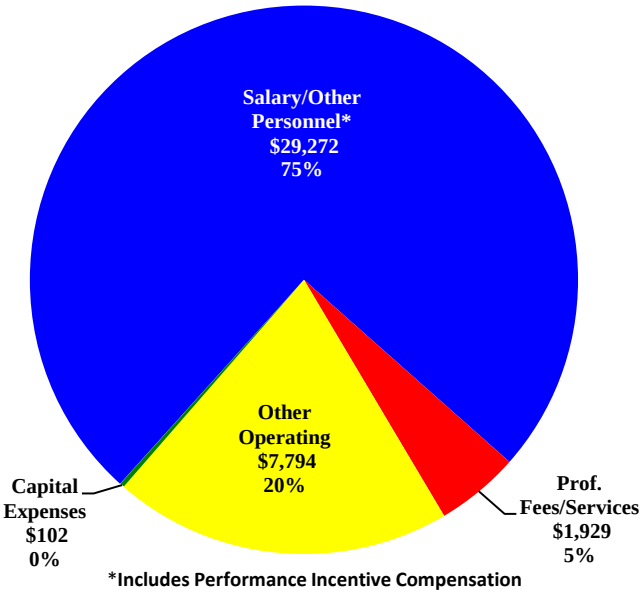
FY 2012 Total Budget $78,791,039

FY 2011 YTD Compared to FY 2012 YTD for the Two Quarters Ended February

FY 2011
$41,472,881
(Graph in Thousands)



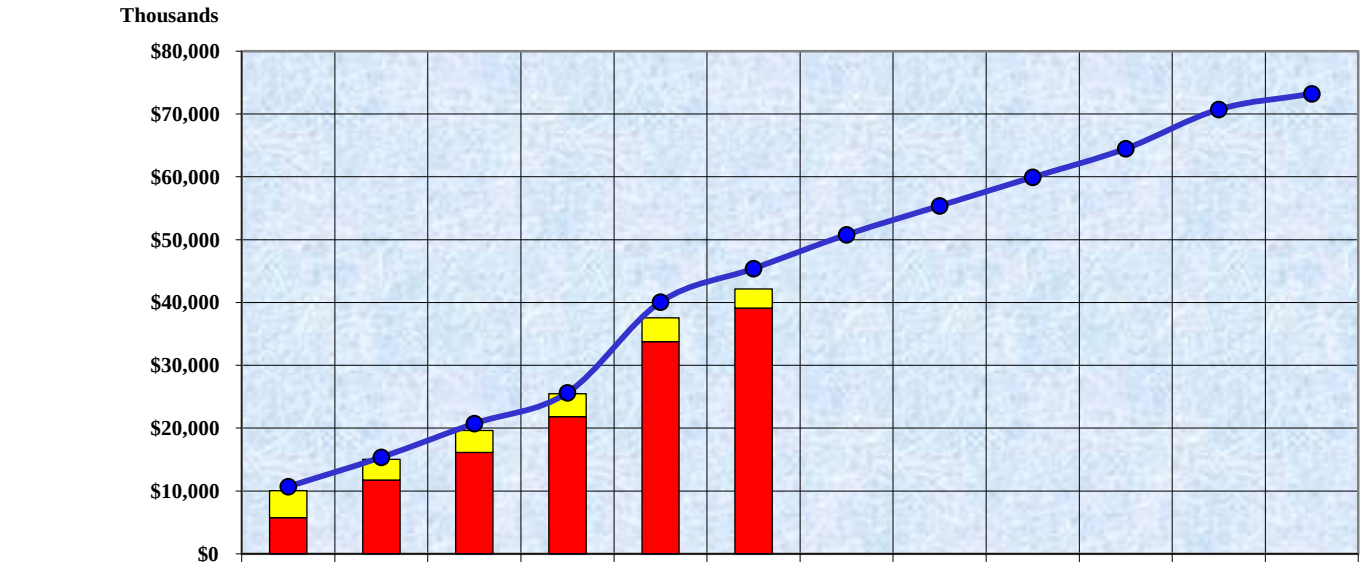
FY 2012
$39,096,848
(Graph in Thousands)



Source: Unaudited monthly financial statements.

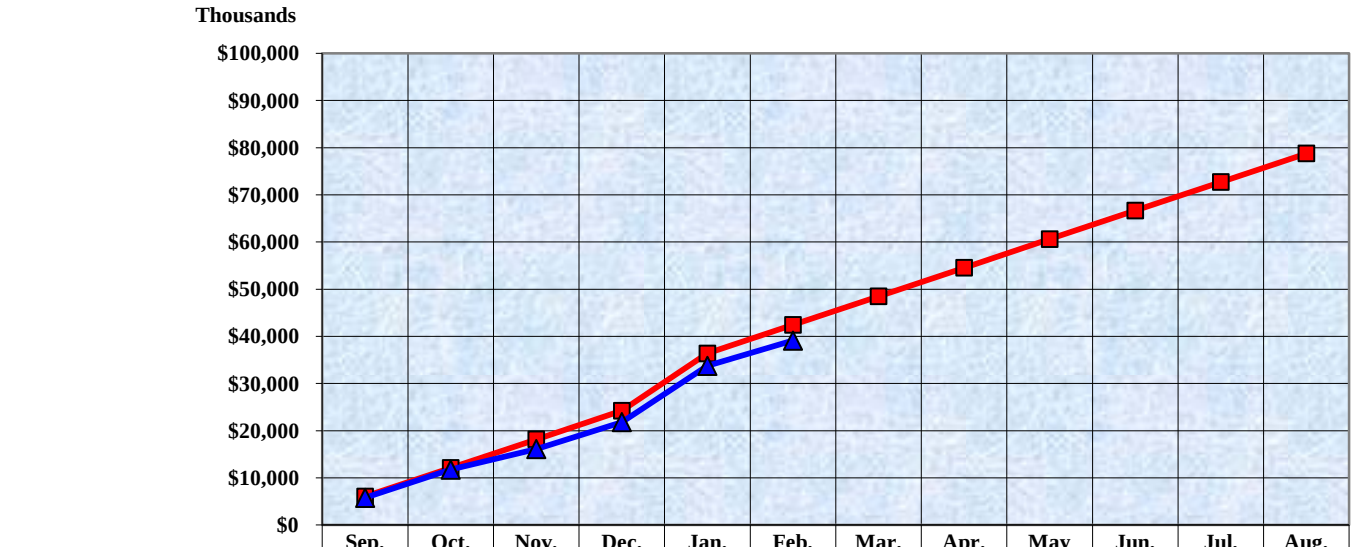
Pension Trust Fund
Administrative Expenses

FY 2012 YTD and FY 2011



	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
2012 Encumbered	4,296	3,291	3,535	3,625	3,790	3,057						
2012 Expenses	5,768	11,744	16,117	21,832	33,751	39,097						
2011 Exp & Enc.	10,676	15,343	20,717	25,611	40,046	45,372	50,762	55,358	59,912	64,459	70,700	73,191

Budget to YTD Actual - FY 2012
(Excludes Encumbered Funds)



	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
2012 Budget (as amended)	6,059	12,118	18,178	24,237	36,377	42,436	48,495	54,554	60,613	66,673	72,732	78,791
2012 Actual	5,768	11,744	16,117	21,832	33,751	39,097						

Budget Totaled $42,435,919 as of February 29
Actual Expenses Totaled $39,096,848 as of February 29

Source: Unaudited monthly financial statements.

TEACHER RETIREMENT SYSTEM OF TEXAS
PENSION TRUST FUND
FY 2012 BUDGETARY BASIS ADMINISTRATIVE EXPENSES
Unaudited Statements For Internal Use Only

	Actual YTD February 29, 2012	Encumbered YTD February 29, 2012	Annual Budget Amount	Remaining Budget Amount	Remaining Budget %
SALARIES AND OTHER PERSONNEL COSTS					
Salaries and Wages	$ 17,872,581.59	$	$ 38,143,281.00	$ 20,270,699.41	53%
Longevity Pay	295,280.00		626,240.00	330,960.00	53%
Employer Retirement Contributions	1,087,811.59		2,285,972.00	1,198,160.41	52%
Employer FICA Contributions	1,497,369.63		2,750,392.00	1,253,022.37	46%
Employer Health Insurance Contributions	2,137,822.73		4,290,351.00	2,152,528.27	50%
Benefit Replacement Pay	96,648.62		132,008.00	35,359.38	27%
Other Employee Benefits	203,368.65	3,500.00	431,000.00	224,131.35	52%
TOTAL SALARIES AND OTHER PERSONNEL COSTS	$ 23,190,882.81	$ 3,500.00	$ 48,659,244.00	$ 25,464,861.19	52%
PROFESSIONAL FEES AND SERVICES	$ 1,928,723.81	$ 742,499.55	$ 8,146,224.00	$ 5,475,000.64	67%
OTHER OPERATING EXPENSES					
Consumable Supplies and Fuels	$ 169,730.80	$ 24,638.51	$ 471,610.00	$ 277,240.69	59%
Utilities	349,515.76	164,190.22	1,191,605.00	677,899.02	57%
Travel	421,116.85	89,571.11	887,708.00	377,020.04	42%
Rentals	1,087,463.63	731,900.11	2,180,687.00	361,323.26	17%
Dues, Fees and Staff Development	91,584.05	33,033.30	406,076.00	281,458.65	69%
Subscriptions and Reference Information	113,791.25	12,883.24	258,505.00	131,830.51	51%
Printing and Reproduction Services	88,081.83	589,468.82	715,750.00	38,199.35	5%
Postage, Mailing and Delivery Services	1,977,539.72	70,503.43	2,727,600.00	679,556.85	25%
Software Purchases and Maintenance	1,991,420.47	242,262.83	2,713,106.00	479,422.70	18%
Computer Hardware Maintenance	265,448.71	68,370.84	465,317.00	131,497.45	28%
Miscellaneous Expenses	288,076.58	150,994.29	1,074,470.00	635,399.13	59%
Insurance Premiums	615,240.00		665,000.00	49,760.00	7%
Furniture and Equipment - Expensed	57,803.77	20,704.31	341,200.00	262,691.92	77%
Maintenance - Buildings and Equipment	277,540.51	104,111.38	818,183.00	436,531.11	53%
TOTAL OTHER OPERATING EXPENSES	$ 7,794,353.93	$ 2,302,632.39	$ 14,916,817.00	$ 4,819,830.68	32%
TOTAL OPERATING EXPENSES	$ 32,913,960.55	$ 3,048,631.94	$ 71,722,285.00	$ 35,759,692.51	50%

TEACHER RETIREMENT SYSTEM OF TEXAS
PENSION TRUST FUND
FY 2012 BUDGETARY BASIS ADMINISTRATIVE EXPENSES
Unaudited Statements For Internal Use Only
(concluded)

