

# Teacher Retirement System of Texas

A Component Unit of the State of Texas

FISCAL YEAR ENDED AUGUST 31, 2010



# TRS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

# 2010





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## **TRS Mission Statement**

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**The mission of the Teacher Retirement System of Texas is:**

- 1. to deliver retirement and related benefits authorized by law for members and their beneficiaries; and**
- 2. to prudently invest and manage the assets held in trust for members and beneficiaries in an actuarially sound system administered in accordance with applicable fiduciary principles.**

# TEACHER RETIREMENT SYSTEM OF TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

**A Component Unit of the State of Texas**

**FISCAL YEAR ENDED**

**August 31, 2010**



**Ronnie G. Jung, Executive Director**

**Prepared by  
Teacher Retirement System of Texas  
1000 Red River Street  
Austin, Texas 78701-2698  
(512) 542-6400  
1-800-223-8778**

**[www.trs.state.tx.us](http://www.trs.state.tx.us)**

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# Introductory Section

**BOARD OF TRUSTEES**

The TRS Board of Trustees is responsible for administration of the system under provisions of the state constitution and laws. The board is comprised of nine trustees, all of whom are appointed by the governor to staggered six-year terms. Three trustees are direct appointments of the governor. Two trustees are appointed from a list prepared by the State Board of Education. Two trustees are appointed from the three public school district active member candidates who have been nominated for each position by employees of public school districts. One trustee is appointed from the three higher education active member candidates nominated by employees of institutions of higher education. One trustee is appointed from the three retired member candidates who are nominated by TRS retirees. Appointments are subject to confirmation by the Senate. Board member terms expire August 31 of odd numbered years.



**R. David Kelly (Chair)**  
 Partner, Carleton Residential Properties  
 Dallas  
 Direct appointment of the governor  
 Term expires 2011



**Eric C. McDonald**  
 Owner and CIO, McDonald Capital Management  
 Lubbock  
 Position nominated by the State Board of Education  
 Term expires 2013



**Linus D. Wright (Vice Chair)**  
 Retired educator and administrator  
 Dallas  
 Retiree position  
 Term expires 2011



**Christopher Moss**  
 Vice President, The Advanced Financial Group  
 Lufkin  
 Position nominated by the State Board of Education  
 Term expires 2015



**Todd Barth**  
 President, Bowers Properties Inc.  
 Houston  
 Direct appointment of the governor  
 Term expires 2015



**Philip Mullins**  
 Power Plant Operator, University of Texas  
 Austin  
 Higher education position  
 Term expires 2011



**Charlotte Clifton**  
 Teacher, Snyder ISD  
 Snyder  
 Active public education position  
 Term expires 2013



**Nanette Sissney**  
 Counselor, Whitesboro ISD  
 Whitesboro  
 Active public education position  
 Term expires 2015



**Robert P. Gauntt**  
 Partner, Avalon Advisors L.P.  
 Houston  
 Direct appointment of the governor  
 Term expires 2013

CERTIFICATE OF ACHIEVEMENT

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to  
Teacher Retirement System  
of Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President



Executive Director

## LETTER OF TRANSMITTAL

## Teacher Retirement System of Texas



1000 Red River Street  
Austin, Texas 78701-2698  
(512) 542-6400 1-800-223-8778

November 10, 2010

The Honorable Rick Perry  
The Honorable David Dewhurst  
The Honorable Joe Straus  
The Board of Trustees and Members  
of the Teacher Retirement System

Dear Governor Perry, Lieutenant Governor Dewhurst, Speaker Straus, TRS Board of Trustees, and Members of the Teacher Retirement System:

On behalf of the board of trustees, I am pleased to present this *Comprehensive Annual Financial Report* (CAFR) of the Teacher Retirement System of Texas (TRS or System) for the fiscal year ended August 31, 2010, the System's 73rd year of operation. The System experienced steady growth as membership surpassed 1.3 million participants during the fiscal year. The pension trust fund continued to rebound from the stock market decline of 2008-2009 ending the 2010 fiscal year with net assets of \$95.7 billion compared to \$88.7 billion at the close of the 2009 fiscal year. Although continued funding progress is needed to return the fund to a fully funded status, TRS is well positioned to ensure that benefits are secure for our current and future retirees. Benefit payments continued to grow as TRS paid out \$6.7 billion to annuitants during fiscal year 2010.

### 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 has established a comprehensive internal control framework that is designed both to protect the 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. The internal control framework has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

As management, we assert that, to the best of our knowledge and belief, 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 its *Comprehensive Annual Financial Report* for the previous fiscal year. To be awarded the certificate, a report must meet or exceed program standards and must satisfy both generally accepted accounting principles and applicable legal requirements. TRS has received a Certificate of Achievement for the last 20 years. We believe that the current report continues to meet program requirements, and it is being submitted to the GFOA for consideration again this year.

### Financial Information

The basic financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis as promulgated by the Governmental Accounting Standards Board. The Management's Discussion and Analysis (MD&A), includes a narrative introduction, overview, and analysis to accompany the basic financial statements. This 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 report of the independent auditors.

### Investments

For the fiscal year, the total portfolio had a return of 10.7 percent, with investment gains totaling \$9.4

## LETTER OF TRANSMITTAL

billion in fiscal year 2010. For the past 10 years, the time-weighted compound annual return has been 3.1 percent.

Investment risks are diversified over a very broad range of market sectors and securities. This strategy reduces portfolio risk to adverse developments in sectors and issuers experiencing unusual difficulties and offers opportunity to benefit from future markets. The System has completed its transition to the long-term asset allocation adopted by the TRS Board in fiscal year 2008. That asset allocation has increased TRS holdings in private markets and reduced holdings in public markets. This shift in assets is intended to increase investment diversification and returns without increasing risks to the fund.

### Pension Plan Benefits

For fiscal year 2010 TRS paid pension benefit payments to 296,491 retirees and their beneficiaries totaling \$6.7 billion. 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

At August 31, 2010, the System had a funding ratio of 82.9% with an Unfunded Actuarial Accrued Liability of \$22.9 billion. However, because of poor investment performance in fiscal years 2008 and 2009, the System is now deferring net investment losses of \$15.6 billion.

Because of the two significant market downturns in the last 10 years, current contributions are not sufficient to amortize the unfunded liabilities and therefore the funding period is never. Absent ongoing investment gains in excess of eight percent, adjustments will need to be made to contributions and/or benefits to bring the fund back into a position to amortize unfunded liabilities over 30 years.

### Active Member Health Benefits Program

TRS-ActiveCare, initiated in 2002, is a self-funded health benefits program that offers options ranging from catastrophic coverage with reduced premiums to a comprehensive plan with near first-dollar coverage at higher premiums. TRS-ActiveCare covers members currently employed by public educational employers that participate in the plan. TRS establishes premiums to pay for the cost of the program.

### Retiree Health Benefits Program

TRS also administers TRS-Care, a health benefits program for retirees that was established in 1985. TRS-Care is the source of health benefits coverage, which almost all retired public school employees rely upon.

Funding is provided by premium payments from retiree participants and contributions from the state, school districts, and active employees. During 2010, TRS-Care also received additional revenue from the Medicare Part D prescription drug program.

An actuarial valuation for TRS-Care was conducted as of August 31, 2010. The valuation results indicate that TRS-Care has an Unfunded Actuarial Accrued Liability of \$25.0

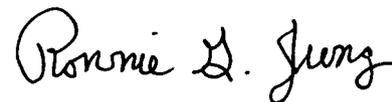
billion. More detailed information about the valuation results is included in the Notes to the Financial Statements and the Required Supplementary Information.

Based on projections, TRS-Care is solvent from a cash flow perspective through August 31, 2014. As in the past, changes to the benefit structure and/or funding structure will need to be considered to extend the life of the program. TRS trustees remain focused on the need to balance revenues and expenses in a fiscally responsible manner, and to offer a program that best suits all participants' needs given available resources.

### 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. 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,

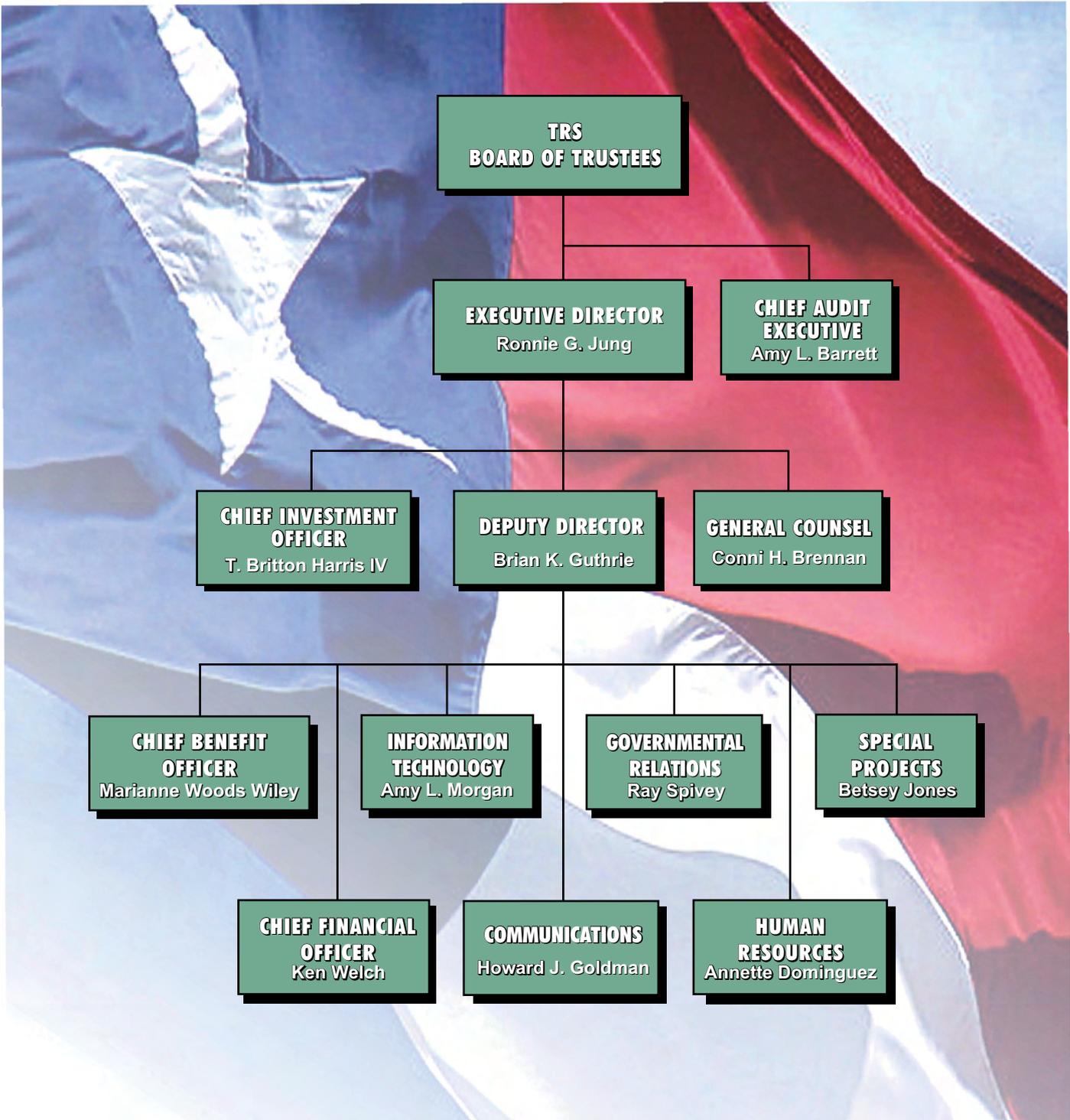


Ronnie G. Jung, C.P.A.  
Executive Director



Ronnie Jung

**ORGANIZATION CHART**



## STAFF AND ADVISORS

### EXECUTIVE ADMINISTRATIVE STAFF

Ronnie G. Jung, *Executive Director*  
Brian K. Guthrie, *Deputy Director*  
T. Britton Harris IV, *Chief Investment Officer*  
Conni H. Brennan, *General Counsel*  
Amy L. Barrett, *Chief Audit Executive*  
Marianne Woods Wiley, *Chief Benefit Officer*  
Ken Welch, *Chief Financial Officer*  
Howard J. Goldman, *Director, Communications*  
Ray Spivey, *Director, Governmental Relations*  
Annette Dominguez, *Director, Human Resources*  
Amy L. Morgan, *Director, Information Technology*  
Betsey Jones, *Director, Special Projects*

### GENERAL INVESTMENT CONSULTANT

Hewitt Ennis Knupp, Chicago, IL

### CONSULTING ACTUARY

Gabriel, Roeder, Smith & Company, Dallas

### INVESTMENT CONSULTANTS

Hamilton Lane Advisors, L.L.C., Bala Cynwyd, PA  
(Domestic Private Equity)  
Altius Associates Limited, UK (International  
Private Equity)  
Albourne America, L.L.C., San Francisco, CA  
(Absolute Return)  
The Townsend Group, Inc., Cleveland, OH  
(Real Estate)

### INVESTMENT ADVISORS

Keith C. Brown, Ph.D., Austin

### AUDIT SERVICES

Texas State Auditor's Office, Austin

### FIDUCIARY COUNSEL

Reinhart Boerner Van Deuren, S.C.,  
Milwaukee, WI

### MEDICAL BOARD

Dr. Alice Cox, Fredericksburg  
Dr. James Reinartz, Austin  
Dr. Larry D. Wilson, Austin

### TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM ADVISORY COMMITTEE

B. Sue Passmore, *Chair*, Dallas  
Wendell Whittenburg, Sweetwater  
William (Bill) W. Barnes, Haslet  
Kim Kriegel, Red Oak  
Dr. Ignacio Salinas, Jr., Benavides  
Nelda Van Dyke, Brenham  
Beth Wallace, San Antonio  
Leona Ellyce Warns, San Antonio  
Gary R. Willis, Midland

### HEALTH CARE CONSULTANT

Gabriel, Roeder, Smith & 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

## MEMBERSHIP

**Pension Trust Fund**

Membership includes employees of state-supported educational institutions in Texas. At August 31, 2010, participating entities included the following:

Independent School Districts	1,031
Charter Schools	201
Community and Junior Colleges	51
Senior Colleges and Universities	45
Regional Education Service Centers	20
Education Districts	8
Medical and Dental Schools	9
State Agencies	2
<b>Total</b>	<b>1,367</b>

Employees and retirees from these entities comprise the membership of the Teacher Retirement System of Texas.

At August 31, 2010, and August 31, 2009, membership consisted of the following:

	<b>Year Ended August 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Current Members:</b>		
Active Contributing	853,984	839,612
Active Noncontributing	107,203	106,276
Deferred Retirement Option	466	586
Inactive Nonvested	13,497	15,572
Inactive Vested	29,039	26,922
<b>Total Current Members</b>	<b>1,004,189</b>	<b>988,968</b>
<b>Retirement Recipients:</b>		
Service	277,088	265,634
Disability	8,677	8,611
Survivor	10,726	10,369
<b>Total Retirement Recipients</b>	<b>296,491</b>	<b>284,614</b>
<b>TOTAL MEMBERSHIP</b>	<b>1,300,680</b>	<b>1,273,582</b>

Membership changes are summarized below:

	<b>2010</b>	<b>2009</b>
<b>Active Membership:</b>		
New Members	74,780	88,359
Members Withdrawing	(36,140)	(37,473)
Service Retirements	(16,054)	(14,008)
Disability Retirements	(652)	(714)
In-Service Deaths	(1,285)	(1,130)
Other Changes	(5,428)	(12,109)
<b>Net Increase</b>	<b>15,221</b>	<b>22,925</b>
<b>Retired Membership:</b>		
Retirements	16,706	14,722
Deaths After Retirement	(6,436)	(5,972)
Option Continuations	1,852	1,698
Other Changes	(245)	(1,062)
<b>Net Increase</b>	<b>11,877</b>	<b>9,386</b>

<b>Active Member Profile</b>	<b>2010</b>	<b>2009</b>
Average Annual Salary	\$ 43,916	\$ 42,930
Average Age	44.2	44.1
Average Years of Service	9.7	9.6

<b>Annuitant and Beneficiary Profile</b>	<b>2010</b>	<b>2009</b>
Average Monthly Annuities		
Life Annuities	\$ 1,863	\$ 1,840
Disability Annuities	\$ 1,167	\$ 1,164
Annuities Certain	\$ 1,000	\$ 994
Average Age of Current Retirees	70.2	70.0
Average Age at Retirement		
All Retirees	59.8	59.8
Current Year Retirees	60.7	60.3
Average Years of Service		
All Retirees	24.6	24.6
Current Year Retirees	24.0	23.7
Average Salary at Retirement		
All Retirees	\$38,023	\$ 37,002
Current Year Retirees	\$49,345	\$ 48,095
Ratio of Current Members to Retirees	3.4 to 1	3.5 to 1

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

Participation for the Retired Plan is summarized below:

	<b>2010</b>	<b>2009</b>
Retirees	161,578	157,726
Surviving Spouses	4,802	4,526
Surviving Children	65	57
Dependent Spouses	31,889	30,692
<b>TOTAL *</b>	<b>198,334</b>	<b>193,001</b>

\* Excludes 5,887 and 5,818 dependent children for 2010 and 2009, respectively.

**Texas Active School Employees Uniform Group Benefits Program (TRS-ActiveCare)**

Participation for the Active Plan is summarized below:

	<b>2010</b>	<b>2009</b>
Employees	245,686	224,694
Dependents	168,435	153,684
<b>TOTAL</b>	<b>414,121</b>	<b>378,378</b>

As of September 1, 2010, there were 1,110 participating entities.

## COMMUNICATIONS

During FY 2010, TRS expanded its efforts to improve communications with its members, retirees, and the general public.

The year began with a concerted effort to reach out to members and retirees throughout the state. TRS staff spoke at conferences across Texas to provide updates on new legislation, investment performance, pension- and health care-related issues, and to explain new ways that members and retirees can obtain the latest information from TRS.

Listed below are achievements of the past year, including those pertaining to the agency's website, toll-free telephone service, print publications, benefit presentations and employer training programs.

### Print Publications

During FY 2010, TRS published three *TRS News* issues to provide members, retirees and employers with important information relating to their benefits. In addition, the agency introduced a comprehensive new booklet to help those seeking information on returning to work for a TRS-covered employer after retirement. Titled *Employment After Retirement*, the booklet is divided into three sections – for those not yet retired, those already retired and those who have taken disability retirement.

The *TRS Benefits Handbook* continues to be the primary guide for members and retirees wishing to learn about their retirement and health care benefits. Featured on the TRS website and mailed to members and retirees, the handbook is also available in Spanish. Additional benefit information is available to members and retirees through brochures, newsletters, other print materials and the TRS website.

### The Internet

Over the past year, TRS continued to improve its role-based website, which enables members, retirees, beneficiaries, employers and the public to easily find information that directly pertains to them. The site has been designed to be inviting to visitors, accessible to persons with disabilities, compatible with various browsers and efficient to maintain. In FY 2010, TRS introduced the following enhancements:

- Expanded the 403(b) Product Registration System to allow companies to add Platform Products to the 403(b) Active Products List.
- Expanded the Online Access system to include

annual health care benefit premium deductions for the previous two calendar years.

- Added Unreported and Sick Leave calculators to the website.
- Expanded the TRS Reporting and Query System (TRAQS) to allow the reporting entities to send employment-after-retirement information prior to year end. (Previously, this information was faxed to TRS.)
- Rewrote the TRAQS application to use the enterprise database.

By late summer 2010, TRS announced plans to unveil *MyTRS*, a new, improved member online access portion of its website. In the fall of 2010, members with valid passwords will be able to plan for retirement, keep track of their personal accounts and receive TRS communications by using this section of the site. Active members will receive temporary user IDs and passwords with their annual statements, providing access to *MyTRS*. Retirees will receive temporary user IDs and passwords in early 2011.

*MyTRS* will also continue to feature *TRS-Connect*, a program introduced in August 2010 that gives members and retirees the ability to receive TRS announcements and various TRS publications electronically when they register their e-mail addresses through the TRS website. Those who register can receive information more quickly than they can by mail. Members who participate in *TRS-Connect* also reduce printing and postage expenses and lower agency operating costs.

TRS maintains a Web-based 403(b) Product Registration System that allows 403(b) companies to submit products for registration. When TRS accepts these products for registration, they are automatically added to a list of 403(b) Registered Products on the site. The list includes information regarding all fees charged in connection with registered qualified investment products and the sale and administration of those products. As of August 2010, there were 357 registered products with 9,689 investment options.

By late summer, TRS had established a video library for use in future videos. The agency also produced its first in a series of TRS Today videos, which were slated for placement on the website by the end of September. The brief videos feature interviews with the system's executive director and deputy director related to TRS-Care, TRS-ActiveCare

## COMMUNICATIONS

and communication initiatives. More TRS Today programs are slated for the coming year.

During fiscal year 2010, the TRS website received a total of 1,600,691 visits, representing a 9.72 percent increase from the previous fiscal year. In addition, 851,070 unique visitors used the site during fiscal year 2010 — a 6.29 percent increase from fiscal year 2009.

### Group Presentations and Individual Retirement Counseling Sessions

Over the past year, TRS made a number of group presentations to professional associations, to employee and retiree groups and at regional education service centers. Presentations focused on retirement options, health benefits for active and retired members, long-term care insurance, employment after retirement, and other TRS benefits. A total of 13,315 people attended 167 group presentations, and 37,000 people attended nine conventions where TRS was represented. In addition, 9,865 people visited individually with a TRS counselor — 9,429 in Austin and 436 in field office visit locations. Fiscal year 2010 was the fourth year that one-on-one retirement counseling sessions were offered in limited field locations throughout Texas, and TRS expanded these sessions to 450 available appointments in 10 cities.