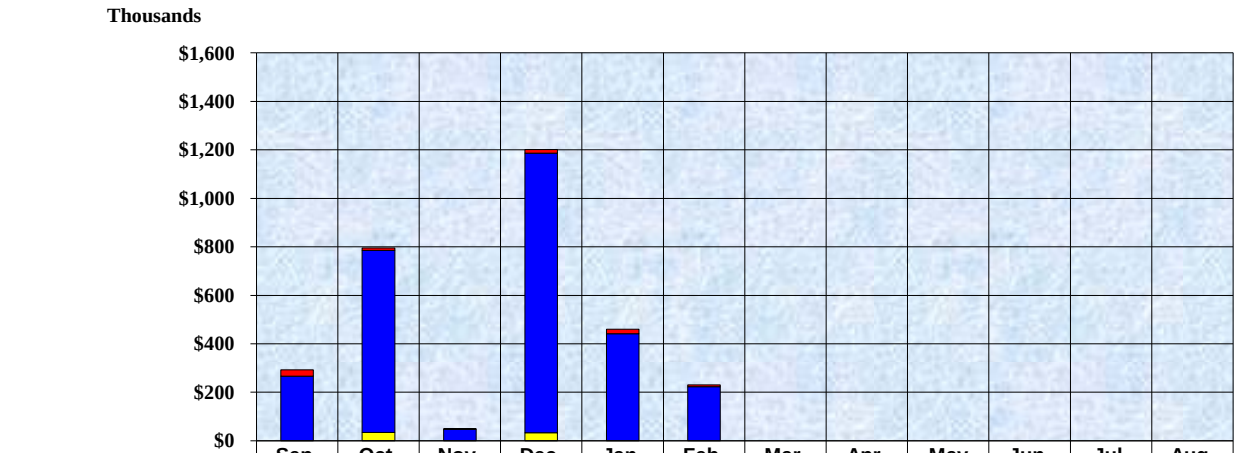
	Actual YTD February 29, 2012	Encumbered YTD February 29, 2012	Annual Budget Amount	Remaining Budget Amount	Remaining Budget %
CAPITAL EXPENSES					
Furniture and Equipment	$ 10,418.00	$ 1,375.00	$ 87,956.00	$ 76,163.00	87%
Capital Budget Items	91,670.98	6,833.99	900,000.00	801,495.03	89%
TOTAL CAPITAL EXPENSES	$ 102,088.98	$ 8,208.99	$ 987,956.00	$ 877,658.03	89%
TOTAL OPERATING AND CAPITAL EXPENSES*	$ 33,016,049.53	$ 3,056,840.93	$ 72,710,241.00	$ 36,637,350.54	50%
PERFORMANCE INCENTIVE COMPENSATION	$ 6,080,798.05	$	$ 6,080,798.05	$	
TOTAL OPERATING AND CAPITAL EXPENSES INCLUDING PERFORMANCE INCENTIVE COMPENSATION	$ 39,096,847.58	$ 3,056,840.93	$ 78,791,039.05	$ 36,637,350.54	46%
METHOD OF FINANCE					
Administrative Operation Appropriations**	$ 28,196,396.96	$ 3,056,840.93	$ 63,251,518.00	$ 31,998,280.11	51%
Performance Incentive Compensation	6,080,798.05		6,080,798.05		
Employer Retirement Contributions	1,087,811.59		2,285,972.00	1,198,160.41	52%
Employer FICA Contributions	1,497,369.63		2,750,392.00	1,253,022.37	46%
Employer Health Insurance Contributions	2,137,822.73		4,290,351.00	2,152,528.27	50%
Benefit Replacement Pay	96,648.62		132,008.00	35,359.38	27%
TOTAL OPERATING AND CAPITAL EXPENSES INCLUDING PERFORMANCE INCENTIVE COMPENSATION	$ 39,096,847.58	$ 3,056,840.93	$ 78,791,039.05	$ 36,637,350.54	46%

*Amounts are net of reimbursements.

**Capital Budget in the amount of $25 million for TRS Enterprise Application Modernization (TEAM) is presented separately.

Investment Soft Dollars
Administrative Expenses

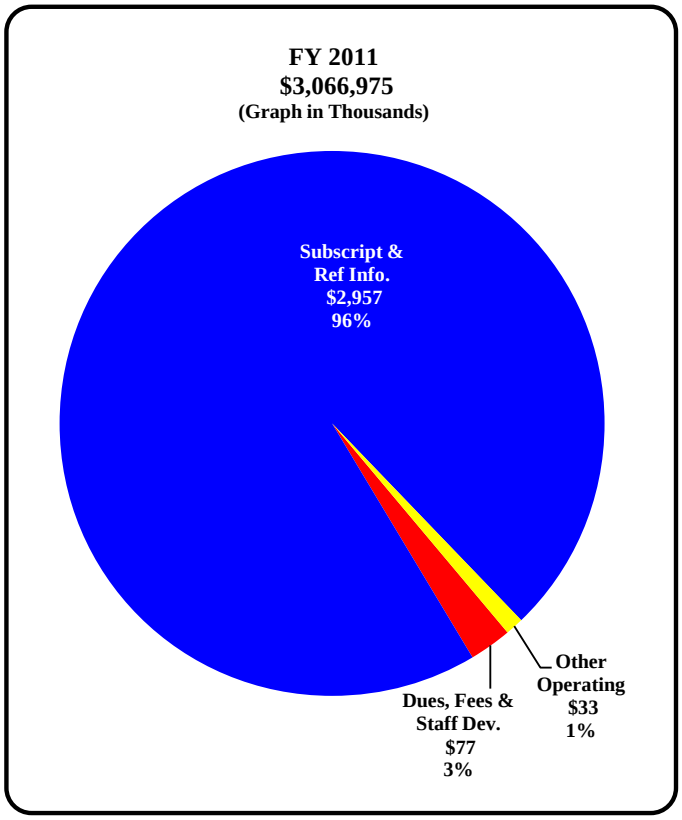
Monthly - FY 2012

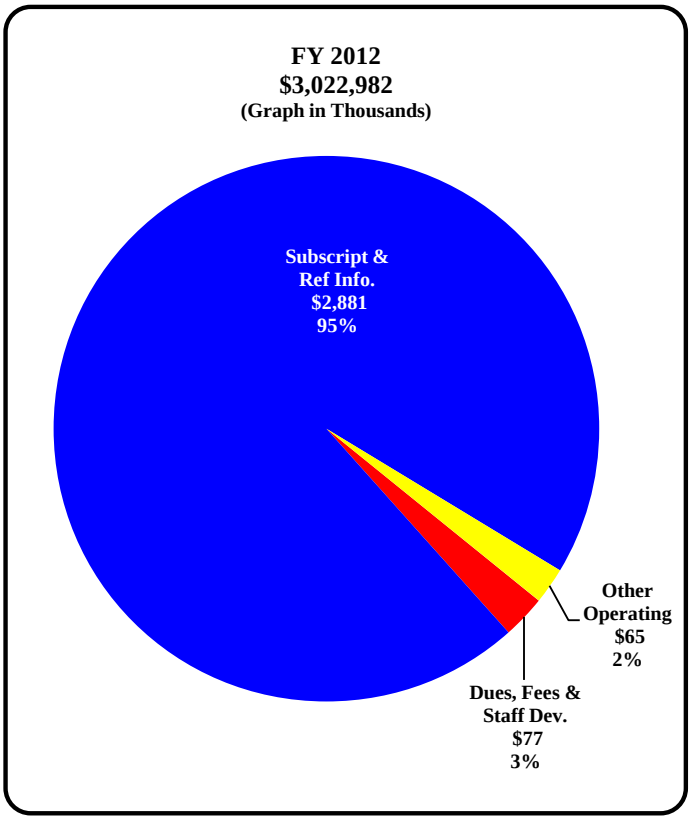


	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
Dues, Fees & Staff Dev.	26	10	1	14	18	8						
Subscript & Ref Info.	266	751	47	1,154	441	222						
Other Operating	-	33	-	32	-	-						
Remaining Budget %	96%	84%	84%	67%	60%	57%						

FY 2012 Total Budget $6,972,058

FY 2011 YTD Compared to FY 2012 YTD for the Two Quarters Ended February

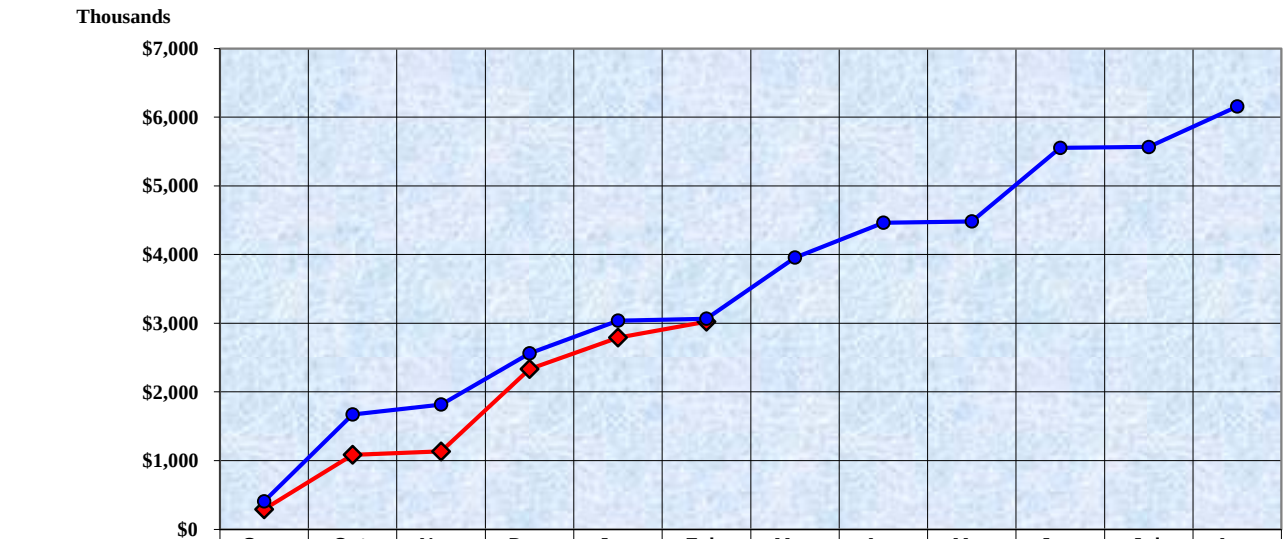




Source: Unaudited budgetary reports.

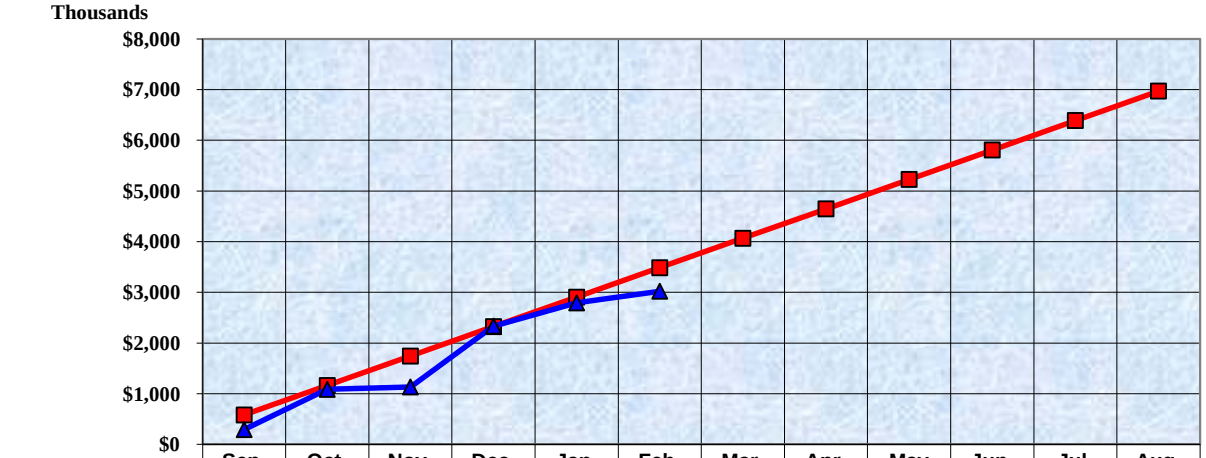
Investment Soft Dollars
Administrative Expenses

FY 2012 YTD and FY 2011



	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
2012 Expenses	292	1,086	1,134	2,334	2,792	3,023						
2011 Expenses	408	1,673	1,818	2,563	3,039	3,067	3,957	4,464	4,483	5,553	5,565	6,156

Budget to YTD Actual - FY 2012



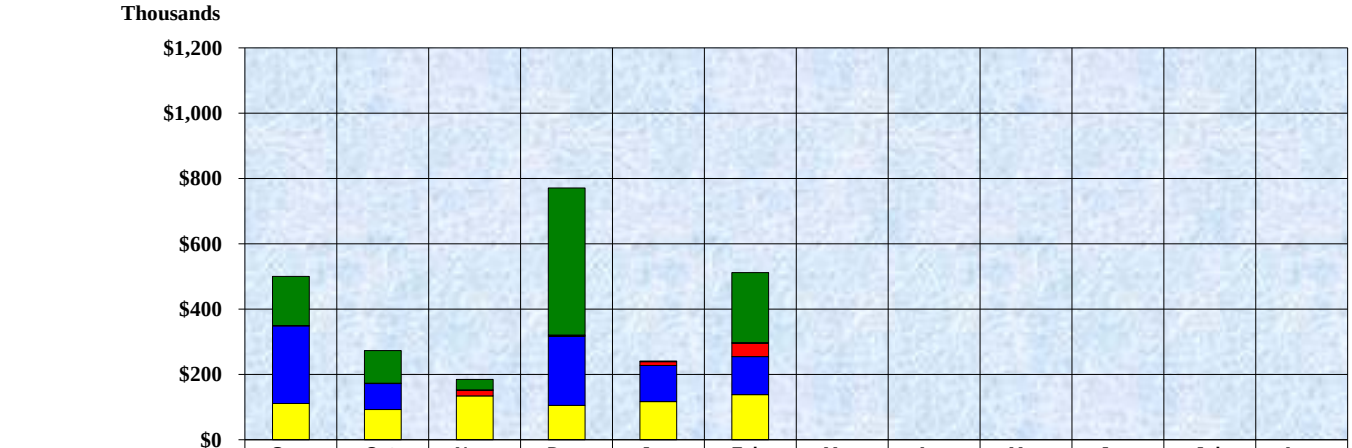
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
2012 Budget	581	1,162	1,743	2,324	2,905	3,486	4,067	4,648	5,229	5,810	6,391	6,972
2012 Actual	292	1,086	1,134	2,334	2,792	3,023						

Budget Totaled $3,486,029 as of February 29
Actual ExpensesTotaled $3,022,982 as of February 29

Source: Unaudited budgetary reports.

SSB/TRS Partnership Account
Administrative Expenses

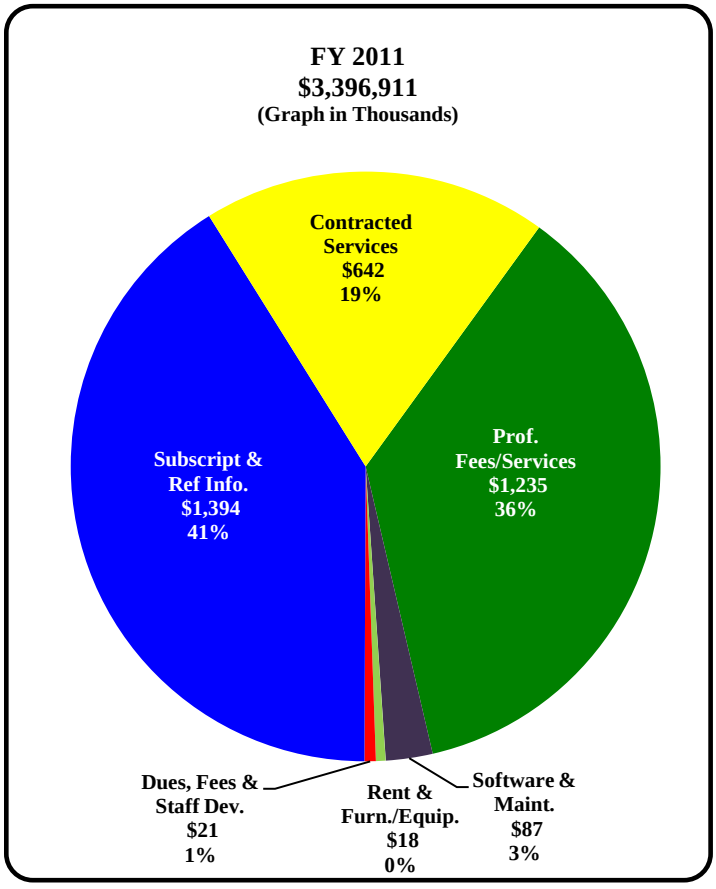
Monthly - FY 2012

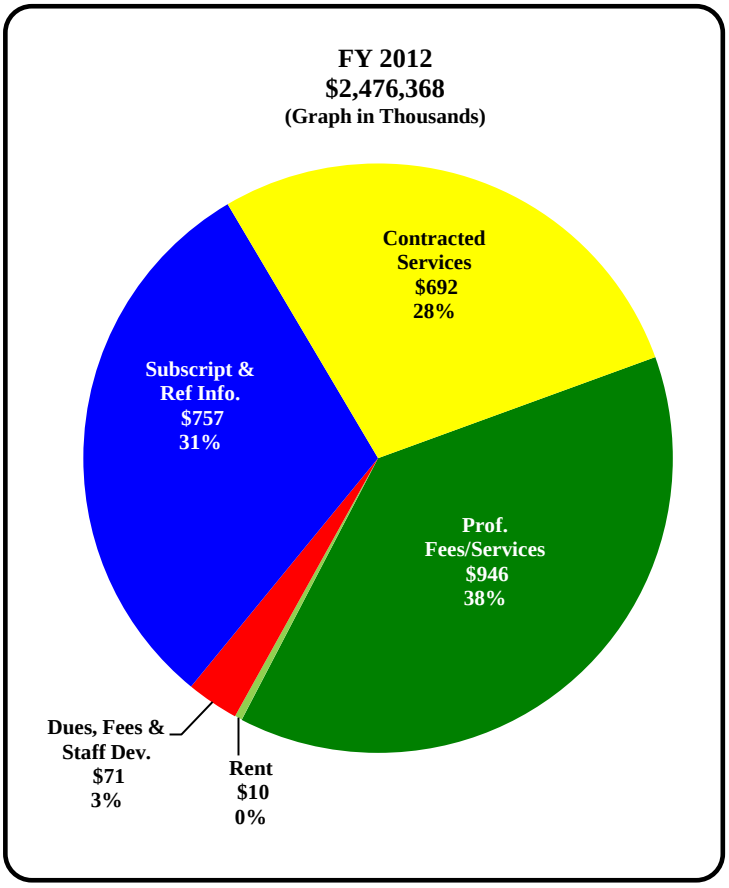


	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
Prof. Fees/Services	150	100	32	450	-	214						
Rent	1	1	2	2	2	2						
Dues, Fees & Staff Dev.	-	-	17	2	11	41						
Subscript & Ref Info.	238	79	-	212	111	117						
Contracted Services	110	92	133	104	116	137						
Remaining Budget %	92%	87%	84%	71%	67%	59%						

FY 2012 Total Budget $6,000,000

FY 2011 YTD Compared to FY 2012 YTD for the Two Quarters Ended February

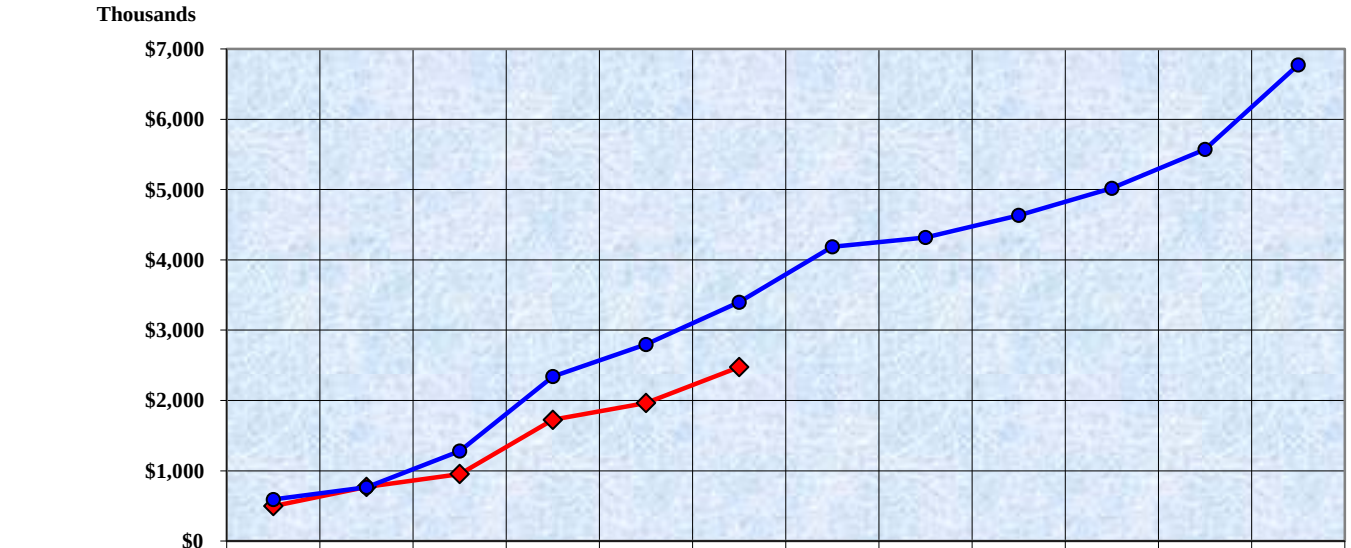




Source: Unaudited budgetary reports.