### Telecommunications

In fiscal year 2010, the agency's Benefit Counseling department handled a total of 457,364 calls. In addition, 212,851 calls were completed during the past year within the agency's automated telephone system.

TRS and its contractors also provided telephone assistance to a large number of members seeking health care-related information. TRS-ActiveCare staff and contractors responded to 1,009,559 calls, and TRS-Care staff and contractors responded to 795,593 calls.

### Coordination with Reporting Entities

The TRS Reporting and Query System (TRAQS), the agency's Internet-based reporting system for employers, had 1,301 reporting entities submit monthly reports to TRS by year-end. TRAQS training was conducted through 19 webinar sessions with a total of 1,074 reporting entity staff participating. Some sessions were recorded and placed in the employers section of the TRS website. Webinars offer participants greater convenience than traveling to a central location. They also save TRS staff time and travel expenses. More sessions are planned in the coming year. TRS-ActiveCare training seminars were conducted in 20 locations around the state for approximately 1,154 administrators of 978 districts/entities. These seminars provided information regarding enrollment and ongoing administrative issues for TRS-ActiveCare.

### Member Research Projects

TRS conducted a member satisfaction survey in the spring of 2010. According to the survey, an overwhelming number of active members and retirees were satisfied with the TRS services they received. Retiree satisfaction was particularly high with a 98.7 percent approval rating (satisfied or very satisfied). In addition, 97.4 percent of active members gave TRS a very high rating (satisfied or very satisfied).

The University of North Texas Survey Research Center (SRC) conducted the survey for TRS. SRC completed 1,100 telephone interviews, including 700 interviews with active members and 400 interviews with retirees. Insights gained through the survey are now helping TRS to modify its website, launch new Web-based communications initiatives and make other program enhancements to better serve members and retirees.



# Financial Section



## INDEPENDENT AUDITOR'S REPORT

## Teacher Retirement System Board of Trustees

Mr. R. David Kelly, Chair  
 Mr. Linus D. Wright, Vice Chair  
 Mr. Todd Barth  
 Ms. Charlotte Clifton  
 Mr. Robert Gauntt  
 Mr. Eric C. McDonald  
 Mr. Christopher Moss  
 Mr. Philip Mullins  
 Ms. Nanette Sissney

We have audited the accompanying financial statements of the major enterprise fund and the aggregate remaining fund information, consisting of the fiduciary funds, the nonmajor enterprise fund, and the nonmajor governmental fund, of the Teacher Retirement System of Texas (System), a component unit of the State of Texas, as of and for the year ended August 31, 2010, which collectively comprise the System's basic financial statements, listed as Exhibits I through VII in the Table of Contents. These financial statements are the responsibility of the System's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's fiscal year 2009 financial statements and, in our report dated November 13, 2009, we expressed unqualified opinions on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the major enterprise fund and the aggregate remaining fund information of the System as of August 31, 2010, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). This required supplementary information is the responsibility of the System's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

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 (512) 936-9400

Internet:  
[www.sao.state.tx.us](http://www.sao.state.tx.us)

SAO No. 11-301

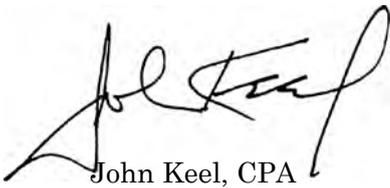
## TEACHER RETIREMENT SYSTEM OF TEXAS

presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 presented as Required Supplementary Information is not a required part of the basic financial statements but is supplementary information required by GASB. The information in Exhibit A and Schedules 1 through 4, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This required and additional supplementary information is the responsibility of the System's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory, Investment, Actuarial, Benefits, and Statistical Sections are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such additional information is the responsibility of the System's management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we will also 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, and contracts and on other matters in a separate report. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



John Keel, CPA  
State Auditor

November 10, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis (MD&A) of the Teacher Retirement System's (TRS or system) financial performance for the fiscal year ended August 31, 2010. The information presented here should be considered in conjunction with other areas of the Financial Section as well as information presented in the Executive Director's Letter of Transmittal in the Introductory Section of the TRS Comprehensive Annual Financial Report.

### Financial Highlights

- The net assets of the TRS pension trust fund were \$95.7 billion at August 31, 2010, an increase of 7.9%, in fiscal year 2010.
- As of August 31, 2010, the date of the most recent actuarial valuation, the TRS pension trust fund's ratio of actuarial assets, as a percentage of actuarial liabilities, was 82.9%, which is lower than the 83.1% level at August 31, 2009.
- The TRS annual rate of return on investments for the year ended August 31, 2010 was 10.7% on a market value basis and was due to moderate growth in the market. The rate of return for fiscal year 2009 was a negative 13.1%.
- Net assets of the Health Benefits Trust Fund – Retired Plan (TRS-Care) were \$815.0 million at August 31, 2010, an increase of 1.9% in fiscal year 2010.
- As of August 31, 2010, the date of the most recent actuarial valuation, the TRS health benefits trust fund's unfunded actuarial accrued liability was \$25.0 billion, which is greater than the \$23.6 billion reported at August 31, 2009.
- Net assets of the TRS-ActiveCare Enterprise Fund were \$299.8 million at August 31, 2010, a decrease of \$110.4 million in fiscal year 2010.

### 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:

- Fund financial statements
- Notes to the financial statements
- Required supplementary information
- Other supplementary schedules

Collectively, this information presents the net assets and fund balances available for pension and other postemployment benefits, health care benefits, and other purposes as of August 31, 2010, and summarizes any changes in net assets or fund balances for the same. The information available in each of these sections is summarized as follows:

### Fund Financial Statements

Individual fund financial statements are presented

for all fiduciary, proprietary and governmental funds as of August 31, 2010 and for the year then ended. Comparative data in total as of August 31, 2009, and for the year then ended has also been presented with the exception of agency funds. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries, to pay health care benefits for covered participants, and to administer the 403(b) Certification Program. Fiduciary funds presented include the Pension Trust Fund, Health Benefits Trust Fund - Retired Plan, and Agency Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of TRS. Proprietary funds account for business-type activities and include the TRS-ActiveCare, and the non-major 403(b) Certification Program enterprise funds. Governmental fund data is presented to account for resources restricted for specific purposes and includes the Children's Health Insurance Program (CHIP) contract with the Health and Human Services Commission. This program ended in 2009, and statements are included for comparative purposes only.

### Notes to the Financial Statements

The financial statement notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. Information available in the notes to the financial statements is described below:

- Note I provides a summary of significant accounting policies, including the basis of accounting, budgets and appropriations, explanations of major asset and liability classes, and legal reserve account information. Also included is a general description of TRS as well as a description of each of the funds administered by TRS.
- Note II provides information on capital assets.
- Note III describes deposits and investments, including investing authority, investment risk categorizations, and additional information about cash, derivatives, securities lending, alternative investments and contingent commitments.
- Note IV provides information on employee compensable leave.
- Note V provides information on the operating lease.
- Note VI provides information on fringe benefits paid by the state and federal government for employees and participants of the health care plans.
- Note VII describes deferred compensation plans available to TRS employees.
- Note VIII provides information on contingent liabilities such as TRS employees' accumulated sick leave, lump sum death benefits and incentive compensation as well as retiree benefits and any pending litigation.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Note IX addresses TRS' continuance subject to review under the Texas Sunset Act.
- Note X describes postemployment health care benefits provided to TRS' employees and retired public school employees.
- Note XI addresses risk management issues related to the health benefits program for active school district employees.
- Note XII provides pension disclosure information including detailed data on the plan description as well as contributions required and made.
- Note XIII provides information on subsequent events.

**Required Supplementary Information**

Required supplementary information consists of schedules related to the funding progress and the contributions from employers and other contributing entities of both the pension plan and the other employee benefit plan administered by TRS. Also included in this component is Management's Discussion and Analysis.

**Other Supplementary Schedules**

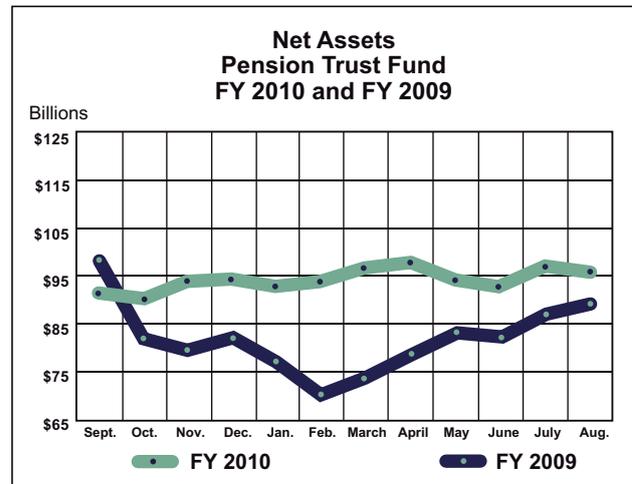
Other schedules include information on agency funds, changes in statutory reserve account balances, budgets for administrative expenses, investing activity expenses, and payments to consultants.

**Financial Analysis of TRS Funds**

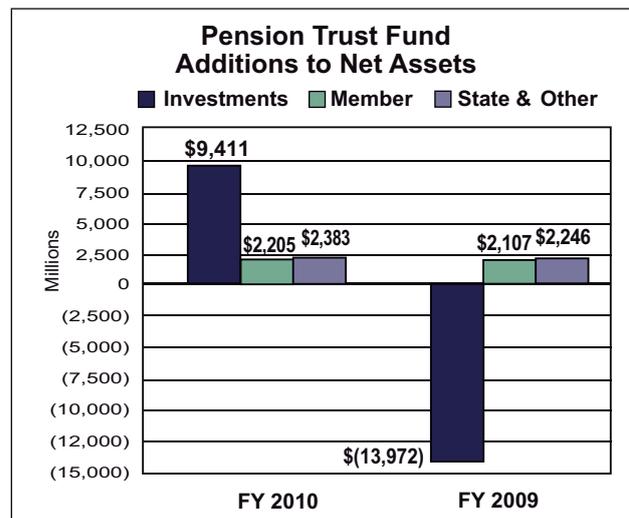
*Pension and Other Employee Benefit Trust Funds*

**Pension Trust Fund**

Net assets held in trust for benefits at August 31, 2010, were \$95.7 billion, an increase of \$7.0 billion over the \$88.7 billion at August 31, 2009.

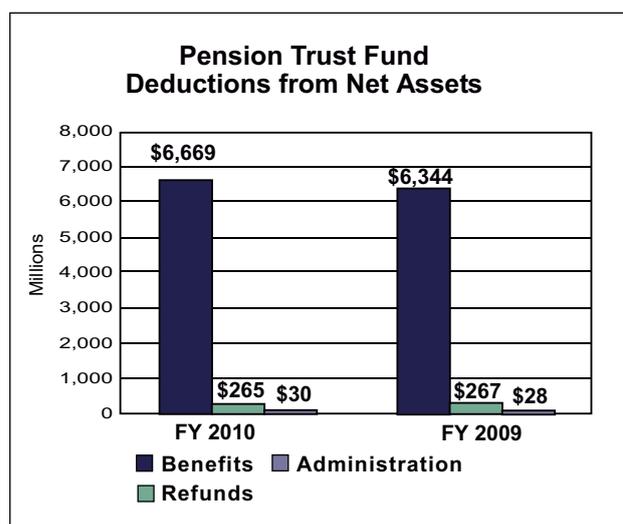


Additions to net assets in the form of member, state and reporting entity contributions for fiscal year 2010 were \$2.2 billion, \$1.9 billion and \$0.4 billion, respectively. Total contributions increased \$221.9 million, or 5.2%, during fiscal year 2010. An increase in active membership and overall payroll growth contributed to the increase in total contributions. The state contribution rate increased from 6.4% to 6.644% in fiscal year 2010 as provided by Section 17.13(c), Article IX of the General Appropriations Act. The member contribution rate remained at 6.4% for fiscal year 2010.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Deductions from TRS net assets held in trust for benefits are predominately retirement, death, and survivor benefits. During fiscal year 2010, benefit payments totaled \$6.7 billion, an increase of approximately \$325.7 million, or 5.1%, from fiscal year 2009 benefit payments of \$6.3 billion. Other deductions for fiscal year 2010 include \$265.2 million in refunds, a decrease of \$1.5 million from fiscal year 2009, and administrative expenses of \$30.0 million, an increase of \$1.7 million over fiscal year 2009. The state appropriated \$2.8 million from the General Revenue Fund to pay for exempt staff salaries. Administrative expenses excluding investment costs on a cost per member basis were \$23.06 for fiscal year 2010 as compared to \$22.23 in fiscal year 2009.



### Net Assets – Pension Trust Fund (Dollars in Thousands)

	Fiscal Year 2010	Fiscal Year 2009	Dollar Change	Percentage Increase/ (Decrease)
<b>Assets:</b>				
Cash and Receivables	\$ 1,483,683	\$ 1,738,198	\$ (254,515)	-14.6%
Investments	94,925,160	87,712,933	7,212,227	8.2%
Invested Securities Lending Collateral	23,601,465	21,852,868	1,748,597	8.0%
Capital Assets	30,998	30,489	509	1.7%
<b>TOTAL ASSETS</b>	<b>\$ 120,041,306</b>	<b>\$ 111,334,488</b>	<b>\$ 8,706,818</b>	<b>7.8%</b>
<b>Liabilities:</b>				
Benefits Payable	\$ 578,168	\$ 549,797	\$ 28,371	5.2%
Investments Purchased Payable	119,435	159,557	(40,122)	-25.1%
Accounts Payable and Other	73,609	57,130	16,479	28.8%
Securities Lending Collateral	23,581,689	21,915,032	1,666,657	7.6%
<b>TOTAL LIABILITIES</b>	<b>\$ 24,352,901</b>	<b>\$ 22,681,516</b>	<b>\$ 1,671,385</b>	<b>7.4%</b>
<b>Total Net Assets</b>	<b>\$ 95,688,405</b>	<b>\$ 88,652,972</b>	<b>\$ 7,035,433</b>	<b>7.9%</b>

### Changes in Net Assets – Pension Trust Fund (Dollars in Thousands)

	Fiscal Year 2010	Fiscal Year 2009	Dollar Change	Percentage Increase/ (Decrease)
<b>Additions:</b>				
Member Contributions	\$ 2,205,017	\$ 2,107,058	\$ 97,959	4.6%
State Contributions and Other	2,383,453	2,245,854	137,599	6.1%
Investment Income (Loss)	9,411,447	(13,971,869)	23,383,316	167.4%
<b>TOTAL ADDITIONS</b>	<b>\$ 13,999,917</b>	<b>\$ (9,618,957)</b>	<b>\$ 23,618,874</b>	<b>245.5%</b>
<b>Deductions:</b>				
Retirement Benefits	\$ 6,669,305	\$ 6,343,564	\$ 325,741	5.1%
Refunds of Contributions	265,186	266,695	(1,509)	-0.6%
Administrative Expenses	29,993	28,310	1,683	5.9%
<b>TOTAL DEDUCTIONS</b>	<b>\$ 6,964,484</b>	<b>\$ 6,638,569</b>	<b>\$ 325,915</b>	<b>4.9%</b>
<b>Net Decrease/(Decrease)</b>	<b>\$ 7,035,433</b>	<b>\$ (16,257,526)</b>	<b>\$ 23,292,959</b>	<b>143.3%</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The overall financial condition of the system improved during 2010 due to net investment income during the year of \$9.4 billion – an increase of 167.4% over fiscal year 2009. This net gain is comprised of net appreciation in fair value of investments of \$7.5 billion, \$1.9 billion in interest and dividends, and net income of \$108.3 million from securities lending reduced by investing activity expenses of \$111.9 million. The net investment loss for fiscal year 2009 was \$14.0 billion.

When comparing returns, it is important to remember that as a pension fund, the TRS investment per-

formance has a very long horizon. Below are rate of return results for the total fund for the periods ending August 31, 2010:

- One-Year 10.7%
- Three-Years -2.8%
- Five-Years 2.9%
- Ten-Years 3.1%

The following table presents the actual investment allocations as of fiscal year end 2010 and 2009 as compared to the target allocations for 2010 and 2009.

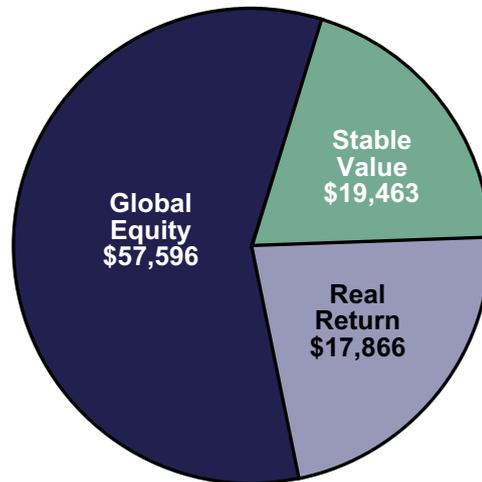
	Fiscal Year 2010		Fiscal Year 2009	
	Target	Actual	Target	Actual
Public Equity	52.0%	51.7%	53.0%	53.8%
Private Equity	8.0%	9.0%	7.0%	6.7%
<b>TOTAL GLOBAL EQUITY</b>	<b>60.0%</b>	<b>60.7%</b>	<b>60.0%</b>	<b>60.5%</b>
Fixed Income	15.0%	15.3%	15.0%	14.3%
Short-Term	1.0%	1.0%	1.0%	3.0%
Hedge Funds	4.0%	4.2%	4.0%	4.1%
<b>TOTAL STABLE VALUE</b>	<b>20.0%</b>	<b>20.5%</b>	<b>20.0%</b>	<b>21.4%</b>
Global Inflation	8.0%	8.6%	10.0%	9.7%
Commodities	8.0%	2.2%	2.0%	1.9%
REITS (Real Estate Investment Trust)	2.0%	2.0%	2.0%	2.2%
Real Estate			5.0%	3.6%
Real Assets	2.0%	6.0%	1.0%	0.7%
<b>TOTAL REAL RETURN</b>	<b>20.0%</b>	<b>18.8%</b>	<b>20.0%</b>	<b>18.1%</b>
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

These asset allocation investment categories and targets are determined by and subject to the system's investment policy guidelines which are reviewed and adjusted by the board as necessary to aid the fund in achieving the long-term portfolio return of 8 percent.

TRS had an annual rate of return of 10.7 percent for the fiscal year of 2010 on investments. At the end of fiscal year 2010 the Pension Trust Fund's investment value was approximately \$7.2 billion more than at the end of fiscal year 2009. TRS has completed the transition to a more diversified investment strategy of 60 percent global equities, 20 percent stable value, and 20 percent real return. TRS continues to enhance its asset management capabilities by adding new external managers for public equities, dislocated credit, and the Strategic Partnership Network.

For additional details on investments and their performance refer to the Investment Section.

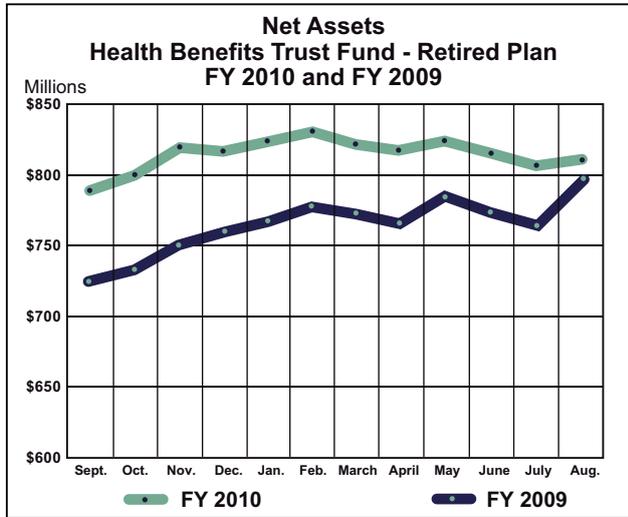
**Pension Trust Fund Investments**  
Market Value as of August 31, 2010  
(in millions)



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Health Benefits Trust Fund - Retired Plan**

Net assets of the Retired Plan (TRS-Care) increased \$14.8 million to \$814.9 million at the end of fiscal year 2010 over \$800.1 million at the end of fiscal year 2009.



Additions to net assets include health care premiums; active member, state and reporting entity contributions; investment earnings; and retiree drug

subsidy payments. Retiree premiums of \$332.5 million for fiscal year 2010 increased \$2.8 million over fiscal year 2009. The total contributions of \$616.7 million increased by 4.4% from the fiscal year 2009 total of \$590.9 million due to overall payroll growth and an increase in plan participation.

Investment income of \$11.7 million decreased \$5.8 million from fiscal year 2009 as a result of reduced cash balances invested and lower interest rates in fiscal year 2010.

Medicare Part D retiree drug subsidy payments received from the federal government totaled \$70.8 million in fiscal year 2010, an increase of 15.1% from the fiscal year 2009 total of \$61.5 million.

Deductions from net assets include claims payments, claims processing costs, and administrative expenses. Claims payments and claims processing costs during fiscal year 2010 totaled \$1,013.9 million and increased 9.6% over total claims of \$925.5 million in fiscal year 2009. The increase is due to the rising costs of health care and pharmacy benefits and to growth in plan participation. A fiscal year end decrease in the estimated amount for claims incurred but not reported resulted in an increase of \$16.8 million in net assets. Administrative expenses increased by 4.0% from fiscal year 2009 primarily due to slight increases in personnel costs and professional fees and services.