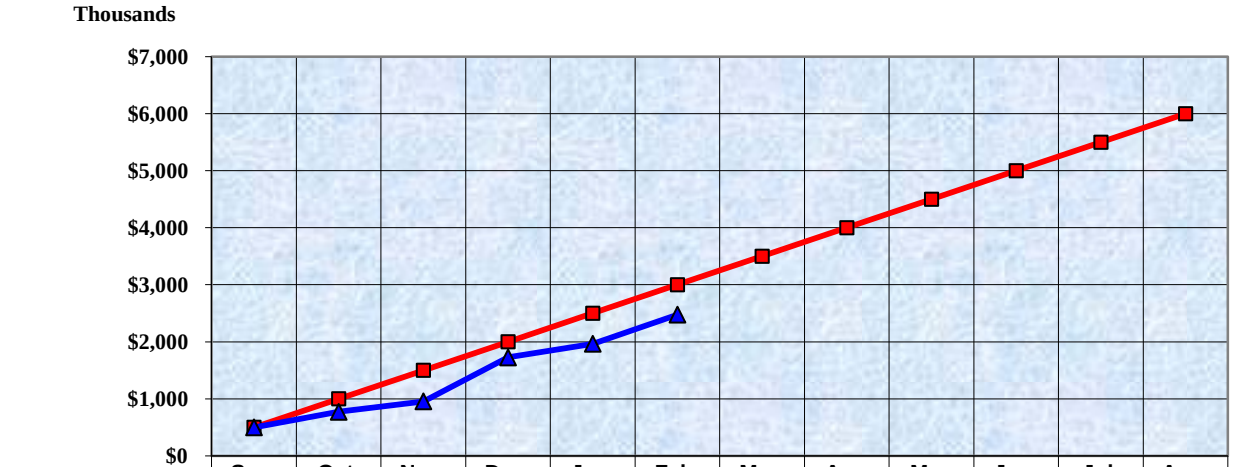
SSB/TRS Partnership Account
Administrative Expenses

FY 2012 YTD and FY 2011



	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
2012 Expenses	499	771	955	1,725	1,965	2,476						
2011 Expenses	591	765	1,281	2,341	2,796	3,397	4,186	4,319	4,634	5,018	5,572	6,773

Budget to YTD Actual - FY 2012



	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
2012 Budget	500	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000	5,500	6,000
2012 Actual	499	771	955	1,725	1,965	2,476						

Budget Totaled $3,000,000 as of February 29
Actual ExpensesTotaled $2,476,368 as of February 29

Source: Unaudited budgetary reports.

Administrative Operations Budget
Fiscal Year 2012 – Update (continued)

TEAM:

- Staffing is expected to be maintained below the 12 additional LBB authorized positions.
  - First TEAM employee was hired effective February 1, 2012.
- Expenditures are projected to remain below the Board approved budget.
  - All unexpended balances from the Rider 15 authorized amount of $25 million will be appropriated for the Fiscal Year 2013.
- Total Administrative Expenses at mid-year, February 29, 2012, were approximately $233,000.
  - Salaries and Other Personnel costs were $5,000, Professional Fees and Services were $123,000, Other Operating Expenses were $1,000, and Capital Expenses were $104,000.

TEACHER RETIREMENT SYSTEM OF TEXAS
TRS ENTERPRISE APPLICATION MODERNIZATION - TEAM
FY 2012 BUDGETARY BASIS ADMINISTRATIVE EXPENSES
Unaudited Statements For Internal Use Only

	Actual YTD February 29, 2012	Encumbered YTD February 29, 2012	Annual Budget Amount	Remaining Budget Amount	Remaining Budget %
SALARIES AND OTHER PERSONNEL COSTS					
Salaries and Wages	$ 3,639.41	$	$ 909,000.00	$ 905,360.59	100%
Longevity Pay	60.00		14,475.00	14,415.00	100%
Employer Retirement Contributions	221.96		57,600.00	57,378.04	100%
Employer FICA Contributions	274.84		68,850.00	68,575.16	100%
Employer Health Insurance Contributions	438.30		85,375.00	84,936.70	99%
Benefit Replacement Pay			4,125.00	4,125.00	100%
Other Employee Benefits			15,095.00	15,095.00	100%
TOTAL SALARIES AND OTHER PERSONNEL COSTS	$ 4,634.51	$	$ 1,154,520.00	$ 1,149,885.49	100%
PROFESSIONAL FEES AND SERVICES	$ 123,413.20	$ 573,150.00	$ 7,058,000.00	$ 6,361,436.80	90%
OTHER OPERATING EXPENSES					
Travel	$ 979.40	$	$ 20,000.00	$ 19,020.60	95%
Dues, Fees and Staff Development		1,225.00	1,225.00		
Software Purchases and Maintenance			2,739,719.68	2,739,719.68	100%
Furniture and Equipment - Expensed		9,055.32	9,055.32		
TOTAL OTHER OPERATING EXPENSES	$ 979.40	$ 10,280.32	$ 2,770,000.00	$ 2,758,740.28	100%
TOTAL OPERATING EXPENSES	$ 129,027.11	$ 583,430.32	$ 10,982,520.00	$ 10,270,062.57	94%
CAPITAL EXPENSES					
Furniture and Equipment	$ 103,694.18	$	$ 910,000.00	$ 806,305.82	89%
TOTAL CAPITAL EXPENSES	$ 103,694.18	$	$ 910,000.00	$ 806,305.82	89%
TOTAL OPERATING AND CAPITAL EXPENSES*	$ 232,721.29	$ 583,430.32	$ 11,892,520.00	$ 11,076,368.39	93%
METHOD OF FINANCE					
Capital Budget Appropriation*	$ 231,786.19	$ 583,430.32	$ 25,000,000.00	$ 24,184,783.49	97%
Estimated Unexpended Balance of Capital Budget Appropriation			(13,323,430.00)	(13,323,430.00)	100%
Employer Retirement Contributions	221.96		57,600.00	57,378.04	100%
Employer FICA Contributions	274.84		68,850.00	68,575.16	100%
Employer Health Insurance Contributions	438.30		85,375.00	84,936.70	99%
Benefit Replacement Pay			4,125.00	4,125.00	100%
TOTAL OPERATING AND CAPITAL EXPENSES	$ 232,721.29	$ 583,430.32	$ 11,892,520.00	$ 11,076,368.39	93%

*Component of Administrative Operation Appropriations.

Administrative Operations Budget
Fiscal Year 2012 – Update (continued)

TRS-Care and TRS-ActiveCare

- Board approved funding should be sufficient to cover anticipated expenses.
  - Reallocation of space will result in decreased reimbursements to the pension fund for rent expense.
  - For TRS-Care, the cost of the insurance program study required by Rider 16 is to be funded by administrative operations and sufficient funds are anticipated to be available.
- Budgeted FTEs are anticipated to remain below Board approved levels for Fiscal Year 2012.
- Total Administrative Expenses for TRS-Care at mid-year, February 29, 2012, were approximately $1.5 million.
  - Salaries and Other Personnel Costs were $1.0 million, Professional Fees and Services were $403,000, and Other Operating Expenses were $83,000.

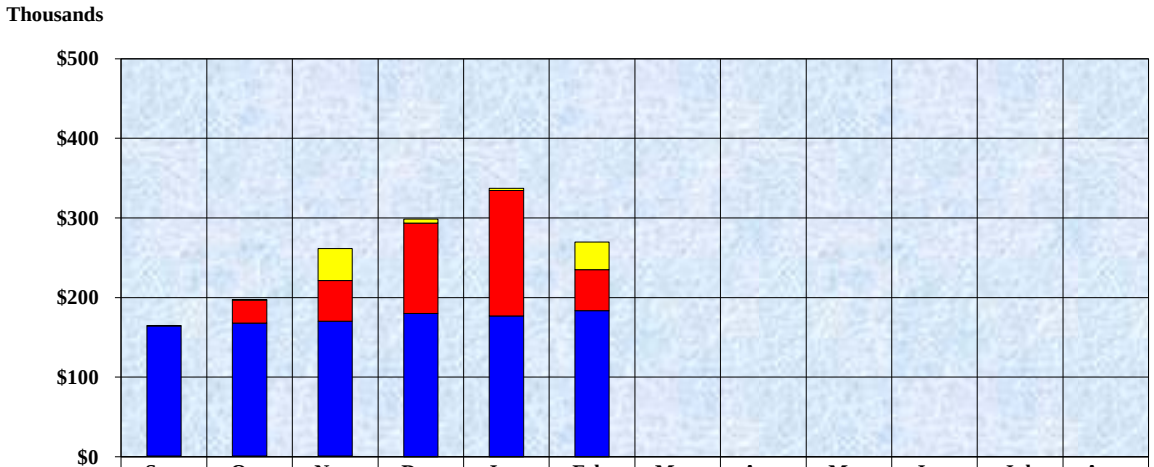
Administrative Operations Budget
Fiscal Year 2012 – Update (continued)

  - At the end of the second quarter, 62% of the total funds budgeted were remaining.

- Total Administrative Expenses for TRS-ActiveCare at mid-year, February 29, 2012, were approximately $960,000.
  - Salaries and Other Personnel Costs were $767,000, Professional Fees and Services were $150,000, and Other Operating Expenses were $43,000.
  - At the end of the second quarter, 62% of the total funds budgeted were remaining.