**Net Assets – Health Benefits Trust Fund Retired Plan (Dollars in Thousands)**

	Fiscal Year 2010	Fiscal Year 2009	Dollar Change	Percentage Increase/ (Decrease)
<b>Assets:</b>				
Cash and Receivables	\$ 945,970	\$ 929,534	\$ 16,436	1.8%
<b>TOTAL ASSETS</b>	<b>\$ 945,970</b>	<b>\$ 929,534</b>	<b>\$ 16,436</b>	<b>1.8%</b>
<b>Liabilities:</b>				
Accounts Payable and Other	\$ 3,398	\$ 670	\$ 2,728	407.2%
Health Care Claims Payable	127,608	128,716	(1,108)	-0.9%
<b>TOTAL LIABILITIES</b>	<b>\$ 131,006</b>	<b>\$ 129,386</b>	<b>\$ 1,620</b>	<b>1.3%</b>
<b>Total Net Assets</b>	<b>\$ 814,964</b>	<b>\$ 800,148</b>	<b>\$ 14,816</b>	<b>1.9%</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

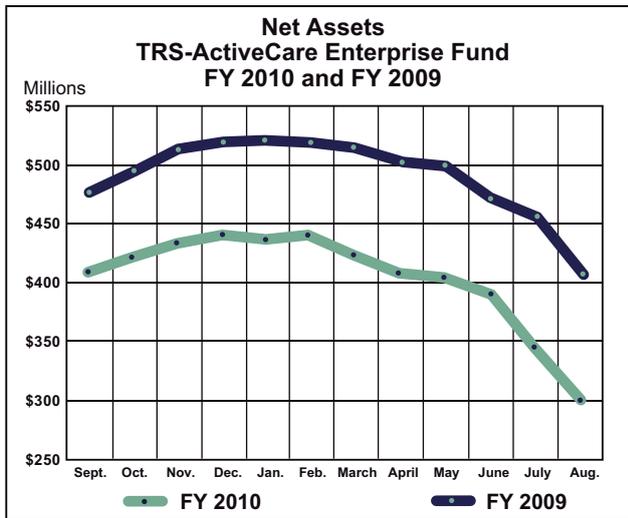
**Changes in Net Assets – Health Benefits Trust Fund Retired Plan**  
(Dollars in Thousands)

	Fiscal Year 2010	Fiscal Year 2009	Dollar Change	Percentage Increase/ (Decrease)
<b>Additions:</b>				
Member Contributions	\$ 181,513	\$ 173,856	\$ 7,657	4.4%
State Contributions and Other	506,066	478,661	27,405	5.7%
Health Care Premiums	332,482	329,723	2,759	0.8%
Investment Income (Loss)	11,679	17,482	(5,803)	-33.2%
<b>TOTAL ADDITIONS</b>	<b>\$ 1,031,740</b>	<b>\$ 999,722</b>	<b>\$ 32,018</b>	<b>3.2%</b>
<b>Deductions:</b>				
Health Care Claims	\$ 971,357	\$ 885,133	\$ 86,224	9.7%
Health Care Claims Processing	42,535	40,364	2,171	5.4%
Administrative Expenses	3,032	2,916	116	4.0%
<b>TOTAL DEDUCTIONS</b>	<b>\$ 1,016,924</b>	<b>\$ 928,413</b>	<b>\$ 88,511</b>	<b>9.5%</b>
<b>Net Increase (Decrease)</b>	<b>\$ 14,816</b>	<b>\$ 71,309</b>	<b>\$ (56,493)</b>	<b>-79.2%</b>

**Enterprise Funds**

**TRS-ActiveCare**

The TRS-ActiveCare program was created by H.B. 3343, 77th Legislature, and began operations in fiscal year 2003. Net assets of the plan were \$299.8 million at the end of fiscal year 2010, a decrease of \$110.4 million, or 26.9%, from fiscal year 2009.



Operating Revenues for fiscal year 2010 included \$1.3 billion from health care premiums, an increase of \$157.2 million (13.4%) over fiscal year 2009. The rise in premium revenue is due to an increase in plan participation. Administrative Fees decreased to \$125 thousand from \$188 thousand in fiscal year 2009. Reimbursements related to the American Recovery and Reinvestment Act (ARRA) of 2009 totaled \$1.2 million for 2010, an increase of \$1.1 million over the previous year. Non-operating Revenues included investment income of \$6.4 million which decreased \$5.2 million or 44.4% from fiscal year 2009 as a result of reduced cash balances invested and lower interest rates in fiscal year 2010.

Health care claims for fiscal year 2010 were \$1.3 billion, a \$190.5 million or 17.0%, increase over \$1.1 billion in fiscal year 2009. The increase is due to the rising costs of health care and pharmacy benefits and to growth in plan participation. Other expenses included claims processing costs of \$67.9 million, \$64.5 million for HMO premium reimbursements, and \$1.9 million for administrative expenses. An upward adjustment to claims incurred but not reported decreased plan net assets by \$178 thousand for fiscal year 2010.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Net Assets – TRS-ActiveCare (Dollars in Thousands)

	Fiscal Year 2010	Fiscal Year 2009	Dollar Change	Percentage Increase/ (Decrease)
<b>Assets:</b>				
Cash and Receivables	\$ 451,561	\$ 544,310	\$ (92,749)	-17.0%
<b>TOTAL ASSETS</b>	<b>\$ 451,561</b>	<b>\$ 544,310</b>	<b>\$ (92,749)</b>	<b>-17.0%</b>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Other	\$ 303	\$ 439	\$ (136)	-31.0%
Premiums Payable to HMO's	5,309	5,336	(27)	-0.5%
Health Care Claims Payable	146,100	128,255	17,845	13.9%
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 151,712</b>	<b>\$ 134,030</b>	<b>\$ 17,682</b>	<b>13.2%</b>
<b>Noncurrent Liabilities:</b>				
Compensable Absences Payable	\$ 39	\$ 41	\$ (2)	-4.9%
<b>TOTAL LIABILITIES</b>	<b>\$ 151,751</b>	<b>\$ 134,071</b>	<b>\$ 17,680</b>	<b>13.2%</b>
<b>Total Net Assets</b>	<b>\$ 299,810</b>	<b>\$ 410,239</b>	<b>\$ (110,429)</b>	<b>-26.9%</b>

### Statement of Revenues, Expenses, and Changes in Net Assets - TRS-ActiveCare (Dollars in Thousands)

	Fiscal Year 2010	Fiscal Year 2009	Dollar Change	Percentage Increase/ (Decrease)
<b>Operating Revenues:</b>				
Health Care Premiums	\$ 1,329,171	\$ 1,172,011	\$ 157,160	13.4%
Administrative Fees	125	188	(63)	-33.5%
ARRA Cobra Reimbursements	1,225	170	1,055	620.6%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 1,330,521</b>	<b>\$ 1,172,369</b>	<b>\$ 158,152</b>	<b>13.5%</b>
<b>Operating Expenses:</b>				
Health Care Claims	\$ 1,313,114	\$ 1,122,647	\$ 190,467	17.0%
Health Care Claims Processing	67,907	60,935	6,972	11.4%
Premium Payments to HMO's	64,532	64,820	(288)	-0.4%
Administrative Expenses	1,883	1,862	21	1.1%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,447,436</b>	<b>\$ 1,250,264</b>	<b>\$ 197,172</b>	<b>15.8%</b>
<b>Non-operating Revenues:</b>				
Investment Income and Other	\$ 6,486	\$ 11,663	\$ (5,177)	-44.4%
<b>Change in Net Assets</b>	<b>\$ (110,429)</b>	<b>\$ (66,232)</b>	<b>\$ (44,197)</b>	<b>-66.7%</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS****403(b) Certification Program  
(Non-major Fund)**

The 403(b) Certification Program was created by S.B. 273, 77th Legislature, and began operations in fiscal year 2002. The program was expanded by H.B. 2427, 80th Legislature, to include the registration of products beginning in fiscal year 2008. Net assets were \$245.8 thousand for fiscal year 2010 as compared to \$355.3 thousand in fiscal year 2009. The fund's total revenues of \$63.4 thousand increased \$39.8 thousand from the fiscal year 2009 total of \$23.6 thousand. Deductions from the fund were administrative expenses of \$172.8 thousand for fiscal year 2010 which includes additional personnel costs. This represents an increase of \$84.8 thousand from the fiscal year 2009 total of \$88.0 thousand.

**Request for Information**

This financial report is designed to provide a general overview of the Teacher Retirement System for those with an interest in the system's finances.

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.



## Statement of Fiduciary Net Assets

AUGUST 31, 2010

(With Comparative Data for Pension and Other Employee Benefit Trust Funds for August 31, 2009)

	FIDUCIARY FUND TYPES	
	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	
	Pension Trust Fund	Health Benefits Trust Fund Retired Plan
<b>ASSETS</b>		
<b>Cash:</b>		
Cash in State Treasury	\$ 861,438,121	\$ 873,606,719
Cash in Bank (Note III.A.)	84,868,536	
Cash on Hand (Note III.B.)	3,672,003	
<b>TOTAL CASH</b>	<b>\$ 949,978,660</b>	<b>\$ 873,606,719</b>
<b>Receivables:</b>		
Sale of Investments	\$ 147,800,560	\$
Interest and Dividends	223,483,544	889,171
Member and Retiree	84,071,923	37,924,707
Reporting Entities	48,983,324	8,414,571
Other	423,453	11,233,522
Due from State's General Fund	27,970,203	13,901,694
Due from Employees Retirement System of Texas	971,294	
<b>TOTAL RECEIVABLES</b>	<b>\$ 533,704,301</b>	<b>\$ 72,363,665</b>
<b>Investments (Notes I.F. and III.E.):</b>		
Short-Term	\$ 8,175,829,363	\$
Short-Term Derivative	(467,338)	
Equities	42,805,497,400	
Fixed Income	19,502,462,264	
Alternative Investments	21,070,904,758	
Derivative Investments	(123,664,947)	
Pooled Investments	3,494,599,035	
<b>TOTAL INVESTMENTS</b>	<b>\$ 94,925,160,535</b>	<b>\$ -0-</b>
Invested Securities Lending Collateral	\$ 23,601,464,926	\$
<b>Capital Assets (Note II.):</b>		
Land	\$ 1,658,310	\$
Building, Capital Projects, Leasehold Improvements, Equipment and Intangibles, at Cost, Net of Accumulated Depreciation/Amortization	29,339,363	
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 30,997,673</b>	<b>\$ -0-</b>
<b>TOTAL ASSETS</b>	<b>\$ 120,041,306,095</b>	<b>\$ 945,970,384</b>

TEACHER RETIREMENT SYSTEM OF TEXAS

		FIDUCIARY FUND TYPES	
TOTAL - PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS			
2010	2009	Agency Funds	
\$ 1,735,044,840	\$ 1,669,629,251	\$	4,107
84,868,536	124,042,211		
3,672,003	2,152,196		
\$ 1,823,585,379	\$ 1,795,823,658	\$	4,107
\$ 147,800,560	\$ 339,937,324	\$	
224,372,715	247,090,927		
121,996,630	118,401,836		
57,397,895	58,455,696		
11,656,975	5,873,837		
41,871,897	101,357,061		
971,294	791,929		
\$ 606,067,966	\$ 871,908,610	\$	-0-
\$ 8,175,829,363	\$ 8,996,775,374	\$	
(467,338)			
42,805,497,400	43,046,546,588		
19,502,462,264	16,577,616,180		
21,070,904,758	17,314,897,399		
(123,664,947)	302,282,839		
3,494,599,035	1,474,814,193		
\$ 94,925,160,535	\$ 87,712,932,573	\$	-0-
\$ 23,601,464,926	\$ 21,852,868,153	\$	
\$ 1,658,310	\$ 1,658,310	\$	
29,339,363	28,831,028		
\$ 30,997,673	\$ 30,489,338	\$	-0-
\$ 120,987,276,479	\$ 112,264,022,332	\$	4,107

(to next page)



## Statement of Fiduciary Net Assets

AUGUST 31, 2010

(With Comparative Data for Pension and Other Employee Benefit Trust Funds for August 31, 2009)  
(concluded)

EXHIBIT I

	FIDUCIARY FUND TYPES	
	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	
	Pension Trust Fund	Health Benefits Trust Fund Retired Plan
<b>LIABILITIES (Note I.F.)</b>		
Accounts Payable	\$ 3,871,150	\$ 1,056,342
External Manager Fees Payable	14,488,487	
Payroll Payable	3,934,465	147,944
Benefits Payable	578,168,075	
Health Care Claims Payable		127,607,686
Investments Purchased Payable	119,435,388	
Securities Lending Collateral	23,581,689,266	
Due to State's General Fund	17,394,384	2,017,053
Due to Employees Retirement System of Texas	5,126,112	
Reinstatement Installment Receipts	21,223,985	
Compensable Absences Payable	5,361,881	177,056
Deferred Rent	2,207,893	
Funds Held for Others		
<b>TOTAL LIABILITIES</b>	<b>\$ 24,352,901,086</b>	<b>\$ 131,006,081</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION/OTHER EMPLOYEE BENEFITS</b>	<b>\$ 95,688,405,009</b>	<b>\$ 814,964,303</b>

*The accompanying Notes to the Financial Statements are an integral part of this financial statement.*

**TEACHER RETIREMENT SYSTEM OF TEXAS**

			<b>FIDUCIARY FUND TYPES</b>
<b>TOTAL - PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</b>			
<b>2010</b>	<b>2009</b>		<b>Agency Funds</b>
\$ 4,927,492	\$ 3,760,467	\$	
14,488,487	16,754,738		
4,082,409	3,484,349		
578,168,075	549,796,590		
127,607,686	128,716,328		
119,435,388	159,557,070		
23,581,689,266	21,915,032,131		
19,411,437			
5,126,112	5,025,029		
21,223,985	21,126,610		
5,538,937	5,262,441		
2,207,893	2,386,505		
			4,107
<u>\$ 24,483,907,167</u>	<u>\$ 22,810,902,258</u>	<u>\$</u>	<u>4,107</u>
<u>\$ 96,503,369,312</u>	<u>\$ 89,453,120,074</u>	<u>\$</u>	<u>-0-</u>



## Statement of Changes in Fiduciary Net Assets

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	
	Pension Trust Fund	Health Benefits Trust Fund Retired Plan
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Member	\$ 2,205,017,425	\$ 181,512,856
State - General Fund	1,574,621,766	253,625,889
State - Federal Funds/Private Grants	306,782,830	25,624,658
Reporting Entities	412,268,503	155,918,241
Health Care Premiums		332,481,933
<b>TOTAL CONTRIBUTIONS AND PREMIUMS</b>	<b>\$ 4,498,690,524</b>	<b>\$ 949,163,577</b>
<b>Investment Income:</b>		
From Investing Activities:		
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 7,542,738,000	\$
Interest	914,151,731	11,679,229
Dividends	958,159,969	
<b>TOTAL INVESTING ACTIVITIES INCOME (LOSS)</b>	<b>\$ 9,415,049,700</b>	<b>\$ 11,679,229</b>
Less: Investing Activity Expenses (Schedule 3)	(111,918,654)	
<b>NET INCOME (LOSS) FROM INVESTING ACTIVITIES</b>	<b>\$ 9,303,131,046</b>	<b>\$ 11,679,229</b>
From Securities Lending Activities:		
Securities Lending Income	\$ 164,683,341	\$
Securities Lending Expenses:		
Borrower Rebates	(40,036,033)	
Management Fees	(16,331,481)	
Net Income from Securities Lending Activities	\$ 108,315,827	\$ -0-
<b>TOTAL NET INVESTMENT INCOME (LOSS)</b>	<b>\$ 9,411,446,873</b>	<b>\$ 11,679,229</b>
<b>Other Additions:</b>		
Reinstatement of Contribution Refunds	\$ 37,442,030	\$
Reinstatement Fees	47,077,732	
Legislative Appropriations	2,805,955	
Legislative Appropriations for Excess Benefits (Note I.E.)	1,504,510	
Miscellaneous Revenues	788,787	
On Behalf Fringe Benefits Paid by the Federal Government (Note VI.)		70,795,686
On Behalf Fringe Benefits Paid by the State (Note VI.)	160,975	101,511
<b>TOTAL OTHER ADDITIONS</b>	<b>\$ 89,779,989</b>	<b>\$ 70,897,197</b>
<b>TOTAL ADDITIONS</b>	<b>\$ 13,999,917,386</b>	<b>\$ 1,031,740,003</b>

**TEACHER RETIREMENT SYSTEM OF TEXAS**

<b>TOTAL - PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</b>	
<b>2010</b>	<b>2009</b>
\$ 2,386,530,281	\$ 2,280,914,214
1,828,247,655	1,727,455,038
332,407,488	297,042,689
568,186,744	562,290,709
332,481,933	329,723,191
<u>\$ 5,447,854,101</u>	<u>\$ 5,197,425,841</u>
\$ 7,542,738,000	\$ (16,030,794,035)
925,830,960	794,158,394
958,159,969	1,108,384,911
<u>\$ 9,426,728,929</u>	<u>\$ (14,128,250,730)</u>
(111,918,654)	(68,990,517)
<u>\$ 9,314,810,275</u>	<u>\$ (14,197,241,247)</u>
\$ 164,683,341	\$ 371,868,589
(40,036,033)	(93,966,133)
(16,331,481)	(35,047,788)
<u>\$ 108,315,827</u>	<u>\$ 242,854,668</u>
\$ 9,423,126,102	\$ (13,954,386,579)
\$ 37,442,030	\$ 37,880,721
47,077,732	36,661,692
2,805,955	
1,504,510	1,553,381
788,787	3,899
70,795,686	61,530,735
262,486	95,929
<u>\$ 160,677,186</u>	<u>\$ 137,726,357</u>
<u>\$ 15,031,657,389</u>	<u>\$ (8,619,234,381)</u>

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## Statement of Changes in Fiduciary Net Assets

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010 (With Comparative Data for August 31, 2009)  
(concluded)

EXHIBIT II

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	
	Pension Trust Fund	Health Benefits Trust Fund Retired Plan
<b>DEDUCTIONS:</b>		
Benefits	\$ 6,667,800,352	\$
Refunds of Contributions	265,186,589	
Health Care Claims		971,356,805
Health Care Claims Processing		42,535,601
Administrative Expenses, Net of Investing Activity Expenses	29,992,608	3,031,686
Excess Benefits	1,504,510	
<b>TOTAL DEDUCTIONS</b>	<b>\$ 6,964,484,059</b>	<b>\$ 1,016,924,092</b>
<b>Net Increase (Decrease)</b>	<b>\$ 7,035,433,327</b>	<b>\$ 14,815,911</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION/OTHER EMPLOYEE BENEFITS - BEGINNING OF YEAR</b>	<b>\$ 88,652,971,682</b>	<b>\$ 800,148,392</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION/OTHER EMPLOYEE BENEFITS - END OF YEAR</b>	<b>\$ 95,688,405,009</b>	<b>\$ 814,964,303</b>

*The accompanying Notes to the Financial Statements are an integral part of this financial statement.*

**TEACHER RETIREMENT SYSTEM OF TEXAS**

<b>TOTAL - PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</b>	
<b>2010</b>	<b>2009</b>
\$ 6,667,800,352	\$ 6,342,010,323
265,186,589	266,695,076
971,356,805	885,132,865
42,535,601	40,364,063
33,024,294	31,226,707
1,504,510	1,553,381
<b>\$ 7,981,408,151</b>	<b>\$ 7,566,982,415</b>
\$ 7,050,249,238	\$ (16,186,216,796)
\$ 89,453,120,074	\$ 105,639,336,870
<b>\$ 96,503,369,312</b>	<b>\$ 89,453,120,074</b>



## Statement of Net Assets

### PROPRIETARY FUNDS

AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

EXHIBIT III

	Enterprise Funds	
	Major Fund	Nonmajor Fund
	TRS-ActiveCare	403(b) Certification Program
<b>ASSETS</b>		
<b>Current Assets:</b>		
<b>Cash:</b>		
Cash in State Treasury	\$ 387,286,693	\$ 275,095
<b>TOTAL CASH</b>	<b>\$ 387,286,693</b>	<b>\$ 275,095</b>
<b>Accounts Receivable:</b>		
Interest	\$ 418,967	\$ 269
Health Care Premiums	63,409,356	
ARRA Cobra Premiums	446,080	
<b>TOTAL ACCOUNTS RECEIVABLE</b>	<b>\$ 64,274,403</b>	<b>\$ 269</b>
<b>TOTAL ASSETS</b>	<b>\$ 451,561,096</b>	<b>\$ 275,364</b>
<b>LIABILITIES (Note I.F.)</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 122,946	\$
Payroll Payable	103,409	12,362
Premiums Payable to HMOs	5,308,671	
Health Care Claims Payable	146,100,209	
Compensable Absences Payable	76,899	8,470
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 151,712,134</b>	<b>\$ 20,832</b>
<b>Noncurrent Liabilities:</b>		
Compensable Absences Payable	\$ 38,835	\$ 8,755
<b>TOTAL LIABILITIES</b>	<b>\$ 151,750,969</b>	<b>\$ 29,587</b>
<b>NET ASSETS</b>		
Restricted for Administrative Expenses	\$	\$ 245,777
Unrestricted	299,810,127	
<b>TOTAL NET ASSETS</b>	<b>\$ 299,810,127</b>	<b>\$ 245,777</b>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

**TEACHER RETIREMENT SYSTEM OF TEXAS**

<b>Total Enterprise Funds</b>	
<b>2010</b>	<b>2009</b>
\$ 387,561,788	\$ 487,128,433
\$ 387,561,788	\$ 487,128,433
\$ 419,236	\$ 788,890
63,409,356	56,584,741
446,080	170,219
\$ 64,274,672	\$ 57,543,850
\$ 451,836,460	\$ 544,672,283
\$ 122,946	\$ 260,249
115,771	112,462
5,308,671	5,336,353
146,100,209	128,255,190
85,369	72,508
\$ 151,732,966	\$ 134,036,762
\$ 47,590	\$ 41,369
\$ 151,780,556	\$ 134,078,131
\$ 245,777	\$ 355,260
299,810,127	410,238,892
\$ 300,055,904	\$ 410,594,152