TRS-Care
Administrative Expenses
(Excludes Encumbered Funds)

Monthly - FY 2012

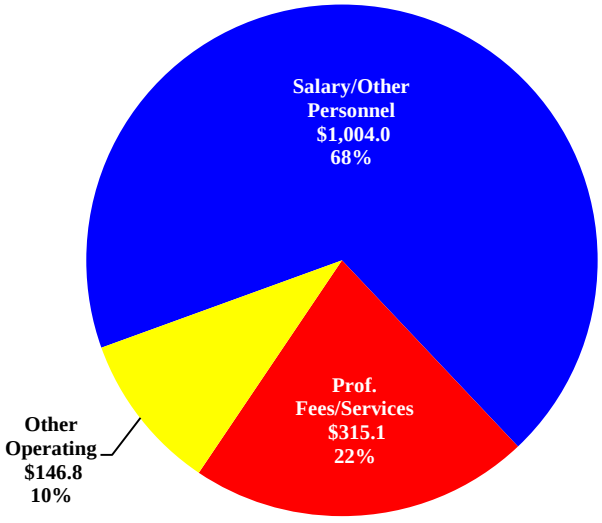


	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
Other Operating	0.1	0.7	40.2	4.8	2.7	34.5						
Prof. Fees/Services	0.0	28.9	50.9	113.7	157.6	51.5						
Salary/Other Personnel	163.5	167.1	169.5	179.2	176.1	183.0						
Remaining Budget %	96%	91%	84%	77%	69%	62%						

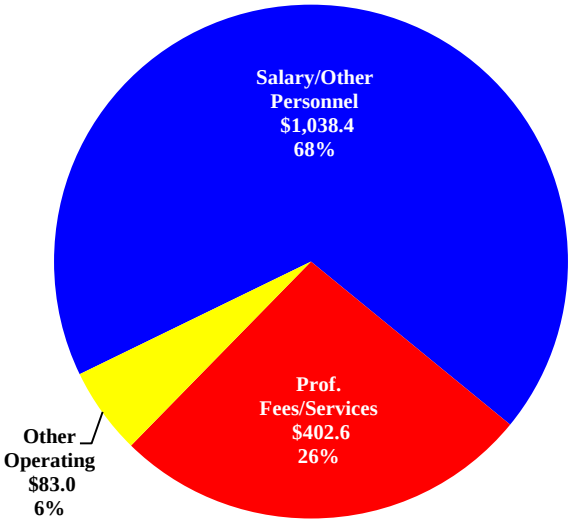
Total Budget $3,997,330

FY 2011 YTD Compared to FY 2012 YTD for the Two Quarters Ended February

FY 2011
$1,465,943
(Graph in Thousands)



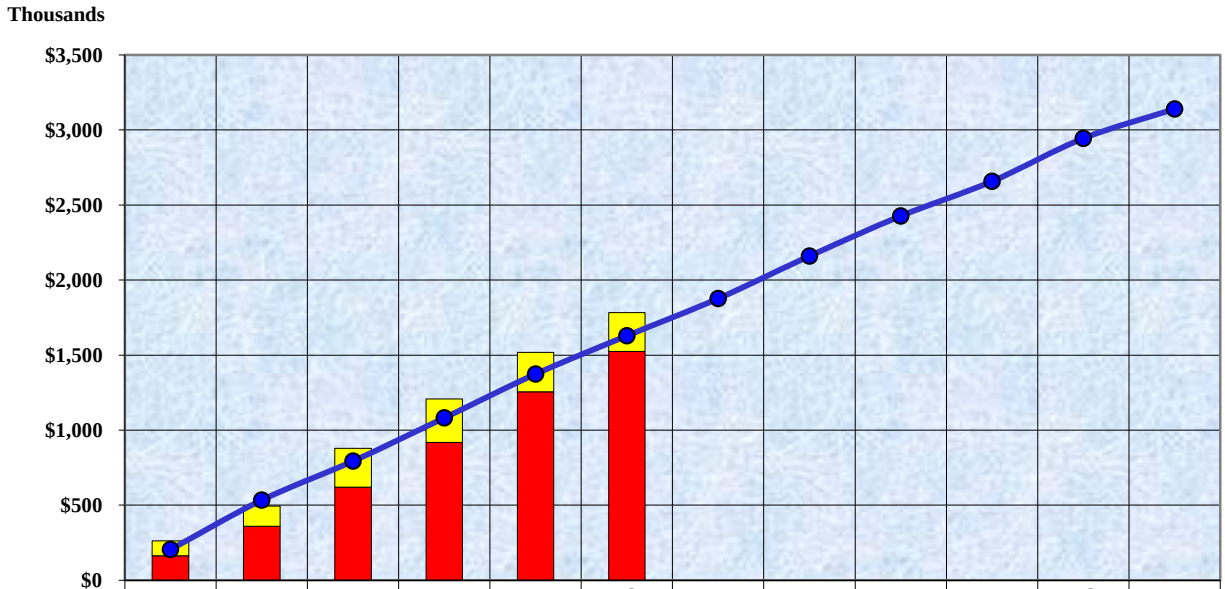
FY 2012
$1,524,022
(Graph in Thousands)



Source: Unaudited monthly financial statements.

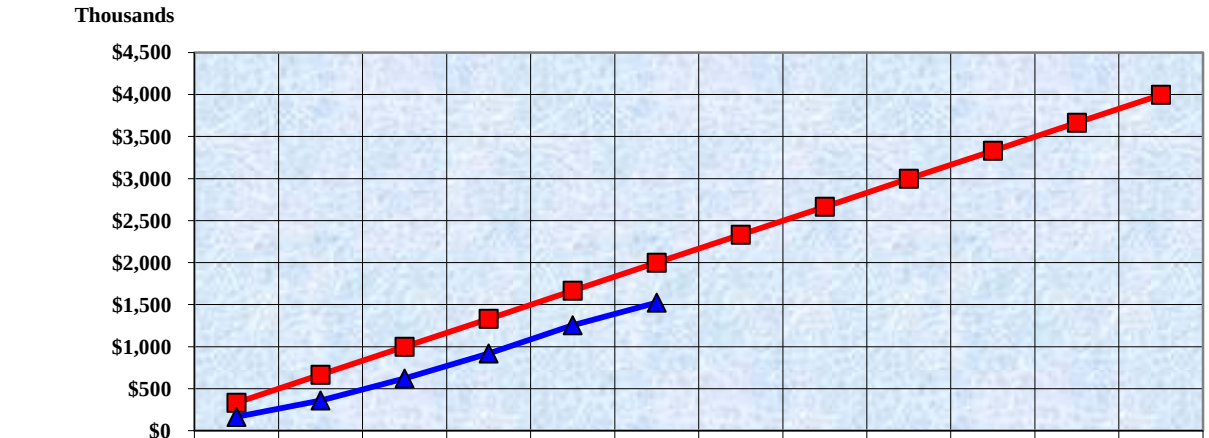
TRS-Care
Administrative Expenses

FY 2012 YTD and FY 2011



	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
2012 Encumbered	98	134	257	289	264	260						
2012 Expenses	164	360	621	919	1,255	1,524						
2011 Exp. & Enc.	205	534	794	1,082	1,374	1,629	1,877	2,160	2,427	2,658	2,944	3,140

Budget to YTD Actual - FY 2012
(Excludes Encumbered Funds)



	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
2012 Budget	333	666	999	1,332	1,666	1,999	2,332	2,665	2,998	3,331	3,664	3,997
2012 Actual	164	360	621	919	1,255	1,524						

Budget Totaled $1,998,665 as of February 29
Actual Expenses Totaled $1,524,022 as of February29

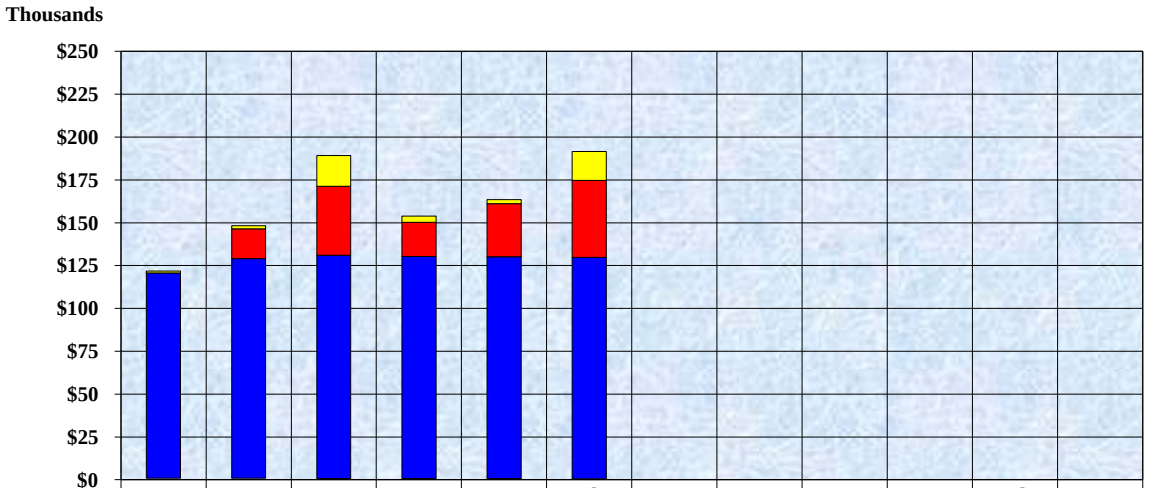
Source: Unaudited monthly financial statements.

TEACHER RETIREMENT SYSTEM OF TEXAS
TRS-CARE
FY 2012 BUDGETARY BASIS ADMINISTRATIVE EXPENSES
Unaudited Statements For Internal Use Only

	Actual YTD February 29, 2012	Encumbered YTD February 29, 2012	Annual Budget Amount	Remaining Budget Amount	Remaining Budget %
SALARIES AND OTHER PERSONNEL COSTS					
Salaries and Wages	$ 799,642.18	$	$ 1,815,673.00	$ 1,016,030.82	56%
Longevity Pay	24,040.00		48,040.00	24,000.00	50%
Employer Retirement Contributions	49,923.86		96,847.00	46,923.14	48%
Employer FICA Contributions	60,884.82		126,285.00	65,400.18	52%
Employer Health Insurance Contributions	93,447.48		189,271.00	95,823.52	51%
Benefit Replacement Pay	8,378.88		11,345.00	2,966.12	26%
Other Employee Benefits	2,172.13		64,150.00	61,977.87	97%
TOTAL SALARIES AND OTHER PERSONNEL COSTS	$ 1,038,489.35	$	$ 2,351,611.00	$ 1,313,121.65	56%
PROFESSIONAL FEES AND SERVICES	$ 402,592.24	$ 244,917.66	$ 1,344,500.00	$ 696,990.10	52%
OTHER OPERATING EXPENSES					
Consumable Supplies	$ 1,310.10	$ 516.74	$ 5,200.00	$ 3,373.16	65%
Utilities	524.37	83.32	2,031.00	1,423.31	70%
Travel	2,395.24	1,050.00	10,355.00	6,909.76	67%
Rentals	51,387.62		107,416.00	56,028.38	52%
Dues, Fees and Staff Development	216.50	297.00	2,270.00	1,756.50	77%
Subscriptions and Reference Information			570.00	570.00	100%
Printing and Reproduction Services	7,443.00	816.64	15,000.00	6,740.36	45%
Postage, Mailing and Delivery Services	16,778.63	7,746.93	135,277.00	110,751.44	82%
Miscellaneous Expenses	1,624.93	999.99	14,600.00	11,975.08	82%
Furniture and Equipment - Expensed	1,259.91	1,785.24	6,500.00	3,454.85	53%
Maintenance - Buildings and Equipment		2000.00	2,000.00	-	
TOTAL OTHER OPERATING EXPENSES	$ 82,940.30	$ 15,295.86	$ 301,219.00	$ 202,982.84	67%
TOTAL OPERATING EXPENSES	$ 1,524,021.89	$ 260,213.52	$ 3,997,330.00	$ 2,213,094.59	55%
Less: Employer Retirement Contributions paid on behalf of Employees	$ (49,923.86)	$	$ (96,847.00)	$ (46,923.14)	48%
TOTAL CASH OUTLAY FOR OPERATING EXPENSES	$ 1,474,098.03	$ 260,213.52	$ 3,900,483.00	$ 2,166,171.45	56%