## Statement of Revenues, Expenses, and Changes in Fund Net Assets

### PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

EXHIBIT IV

	Enterprise Funds	
	Major Fund	Nonmajor Fund
	TRS-ActiveCare	403(b) Certification Program
<b>OPERATING REVENUES:</b>		
Health Care Premiums	\$1,329,171,411	\$
Administrative Fees	125,321	
ARRA Cobra Reimbursements	1,225,158	
Certification Fees		30,000
Product Registration Fees		21,000
<b>TOTAL OPERATING REVENUES</b>	<b>\$1,330,521,890</b>	<b>\$ 51,000</b>
<b>OPERATING EXPENSES:</b>		
Health Care Claims	\$1,313,114,197	\$
Health Care Claims Processing	67,906,654	
Premium Payments to HMOs	64,532,253	
Administrative Expenses	1,881,291	155,610
Compensable Absences	1,857	17,225
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,447,436,252</b>	<b>\$ 172,835</b>
<b>OPERATING (LOSS)</b>	<b>\$ (116,914,362)</b>	<b>\$ (121,835)</b>
<b>NONOPERATING REVENUES:</b>		
Investment Income	\$ 6,421,269	\$ 4,318
On Behalf Fringe Benefits Paid by the State (Note VI.)	64,328	8,034
<b>TOTAL NONOPERATING REVENUES</b>	<b>\$ 6,485,597</b>	<b>\$ 12,352</b>
<b>Change in Net Assets</b>	<b>\$ (110,428,765)</b>	<b>\$ (109,483)</b>
<b>TOTAL NET ASSETS - BEGINNING</b>	<b>\$ 410,238,892</b>	<b>\$ 355,260</b>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 299,810,127</b>	<b>\$ 245,777</b>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

**TEACHER RETIREMENT SYSTEM OF TEXAS**

<b>Total Enterprise Funds</b>	
<b>2010</b>	<b>2009</b>
\$ 1,329,171,411	\$ 1,172,011,048
125,321	187,813
1,225,158	170,219
30,000	6,000
21,000	9,000
<u>\$ 1,330,572,890</u>	<u>\$ 1,172,384,080</u>
\$ 1,313,114,197	\$ 1,122,646,958
67,906,654	60,934,432
64,532,253	64,820,440
2,036,901	1,949,949
19,082	
<u>\$ 1,447,609,087</u>	<u>\$ 1,250,351,779</u>
<u>\$ (117,036,197)</u>	<u>\$ (77,967,699)</u>
\$ 6,425,587	\$ 11,606,550
72,362	64,975
<u>\$ 6,497,949</u>	<u>\$ 11,671,525</u>
\$ (110,538,248)	\$ (66,296,174)
<u>\$ 410,594,152</u>	<u>\$ 476,890,326</u>
<u>\$ 300,055,904</u>	<u>\$ 410,594,152</u>



## Statement of Cash Flows

### PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

EXHIBIT V

	Enterprise Funds	
	Major Fund	Nonmajor Fund
	TRS-ActiveCare	403(b) Certification Program
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Health Care Premiums	\$ 1,323,200,799	\$
Receipts from Long-Term Care Administrative Fees	125,321	
Receipts from Certification/Product Registration Fees		51,000
Payments for Administrative Expenses	(1,860,691)	(142,546)
Payments for Health Care Claims	(1,295,363,008)	
Payments for Health Care Claims Processing	(67,812,825)	
Payments for HMO Premiums	(64,559,935)	
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (106,270,339)</b>	<b>\$ (91,546)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Received	\$ 6,790,730	\$ 4,510
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>\$ 6,790,730</b>	<b>\$ 4,510</b>
Net (Decrease) in Cash	\$ (99,479,609)	\$ (87,036)
<b>CASH AND CASH EQUIVALENTS - SEPTEMBER 1</b>	<b>\$ 486,766,302</b>	<b>\$ 362,131</b>
<b>CASH AND CASH EQUIVALENTS - AUGUST 31</b>	<b>\$ 387,286,693</b>	<b>\$ 275,095</b>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES</b>		
Operating (Loss)	\$ (116,914,362)	\$ (121,835)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:		
(Increase) in Health Care Premiums Receivable	\$ (7,100,475)	\$
(Decrease) in Premiums Payable to HMOs	(27,682)	
Increase in Health Care Claims Payable	17,845,019	
Increase (Decrease) in Accounts Payable	(129,971)	(7,332)
Increase (Decrease) in Payroll Payable	(9,053)	12,362
Increase (Decrease) in Compensable Absences Payable	1,857	17,225
On Behalf Fringe Benefits Paid by the State (Note VI.)	64,328	8,034
<b>Total Adjustments</b>	<b>\$ 10,644,023</b>	<b>\$ 30,289</b>
<b>Net Cash (Used) by Operating Activities</b>	<b>\$ (106,270,339)</b>	<b>\$ (91,546)</b>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

TEACHER RETIREMENT SYSTEM OF TEXAS

<b>Total Enterprise Funds</b>	
<b>2010</b>	<b>2009</b>
\$ 1,323,200,799	\$ 1,165,530,400
125,321	187,813
51,000	15,000
(2,003,237)	(1,846,513)
(1,295,363,008)	(1,107,449,363)
(67,812,825)	(60,896,335)
(64,559,935)	(65,036,559)
<hr/>	<hr/>
\$ (106,361,885)	\$ (69,495,557)
<hr/>	<hr/>
\$ 6,795,240	\$ 12,084,181
<hr/>	<hr/>
\$ 6,795,240	\$ 12,084,181
<hr/>	<hr/>
\$ (99,566,645)	\$ (57,411,376)
<hr/>	<hr/>
\$ 487,128,433	\$ 544,539,809
<hr/>	<hr/>
\$ 387,561,788	\$ 487,128,433
<hr/>	<hr/>
<hr/>	<hr/>
\$ (117,036,197)	\$ (77,967,699)
<hr/>	<hr/>
\$ (7,100,475)	\$ (6,793,268)
(27,682)	(216,119)
17,845,019	15,235,692
(137,303)	172,819
3,309	11,867
19,082	(3,824)
72,362	64,975
<hr/>	<hr/>
\$ 10,674,312	\$ 8,472,142
<hr/>	<hr/>
\$ (106,361,885)	\$ (69,495,557)
<hr/>	<hr/>



**Balance Sheet**  
**GOVERNMENTAL FUND**  
**AUGUST 31, 2010 (With Comparative Data for August 31, 2009)**

EXHIBIT VI

	School Employee Children's Health Insurance Program Special Revenue Fund*	
	2010	2009
TOTAL ASSETS	\$ -0-	\$ -0-
TOTAL LIABILITIES AND FUND BALANCE	\$ -0-	\$ -0-

*The accompanying Notes to the Financial Statements are an integral part of this financial statement.*

*\*This fund has activity presented on the Statement of Revenues, Expenditures, and Changes in Fund Balance.*



## Statement of Revenues, Expenditures, and Changes in Fund Balance

### GOVERNMENTAL FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

	School Employee Children's Health Insurance Program Special Revenue Fund*	
	2010	2009
<b>REVENUES:</b>		
Legislative Appropriations	\$	\$ 13,192,708
<b>TOTAL REVENUES</b>	\$ -0-	\$ 13,192,708
<b>EXPENDITURES:</b>		
Administrative Expenditures	\$	\$
<b>TOTAL EXPENDITURES</b>	\$ -0-	\$ -0-
Excess of Revenues Over Expenditures	\$ -0-	\$ 13,192,708
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfer Out to HHSC	\$ -0-	\$ (13,192,708)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	\$ -0-	\$ (13,192,708)
<b>FUND BALANCE - BEGINNING</b>	\$ -0-	\$ -0-
<b>FUND BALANCE - ENDING</b>	\$ -0-	\$ -0-

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

\* The interagency contract with the Health and Human Services Commission (HHSC) for the Children's Health Insurance Program became effective September 1, 2007. Legislative appropriations were received by TRS in fiscal year 2009 and transferred to HHSC in September 2008.

**NOTES TO THE FINANCIAL STATEMENTS**

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## NOTES TO THE FINANCIAL STATEMENTS

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. REPORTING ENTITY

The Teacher Retirement System of Texas (TRS) is governed by a nine member board of trustees which has significant independence in the operations and management of the system. The 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. TRS is a separate legal entity and considered a discrete component unit of the State of Texas.

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 the public, state-supported, educational institutions of Texas. It operates primarily under the provisions of Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C.

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, the Retired Plan (TRS-Care) and the Active Plan (TRS-ActiveCare), respectively.

The TRS-Care Retired Plan is considered a postemployment benefit 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, Chapter 1575 and Texas Administrative Code, Title 34, Part 3, Chapter 41. The inception of the plan was fiscal year 1986.

The TRS-ActiveCare Plan provides health care coverage to employees (and their dependents) of participating public education entities. This plan was mandated by H.B. 3343, 77th Legislature, Regular Session and began operations on September 1, 2002.

The system also administers a 403(b) Certification Program in which companies must be certified by TRS to offer to public education employees a qualified investment product under IRS Code 403(b) through payroll deduction. This program was mandated by S.B. 273, 77th Legislature, Regular Session and began operations September 1, 2001. It was later amended by H.B. 2427, 80th Legislature, to include the registration of products.

Agency funds are used to account for the purchase of savings bonds by participating TRS employees and also garnishments of salaries and wages for child support payments from TRS employees.

TRS had an interagency contract with the Health and Human Services Commission to fund the Children's Health Insurance Program at the commission for those children of school district personnel who are enrolled in the program. This contract was mandated by the 80th Legislature, Regular Session and is effective for the fiscal years 2008 and 2009 biennium. It is presented in fiscal year 2010 strictly for comparative purposes.

#### B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of TRS 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 complete set of self-balancing accounts that comprise its assets, liabilities, additions, deductions, revenues and expenses/expenditures. The following fund types are used to reflect the system's transactions:

- Fiduciary Funds – include the Pension Trust Fund, the Health Benefits Trust Fund-Retired Plan, and Agency Funds.
- Proprietary Funds – include the TRS-ActiveCare Enterprise Fund, and the 403(b) Certification Program Enterprise Fund which is not considered a major fund.
- Governmental Fund – includes the School Employee Children's Health Insurance Program Special Revenue Fund which is not considered a major fund.

Fiduciary funds are used to report assets held in a trustee or agency capacity on behalf of others. The reporting focus is on net assets and changes in net assets. The pension and other employee 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 postemployment benefit plan. Agency funds are used to report resources held in a purely custodial capacity by the reporting government.

The proprietary enterprise funds account for business-type activities. The reporting focus is on the determination of operating income, changes in net assets, financial position, and cash flows.

The governmental special revenue fund accounts for revenues legally restricted for a specified purpose. Revenues, expenditures, sources, uses and balances of financial resources are the reporting focus.

Separate financial statements are provided for each fund. The fiduciary (excluding agency 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

**NOTES TO THE FINANCIAL STATEMENTS**

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 the funds' financial statements. Capital assets are depreciated or amortized if appropriate.

The governmental fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are considered to be available and collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Agency funds are custodial in nature and do not measure the results of operations. Assets and liabilities are recorded using the accrual basis of accounting. Agency funds are used to report assets collected and transferred to the state or other entities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary funds' financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to the same limitation. TRS has elected not to follow subsequent private-sector guidance.

**C. NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* was issued in June 2007, and is effective for financial statements for reporting periods beginning after June 15, 2009 with earlier application encouraged. The objective of this statement is to reduce the inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization resulting in a more faithful representation of the service capacity of intangible assets. The requirements of this statement have been implemented by TRS for fiscal year 2010.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* was issued in June 2008, and is effective for reporting periods beginning after June 15, 2009, with earlier application encouraged. This statement establishes uniform financial reporting standards for derivative instruments. The system currently holds only investment derivative instruments. The requirements of this statement have been implemented by TRS for fiscal year 2010.

**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, 2009, from which the summarized information was derived.

**E. BUDGETS AND APPROPRIATIONS**

The administrative costs and capital 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 for retirement benefits from general revenue appropriations. In fiscal years 2010 and 2009, contributions were made to the retirement system at the rate of 6.644% and 6.58%, respectively, of the aggregate compensation paid to active retirement system members for each year. Although appropriated by the legislature, administrative expenses and capital outlay for the Pension Trust Fund are paid from the fund's Expense Account, and not from the state's General Fund. However, for fiscal year 2010, the 81st Legislature, Regular Session appropriated \$3.7 million of general revenue to fund exempt salary positions. In response to the letter from the Governor, Lieutenant Governor and Speaker of the House dated January 15, 2010, requesting a reduction in General Revenue and General Revenue-Dedicated spending by five percent, TRS returned unexpended appropriated funds as a part of this statewide cost saving effort.

The Health Benefits Trust Fund - Retired Plan (TRS-Care) receives appropriations from the state's General Fund equal to 1.0% of the salaries of public education employees. Administrative expenses for this program are paid from the trust fund.

The two Enterprise Funds, TRS-ActiveCare and the 403(b) Certification Program, are supported by fees and receive no appropriations from the state for administrative expenses.

Effective September 1, 1997, legislation authorized TRS to administer a governmental excess benefit arrangement under section 415(m) of the Internal Revenue Code of 1986 (26 U.S.C. section 415(m)). This legislation created a separate, nonqualified, unfunded excess benefit arrangement outside the trust fund of the retirement system.

## NOTES TO THE FINANCIAL STATEMENTS

Contributions to this 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 assets; therefore, for reporting purposes only the contributions and benefits are reflected on Exhibit II, Statement of Changes in Fiduciary Net Assets.

### F. ASSETS, LIABILITIES AND LEGAL RESERVES

#### Investments

Short-term investments are those maturing within one year of purchase date.

Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and the lowest priority to the use of unobservable inputs. Management's estimated market values for investments without readily ascertainable market values could differ significantly if a ready market for these assets existed. Because of the inherent uncertainties in estimating fair value, it is at least reasonably possible that the estimates will change in the near-term.

Global foreign exchange holdings are translated using the London 4 O'clock Closing Spot Rate from a third party vendor.

The fair value of equity investments is measured based on the primary exchange last sale price or the official close price from the pricing vendor for all exchange listed equities. For delisted securities, the last available close price is utilized. The fair value of local access products, including equity-linked certificates and participation notes which replicate the performance of an underlying security, index, or market for which investment in the local market or in the ADRs or GDRs, or the total return swap market would be difficult or costly, or both, is estimated using a proprietary pricing service.

The fair value of fixed income investments is measured based on exchange quotes or vendor sourced evaluated bid prices. Where constituent data is available, the system will also use a benchmark source. Mortgage backed securities are priced on a pool specific basis or, if not available, using the income method which considers the prepayment speed.

The system has ownership interests in the form of Limited Partnerships (LP). These LPs include equity securities of companies that have not "gone public" (i.e., private equity), various investment vehicles in real estate companies (i.e., real estate), and diversified baskets of investments in collective vehicles whose returns are intended to be largely independent of the returns of the public markets (i.e., absolute return). These investments are generally illiquid and the system's ability to gain insights into the underlying portfolios of some of the LPs may be limited. The fair value of these LPs is measured based on the Net Asset Value (NAV) of the entity as provided from the General Partner (GP). The system determines whether the NAV is in accordance with the Investment Companies Guide and is in phase. If these conditions are not met, the system adjusts the NAV accordingly or performs further analysis to estimate fair value of its LP interest. A NAV that is out of phase may be adjusted for subsequent contributions, distributions, management fees and reserves, material changes in fair value of the underlying investments which make up the NAV, or an updated valuation obtained from the GP.

A commingled fund is a pool of assets from multiple investors which are under the direction of an external fund manager. These instruments are typically entered into by executing an Investment Management Agreement or are registered, publicly traded pools that are accessible by many investors. The fair value of commingled funds is generally estimated by the fund administrator retained by the fund manager.

Investment derivative instruments are reported at fair value. When the fund holds investment derivatives with offsetting market risks, it nets the offsetting positions.

The fair value of option and future contracts traded in active markets is estimated based on the current exchange close price. For option contracts, if a current day close price is not available, a fully vetted valuation model to estimate fair value is discerned through coordination with the portfolio manager and/or the independent clearing broker. For future contracts, if a current day close price is not available, the last price or settlement price may also be used, depending on availability; or if quoted prices are not available, a fully vetted valuation model to estimate fair value is discerned through coordination with the portfolio manager and/or the independent clearing broker. Futures contracts are marked to market daily. The net offsetting positions are reported as accruals, with a daily variation margin (the gain or loss) recorded between the daily value of the contracts and the value on the previous day.

The fair value of fairly generic credit default swap and interest rate swap arrangements are estimated using appropriate pricing models. At each day's close, if the variables required to successfully complete the pricing model are not available, the system utilizes a "proxy price" to estimate the fair value at the closing day. Once the variables are available, the system corrects the proxy price. These arrangements are priced "clean" meaning the fair values do not include accrued interest. The fair value of total return and other more complex swap arrangements are estimated using a pricing model or a proprietary pricing agent.

## NOTES TO THE FINANCIAL STATEMENTS

The fair value of forward contracts is estimated by adding the forward points to the corresponding spot rate. These rates are then applied to the outstanding currency exchange to derive a change in valuation.

### Securities Lending

The system reports loaned securities, the invested cash collateral, and the related liabilities resulting from securities lending transactions on Exhibit I, Statement of Fiduciary Net Assets. The system also reports the earned income from securities lending on Exhibit II, Statement of Changes in Fiduciary Net Assets. Both the loaned securities and the invested cash collateral are reported at quoted market prices.

### Liabilities

Accounts payable represents the liability for assets or services received at fiscal year end for which payment is pending.

Benefits payable for the Pension Trust Fund represents the liability for retirement, disability, and death benefits due at fiscal year end and payable within the next 30 days. The health care claims payable for the Health Benefits Trust Fund - Retired Plan and the TRS-ActiveCare Enterprise Fund includes an estimate for health care claims incurred but not reported to the system at August 31, 2010.

Investments purchased payable represents the liability for securities purchased prior to fiscal year end for which cash payment will be made after fiscal year end. Foreign investments purchased payable is reported at current exchange rates.

Reinstatement installment receipts are payments for service purchases establishing additional creditable service. Payments are made on a monthly basis for up to five years until sufficient to cover the total cost of the service purchased. Amounts paid, less administrative expenses, are refundable on demand. Revenues will be reported at the time the payments are sufficient to cover the total cost.

Employees compensable absences balances represent the liability that becomes due upon the occurrence of relevant events such as resignations, retirements and uses of leave balances by covered employees. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid. Liabilities are reported separately as either current or noncurrent in the statement of net assets for enterprise funds if appropriate.

Deferred rent represents a reduction to rental expenses for the rent abatement and incentives received from the noncancelable operating lease that are being amortized over the lease term.

### Legal Reserve Accounts

The Pension Trust Fund has five statutorily required reserves. The Member Savings Account reserve represents the accumulation of active member deposits plus interest. The State Contribution Account consists of reserves available to fund future active member retirement, death, and survivor benefits. The Retired Reserve Account represents reserves to pay retirement, death, survivor benefits and post-retirement benefit increases. The Deferred Retirement Option Account consists of the accumulation of participating member deposits plus interest less benefits paid out. Net investment gains or losses are accumulated in the Interest Account and transferred to the State Contribution Account together with any other balance remaining in the Interest Account. The Expense Account represents reserves to pay administrative expenses of the Pension Trust Fund that exceed the state's appropriations and that are required to perform the fiduciary duties of the board. The statutory accounts are a requirement of the Texas Government Code, Chapter 825, Sections 307-313.

## G. INTERFUND/INTERAGENCY TRANSACTIONS AND BALANCES

Transactions between the system's funds have been classified in accordance with the following criteria that are consistent with generally accepted accounting principles (GAAP).

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/expenditures as if transacted with parties external to the state, i.e., they are not presented as transfers. The interfund receivables and payables related to reciprocal interfund activity are classified as accounts receivable and accounts payable on the financial statements.

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

## NOTES TO THE FINANCIAL STATEMENTS

### II. CAPITAL ASSETS

Capital assets are presented at historical cost or, if not purchased, at fair value at date of acquisition. Depreciation and amortization have been provided over the estimated useful lives of the assets or lease period, whichever is shorter, using the straight-line method. All capital assets belong to the Pension Trust Fund. Capitalization thresholds and useful lives for the capital asset classes are as follows:

Asset Class	Capitalization Threshold	Useful Life
Buildings	\$ 100,000	50 years
Building Improvements and Benefits Project	\$ 100,000	15 years
Leasehold Improvements	\$ 100,000	6 years
Furniture, Equipment and Other Assets	\$ 5,000	5 years
Internally Generated Computer Software	\$ 1,000,000	5 years
Other Computer Software	\$ 100,000	5 years

Capital asset balances and current year transactions are presented in the table on the following page.

## NOTES TO THE FINANCIAL STATEMENTS

Asset Class	Balance 09/01/2009	Adjustments	Additions	Deletions	Balance 08/31/2010 (Exhibit I)
<b>Non-Depreciable Assets:</b>					
Land and Land Improvements	\$ 1,658,310	\$	\$	\$	\$ 1,658,310
Construction in Progress			1,837,601		1,837,601
Other Capital Assets	124,136				124,136
<b>Total Non-Depreciable Assets</b>	<b>\$ 1,782,446</b>	<b>\$ -0-</b>	<b>\$ 1,837,601</b>	<b>\$ -0-</b>	<b>\$ 3,620,047</b>
<b>Depreciable Assets:</b>					
Buildings and Building Improvements	\$ 30,922,214	\$	\$ 165,071	\$	\$ 31,087,285
Furniture and Equipment	19,093,121	(12,220,330)	700,454	(1,150,317)	6,422,928
Vehicles, Boats and Aircraft	45,721				45,721
Leasehold Improvements	3,096,189				3,096,189
Other Capital Assets	234,840	(2,071)	14,853		247,622
<b>Total Depreciable Assets at Historical Cost</b>	<b>\$ 53,392,085</b>	<b>\$ (12,222,401)</b>	<b>\$ 880,378</b>	<b>\$ (1,150,317)</b>	<b>\$ 40,899,745</b>
<b>Less Accumulated Depreciation for:</b>					
Buildings and Building Improvements	\$ (12,916,849)	\$	\$ (760,211)	\$	\$ (13,677,060)
Furniture and Equipment	(11,301,559)	6,929,245	(731,632)	1,150,317	(3,953,629)
Vehicles, Boats and Aircraft	(45,721)				(45,721)
Leasehold Improvements	(258,016)		(516,031)		(774,047)
Other Capital Assets	(163,048)		(8,664)		(171,712)
<b>Total Accumulated Depreciation</b>	<b>\$ (24,685,193)</b>	<b>\$ 6,929,245</b>	<b>\$ (2,016,538)</b>	<b>\$ 1,150,317</b>	<b>\$ (18,622,169)</b>
<b>Depreciable Assets, Net</b>	<b>\$ 28,706,892</b>	<b>\$ (5,293,156)</b>	<b>\$ (1,136,160)</b>	<b>\$ -0-</b>	<b>\$ 22,277,576</b>
<b>Intangible Assets:</b>					
Computer Software	\$	\$ 12,220,330	\$ 633,537	\$	\$ 12,853,867
<b>Total Intangible Assets at Historical Cost</b>	<b>\$ -0-</b>	<b>\$ 12,220,330</b>	<b>\$ 633,537</b>	<b>\$ -0-</b>	<b>\$ 12,853,867</b>
<b>Less Accumulated Amortization for:</b>					
Computer Software	\$	\$ (6,929,245)	\$ (824,572)	\$	\$ (7,753,817)
<b>Total Accumulated Amortization</b>	<b>\$ -0-</b>	<b>\$ (6,929,245)</b>	<b>\$ (824,572)</b>	<b>\$ -0-</b>	<b>\$ (7,753,817)</b>
<b>Intangible Assets, Net</b>	<b>\$ -0-</b>	<b>\$ 5,291,085</b>	<b>\$ (191,035)</b>	<b>\$ -0-</b>	<b>\$ 5,100,050</b>
<b>Fiduciary Capital Assets, Net of Accumulated Depreciation/Amortization</b>	<b>\$ 30,489,338</b>	<b>\$ (2,071)</b>	<b>\$ 510,406</b>	<b>\$ -0-</b>	<b>\$ 30,997,673</b>

### III. DEPOSITS AND INVESTMENTS

#### A. CASH IN BANK AND DEPOSITS

Cash and deposits of the system are maintained in bank accounts or in the State Treasury. Foreign bank deposits are reported at current exchange rates. At August 31, 2010, the carrying amount totaled \$84,868,536 and the bank balance totaled \$84,859,174. The State Treasury invests funds in time deposits, repurchase and reverse repurchase agreements, obligations of the United States, and obligations of various federal credit organizations. The State Treasury has an arrangement with financial institutions to collateralize state deposits in excess of depository insurance.

#### B. CASH AND CASH EQUIVALENTS

At August 31, 2010, the system had \$3,672,003 in cash on hand. This total is related to checks for purchases of special service that were being held pending approval of rollover transfer forms.

**NOTES TO THE FINANCIAL STATEMENTS**

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

**C. CUSTODY OF INVESTMENTS**

The system has contracted with State Street Bank and Trust Company to serve as custodian for the system's investments.

**D. INVESTMENT LEGAL PROVISIONS AND OTHER CONSTRAINTS**

Under the Texas Property Code, Section 117.003, a trustee of the board owes a duty to the beneficiaries of the trust to comply with the prudent investor rule. In making investments, the board shall exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital. Texas Government Code, Section 825.301(a), Texas Property Code, Section 117.004, and the Texas Constitution, Article XVI, Section 67(a)(3) apply in determining whether a trustee has exercised prudence with respect to an investment decision. Determination shall be made taking into consideration the investment of all the assets of the trust, or the assets of the collective investment vehicle, over which the trustee had management and control.

Trustees follow the guidelines provided by the TRS Investment Policy Statement in establishing specific asset allocations, benchmarks, eligible investments and quantitative criteria with the assistance of their investment counsel and investment advisors. Trustees utilize asset allocations and portfolio standards they believe are prudent and appropriate for the long-term objectives of the fund. Categories of permissible investments include equities, fixed income, asset-backed securities, commercial mortgage-backed securities, collateralized mortgage obligations, cash equivalents, alternative investments including private equity, real assets, absolute return, hedge funds, and the Texas Growth Funds, exchange-traded and over-the-counter derivative instruments authorized by law, mutual funds, closed-end funds, exchange-traded funds, and commingled funds. Investment categories are based on the risk profiles exhibited by those investments.

Alternative investments achieve a diversified portfolio to improve total returns over the long term. The objectives of the alternative investments is to provide a long-term rate of return in excess of the return of the Investment Policy benchmark for each authorized strategy, provide diversification to the Total Fund, and provide for enhanced returns and diversification within the portfolio by allocating assets among the various strategies.

The absolute return portfolio is a broad category of investments that includes all assets that have a high probability of generating a positive absolute return regardless of market conditions over a one to three year period. The absolute return portfolio includes hedge funds and other absolute return credit sensitive investments as well as other limited partnerships. Private equity funds build portfolios of private investments in the equity or equity-rights securities of privately-owned operating companies. Real assets focus on private or public real estate equity, private or public real estate debt, infrastructure, timber, agricultural real estate, oil and gas, real asset mezzanine debt or equity, mortgage-related investments, entity-level investments, REITS, MLPs, non-fixed assets and other opportunistic investments in real assets. Hedge fund is a private commingled investment vehicle with the general characteristics as set forth in Texas Government Code, Section 825.3012. Hedge funds include private investment fund of funds or a commingled vehicle that itself invests in hedge funds. TRS investment policy establishes criteria to analyze and determine whether a private investment fund should be classified as a hedge fund. Investment staff is authorized to invest up to 5% of the total fund in hedge funds. Other Absolute Return investments include credit sensitive investments as well as other limited partnerships that are not hedge funds, private equity, or real assets. Commingled funds are a fund which is (i) exempt under the provisions of Section 501(a) of the Internal Revenue Code of 1986, (ii) is not required to be registered as an investment company under Section 3(c)(1), 3(c)(7) or other provisions of the Investment Company Act of 1940, or (iii) is an investment company registered under the Investment Company Act of 1940, as amended, provided that investment and reinvestment of assets complies with the investment guidelines in all respects.

**E. INVESTMENTS**

The fair values of investments at August 31, 2010, are shown in the table on the following page.

## NOTES TO THE FINANCIAL STATEMENTS

Pension Trust Fund	
Investment Type	Fair Value
Short-Term Investments:	
Short-Term Investment Fund	\$ 1,600,708,188
Asset Backed Securities	1,450,116,843
Bank Notes	948,329,056
Certificates of Deposit	2,082,724,312
Commercial Paper	440,202,907
Corporate Obligations	181,479,795
Repurchase Agreements	1,468,899,211
Other Investments	3,369,051
Short-Term Derivatives:	
Foreign Exchange Contracts	(467,338)
Domestic Investments:	
Equities	22,060,007,844
Obligations:	
U.S. Treasury	9,738,792,482
U.S. Treasury STRIPS	29,092,127
U.S. Treasury TIPS	8,020,309,181
U.S. Government Agency	14,559,751
Asset and Mortgage Backed	1,230,851,998
Corporate	294,146,862
Commingled Funds	1,333,506,376
Alternative Investments:	
Private Equity	6,626,973,053
Real Asset	4,454,057,943
Hedge Funds	3,947,104,145
Other Absolute Return	3,056,018,218
Derivatives:	
Forward Contracts	(10,808,921)
Swap Contracts	(113,267,219)
International Investments:	
Equities	20,745,489,556
Obligations:	
Government	164,769,737
Corporate	9,940,126
Commingled Funds	2,091,247,918
Mutal Funds	69,844,741
Alternative Investments:	
Private Equity	1,874,190,045
Real Asset	1,112,561,354
Swap Contracts	411,193
<b>Total Investments (Exhibit I)</b>	<b>\$ 94,925,160,535</b>
Invested Securities Lending Collateral:	
Asset Backed Securities	\$ 5,205,209,287
Bank Notes	3,404,036,877
Commercial Paper	1,580,112,853
Certificates of Deposit	7,475,960,288
Repurchase Agreements	5,272,628,789
Other Investments	12,093,246
Corporate Obligations	651,423,586
<b>Total Securities Lending Collateral (Exhibit I)</b>	<b>\$ 23,601,464,926</b>

## NOTES TO THE FINANCIAL STATEMENTS

### F. DERIVATIVES

The fair value balances and notional amounts of investment derivative instruments outstanding at August 31, 2010, classified by type, and the changes in fair value of such investment derivative instruments for the fiscal year ended August 31, 2010 are as follows.

	Changes in Fair Value		Fair Value at August 31, 2010		Notional
	Classification	Amount Gain/(Loss)	Classification	Amount	
<b>Fiduciary Funds</b>					
<b>Investment Derivatives:</b>					
Forward Contracts	Investment Revenue	\$ (20,548,272)	Investment	\$ (10,808,921)	\$1,617,209,944
Futures Contracts	Investment Revenue	\$ 57,631,311	Investment	\$ -0-	\$1,237,559,740
Swap Contracts	Investment Revenue	\$ 52,580,214	Investment	\$ (112,856,026)	\$6,917,774,416
Options	Investment Revenue	\$ 41,770	Investment	\$ -0-	\$ -0-

The methods and significant assumptions used to estimate fair value of the system's investment derivative instruments are presented in Note 1. Summary of Significant Accounting Policies, Section F. Assets, Liabilities, and Legal Reserves.

Derivatives are financial instruments the value of which are derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, financial commodities, and currencies). Derivatives include futures contracts, options, options on futures contracts, forward contracts, swap contracts, and any instrument or contract intended to manage transaction or currency exchange risk in purchasing, selling or holding investments.

The system's investment policy states that derivatives may only be used to efficiently manage and reduce the risk of the overall investment portfolio as set forth in Texas Government Code, Section 825.301(a-1), and must comply with the fiduciary standard of prudence set forth in the Texas Constitution, Article XVI, Section 67(a)(3). Consistent with these objectives, derivative applications may be used to implement investment strategies in a lower cost and efficient manner; efficiently manage the fund's portfolio by altering the portfolio's market exposure in lieu of trading the underlying cash market securities through purchases or short sales, or both, of appropriate derivatives; construct portfolios with risk and return characteristics that could not be created with cash market securities consistently with the objectives in the investment policy and in compliance with applicable law; hedge and control risks so that the fund's risk-return profile is more closely aligned with the fund's targeted risk-return profile through purchases or short sales, or both, of appropriate derivatives; and facilitate transition trading when holdings must be rebalanced or reallocated among permissible investments as a result of changes to applicable benchmark indexes or investment policy changes. Derivatives may not be used for any activity a primary purpose of which is speculation or to profit while materially increasing risk to the system. The tenor of interest rate over-the-counter swaps may not exceed thirty years or shorter based on market liquidity. The tenor of all other over-the-counter derivative instruments may not exceed five years. Derivative applications may not be used to invest in asset classes that are not consistent with the system's legally permissible and policy asset categories, implementation strategies, and risk-return characteristics. Derivatives underlain by physical commodities may only be made through investments in funds that issue securities or other structures that also provide limited liability or limited risk of loss to investors. Starting fiscal year 2011, investments in cash settled derivatives which reference commodities are permitted.

Any counterparty to an over-the-counter derivative transaction must have a credit rating of at least A- or A3 and is subject to established ISDA Master Agreements. All ISDA Master Agreements provide that Netting applies. The system and external managers may also use collateral arrangements to mitigate counterparty credit or performance risk. The net market value of all over-the-counter derivative positions, less collateral posted, for any individual counterparty may not exceed \$500 million.

#### Foreign Exchange Contracts

At the time the system is notified that an international trade has been consummated, the system trader will buy or sell a foreign currency exchange contract in the currency native to the security transaction for settlement date. The international trade receivable and payables for the unsettled trades are reported in the financial statements at current exchange rates. These foreign exchange contracts hedge against the risk of currency changes between trade and settlement dates. Risks associated with such contracts include movement in the value of the foreign currency related to the U.S. dollar and the ability of the counterparty to perform. These forward currency contracts with a

## NOTES TO THE FINANCIAL STATEMENTS

notional amount of \$21,436,247 are reported at fair value. Transactions involving foreign currency are accounted for in accordance with FASB Accounting Standards Codification (ASC) 946-830; the subtopic “Foreign Currency Matters” of the topic “Financial Services – Investment Companies”.

### Forward Contracts

A forward contract is a non-standardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future. Forward contracts include commitments to purchase securities that do not exist, i.e., “to be announced securities”.

### Futures Contracts

A futures contract is a commitment to buy or sell a specified quantity of a commodity or financial instrument at a specified price with payment and delivery occurring at a specified future date. Futures contracts are used primarily as a tool to increase or decrease market exposure to various asset classes.

### Swap Contracts

The system’s swap contracts are a bilateral financial contract in that the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract. Swap transactions are used to efficiently manage or reduce the risk of the overall investment portfolio, or both. An interest rate swap is structured such that one stream of future interest payments is exchanged for another based on the notional amount. A total return swap is structured such that the total return (cash flows plus capital appreciation/depreciation) is exchanged, rather than just the cash flows. Investment managers or sponsors of Real Asset Funds investments in commodities are limited to swaps and instruments that constitute a security that is underlain by a financial instrument as opposed to a physical commodity.

### Option Contracts

An option contract provides the right, but not the obligation, to buy or sell a specific amount of a specific security within a predetermined time period. At August 31, 2010, the system held no option contracts.

## G. DEPOSITS AND INVESTMENTS RISK FACTORS

Deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment to GASB Statement No. 3* updated the custodial credit risk disclosure requirements of Statement 3 and established more comprehensive disclosure requirements addressing other common risks of deposits and investments such as credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The required disclosures related to these risks are presented on the following pages.

### Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that, in the event of bank failure, the government 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. The system does not have a formal deposit policy for custodial credit risk. The State Treasury has specific guidelines for cash and deposits that are maintained in the State Treasury.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. As of August 31, 2010, the balance of uncollateralized cash in U.S. and non-U.S. banks for investments pending settlement was \$84,593,536.

### Custodial Credit Risk – Investments

The custodial credit risk for investments (including exchange traded investment derivative instruments) is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The system does not have a formal investment policy for custodial credit risk.

Short-Term investments totaling \$6,575,121,175 are held by the custodian’s agent, not in the system’s name and are not insured. All other investments (including exchange traded investment derivative instruments) are registered in the name of Teacher Retirement System or in the name of the system’s custodian which was established through a master trust custodial agreement. The securities are held by the custodian in the name of the system.

Any cash collateral received associated with investment derivative activity is invested in an agent managed pool that is not evidenced by securities that exist in physical or book entry form. At August 31, 2010, the system held no collateral associated with investment derivative activity.

## NOTES TO THE FINANCIAL STATEMENTS

### Credit Risk of Investment Derivative Instruments and Debt Securities

The credit risk for the system's investments in debt securities, Short-Term Investment Funds, and over-the-counter investment derivative instruments in asset positions is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The system's investment policy establishes tracking error limits that are intended to reduce the tracking error of the asset class. The system does not have a formal credit risk policy relating to its investments in Short-Term Investment Funds. For over-the-counter derivatives, the policy states the minimum credit rating, based on a nationally recognized statistical rating organization (NRSRO), must be at least A- or A3 or better at the inception of the contract. All ISDA Master Agreements provide that netting applies. To minimize the system's exposure to loss related to credit risk, the system may use collateral arrangements to mitigate counterparty credit risk. The system has negotiated thresholds for each counterparty above which collateral must be posted. The net market value of all over-the-counter derivative positions, less collateral posted, for any individual counterparty may not exceed \$500 million. The net market value of all over-the-counter derivative positions, without consideration collateral, may not exceed five percent of the total market value of the fund. The system's investment policy clarifies that termination of the transaction is allowed. Repurchase agreements may not exceed five percent of the market value of the total investment portfolio, including cash and cash equivalents, unless those 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. A securities lending agent must be an organization rated A- or better by a NRSRO.

The system's rated counterparties on investment derivative instruments in an asset position, and rated debt investments as of August 31, 2010, using the Standard & Poor's (S&P) rating scale, are as follows:

Investment Derivative Instruments - the aggregate fair value of investment derivative instruments in asset positions at August 31, 2010, was \$14,498,614. This represents the maximum loss that would be recognized at August 31, 2010, if all counterparties failed to perform as contracted. This maximum exposure is reduced by \$141,682,638 of liabilities included in netting arrangements with those counterparties resulting in a zero net exposure of investment derivative instruments to credit risk.

The aggregate fair value of investment derivative instruments in asset positions of \$14,498,614 at August 31, 2010, was executed with three counterparties, all with an S&P rating of A.

#### Debt Securities:

Investment Type	S&P Rating	Fair Value
Short-Term	AAA	\$ 1,258,640,665
Short-Term	AA	1,079,606,631
Short-Term	A	4,233,504,828
Short-Term	NR	1,600,708,188
<b>Total Credit Risk of Short-Term</b>		<b>\$ 8,172,460,312</b>
Other Investments		\$ 3,369,051
<b>Total Short-Term (Exhibit I)</b>		<b>\$ 8,175,829,363</b>
U.S. Government Agency Obligations	AAA	\$ 11,434,354
U.S. Government Agency Obligations	NR	38,563
<b>Total U.S. Government Agency Obligations</b>		<b>\$ 11,472,917</b>
Asset and Mortgage Backed Obligations	AAA	\$ 63,317,175
Asset and Mortgage Backed Obligations	AA	3,965,683
Asset and Mortgage Backed Obligations	A	51,183,227
Asset and Mortgage Backed Obligations	BBB	19,610,327
Asset and Mortgage Backed Obligations	BB	103,934,985
Asset and Mortgage Backed Obligations	B	73,158,160
Asset and Mortgage Backed Obligations	CCC	537,446,225
Asset and Mortgage Backed Obligations	CC	153,538,971
Asset and Mortgage Backed Obligations	D	31,258
Asset and Mortgage Backed Obligations	NR	224,665,987
<b>Total Asset and Mortgage Backed Obligations</b>		<b>\$ 1,230,851,998</b>

(to next page)

## NOTES TO THE FINANCIAL STATEMENTS

(concluded)

Investment Type	S&P Rating	Fair Value
Corporate Obligations	AA	\$ 5,193,891
Corporate Obligations	A	37,355,221
Corporate Obligations	BBB	83,328,030
Corporate Obligations	BB	32,432,063
Corporate Obligations	B	22,355,529
Corporate Obligations	CCC	28,457,273
Corporate Obligations	CC	1,509,550
Corporate Obligations	NR	83,515,305
<b>Total Corporate Obligations</b>		<b>\$ 294,146,862</b>
International Government Obligations	AAA	\$ 105,866,560
International Government Obligations	AA	9,009,744
International Government Obligations	A	28,044,848
International Government Obligations	BBB	1,752,497
International Government Obligations	BB	5,202,691
International Government Obligations	B	270,000
International Government Obligations	NR	14,623,397
<b>Total International Government Obligations</b>		<b>\$ 164,769,737</b>
International Corporate Obligations	AA	\$ 2,286,562
International Corporate Obligations	A	1,417,752
International Corporate Obligations	BBB	2,529,889
International Corporate Obligations	B	3,421,450
International Corporate Obligations	NR	284,473
<b>Total International Corporate Obligations</b>		<b>\$ 9,940,126</b>
<b>Total Credit Risk of Debt Securities (excluding Short-Term)</b>		<b>\$ 1,711,181,640</b>
U.S. Government Obligations and U.S. Government Agency Obligations		\$ 17,791,280,624
<b>Total Fixed Income (Exhibit I)</b>		<b>\$ 19,502,462,264</b>

**Interest Rate Risk of Debt Securities and Investment Derivative Instruments**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The system does not have a formal interest rate risk policy.

The table on the next page shows the long-term fixed income investments by investment type, fair value, and the effective weighted duration rate as of August 31, 2010.

## NOTES TO THE FINANCIAL STATEMENTS

Investment Type	Fair Value	Effective Weighted Duration Rate*
U.S. Government Obligations	\$ 17,788,193,790	9.42
U.S. Government Agency Obligations	14,559,751	6.47
Asset and Mortgage Backed Obligations	1,230,851,998	3.93
Corporate Obligations	294,146,862	5.29
International Government Obligations	164,769,737	8.15
International Corporate Obligations	9,940,126	5.31
<b>Total Fixed Income (Exhibit I)</b>	<b>\$ 19,502,462,264</b>	<b>9.00</b>

\*The effective weighted duration rate is an option-adjusted measure of a bond's (or portfolio's) sensitivity to changes in interest rates. It is calculated as the average percentage change in a bond's value (price plus accrued interest) under shifts of the Treasury curve +/-100 bps. It incorporates the effect of embedded options for corporate bonds and changes in prepayments for mortgage backed securities (including pass-throughs, CMOs and ARMs).