TRS-ActiveCare
Administrative Expenses
(Excludes Encumbered Funds)

Monthly - FY 2012

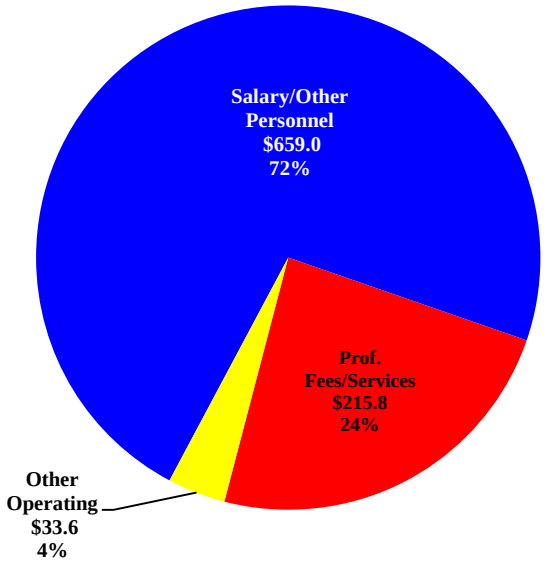


	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
Other Operating	1.0	1.7	17.9	3.5	2.3	16.8						
Prof. Fees/Services		17.5	40.2	20.0	31.1	45.0						
Salary/Other Personnel	119.8	128.1	130.3	129.6	129.4	129.1						
Remaining Budget %	95%	89%	82%	76%	69%	62%						

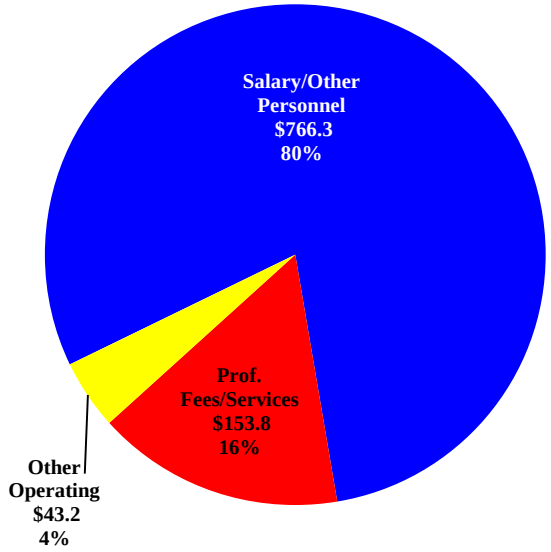
Total Budget $2,514,462

FY 2011 YTD Compared to FY 2012 YTD for the Two Quarters Ended February

FY 2011
$908,538
(Graph in Thousands)



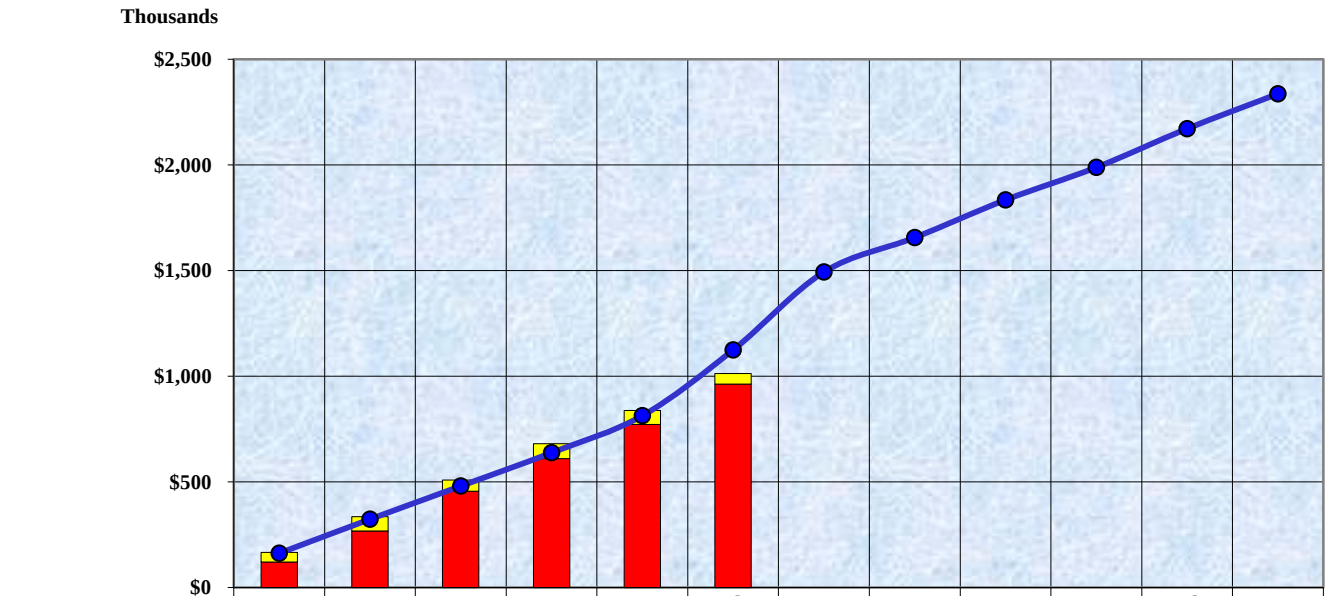
FY 2012
$963,333
(Graph in Thousands)



Source: Unaudited monthly financial statements.

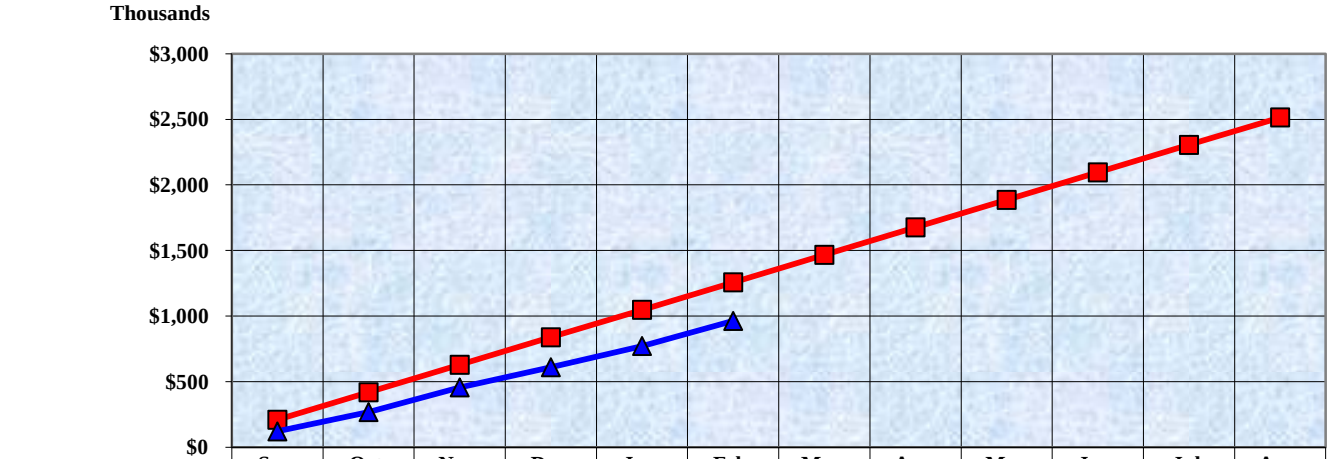
TRS-ActiveCare
Administrative Expenses

FY 2012 YTD and FY 2011



	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
2012 Encumbered	46	67	53	71	67	50						
2012 Expenses	121	268	456	610	772	963						
2011 Exp. & Enc.	163	324	481	639	814	1,125	1,494	1,657	1,835	1,989	2,172	2,337

Budget to YTD Actual - FY 2012
(Excludes Encumbered Funds)



	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
2012 Budget	210	419	629	838	1,048	1,257	1,467	1,676	1,886	2,095	2,305	2,514
2012 Actual	121	268	456	610	772	963						

Budget Totaled $1,257,231 as of February 29
Actual Expenses Totaled $963,333 as of February 29

Source: Unaudited monthly financial statements.

TEACHER RETIREMENT SYSTEM OF TEXAS
TRS-ACTIVECARE
FY 2012 BUDGETARY BASIS ADMINISTRATIVE EXPENSES
Unaudited Statements For Internal Use Only

	Actual YTD February 29, 2012	Encumbered YTD February 29, 2012	Annual Budget Amount	Remaining Budget Amount	Remaining Budget %
SALARIES AND OTHER PERSONNEL COSTS					
Salaries and Wages	$ 593,495.30	$	$ 1,295,835.00	$ 702,339.70	54%
Longevity Pay	15,420.00		32,040.00	16,620.00	52%
Employer Retirement Contributions	36,596.95		76,856.00	40,259.05	52%
Employer FICA Contributions	44,664.83		97,720.00	53,055.17	54%
Employer Health Insurance Contributions	67,342.74		120,801.00	53,458.26	44%
Benefit Replacement Pay	1,031.22		3,095.00	2,063.78	67%
Other Employee Benefits	7,738.94		59,525.00	51,786.06	87%
TOTAL SALARIES AND OTHER PERSONNEL COSTS	$ 766,289.98	$ -	$ 1,685,872.00	$ 919,582.02	55%
PROFESSIONAL FEES AND SERVICES	$ 153,787.97	$ 45,833.32	$ 726,500.00	$ 526,878.71	73%
OTHER OPERATING EXPENSES					
Consumable Supplies	$ 332.71	$ 349.45	$ 3,000.00	$ 2,317.84	77%
Utilities	280.71	83.32	1,500.00	1,135.97	76%
Travel	2,805.09		9,100.00	6,294.91	69%
Rentals	31,186.24		62,840.00	31,653.76	50%
Dues, Fees and Staff Development	3,667.50	454.00	8,700.00	4,578.50	53%
Subscriptions and Reference Information	475.00		1,000.00	525.00	53%
Printing and Reproduction Services	168.70	216.61	1,400.00	1,014.69	72%
Postage, Mailing and Delivery Services	627.00	737.65	4,750.00	3,385.35	71%
Miscellaneous Expenses	327.76	333.32	3,300.00	2,638.92	80%
Furniture and Equipment - Expensed	3,384.38		4,500.00	1,115.62	25%
Maintenance - Buildings and Equipment		2,000.00	2,000.00	-	0%
TOTAL OTHER OPERATING EXPENSES	$ 43,255.09	$ 4,174.35	$ 102,090.00	$ 54,660.56	54%
TOTAL OPERATING EXPENSES	$ 963,333.04	$ 50,007.67	$ 2,514,462.00	$ 1,501,121.29	60%
Less: Employer Retirement Contributions paid on behalf of Employees	$ (36,596.95)	$	$ (76,856.00)	$ (40,259.05)	52%
TOTAL CASH OUTLAY FOR OPERATING EXPENSES	$ 926,736.09	$ 50,007.67	$ 2,437,606.00	$ 1,460,862.24	60%

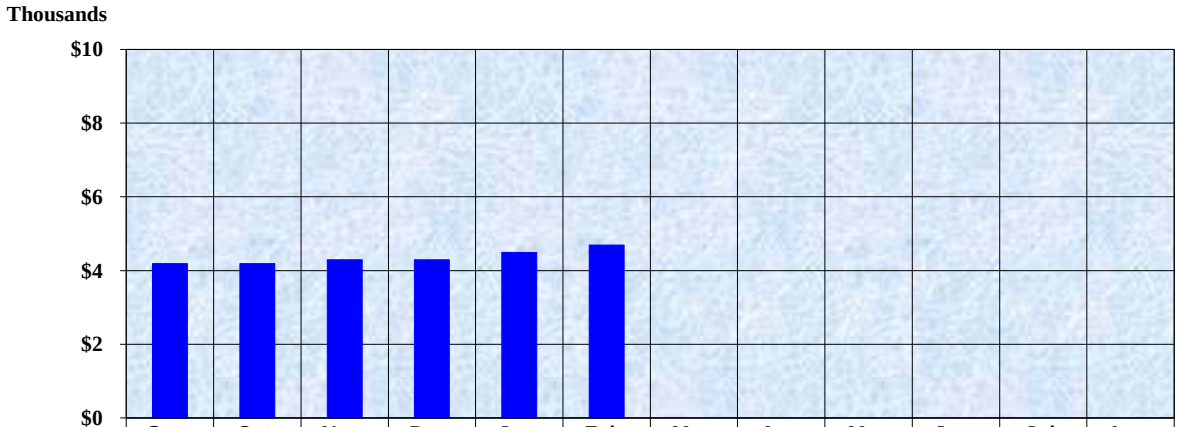
Administrative Operations Budget
Fiscal Year 2012 – Update (concluded)

403 (b) Certification Program:

- Total Administrative Expenses at mid-year, February 29, 2012, were approximately $26,000.
  - Expenses are comprised solely of Salaries and Other Personnel Costs.
  - At the end of the second quarter, 55% of the total funds budgeted were remaining.

403(b) Certification Program
Administrative Expenses
(Excludes Encumbered Funds)

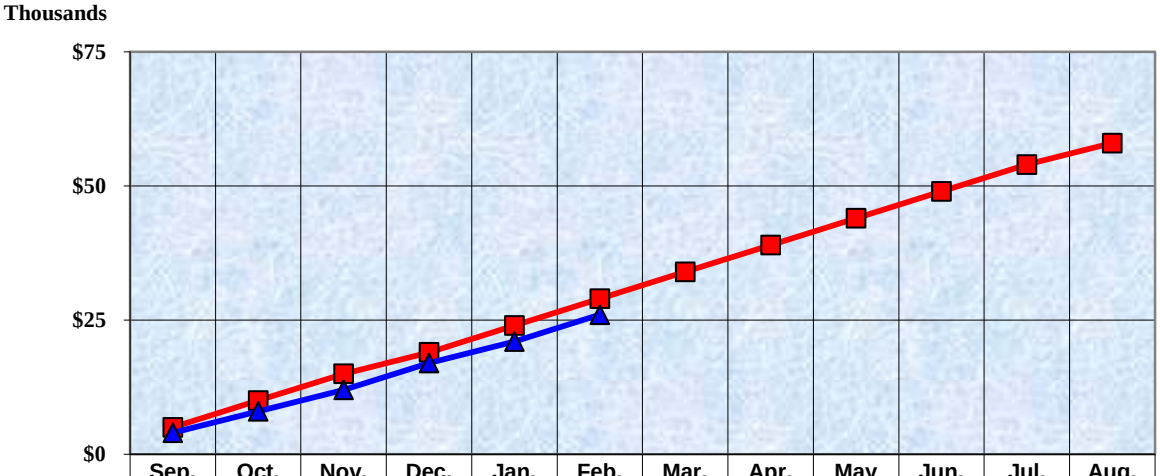
Monthly - FY 2012



	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
Salary/Other Personnel	4.2	4.2	4.3	4.3	4.5	4.7						
Remaining Budget %	93%	86%	78%	71%	63%	55%						

Total Budget $58,452

Budget YTD Actual Expenses - FY 2012



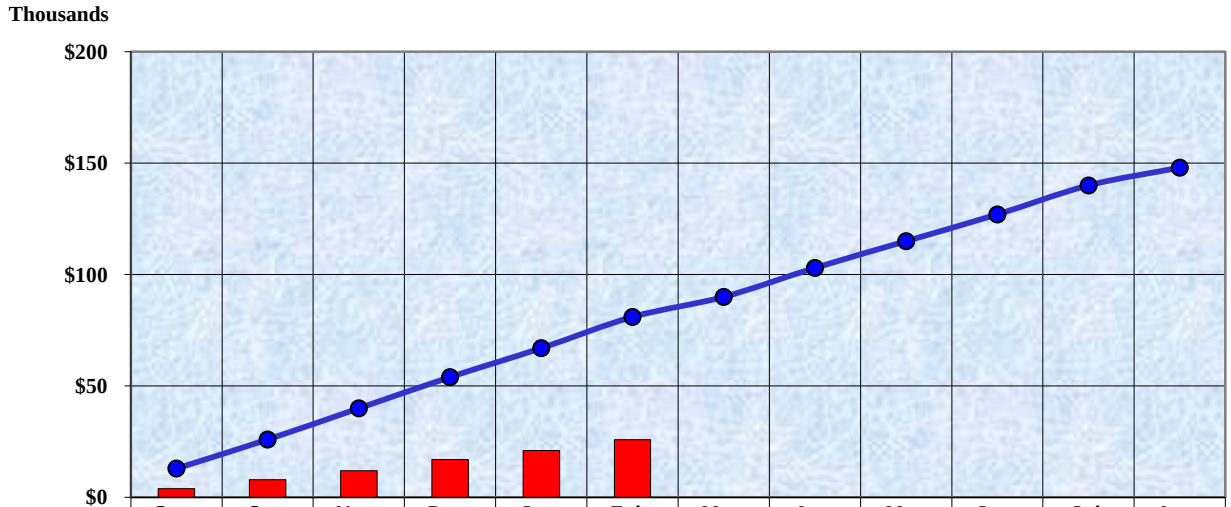
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
2012 Budget	5	10	15	19	24	29	34	39	44	49	54	58
2012 Actual	4	8	12	17	21	26						

Budget Totaled $29,226 as of February 29
Actual Expenses Totaled $26,179 as of February 29

Source: Unaudited monthly financial statements

403(b) Certification Program
Administrative Expenses

FY 2012 YTD and FY 2011



	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
2012 Encumbered	0	0	0	0	0	0						
2012 Expenses	4	8	12	17	21	26						
2011 Exp & Enc.	13	26	40	54	67	81	90	103	115	127	140	148

Source: Unaudited monthly financial statements.

TEACHER RETIREMENT SYSTEM OF TEXAS
403(b) CERTIFICATION PROGRAM
FY 2012 BUDGETARY BASIS ADMINISTRATIVE EXPENSES

Unaudited Statements For Internal Use Only

	Actual YTD February, 2012	Encumbered YTD February, 2012	Annual Budget Amount	Remaining Budget Amount	Remaining Budget %
SALARIES AND OTHER PERSONNEL COSTS					
Salaries and Wages	$ 22,519.09	$	$ 45,386.00	$ 22,866.91	50%
Employer Retirement Contributions	1,382.10		2,739.00	1,356.90	50%
Employer FICA Contributions	1,762.16		3,274.00	1,511.84	46%
Employer Health Insurance Contributions			5,021.00	5,021.00	100%
Benefit Replacement Pay	515.61		1,032.00	516.39	50%
Other Employee Benefits			1,000.00	1,000.00	100%
TOTAL SALARIES AND OTHER PERSONNEL COSTS	$ 26,178.96	$	$ 58,452.00	$ 32,273.04	55%
TOTAL OPERATING EXPENSES	$ 26,178.96	$	$ 58,452.00	$ 32,273.04	55%
Less: Employer Retirement Contributions paid on behalf of Employees	$ (1,382.10)	$	$ (2,739.00)	$ (1,356.90)	50%
TOTAL CASH OUTLAY FOR OPERATING EXPENSES	$ 24,796.86	$	$ 55,713.00	$ 30,916.14	55%

Administrative Operations Budget
Fiscal Year 2013

Pension Trust Fund:

	FY 2012 Budget	FY 2013 Preliminary
Salaries and Other Personnel Costs	$ 39,200,521	$ 39,425,521
Professional Fees and Services	8,146,224	8,296,221
Other Operating Expenses	14,916,817	14,541,820
Capital Budget	987,956	987,956
Appropriations Excluding TEAM	**$ 63,251,518**	**$ 63,251,518**
Capital Budget - TEAM	11,676,570	13,323,430
Performance Incentive Compensation	6,080,798	9,106,939
Total Appropriations	**$ 81,008,886**	**$ 85,681,887**
FTEs - Pension Trust Fund	475.3	475.3
FTEs - TEAM	12.0	15.0
Total FTEs	**487.3**	**490.3**

- Funding will be 100% from Pension Trust Fund – no General Revenue.

Administrative Operations Budget
Fiscal Year 2013 (continued)

- Maintain operations at approximately Fiscal Year 2012 level.
  - Funding currently included in the Fiscal Year 2012 budget that will not be required in Fiscal Year 2013 includes costs associated with publishing and mailing the benefit handbooks .
  - Funding will be allocated for board election management and associated postage costs.
  - Payments on accrued leave balances will be determined by actual TRS employee retirements.
  - Overall funding level should be sufficient.
- Unexpended Fiscal Year 2012 capital budget balances will be appropriated for Fiscal Year 2013 and estimated for inclusion in the formal budget adoption.
- Incentive compensation is estimated at the actual plan year 2011 remaining balance ($3.0 million) plus maximum allowable for the first half of plan year 2012 under current provisions ($6.1 million).