The table below shows the maturities of the system's Swap contracts at August 31, 2010.

Maturities in Years			
Less than 1 Year	1-5	11-15	Total
\$ (112,056,523)	\$ 354,449	\$ (1,153,952)	\$ (112,856,026)

The following table shows the short-term fixed income investments by investment type, fair value, and segmented time distributions as of August 31, 2010.

Investment Type	0-30 days	31-90 days	91-180 days	181-365 days	Total
Asset Backed Securities	\$ 1,051,182,655	\$ 398,934,188	\$	\$	\$ 1,450,116,843
Bank Notes	87,164,246	752,127,795	109,037,015		948,329,056
Certificates of Deposit	893,338,586	1,036,781,209	152,604,517		2,082,724,312
Commercial Paper	108,927,744	200,776,708	130,498,455		440,202,907
Corporate Obligations	84,965,988	96,513,807			181,479,795
Repurchase Agreements	1,200,896,759	54,472,043	213,530,409		1,468,899,211
Other Investments	3,369,051				3,369,051
<b>Total Short-Term</b>	<b>\$ 3,429,845,029</b>	<b>\$ 2,539,605,750</b>	<b>\$ 605,670,396</b>	<b>\$ -0-</b>	<b>\$ 6,575,121,175</b>
Weightings	52.16%	38.63%	9.21%	0.00%	100.00%

#### Investments Highly Sensitive to Interest Rate Changes

The system's investments in long-term Asset and Mortgage Backed Obligations are subject to prepayments by the obligees of the underlying assets in periods of decreasing interest rates. The resultant reduction in expected cash flows will affect the fair value of these securities. Prepayments by the obligee of the underlying assets in periods of declining interest rates could reduce or eliminate the stream of income that would have been received. As of August 31, 2010, these securities totaled \$1,230,851,998.

The system invests in Commingled Funds which hold a preponderance of investments with fair values that are highly sensitive to market conditions. The fair value of the Commingled Fund fluctuates as market conditions fluctuate. Interest rate changes are a part of changes in market conditions. As of August 31, 2010, these funds totaled \$146,322,055.

The system's investments in Swap contracts have various reference rates based on various interbank offered rates and Treasury Bill rates. As these reference rates fluctuate, the payments due to/from the system fluctuate. At August 31, 2010, the notional amount and fair value of these contracts were as follows.

## NOTES TO THE FINANCIAL STATEMENTS

Terms	Notional	Fair Value
1 month LIBOR	\$ 230,530,925	\$ (1,513,993)
1 month STIBOR	5,155,315	48,864
3 month LIBOR	4,776,012,730	(73,362,643)
3 month STIBOR	6,676,440	151,455
3 month U.S. Treasury Bill	1,885,431,696	(38,311,261)
<b>Total</b>	<b>\$ 6,903,807,106</b>	<b>\$ (112,987,578)</b>

### Foreign Currency Risk – Deposits and Investments

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 engaging in currency overlay strategies. The maximum notional exposure of the fund to any single non U.S. dollar developed market currency and any emerging market currency will be limited to 2% and 1% of the market value of the fund respectively. The system's exposure to foreign currency risk at August 31, 2010, is presented in the tables on the following pages.

## NOTES TO THE FINANCIAL STATEMENTS

**Deposits:**

Currency	Cash in Non-U.S. Bank
Australian Dollar	\$ 2,335,901
Botswana Pula	30,740
Brazilian Real	1,983,972
Canadian Dollar	4,018,527
Chilean Peso	159,766
Colombian Peso	19,371
Croatian Kuna	149,395
Czech Koruna	292,725
Danish Krone	112,800
Egyptian Pound	238,654
Euro	6,817,862
Hong Kong Dollar	4,815,980
Hungarian Forint	129,778
Indian Rupee	322,601
Indonesian Rupiah	278,969
Israeli Shekel	11,072
Japanese Yen	5,665,185
Jordanian Dinar	37,030
Kenyan Shilling	65,325
Malaysian Ringgit	358,777
Mauritius Rupee	35,332
Mexican Peso	59,617
Moroccan Dirham	68,018
New Turkish Lira	111,226
New Zealand Dollar	12,915
Nigerian Naira	73,709
Norwegian Krone	77,161
Pakistan Rupee	181,348
Peruvian Nuevo Sol	90,524
Philippine Peso	35,725
Polish Zloty	242,352
Pound Sterling	2,247,504
Singapore Dollar	352,872
South African Rand	554,109
South Korean Won	1,070,686
Swedish Krona	819,799
Swiss Franc	1,143,364
Taiwan Dollar	25,122,712
Thai Baht	439,638
	<hr/>
Total Deposits Subject to Foreign Currency Risk	\$ <u><u>60,583,041</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

## Investments:

Currency	Debt	Equity	Alternative Investments	Derivatives	Total Fair Value
Australian Dollar	\$ 468,422	\$ 628,413,658	\$	\$ 47,675	\$ 628,929,755
Botswana Pula		4,429,363			4,429,363
Brazilian Real	3,627,633	917,551,629			921,179,262
Canadian Dollar	6,883,690	881,565,443			888,449,133
Chilean Peso		66,333,194			66,333,194
Colombian Peso	1,343,774	9,149,153			10,492,927
Croatian Kuna		5,248,332			5,248,332
Czech Koruna		32,779,356			32,779,356
Danish Krone		66,388,409			66,388,409
Egyptian Pound		59,594,600			59,594,600
Euro	58,826,994	2,409,952,181	1,636,900,289		4,105,679,464
Ghanaian Cedi		2,877,946			2,877,946
Hong Kong Dollar		1,538,594,514			1,538,594,514
Hungarian Forint	1,336,987	50,996,339			52,333,326
Indian Rupee		325,079,344			325,079,344
Indonesian Rupiah		267,481,041			267,481,041
Israeli Shekel		28,466,795			28,466,795
Japanese Yen	13,382,784	1,855,062,405			1,868,445,189
Jordanian Dinar		5,438,844			5,438,844
Kenyan Shilling		6,505,565			6,505,565
Lithuania Litas		2,049,774			2,049,774
Malaysian Ringgit	1,452,488	132,751,756			134,204,244
Mauritius Rupee		4,407,932			4,407,932
Mexican Peso	3,200,303	294,414,505			297,614,808
Moroccan Dirham		10,025,368			10,025,368
New Turkish Lira	3,258,968	271,423,843			274,682,811
New Zealand Dollar		8,297,041			8,297,041
Nigerian Naira		6,445,631			6,445,631
Norwegian Krone		103,508,675			103,508,675
Pakistan Rupee		13,446,532			13,446,532
Peruvian Nuevo Sol	415,510	3,376,467			3,791,977
Philippine Peso		32,054,928			32,054,928
Polish Zloty	2,585,403	67,560,367			70,145,770
Pound Sterling	57,259,331	2,116,010,751	91,217,848		2,264,487,930
Qatar Riyal		9,054,403			9,054,403
Singapore Dollar		127,573,086			127,573,086
South African Rand	3,583,826	564,434,166			568,017,992
South Korean Won		885,721,478		66,380	885,787,858
Swedish Krona	5,493,774	178,462,434		200,319	184,156,527
Swiss Franc		714,162,542		(94,111)	714,068,431
Taiwan Dollar		637,740,885		190,930	637,931,815
Thai Baht	1,379,850	205,033,396			206,413,246
United Arab Emirates Dirham		4,088,880			4,088,880
Total Investments Subject to Foreign Currency Risk	\$ 164,499,737	\$ 15,553,952,951	\$ 1,728,118,137	\$ 411,193	\$ 17,446,982,018

## H. SECURITIES LENDING

The system is authorized by Texas Government Code, Section 825.303 to contractually lend securities to borrowers in accordance with policy established by the board of trustees and as required by statute. The system has a contract with State Street Bank and Trust Company to administer its securities lending program for domestic and international equity and fixed income securities. Authorized collateral for the program consists of cash or government securities eligible for book entry in either the Federal Reserve System or Participants Trust Company. The

## NOTES TO THE FINANCIAL STATEMENTS

required collateral is based upon the lent security's fair value plus accrued income. At a loan's inception, the value of the collateral must be at least 102% of the value of domestic lent securities and at least 105% for international lent securities. Collateral is marked to market daily, and in the case it falls below 100% for domestic or 105% for international, it is reinstated to the original requirements by the borrower.

Cash collateral can be invested in a cash collateral pool, U.S. government or U.S. government sponsored entity securities, time deposits, bank certificates of deposit, bankers' acceptances, master notes, repurchase agreements, bank and corporate notes, commercial paper, asset backed securities, and derivative instruments. The system's policies for securities lending provide investment guidelines for different asset classes to limit its exposure to different types of risks.

The par value, dollar-weighted average maturity of the collective cash collateral investment may not exceed 120 days. The expected final maturity of any individual fixed-rate instrument has a limit of 36 months and any floating-rate instrument has a limit of seven years.

Each instrument having a maturity of 13 months or less at the time of purchase must qualify as "first tier securities" within Rule 2a-7 under the Investment Company Act of 1940 and any instrument over 13 months must be rated within the highest major, long-term rating category of an NRSRO, or, if unrated, be determined to be of comparable quality by the trustees.

The system does not have a formal custodial credit risk policy relating to its securities lending program. All investments in the cash collateral pool are held by the counterparty, the securities lending agent, but not in the system's name, and are not insured. The following table shows the underlying securities for non-cash collateral loans which are also held by the counterparty, the securities lending agent, but not in the system's name and are not insured.

Investment Type	Fair Value
U.S. Government Obligations	\$ 17,044,684
Domestic Equities	34,074,856
International Equities	8,412,178
<b>Total</b>	<b>\$ 59,531,718</b>

The system does not have a formal interest rate risk policy relating to its securities lending program. The following table shows the invested cash collateral by investment type, fair value, and the segmented time distribution based upon the expected maturity or the next reset date, whichever is earlier, as of August 31, 2010.

Investment Type	0-30 days	31-90 days	91-180 days	181-365 days	Total
Asset Backed Securities	\$ 3,773,230,927	\$ 1,431,978,360	\$	\$	\$ 5,205,209,287
Bank Notes	312,876,954	2,699,770,438	391,389,485		3,404,036,877
Certificates of Deposit	3,206,648,016	3,721,536,791	547,775,481		7,475,960,288
Commercial Paper	390,997,256	720,690,052	468,425,545		1,580,112,853
Corporate Obligations	304,986,284	346,437,302			651,423,586
Repurchase Agreements	4,310,631,240	195,527,957	766,469,592		5,272,628,789
Other Investments	12,093,246				12,093,246
<b>Total</b>	<b>\$ 12,311,463,923</b>	<b>\$ 9,115,940,900</b>	<b>\$ 2,174,060,103</b>	<b>\$ -0-</b>	<b>\$ 23,601,464,926</b>
Weightings	52.16%	38.63%	9.21%	0.00%	100.00%

Also presented on the following page are rated investments in the securities lending cash collateral pool as of August 31, 2010 using the Standard & Poor's (S&P) rating scale.

## NOTES TO THE FINANCIAL STATEMENTS

Investment Type	S&P Rating	Fair Value
Asset Backed Securities	AAA	\$ 4,282,743,515
	AA	143,757,213
	A	778,708,559
Bank Notes	AAA	235,160,066
	AA	2,291,740,842
	A	877,135,969
Certificates of Deposit	AA	788,337,438
	A	6,687,622,850
Commercial Paper	A	1,580,112,853
Corporate Obligations	AA	651,423,586
Repurchase Agreements	A	5,272,628,789
Other Investments	NR	12,093,246
<b>Total Investments</b>		<b>\$ 23,601,464,926</b>

The system earns income from fees paid by the borrowers and interest earned from investing the cash collateral. The contract requires the custodian to indemnify the system if the borrower fails to return the securities or income distributions made while the securities are on loan. Non-cash collateral cannot be pledged or sold unless the borrower defaults. Substantially all securities loans can be terminated on demand either by the system or the borrower, although, as of August 31, 2010, the weighted average term of these loans was 9 days. As of August 31, 2010, the weighted average maturity of the invested cash collateral was 42 days, and there was no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts owed to the system. During the year there were no significant violations of contractual provisions, no borrower or custodian default losses and no recoveries of prior period losses. Authorized borrowers have specific limits that vary from \$50 million to \$5.5 billion. The total market value of all loans cannot exceed 30% of the portfolio.

The following table represents the fair market values of the securities lending transactions based on type of collateral received as of August 31, 2010.

	Cash	Non-Cash	Total
Securities on Loan	\$ 23,163,174,493	\$ 59,531,718	\$ 23,222,706,211
Collateral Received	\$ 23,581,689,266	\$ 61,037,257	\$ 23,642,726,523
Reinvested Collateral	\$ 23,601,464,926		\$ 23,601,464,926

For fiscal year 2010, the system earned income of \$108,315,827 from securities lending.

#### I. OTHER INVESTMENTS AND CONTINGENT COMMITMENTS

The system's investment derivative instruments include provisions that require the system to post collateral in the event that the fair value surpasses a specified contractual threshold. At August 31, 2010, the aggregate fair value of all investment derivative instruments with these collateral posting provisions is (\$123,664,947). If the collateral posting thresholds of all these investment derivative instruments did not exist at August 31, 2010, the system would be required to post the aggregate amount of \$141,682,638 in collateral to its counterparties. Where none of the contractual thresholds were surpassed, the system has posted no collateral at August 31, 2010.

The system's investments in certain limited partnerships commit the system to possible future capital contributions. At August 31, 2010, the remaining commitment was \$15,616,717,641.

## NOTES TO THE FINANCIAL STATEMENTS

### IV. EMPLOYEE COMPENSABLE LEAVE

Salary costs related to employees' rights to be compensated for leave balances are accrued as expenses of the period in which the services were rendered. Accumulated compensable leave liabilities are reported in the Statement of Fiduciary Net Assets for the Pension and Other Employee Benefit Trust Funds and in the Statement of Net Assets for the Enterprise Funds. The employees' compensable leave activity for fiscal year 2010 is shown in the table below.

	Beginning Balance 09/01/09	Additions	Reductions	Ending Balance 08/31/10	Amounts Due Within One Year	Amounts Due Thereafter
Pension Trust Fund	\$ 5,102,778	\$ 5,286,925	\$ (5,027,822)	\$ 5,361,881	\$ 3,588,525	\$ 1,773,356
Health Benefits Trust						
Fund - Retired Plan	159,663	174,912	(157,519)	177,056	109,112	67,944
TRS-ActiveCare	113,877	112,777	(110,920)	115,734	76,899	38,835
403(b) Certification Program		28,593	(11,368)	17,225	8,470	8,755
<b>Total</b>	<b>\$ 5,376,318</b>	<b>\$ 5,603,207</b>	<b>\$ (5,307,629)</b>	<b>\$ 5,671,896</b>	<b>\$ 3,783,006</b>	<b>\$ 1,888,890</b>

### NOTE V. OPERATING LEASES

During fiscal year 2009, TRS entered into a non-cancelable operating lease agreement for building space which expires March 31, 2015. As part of the building lease, TRS received one month of rent abatement, a construction allowance, and an additional allowance. The rent abatement, construction allowance, and additional allowance are being amortized on a straight-line basis over the life of the lease as a reduction of rental expenses.

Rental expenses for the fiscal year ended August 31, 2010 for the Pension Trust Fund were \$1,735,350 and include amortization of deferred rent of \$178,612.

The future minimum lease payments for the next five years are as follows:

Fiscal Year Ending	Amount
August 31, 2011	\$ 1,704,833
August 31, 2012	1,751,866
August 31, 2013	1,798,900
August 31, 2014	1,846,718
August 31, 2015	1,027,308
<b>Total</b>	<b>\$ 8,129,625</b>

### NOTE VI. 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 plan they administer (Note XII).

For the fiscal year ended August 31, 2010, the state provided retirement contributions in the Pension and Other Post-Employment Benefits Trust Funds totaling \$160,975 on behalf of employees paid from the Pension Trust Fund for the General Revenue Exempt Employees, and \$101,511 from the Health Benefits Trust Fund-Retired Plan. In the Enterprise Funds the state provided retirement contributions of \$64,328 from the TRS-ActiveCare (Active Plan) and \$8,034 from the 403(b) Certification Program.

## NOTES TO THE FINANCIAL STATEMENTS

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D provided retiree drug subsidy reimbursements to the Health Benefits Trust Fund-Retired Plan on behalf of certain plan participants totaling \$70,795,686 for the fiscal year ended August 31, 2010.

Although these fringe benefits were not paid by these funds, GASB Statement No. 24 requires recognition of these benefits as expenses of the programs, with offsetting revenues recorded.

### NOTE VII. DEFERRED COMPENSATION

Employees of the system may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the Tex. Gov. Code Ann., Sec. 609.001. Two plans are available for employees. Both plans are administered by the Employees Retirement System. The system has no additional or unfunded liability for this program.

### VIII. 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. 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 system's policy is to recognize the cost of any sick leave when paid.

A Performance Incentive Compensation Plan was adopted effective July 1, 2006, to enable the system to remain competitive in its efforts to attract, retain and motivate high caliber investment division staff. The July 1, 2006 Plan was terminated by the board of trustees September 13, 2007, and a new Plan was adopted effective October 1, 2007 and modified effective October 1, 2008. 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. As of August 31, 2010, the estimated liability consists of \$2,167,087 for the plan year ending September 30, 2008 and \$4,234,162 for the plan year ending September 30, 2009. Payments can only be earned following years in which the fund experiences a positive return, and employees must be employed by TRS on the designated dates in the Plan to earn and receive payment. The board of trustees may cancel or modify the Plan at any time.

The system is contingently liable for benefits payable to retiring members who remain in a pending status longer than 30 days after fiscal year end.

In addition, under Texas Insurance Code, Article 3.51-7, the system is contingently liable to pay a lump sum death benefit not to exceed \$5,000 when added to the death benefit authorized under Texas Government Code, Title 8, Chapter 824, to the beneficiaries of deceased, retired employees.

TRS is a defendant in various 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.

### IX. 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 2019, and every 12th year after that year, are reviewed."

### X. POSTEMPLOYMENT HEALTH CARE BENEFITS

#### TRS Employees

Employees of the system who retire with 10 or more years of eligible service credit and meet the Rule of 80 or are at least 65 years of age continue to receive health care and basic life insurance benefits through the Group Benefits Program of the State Retiree Health Plan (SRHP) in accordance with Texas Insurance Code, Chapter 1551. The SRHP is maintained and administered through the Employees Retirement System (ERS) of Texas and is considered a cost-sharing multiple-employer defined benefit postemployment health care plan. ERS issues a publicly available

**NOTES TO THE FINANCIAL STATEMENTS**

financial report that includes financial statements and required supplementary information for the SRHP. That report may be obtained by visiting the ERS Web site at [www.ers.state.tx.us](http://www.ers.state.tx.us), by writing to the Finance Division of the Employees Retirement System of Texas at 200 East 18th Street, Austin, Texas 78701, or by calling 1-877-275-4377.

Benefits and contribution provisions of the SRHP are not actuarially determined, but are authorized by State law and may be amended by the Texas Legislature. For the year ended August 31, 2010, the system contributed up to a maximum monthly amount on a pay-as-you-go basis toward a retiree’s health and basic life insurance premiums as follows:

Employer Contribution Rates Retiree Health and Basic Life Premium			
Type of Coverage	FY 2010	FY 2009	FY 2008
Retiree Only	\$ 385.38	\$ 360.54	\$ 360.54
Employee/Spouse	\$ 605.70	\$ 566.57	\$ 566.57
Employee/Children	\$ 532.90	\$ 498.49	\$ 498.49
Employee/Family	\$ 753.22	\$ 704.52	\$ 704.52

The system covers 100% of a Retiree Only premium and 50% of the additional premiums for family coverage. The basic plan includes up to \$2,500 for life insurance for the retiree. The retiree contributes any premium over and above the system’s contribution for additional coverage. The board has adopted contributions based on rates set by the Texas Legislature on a biennial basis. At August 31, 2010, there were 187 retirees and their beneficiaries receiving postemployment health care and basic life insurance benefits. Contractually required contributions to the SRHP are currently based on the annual pay-as-you-go expenses of the SRHP. For the year ended August 31, 2010, 2009, and 2008 the system recognized expenditures of \$996,954, \$908,334, and \$880,846, respectively, for these benefits. The system has annually made 100 percent of its contractually required contributions to the SRHP.

**Public School Employees**

TRS, as trustee, administers the Texas Public School Retired Employees Group Insurance Program (TRS-Care) and the related fund in accordance with Texas Insurance Code, Chapter 1575. Sections 1575.202 to 204 establish state, active employee, and public school contributions. Section 1575.052 grants the board the authority to establish basic and optional group insurance coverage for participants.

TRS-Care is a cost-sharing multiple-employer defined benefit OPEB plan that is currently funded on a pay-as-you-go basis and is subject to change based on available funding. The Texas Legislature determines the funding of benefits and has no continuing obligation to provide benefits beyond each fiscal year.

At the inception of the plan in fiscal year 1986, 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 be sufficient to provide benefits for the biennium.

Eligibility generally includes TRS public school retirees with more than 10 years of service and their dependents. Retirees can receive a free basic level of coverage, and optional coverage is also available. All dependent coverage is optional. Basic coverage is a comprehensive major medical group health insurance plan. During fiscal year 2010, deductibles were \$1,800 for those eligible for Part A of Medicare, \$3,000 for those not eligible for Part A, but eligible for Part B, and \$4,000 for those not eligible for either Part A or Part B.