Administrative Operations Budget
Fiscal Year 2013 (continued)

TEAM

- Program is not expected to utilize the full $25.0 million appropriation during the biennium.
  - Projections to be provided in June.
- Staffing levels will increase from 12 FTEs to 15 as authorized by the LBB.

Section 28(e) Expenditures and Contractor Provided Allowances:

- Soft Dollars and Commission Sharing Arrangements (CSA) are expected to remain at Fiscal Year 2012 level of $7.0 million and $20.0 million, respectively.
- SSB/TRS Partnership Account to remain at Fiscal Year 2012 level of $6.0 million with budgeted amount allocated primarily for professional fees and services to utilize investment consultants, subscriptions and reference, and contracted services.

Administrative Operations Budget
Fiscal Year 2013 (continued)

TRS-Care and TRS-ActiveCare:

- Maintain operations at Fiscal Year 2012 level.
  - TRS-ActiveCare will have increased professional fees for claims audit whereas TRS-Care will have decreased professional fees from claims audit conducted in Fiscal Year 2012.
- Staffing levels are not anticipated to increase.
- Use of pension fund resources will be monitored and adjustments made as necessary.

403 (b) Certification Program:

- The new cycle for registration begins in Fiscal Year 2013 and it is assumed that most certified companies will re-register.
- It is likely that many of the remaining certified companies that do not have products registered will not/have not re-certified during Fiscal Year 2012.
- Administrative expenses necessary to operate the certification program will not be affected by any decrease in participation and are expected to be maintained at the Fiscal Year 2012 level.

TEACHER RETIREMENT SYSTEM OF TEXAS

GENERAL PROVISIONS

The Teacher Retirement System (TRS) uses the provisions of Article IX of the General Appropriations Act (GAA) adopted by the 82nd Texas Legislature (Article IX) as guidelines in administering the system to the extent that the Executive Director or a designee acting in the absence of the Executive Director determines a particular provision of Article IX is in the best interests of the system and not in conflict with applicable law, fiduciary duty, or TRS policy.

PENSION TRUST FUND ADMINISTRATIVE OPERATIONS – In adopting the related Budget Resolution, the TRS Board of Trustees (board) has made a fiduciary finding authorizing expenditures from the Pension Trust Fund to cover all of TRS' administrative operating expenses for the fiscal year because such operating expenses are required to perform the fiduciary duties of the board and the legislature has not appropriated money from the general revenue fund for TRS to use in paying operating expenses for the fiscal year.

USE OF SOFT DOLLARS AND COMMISSION SHARING ARRANGEMENTS (CSAs), INCLUDING SECTION 28(e) EXPENDITURES – The board finds that the expenditure of funds provided by CSAs and soft dollars commission credits to obtain goods and services supporting the investment function are necessary for the efficient and effective administration of Pension Trust Fund assets and performance of the board's fiduciary duties. CSAs and Soft Dollars shall be administered in accordance with the board's Soft Dollar Policy and applicable law.

CONTRACTOR PROVIDED RESOURCES – As part of the contracting process for goods and services (including investment management services), TRS has access to additional resources for operations, including services, temporarily-assigned staff, or allowances, as part of the total contract consideration provided by the vendors or investment managers. Such resources may only be used or expended to the same extent, and for the same purposes, and are subject to the same duty of care, general requirements and policies as other Pension Trust Fund assets.

HEALTH BENEFITS FUNDS – Operations of the Texas Public School Retired Employees Group Benefits Program (TRS-Care - Retired Plan) are funded from the Texas Public School Employees Group Insurance Fund. Operations of the Texas School Employees Uniform Group Health Coverage Program (TRS-ActiveCare - Active Plan) are funded from the Texas School Employees Uniform Group Health Coverage Fund.

403(b) CERTIFICATION PROGRAM – Operations of the 403(b) Certification Program are funded from the 403(b) Administrative Trust Fund.

PERSONNEL SERVICES:

- **Hiring and Personnel Actions** – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to hire personnel, to transfer personnel within the agency, and to approve hiring salaries, salary changes, and other personnel actions including but not limited to, promotions, demotions, merits, and recruitment and retention bonuses. TRS will base its salary schedules, position classifications, and salary administration practices on the provisions of Article IX, Chapter 659 of the Government Code, and other relevant legislation to the extent the Executive Director determines a particular provision is in the best interest of the system and not in conflict with applicable law, fiduciary duty or TRS policy. The board will set the salary rate for the Executive Director. The Executive Director is authorized to set the annual base salary rate for all other exempt positions within the not-to-exceed amounts listed in the GAA or any amended limits adopted by the board from time to time.

TEACHER RETIREMENT SYSTEM OF TEXAS

GENERAL PROVISIONS

(continued)

- **Performance Incentive Compensation** – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to implement the performance incentive compensation plan(s) as approved from time to time by the board including authorizing payment of the performance incentive compensation to the extent funds have been included in the approved budget for that purpose or are otherwise made available through the Budget Execution Authority in these General Provisions.

- **Longevity Pay and Benefit Replacement Pay –** The board authorizes the payment of longevity pay and benefit replacement pay in addition to base pay. The payment of longevity pay and benefit replacement pay to TRS employees shall be administered in a manner consistent with the provisions of Chapter 659 of the Government Code and other relevant legislation.

OTHER PERSONNEL COSTS – As required for the efficient operations of the Teacher Retirement System, Other Personnel Costs, including Employer Retirement Contributions, Employer FICA Contributions, Employer Health Insurance Contributions, and Benefit Replacement Pay, are provided as estimated amounts as authorized in the General Appropriations Act and may be revised by the Executive Director, or Deputy Director in the absence of the Executive Director, if needed to pay operating expenses for the fiscal year.

PROFESSIONAL SERVICES – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to contract for professional services and approve and disburse professional fees to persons or firms who render such professional services to TRS. The board finds that the budget for Professional Services authorized in this document is necessary to the performance of its fiduciary duties.

COUNSELING SERVICES – In accordance with Texas Government Code, Chapter 825, Subchapter G, the board authorizes the Executive Director or his designees to make individual retirement benefits counseling sessions available to members normally in conjunction with group retirement benefits presentations, thereby creating efficiencies and minimizing the cost of such services. TRS will determine the geographic regions most in need of retirement benefits counseling and will provide retirement benefits counseling services in these regions throughout Texas.

BUDGET EXECUTION AUTHORITY – As required for the efficient operations of the Teacher Retirement System, the Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to transfer budgeted funds up to $100,000 or 12 1/2% of an expense category, whichever is greater, between different expense accounts and major expense categories, so long as the total approved budget for operating expenses and capital outlay is not exceeded. This provision applies separately to the Pension Trust Fund, the Retired Health Benefits Fund, the Active Health Benefits Fund, and the 403(b) Administrative Trust Fund.

CONTINGENCY FOR CATASTROPHIC OCCURRENCES – In the event of a catastrophic occurrence which destroys or incapacitates the Teacher Retirement System's physical plant and/or primary operating resources, the Executive Director, Deputy Director, or Chief Financial Officer may exceed the total approved budget to the extent necessary to achieve recovery of operational

capabilities. The Executive Director, Deputy Director, or Chief Financial Officer will notify the Budget Committee of the board, as soon as possible, of the extent of the situation and the budgetary impact.

TEACHER RETIREMENT SYSTEM OF TEXAS

Administrative Operations Budget and Legislative Appropriations Request (LAR) Preparation

MONTH	DATE	DAY	TASK
February	16	Thursday	Discuss formulation of FY 2013 Administrative Operations Budget and FY 2014-15 LAR with Board of Trustees
	27	Monday	Executive Council meeting-discuss budgeting process
March	6	Tuesday	Administrative Operations Budget instructions for FY 2013-15 distributed to agency management
	15	Thursday	Budget Planning Document presented to Deputy Director and Chief Financial Officer for review and approval
	20	Tuesday	Draft Budget Planning Document presented to TRS Board of Trustees Budget Committee Chair
	23	Friday	Agency management submits administrative operations budget requests for FY 2013-15 to Budgeting
	28	Wednesday	Budgeting distributes first draft of FY 2013-15 administrative operations budget requests to Chief Financial Officer
	29	Thursday	Working sessions conducted with agency management (thru Friday, April 13)
April	4	Wednesday	Budget Planning Document mailed to the Board of Trustees
	16	Monday	Begin Base Reconciliation preparation
	19	Thursday	Budget Committee meets to receive Budget Planning presentation
May	2	Wednesday	Draft FY 2013-15 budget summaries presented to Executive Director, Deputy Director, and Chief Financial Officer for review and approval
	18	Friday	Proposed FY 2013 Administrative Operations Budget and FY 2014-15 LAR submission presented to Executive Director, Deputy Director, and Chief Financial Officer for review and approval
	23	Wednesday	Draft FY 2013 Administrative Operations Budget and FY 2014-15 LAR submission presented to TRS Board of Trustees Budget Committee Chair
	30	Wednesday	Final proposed FY 2013 Administrative Operations Budget and FY 2014-15 LAR submission mailed to Board of Trustees
June	7	Thursday	Budget Committee meets to review proposed FY 2013 Administrative Operations Budget and 2014-15 LAR
	8	Friday	Board of Trustees approves FY 2013 budget and 2014-15 LAR submission
			Board of Trustees approves certification of state contributions for Pension Trust Fund and TRS-Care
	11	Monday	Submit Base Reconciliation to Legislative Budget Board
			Finalize LAR submission
August	8	Wednesday	Submit LAR to LBB and GOBPP

Note: Dates are approximated and will be revised as necessary. This schedule assumes the Board will approve the FY 2013 budget at the June 2012 meeting.

Legislative Appropriations Request
2014-2015 Biennium

- Request for Pension Fund State Contribution
  - 0% salary growth for Public Education
  - 2% Salary growth for Higher Education
  - Seek a 6.4% statutory state matching contribution rate.
  - Actuaries have recommended that TRS seek an increase in the state contribution rate. Staff is contemplating requesting a 0.5% increase each year and seeks guidance from the board on this issue.
- Request for TRS-Care State Contribution
  - Use a 0 % salary growth for Public Education
  - Seek a 1% statutory state matching contribution rate.
  - Seek resolution on program insolvency projected to occur in the last quarter of Fiscal Year 2014 with options as presented in the healthcare study.
- Request for Administrative Operations
  - Request additional staff to support impact on benefit administration .

Legislative Appropriations Request 2014-2015 Biennium (continued)

- Increases in operating expenses over the proposed Fiscal Year 2013 Administrative Operations Budget are anticipated due to being held constant by appropriated amounts for three consecutive fiscal years (2011-2013).
- Reevaluate capital projects deferred and reduced in 2012-13 biennium.

- Request for TEAM
  - Sustain program funding and FTEs as set forth in the project management plan.