At August 31, 2010, the number of reporting entities was:

Independent School Districts	1,030*
Charter Schools	201
Regional Education Service Centers	20
Education Districts	8
Total	<u>1,259</u>

*\*Excludes Windham School District which is not covered by OPEB*

In addition, other contributing entities included the State of Texas and the Federal Government (Medicare Part D).

**NOTES TO THE FINANCIAL STATEMENTS**

At August 31, 2010, OPEB membership consisted of the following:

Retirees and beneficiaries receiving benefits	203,675*
Terminated plan members entitled to but not yet receiving benefits	182
Active plan members	<u>693,294</u>
Total	<u><u>897,151</u></u>

*\*Excludes 5,887 dependent children*

Funding for free basic coverage is provided by the program based upon public school district payroll. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll, set at 0.55%, for fiscal year 2010. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Actuarial implications of the overall funding are determined by the system's actuary.

Expenses for the Health Benefits Trust Fund - Retired Plan are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported. The state and reporting entities contributed \$435,168,788 toward the total plan expenditures of \$1,016,924,092. Total plan expenditures net of active member contributions of \$181,512,856 and retiree premiums of \$332,481,933 were \$502,929,303.

The actuarial valuation as of August 31, 2010, is similar to the actuarial valuations performed for the pension plan; however, certain economic and behavioral assumptions are unique to medical benefits. The demographic assumptions are identical to those used in the August 31, 2010 valuation for the pension plan. Additional valuation information follows:

Valuation Date .....	August 31, 2010
Actuarial Cost Method .....	Projected Unit Credit
Amortization Method .....	Level Percent, Open
Remaining Amortization Period .....	30 Years
Asset Valuation Method .....	Market
Actuarial Assumptions:	
Investment Rate of Return * .....	5.25%
Projected Salary Increases * .....	4.25% to 26.40%
Weighted-Average at Valuation Date .....	5.63%
Payroll growth rate .....	3.50%
Health Care Trend Rates * .....	10.00% to 4.25% **

\* Includes Inflation at 3.00%

\*\* Initial rates are 9% for medical and 10% for prescriptions. The ultimate rate is 4.25% for both medical and prescriptions.

The results of the actuarial valuation reflect a long-term perspective, are dependent on the actuarial assumptions used, and are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actual results can 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. The actuarial assumptions used are designed to reduce short-term volatility in the liabilities and assets.

The plan provisions used in the actuarial valuation are based on the expectations of cost sharing between the employer and plan members. The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of the benefits for financial reporting does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

## NOTES TO THE FINANCIAL STATEMENTS

See TRS-Care funded status below (dollar amounts in millions):

(1) Valuation as of August 31	(2) Actuarial Value of Assets	(3) Actuarial Accrued Liability (AAL)	(4) Unfunded AAL (UAAL) (3)-(2)	(5) Funding Ratio Assets as a % of AAL (2)/(3)	(6) Annual Covered Payroll	(7) Unfunded AAL as a % of Covered Payroll (4)/(6)
2010	\$815	\$25,808	\$24,993	3.2%	\$30,758	81%

The Schedule of Funding Progress located immediately following the Notes to the Financial Statements in the Required Supplementary Information (RSI) presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits paid. The required schedule reflects information beginning for the fiscal year ended August 31, 2007 as this was the date of the first actuarial valuation for TRS-Care.

### XI. 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, education 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.

### XII. PENSION DISCLOSURE

#### A. PLAN DESCRIPTION

TRS is the administrator of a multiple-employer public employee retirement system (PERS). It is a cost-sharing PERS with one exception: risks and costs are generally not shared by the employing district (unless the employing district is a senior college, medical school, or state agency, in which case the employer is considered the State of Texas) but are the liability of the State of Texas. By statute, the State of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the pension trust fund during that fiscal year. However, for fiscal year 2010 the Pension Trust Fund paid the employer's share for its own employees.

For members of the system entitled to the minimum salary for certain school personnel under Section 21.402, Education Code, the employing district shall pay the state's contribution on the portion of the member's salary that exceeds the statutory minimum.

At August 31, 2010, the number of reporting entities was as follows:

Independent School Districts	1,031
Charter Schools	201
Community and Junior Colleges	51
Senior Colleges and Universities	45
Regional Education Service Centers	20
Education Districts	8
Medical and Dental Schools	9
State Agencies	2
Total	<u>1,367</u>

## NOTES TO THE FINANCIAL STATEMENTS

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 exempted from membership under Texas Government Code, Title 8, Section 822.002, are covered by the system.

At August 31, 2010, TRS gross membership before actuarial adjustments consisted of the following:

Retirees and beneficiaries currently receiving benefits	296,491
Terminated employees entitled to benefits but not yet receiving them	<u>61,502</u>
Total	<u><u>357,993</u></u>
Current Active Members:	
Fully-Vested	571,236
Non-Vested	<u>390,327</u>
Total	<u><u>961,563</u></u>

A brief statement about benefits follows. These benefits are established primarily under the authority of the provisions of Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C.

The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals or exceeds 80 years. Reduced service retirement is at age 55 with 5 years of credited service and any age below 50 with 30 years of credited service.

A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met.

The State of Texas contribution rate increased from 6.4% to 6.644% for fiscal year 2010 as a result of the Attorney General of Texas determining that he could not conclusively opine that the one-time supplemental payments authorized by H.B. 3347 and S.B. 1, 81st Legislature, Regular Session were constitutionally and statutorily permissible. For fiscal years 2008 and 2009 the state's rate was 6.58%. The member contribution rate was 6.4% for fiscal years 2008-2010. These rates are set by state statute. In certain instances, the reporting entity (public school, college, university, medical school or other entity) is required to make all or a portion of the state's and/or member's contribution.

### B. CONTRIBUTIONS

Contribution requirements are not actuarially determined but are established pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 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. Current contribution rates are indicated in the Plan Description (section A) portion of this note. Total contributions paid to the pension plan in 2010 amounted to \$4,498,851,499, of which \$2,205,017,425 was from members, \$1,574,782,741 was from the State of Texas, and \$412,268,503 was from reporting entities, and \$306,782,830 was from federal funds or private grants.

Effective September 1, 2007, H.B. 2358, 80th Legislature, amended Section 825.406(b) of the Government Code and Section 1575.252 of the Insurance Code, requiring that contributions received by an employer from federal or private sources be deposited in the state contribution account and in the retired school employees group insurance fund of TRS, respectively, instead of the general revenue fund of the state treasury.

### C. LEGAL RESERVE ACCOUNT BALANCES

The balances in the five legally required reserve accounts are sufficient to meet statutory requirements. As of August 31, 2010, the Member Savings Account had a balance of \$27,735,774,470; the State Contribution Account had a balance of \$9,965,035,637; the Retired Reserve Account had a balance of \$57,850,684,182; the Deferred Retirement Option Account had a balance of \$105,967,558; and the Expense Account had a balance of \$30,943,162.

### D. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLANS

The funded status of the Pension Trust Fund as of August 31, 2010, the most recent actuarial valuation date, is as follows (dollar amounts in millions):

**NOTES TO THE FINANCIAL STATEMENTS**

(1) Valuation as of August 31	(2) Actuarial Value of Assets	(3) Actuarial Accrued Liability (AAL)	(4) Unfunded AAL (UAAL) (3)-(2)	(5) Funding Ratio Assets as a % of AAL (2)/(3)	(6) Annual Covered Payroll	(7) Unfunded AAL as a % of Covered Payroll (4)/(6)
2010	\$111,293	\$134,191	\$22,898	82.9%	\$36,629	62.5%

The Schedule of Funding Progress located immediately following the Notes to the Financial Statements in the Required Supplementary Information (RSI) presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time. These indicators and trends may be useful in assessing progress made in accumulating sufficient assets to pay benefits when due for the Pension Trust Fund.

Additional valuation information follows:

Valuation Date .....	August 31, 2010
Actuarial Cost Method .....	Entry Age Normal
Amortization Method .....	Level Percent, Open
Remaining Amortization Period * .....	30 Years
Asset Valuation Method .....	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return ** .....	8.00%
Projected Salary Increases ** .....	4.25% to 26.40%
Weighted-Average Projected Salary Increases ** .....	5.63%
Cost-of-Living Adjustments .....	None

\* The state's contribution rate would need to increase from 6.644% to 7.77% beginning in fiscal year 2011 in order to amortize the UAAL over the 30-year maximum acceptable amortization period permitted by Governmental Accounting Standards Board Statement No. 25.

\*\* Includes Inflation at 3.00%

**XIII. SUBSEQUENT EVENTS**

The Patient Protection and Affordable Care Act, signed into law on March 23, 2010, along with the Health Care and Education Affordability Reconciliation Act of 2010, signed into law on March 30, 2010 (together, the PPACA), embody the sweeping federal health care legislation enacted this year. Under the PPACA, TRS-Care has been approved by the U.S. Department of Health and Human Services for participation in the Early Retiree Reinsurance Program, a program that went into effect June 1, 2010, and will reimburse participating plans for a portion of health benefit costs for retirees age 55 and older who are not eligible for Medicare, and their spouses, surviving spouses, and dependents. While funds remain available, reimbursements will be provided for 80 percent of costs between \$15,000 and \$90,000. Information continues to be issued regarding identifying eligible participants and eligible claims. TRS estimates that its claim for reimbursement for the period of June 1 through August 31, 2010 will be in the amount of \$30.5 million. However, because of the uncertainty surrounding the availability of funds, TRS cannot reasonably estimate the amount it will receive. As of November 9, 2010 TRS has not received any funds attributable to this program.

## Required Supplementary Information

PENSION TRUST FUND  
FISCAL YEARS 2005-2010

### 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.

(DOLLAR AMOUNTS SHOWN IN MILLIONS)

(1) Valuation as of August 31	(2) Actuarial Value of Assets	(3) Actuarial Accrued Liability (AAL)	(4) Unfunded AAL (UAAL) (3)-(2)	(5) Funding Ratio Assets as a % of AAL (2)/(3)	(6) Annual Covered Payroll	(7) Unfunded AAL as a % of Covered Payroll (4)/(6)
2005	\$ 89,299	\$102,495	\$ 13,196	87.1%	\$ 25,957	50.8%
2006	94,218	107,911	13,694	87.3	28,397	48.2
2007	103,419	115,964	12,545	89.2	31,114	40.3
2008	110,233	121,756	11,523	90.5	33,238	34.7
2009	106,384	128,030	21,646	83.1	35,097	61.7
2010	111,293	134,191	22,898	82.9	36,629	62.5

### SCHEDULE OF CONTRIBUTIONS FROM STATE AND REPORTING ENTITIES

#### State and Reporting Entities Annual Required Contributions (ARC)

Fiscal Year Ended	ARC Rate	From State General Fund	From State Federal Funds/ Private Grants	From Reporting Entities	Total	Percentage of ARC Contributed
2005	7.31%	\$1,532,263,348	\$	\$ 269,445,311	\$1,801,708,659	82%
2006	7.19	1,596,301,608		316,538,818	1,912,840,426	83
2007	7.02	1,721,223,689		324,945,946	2,046,169,635	85
2008	6.47	1,426,771,115	247,210,170	346,051,153	2,020,032,438	102
2009	6.10	1,373,745,903	255,108,385	380,362,287*	2,009,216,575*	108
2010	7.72	1,829,819,802	356,466,503	475,562,176	2,661,848,481	86

\*Calculation revision from fiscal year 2009 CAFR.

TEACHER RETIREMENT SYSTEM OF TEXAS

Required Supplementary Information

HEALTH BENEFITS TRUST FUND - RETIRED PLAN  
FISCAL YEARS 2007-2010

SCHEDULE OF FUNDING PROGRESS

(DOLLAR AMOUNTS SHOWN IN MILLIONS)

(1) Valuation as of August 31	(2) Actuarial Value of Assets	(3) Actuarial Accrued Liability (AAL)	(4) Unfunded AAL (UAAL) (3)-(2)	(5) Funding Ratio Assets as a % of AAL (2)/(3)	(6) Annual Covered Payroll	(7) Unfunded AAL as a % of Covered Payroll (4)/(6)
2007	\$ 623	\$ 19,748	\$ 19,125	3.2%	\$ 26,076	73%
2008	729	22,313	21,584	3.3	27,979	77
2009	800	24,357	23,557	3.3	29,490	80
2010	815	25,808	24,993	3.2	30,758	81

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

(DOLLAR AMOUNTS SHOWN IN THOUSANDS)

Annual Required Contributions

(1) Fiscal Year Ended	(2) Annual Required Contributions (ARC)	Actual Contributions			(6) Total (3)+(4)+(5)	(7) Percentage Contributed (6)/(2)
		(3) From State	(4) From Reporting Entities	(5) On-Behalf From Federal Government		
2007	\$ 1,436,756	\$ 238,191	\$ 136,009	\$ 52,330	\$ 426,530	29.7%
2008	1,535,975	254,722	141,673	59,486	455,881	29.7
2009	1,655,647	267,471	149,563	61,531	478,565	28.9
2010	1,806,751	279,251	155,918	70,796	505,965	28.0

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The August 31, 2007 actuarial valuation was the first actuarial valuation of TRS-Care. This and future valuations will set the ARC on a prospective basis, meaning each valuation will set the ARC for the following fiscal year. The employer ARC was determined by netting the active employee contributions (0.65%) out of the total ARC (7.12%). The ARC for fiscal year 2010 was determined by applying the employer ARC determined in the 2009 valuation as a percentage of payroll (6.47%) to the actual payroll paid in fiscal year 2010 (\$27.9 billion).



**Combining Statement of Changes in Assets and Liabilities**  
**AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2010**

EXHIBIT A

	Balances September 1, 2009		Additions		Deductions		Balances August 31, 2010
<b>Employees' Savings Bond Account</b>							
<b>Assets:</b>							
Cash in State Treasury	\$ 450	\$	5,450	\$	5,400	\$	500
<b>Liabilities:</b>							
Funds Held for Others	\$ 450	\$	5,450	\$	5,400	\$	500
<b>Child Support Employee Deductions</b>							
<b>Assets:</b>							
Cash in State Treasury	\$ 2,862	\$	40,665	\$	39,920	\$	3,607
<b>Liabilities:</b>							
Funds Held for Others	\$ 2,862	\$	40,665	\$	39,920	\$	3,607
<b>Totals - All Agency Funds</b>							
							<b>(Exhibit I)</b>
<b>Assets:</b>							
Cash in State Treasury	\$ 3,312	\$	46,115	\$	45,320	\$	4,107
<b>TOTAL ASSETS</b>	<b>\$ 3,312</b>	<b>\$</b>	<b>46,115</b>	<b>\$</b>	<b>45,320</b>	<b>\$</b>	<b>4,107</b>
<b>Liabilities:</b>							
Funds Held for Others	\$ 3,312	\$	46,115	\$	45,320	\$	4,107
<b>TOTAL LIABILITIES</b>	<b>\$ 3,312</b>	<b>\$</b>	<b>46,115</b>	<b>\$</b>	<b>45,320</b>	<b>\$</b>	<b>4,107</b>

TEACHER RETIREMENT SYSTEM OF TEXAS

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## Comparative Schedule of Changes in Account Balance

PENSION TRUST FUND  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

SCHEDULE 1

INTEREST ACCOUNT	2010	2009
<b>Additions:</b>		
Interest, Dividends and Other Income:		
Short-Term	\$ 49,813,039	\$ 180,799,418
Equities	958,159,969	1,108,384,911
Fixed Income	868,114,125	660,241,400
Derivatives	(5,440,626)	(66,129,511)
Securities Lending Program	108,315,827	242,854,668
Miscellaneous	1,665,193	1,764,944
Net Appreciation (Depreciation) in Fair Value of Investments	7,542,738,000	(16,030,794,035)
<b>TOTAL ADDITIONS</b>	<b>\$ 9,523,365,527</b>	<b>\$ (13,902,878,205)</b>
<b>Deductions:</b>		
Operating Transfers Out:		
Allocation of Interest to:		
Member Savings Account	\$ 1,300,356,529	\$ 1,212,861,103
State Contribution Account	(3,900,921,846)	(3,389,164,754)
Retired Reserve Account	4,432,496,003	4,207,826,373
Deferred Retirement Option Account	5,639,288	6,087,962
Expense Account	66,482,415	58,930,000
Transfer to State Contribution Account for Net Appreciation (Depreciation) in Fair Value of Investments	7,542,738,000	(16,030,794,035)
External Manager Fees	76,575,138	31,375,146
<b>TOTAL DEDUCTIONS</b>	<b>\$ 9,523,365,527</b>	<b>\$ (13,902,878,205)</b>
<b>Net Increase in Account Balance</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
<b>Account Balance - Beginning September 1</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
<b>Account Balance - Ending August 31</b>	<b>\$ -0-</b>	<b>\$ -0-</b>



## Comparative Schedule of Changes in Account Balance

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

SCHEDULE 1

MEMBER SAVINGS ACCOUNT	2010	2009
<b>Additions:</b>		
Contributions:		
Member Contributions - Members	\$ 2,202,810,698	\$ 2,104,996,782
Member Contributions - Reporting Entities	5,196,072	4,496,750
Reinstatement of Withdrawals	37,442,030	37,880,721
Operating Transfer In:		
Allocation from Interest Account	1,300,356,529	1,212,861,103
<b>TOTAL ADDITIONS</b>	<b>\$ 3,545,805,329</b>	<b>\$ 3,360,235,356</b>
<b>Deductions:</b>		
Refund of Contributions	\$ 261,475,648	\$ 263,610,358
Operating Transfers Out:		
Transfer to Retired Reserve Account:		
For Dormant Accounts	17,544,399	17,175,734
To Fund Benefits	1,439,582,886	1,196,207,851
<b>TOTAL DEDUCTIONS</b>	<b>\$ 1,718,602,933</b>	<b>\$ 1,476,993,943</b>
<b>Net Increase in Account Balance</b>	<b>\$ 1,827,202,396</b>	<b>\$ 1,883,241,413</b>
<b>Account Balance - Beginning September 1</b>	<b>\$ 25,908,572,074</b>	<b>\$ 24,025,330,661</b>
<b>Account Balance - Ending August 31</b>	<b>\$ 27,735,774,470</b>	<b>\$ 25,908,572,074</b>



## Comparative Schedule of Changes in Account Balance

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

SCHEDULE 1

STATE CONTRIBUTION ACCOUNT	2010	2009
<b>Additions:</b>		
Contributions:		
State Contributions - General Fund	\$ 1,574,621,766	\$ 1,481,843,941
State Contributions - Federal Funds/ Private Grants	306,782,830	275,182,487
State Contributions - Reporting Entities	409,279,158	410,292,434
Reinstatement Fees	47,077,732	36,661,692
Operating Transfers In:		
Allocation from Interest Account	(3,900,921,846)	(3,389,164,754)
Transfer from Interest Account for Net Appreciation (Depreciation) in Fair Value of Investments	7,542,738,000	(16,030,794,035)
Transfer from Retired Reserve Account:		
For Retirement Benefits Forfeited While Member Returned to Teaching	52,061,421	55,486,993
For Retirement Benefits Waived by Member Based on Actuarial Valuation as of August 31	43,650	60,330
	572,244,213	
<b>TOTAL ADDITIONS</b>	<b>\$ 6,603,926,924</b>	<b>\$ (17,160,430,912)</b>
<b>Deductions:</b>		
Operating Transfers Out:		
Transfer to Retired Reserve Account:		
To Fund Benefits	\$ 4,015,209,483	\$ 3,046,590,507
Based on Actuarial Valuation as of August 31		71,064,118
<b>TOTAL DEDUCTIONS</b>	<b>\$ 4,015,209,483</b>	<b>\$ 3,117,654,625</b>
<b>Net Increase (Decrease) in Account Balance</b>	<b>\$ 2,588,717,441</b>	<b>\$ (20,278,085,537)</b>
<b>Account Balance - Beginning September 1 Restatement</b>	<b>\$ 7,376,318,196</b>	<b>\$ 27,655,777,751 (1,374,018)*</b>
<b>Account Balance - Beginning September 1 as Restated</b>	<b>\$ 7,376,318,196</b>	<b>\$ 27,654,403,733</b>
<b>Account Balance - Ending August 31</b>	<b>\$ 9,965,035,637</b>	<b>\$ 7,376,318,196</b>

\*External manager fees were reclassified from the expense account to the interest account.



## Comparative Schedule of Changes in Account Balance

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

SCHEDULE 1

RETIRED RESERVE ACCOUNT	2010	2009
<b>Additions:</b>		
Operating Transfers In:		
Allocation from Interest Account	\$ 4,432,496,003	\$ 4,207,826,373
Transfer from Member Savings Account:		
For Dormant Accounts	17,544,399	17,175,734
To Fund Benefits	1,439,582,886	1,196,207,851
Transfer from State Contribution Account:		
To Fund Benefits	4,015,209,483	3,046,590,507
Based on Actuarial Valuation as of August 31		71,064,118
<b>TOTAL ADDITIONS</b>	<b>\$ 9,904,832,771</b>	<b>\$ 8,538,864,583</b>
<b>Deductions:</b>		
Benefits Paid:		
Service Retirement Annuities	\$ 5,892,366,905	\$ 5,613,501,298
Partial Lump Sums	385,555,126	348,261,100
Disability Retirement Annuities	141,396,837	138,569,650
Death and Survivor Benefits:		
Annual Salary	45,698,147	43,235,232
Survivor Annuities	82,574,358	79,951,723
Life Annuities	83,238,898	81,764,240
60 Monthly Payments	10,824,948	10,180,012
Remainder of Contributions	3,537,843	3,274,400
Refund of Contributions Due to Death	3,710,941	3,084,718
Operating Transfers Out:		
Transfer to Deferred Retirement Option Account to Fund Benefits	5,161,454	7,565,137
Transfer to State Contribution Account:		
For Retirement Benefits Forfeited While Member Returned to Teaching	52,061,421	55,486,993
For Retirement Benefits Waived by Member Based on Actuarial Valuation as of August 31	43,650	60,330
	572,244,213	
<b>TOTAL DEDUCTIONS</b>	<b>\$ 7,278,414,741</b>	<b>\$ 6,384,934,833</b>
<b>Net Increase in Account Balance</b>	<b>\$ 2,626,418,030</b>	<b>\$ 2,153,929,750</b>
<b>Account Balance - Beginning September 1</b>	<b>\$ 55,224,266,152</b>	<b>\$ 53,070,336,402</b>
<b>Account Balance - Ending August 31</b>	<b>\$ 57,850,684,182</b>	<b>\$ 55,224,266,152</b>



## Comparative Schedule of Changes in Account Balance

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

SCHEDULE 1

<b>DEFERRED RETIREMENT OPTION ACCOUNT</b>	<b>2010</b>	<b>2009</b>
<b>Additions:</b>		
Operating Transfers In:		
Transfer from Retired Reserve Account to Fund Benefits	\$ 5,161,454	\$ 7,565,137
Allocation from Interest Account	5,639,288	6,087,962
<b>TOTAL ADDITIONS</b>	<b>\$ 10,800,742</b>	<b>\$ 13,653,099</b>
<b>Deductions:</b>		
Benefits Paid	\$ 22,607,290	\$ 23,272,668
<b>Net Decrease in Account Balance</b>	<b>\$ (11,806,548)</b>	<b>\$ (9,619,569)</b>
<b>Account Balance - Beginning September 1</b>	<b>\$ 117,774,106</b>	<b>\$ 127,393,675</b>
<b>Account Balance - Ending August 31</b>	<b>\$ 105,967,558</b>	<b>\$ 117,774,106</b>



## Comparative Schedule of Changes in Account Balance

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

SCHEDULE 1

EXPENSE ACCOUNT	2010	2009
<b>Additions:</b>		
Legislative Appropriations	\$ 2,805,955	\$
On Behalf Fringe Benefits Paid by the State	160,975	
Miscellaneous Revenues	788,787	3,899
Operating Transfer In:		
Allocation from Interest Account	66,482,415	58,930,000
<b>TOTAL ADDITIONS</b>	<b>\$ 70,238,132</b>	<b>\$ 58,933,899</b>
<b>Deductions:</b>		
Administrative Expenses:		
Salaries and Other Personnel Costs	\$ 42,636,991	\$ 38,896,355
Professional Fees and Services	7,089,576	10,958,008
Consumable Supplies and Fuels	410,343	433,939
Utilities	880,128	992,256
Travel	690,540	557,357
Rentals	1,859,462	801,804
Dues, Fees and Staff Development	277,052	255,015
Subscriptions and Reference Information	202,629	171,539
Printing and Reproduction Services	538,358	220,539
Postage, Mailing and Delivery Services	2,305,069	2,049,466
Software Purchases and Maintenance	1,890,191	2,147,508
Computer Hardware Maintenance	362,032	283,373
Miscellaneous Expenses	688,781	700,840
Insurance Premiums	727,826	850,702
Furniture and Equipment - Expensed	733,724	2,456,306
Maintenance - Buildings and Equipment	831,101	675,119
Compensable Absences	371,211	1,090,248
Depreciation	1,500,507	2,127,429
Amortization	1,340,603	258,016
<b>TOTAL DEDUCTIONS</b>	<b>\$ 65,336,124*</b>	<b>\$ 65,925,819</b>
<b>Net Increase (Decrease) in Account Balance</b>	<b>\$ 4,902,008</b>	<b>\$ (6,991,920)</b>
<b>Account Balance - Beginning September 1</b>	<b>\$ 26,041,154</b>	<b>\$ 31,659,056</b>
<b>Restatement</b>		<b>1,374,018**</b>
<b>Account Balance - Beginning September 1</b>		
as Restated	\$ 26,041,154	\$ 33,033,074
<b>Account Balance - Ending August 31</b>	<b>\$ 30,943,162</b>	<b>\$ 26,041,154</b>

\* This amount includes total internal administrative investing activity expenses of \$35,343,516 (Schedule 3). Administrative expenses net of investing activity expenses are \$29,992,608 (Exhibit II).

\*\* External manager fees were reclassified from the expense account to the interest account in fiscal year 2009.

TEACHER RETIREMENT SYSTEM OF TEXAS



Schedule of Administrative and Capital Expenses -  
Budget and Actual on Budgetary Basis

AUGUST 31, 2010

SCHEDULE 2

	FIDUCIARY FUND			
	PENSION TRUST FUND			
	Budget	Actual	Variance - Favorable (Unfavorable)	
<b>Expenses:</b>				
Salaries and Wages	\$ 34,767,414	\$ 33,358,277	\$ 1,409,137	
Other Personnel Costs:				
Longevity Pay	\$ 663,680	\$ 567,000	\$ 96,680	
Employer Retirement Contributions	2,311,500	2,174,417	137,083	
Employer FICA Contributions	2,762,800	2,280,417	482,383	
Employer Health Insurance Contributions	3,680,000	3,566,013	113,987	
Benefit Replacement Pay	159,000	144,534	14,466	
Other Employee Benefits	42,000	25,012	16,988	
Compensable Absences	371,211	371,211		
<b>TOTAL OTHER PERSONNEL COSTS</b>	<b>\$ 9,990,191</b>	<b>\$ 9,128,604</b>	<b>\$ 861,587</b>	
Professional Fees and Services	\$ 8,947,749	\$ 7,180,113	\$ 1,767,636	
Other Operating Expenses:				
Consumable Supplies and Fuels	\$ 457,092	\$ 418,535	\$ 38,557	
Utilities	964,336	880,128	84,208	
Travel	981,858	691,664	290,194	
Rentals	2,139,593	2,039,988	99,605	
Dues, Fees and Staff Development	382,288	286,271	96,017	
Subscriptions and Reference Information	251,015	204,317	46,698	
Printing and Reproduction Services	558,550	548,157	10,393	
Postage, Mailing and Delivery Services	2,411,987	2,305,069	106,918	
Software Purchases and Maintenance	2,265,329	2,178,777	86,552	
Computer Hardware Maintenance	573,000	349,516	223,484	
Miscellaneous Expenses	842,252	638,492	203,760	
Insurance Premiums	848,800	727,826	120,974	
Furniture and Equipment - Expensed	423,368	316,700	106,668	
Maintenance - Buildings and Equipment	814,902	770,647	44,255	
Amortization	1,340,603	1,340,603		
Depreciation and Loss on Disposal of Assets	1,500,507	1,500,507		
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>\$ 16,755,480</b>	<b>\$ 15,197,197</b>	<b>\$ 1,558,283</b>	
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 70,460,834</b>	<b>\$ 64,864,191</b>	<b>\$ 5,596,643</b>	
<b>Pension Trust Fund:</b>				
Total From Expense Account - Schedule 1		\$ 65,336,124*		
Add Differences Between GAAP and Budgetary Basis Payables:				
Salaries and Wages		(521,321)		
Professional Fees and Services		90,537		
Other Operating Expenses		258,418		
Less Reclass from Capital Assets		(299,567)		
<b>TOTAL ADMINISTRATIVE EXPENSES PER ABOVE - BUDGETARY BASIS SCHEDULE</b>		<b>\$ 64,864,191</b>		
<b>Capital Expenses:</b>				
Furniture and Equipment - Capitalized	\$ 81,875	\$ 56,971	\$ 24,904	
Capital Projects	8,065,327	3,114,163	4,951,164	
<b>TOTAL CAPITAL EXPENSES</b>	<b>\$ 8,147,202</b>	<b>\$ 3,171,134</b>	<b>\$ 4,976,068</b>	

\* This amount includes total internal administrative investing activity expenses of \$35,343,516 (Schedule 3). Administrative expenses net of investing activity expenses are \$29,992,608 (Exhibit II).

**TEACHER RETIREMENT SYSTEM OF TEXAS**

FIDUCIARY FUND		
HEALTH BENEFITS TRUST FUND RETIRED PLAN		
Budget	Actual	Variance - Favorable (Unfavorable)
\$ 1,561,800	\$ 1,502,926	\$ 58,874
\$ 43,800	\$ 43,060	\$ 740
104,000	101,511	2,489
124,500	113,846	10,654
170,000	153,669	16,331
13,750	13,239	511
15,000		15,000
19,531	19,531	
\$ 490,581	\$ 444,856	\$ 45,725
\$ 1,144,333	\$ 880,387	\$ 263,946
\$ 3,653	\$ 2,046	\$ 1,607
2,060	1,643	417
16,970	4,215	12,755
120,867	120,867	
2,628	1,068	1,560
650	270	380
14,463	11,963	2,500
109,477	57,055	52,422
13,311	4,390	8,921
6,650		6,650
1,600		1,600
\$ 292,329	\$ 203,517	\$ 88,812
\$ 3,489,043	\$ 3,031,686	\$ 457,357

**Health Benefits Trust Fund - Retired Plan:**

Total Administrative Expenses - \$ 3,031,686  
Exhibit II

TOTAL ADMINISTRATIVE  
EXPENSES PER ABOVE -  
BUDGETARY BASIS  
SCHEDULE \$ 3,031,686

(to next page)



## Schedule of Administrative and Capital Expenses - Budget and Actual on Budgetary Basis

AUGUST 31, 2010

(concluded)

	PROPRIETARY FUND		
	TRS-ACTIVECARE ENTERPRISE FUND		
	Budget	Actual	Variance - Favorable (Unfavorable)
<b>Expenses:</b>			
Salaries and Wages	\$ 1,150,000	\$ 1,047,562	\$ 102,438
Other Personnel Costs:			
Longevity Pay	\$ 26,990	\$ 26,600	\$ 390
Employer Retirement Contributions	70,000	64,328	5,672
Employer FICA Contributions	82,910	79,399	3,511
Employer Health Insurance Contributions	105,000	99,078	5,922
Benefit Replacement Pay	3,000	2,320	680
Other Employee Benefits	6,000		6,000
Compensable Absences	1,857	1,857	
<b>TOTAL OTHER PERSONNEL COSTS</b>	<b>\$ 295,757</b>	<b>\$ 273,582</b>	<b>\$ 22,175</b>
Professional Fees and Services	\$ 698,000	\$ 478,956	\$ 219,044
Other Operating Expenses:			
Consumable Supplies and Fuels	\$ 4,000	\$ 2,215	\$ 1,785
Utilities	2,600	1,021	1,579
Travel	9,100	3,358	5,742
Rentals	65,745	65,745	
Dues, Fees and Staff Development	3,200	1,568	1,632
Subscriptions and Reference Information	2,300	1,294	1,006
Printing and Reproduction Services	2,880	209	2,671
Postage, Mailing and Delivery Services	5,770	4,322	1,448
Miscellaneous Expenses	4,000	1,107	2,893
Furniture and Equipment - Expensed	5,500	2,584	2,916
Maintenance - Buildings and Equipment	1,250		1,250
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>\$ 106,345</b>	<b>\$ 83,423</b>	<b>\$ 22,922</b>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 2,250,102</b>	<b>\$ 1,883,523</b>	<b>\$ 366,579</b>
<b>TRS-ActiveCare Enterprise Fund:</b>			
Total Administrative and Compensable Absences Expense - Exhibit IV		\$ 1,883,148	
Add Differences Between GAAP and Budgetary Basis			
Payables:			
Professional Fees and Service		375	
<b>TOTAL ADMINISTRATIVE EXPENSES PER ABOVE - BUDGETARY BASIS SCHEDULE</b>		<b>\$ 1,883,523</b>	

**TEACHER RETIREMENT SYSTEM OF TEXAS**

PROPRIETARY FUND		
NONMAJOR 403(b) CERTIFICATION PROGRAM ENTERPRISE FUND		
Budget	Actual	Variance - Favorable (Unfavorable)
\$ 136,000	\$ 120,298	\$ 15,702
\$ 2,200	\$ 2,100	\$ 100
8,850	8,034	816
10,257	8,712	1,545
16,800	16,307	493
3,000		3,000
17,225	17,225	
\$ 58,332	\$ 52,378	\$ 5,954
\$	\$	\$
\$	\$	\$
318	159	159
\$ 318	\$ 159	\$ 159
\$ 194,650	\$ 172,835	\$ 21,815
<b>Nonmajor 403(b) Certification Program Enterprise Fund:</b>		
Total Administrative and Compensable Absences - Expense - Exhibit IV		\$ 172,835
TOTAL ADMINISTRATIVE EXPENSES PER ABOVE - BUDGETARY BASIS SCHEDULE		\$ 172,835



## Comparative Schedule of Investing Activity Expenses

**PENSION TRUST FUND**  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

	2010	2009
<b>Direct Expenses:</b>		
Salaries and Other Personnel Costs	\$ 16,283,310	\$ 14,944,045
Professional Fees and Services	5,232,615	8,918,567
Consumable Supplies and Fuels	41,972	20,390
Travel	490,522	388,688
Building Lease	1,486,486	546,861
Copier Rentals	74,039	
Dues, Fees and Staff Development	41,146	35,520
Subscriptions and Reference Information	40,989	41,967
Software Upgrades	196,123	239,347
Telecommunication and Data Services	357,760	244,864
Moving Expenses		16,245
Furniture and Equipment - Expensed	246,601	2,067,620
Amortization - Leasehold Improvements	516,031	258,016
<b>Total Direct Expenses</b>	<b>\$ 25,007,594</b>	<b>\$ 27,722,130</b>
<b>Indirect Expenses:</b>		
Depreciation	\$ 173,164	\$ 476,005
Utilities and Building Maintenance		352,178
Executive Management Support	827,413	1,120,998
Legal Support	1,585,381	1,284,202
Audit Support	1,442,557	1,167,609
Human Resources Support	558,432	528,677
Fiscal Management Support	1,505,945	1,368,028
Information Technology Support	2,643,578	2,281,360
Staff Services Support	1,191,293	879,774
Other Support Services	408,159	434,410
<b>Total Indirect Expenses</b>	<b>\$ 10,335,922</b>	<b>\$ 9,893,241</b>
<b>Total Internal Administrative Investing Activity Expenses*</b>	<b>\$ 35,343,516</b>	<b>\$ 37,615,371</b>
External Manager Fees **	\$ 76,575,138	\$ 31,375,146
<b>Total Investing Activity Expenses (Exh. II) ***</b>	<b>\$ 111,918,654</b>	<b>\$ 68,990,517</b>

\* Internal expenses are not netted against or included in performance calculations.

\*\* Performance calculations are net of External Manager Fees.

\*\*\* The investing activity expenses do not include the following expenditures:

During fiscal year 2010, the system paid commissions to various brokers totaling \$67,533,511. A portion of the total commissions was paid to Soft Dollar brokers generating \$8,239,074 of Soft Dollar credits. Soft Dollar credits were spent during fiscal year 2010 in accordance with Section 28(e) of the Securities Exchange Act of 1934 totaling \$6,660,412. Unspent Soft Dollar credits are held by the receiving broker and will be utilized in the new fiscal year. Another portion of the total commissions was paid through various Commission Sharing Arrangements (CSA) generating \$19,484,731 in CSA proceeds. These proceeds were used to acquire research services from various investment related firms totaling \$14,006,423. Unspent CSA proceeds are held by either State Street Bank and Trust Company as the system's CSA agent or by the CSA broker as a reserve for future expenses.

Through its contractual agreements with various firms, the system benefited from \$4,888,165 in vendor paid expenses and contractual allowances. Vendor paid expenses are legal arrangements that are used to acquire investment related items other than those paid for with Soft Dollar credits and CSA proceeds.

In addition to the \$67,533,511 in commission expenses mentioned above, \$344,913,582 was paid to various Alternative and Pooled Investment General Partners for a total of \$412,447,093 in fees and commissions which are not included in Investing Activities Expense on Exhibit II. These amounts are reported in the Schedule of Fees and Commissions and are netted against investment performance on Exhibit II in the Net Appreciation in Fair Value of Investments amount.



## Schedule of Payments to Consultants - Budgetary Basis

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

SCHEDULE 4

	Pension Trust Fund	Health Benefits Trust Fund Retired Plan	TRS- ActiveCare Enterprise Fund	Total
<b>Nature of Service:</b>				
Legal Counsel	\$ 3,283,287	\$ 11,459	\$ 5,846	\$ 3,300,592
Investment Consultants	2,035,513			2,035,513
Health Care Consultants		565,095	186,462	751,557
Audit Services	675,709	11,673	11,648	699,030
Administrative Services		292,160	275,000	567,160
Fiduciary Counsel	477,548			477,548
Programming Consultants	120,076			120,076
Search Consultants	100,531			100,531
Medical Board	100,525			100,525
Temporary Employment Services	85,022			85,022
Audiovisual Services	73,690			73,690
Economic Impact Study	55,016			55,016
Consulting Actuary	54,548			54,548
Investment Counseling Services	38,645			38,645
Member Satisfaction Survey	35,000			35,000
Employee Assistance Program	16,014			16,014
Engineering Services	15,220			15,220
Miscellaneous	14,279			14,279
Software Consultants/Upgrades	(510)*			(510)
<b>TOTAL</b>	<b>\$ 7,180,113</b>	<b>\$ 880,387</b>	<b>\$ 478,956</b>	<b>\$ 8,539,456</b>

\* Expense reduction from fiscal year 2009.

TEACHER RETIREMENT SYSTEM OF TEXAS

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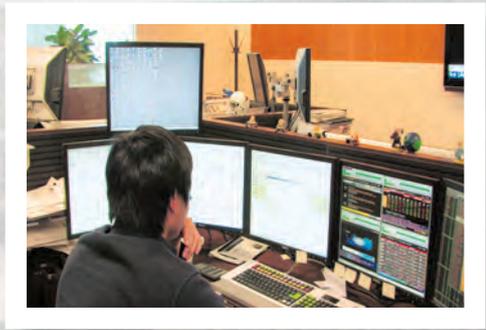
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# Investment Section

TEACHER RETIREMENT SYSTEM OF TEXAS

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## INVESTMENT OVERVIEW

### Portfolio Structure

In 2008, TRS began a transition to a more diversified investment strategy. That transition is now complete. The investment strategy focuses on three possible economic scenarios. Scenario one is characterized by favorable Gross Domestic Product (GDP) growth and an average Consumer Price Index (CPI) which, since 1948, has been the prevailing economic condition 66% of the time. Scenario two is one of low GDP growth and high CPI, which has occurred 21% of the time. Finally, scenario three is characterized by stagnant GDP and low CPI, which has occurred 13% of the time. TRS is positioned to take advantage of any of these various market scenarios by allocating 60% to global equity markets, which perform well under scenario one, 20% to real return, which should perform well in scenario two, and 20% to a stable value portfolio, which should perform well and minimize downside risk in scenario three.

### Investment Portfolio Performance

TRS had a return of 15.6% for the year ending June 2010, which exceeded the fund's benchmark by 2.7%. This return ranked in the top 5% of public pension funds for the year. The total investment value of the trust on August 31, 2010 was \$94.9 billion. Annual rates of return for the one, three, five and 10-year periods ending August 31, 2010 were 10.72%, -2.76%, 2.90% and 3.08%, respectively.

Additional performance information is included on the Total Time-Weighted Returns and Asset Allocation Charts on the following pages. The Total Time Weighted Returns shown are for the 12-month period ended June 30, 2010, and includes comparisons with established benchmarks for the same time period.

Investment performance is calculated using a time-weighted rate of return. Returns are calculated by State Street Bank and Trust Company, the fund's custodian bank, using industry best practices.

### Strategic Initiatives

The Investment Management Division deployed an "economic regimes headlight system," which is being used to assess current and future economic conditions. Enhancements were made to the suite of Tactical Asset Allocation models and four contingent portfolios were constructed. Contingent portfolios are designed to perform well in extreme economic conditions. On October 1, 2009, the Investment Management Division launched an internal gold fund. Gold was the

best performing asset class in the year ending June 30, 2010. The Trade Management Group achieved top-tier trading performance relative to its peer universe, among which are the largest and most well-respected funds in the world. The Private Markets Group established TRS' first Co-Investment Program, and played a leading role in the development of the Institutional Limited Partners Association revised standards for General Partners.

The board recently reviewed and adjusted the investment policy to help achieve the trust's targeted 8% long-term return. The primary adjustments were to the policy benchmark. These included dividing the world equity allocation into its three component parts, moving the policy benchmark from its transition allocation to its long-term allocation with continuing transition flexibility for the real assets allocation, and adjusting the minimum and maximum allowable asset allocations. These adjustments will provide greater asset allocation clarity and will allow for increased flexibility when responding to changes in market conditions.

TRS continues to enhance the Investment Management Division's asset management capabilities. The Investment Management Division continued to add new external managers for public equities. Allocation to external managers has been effective and used in three ways: global equity, dislocated credit and the Strategic Partnership Network. The Strategic Partner Network continued to perform well, providing valuable asset allocation research and adding 1.42% above its one-year benchmark returns for the fiscal year ending August 31, 2010. In the midst of the credit crisis, the TRS Board approved an allocation into the credit markets to take advantage of market dislocation. The credit portfolio delivered a return for the fiscal year of 25.7%. Hedge Funds have been structured to reduce down side equity market risk. Derivatives have been employed conservatively and used to increase portfolio flexibility, reduce costs and increase efficiency. Cost savings have exceeded \$200 million.

Looking forward, our expectations are for relatively muted returns over the next few years, but where global equity is more likely to outperform sovereign debt due to the very low interest rates today. The trust remains well positioned for continued, albeit moderate, economic growth.

*Prepared by:  
Investment staff of the system*

# Total Time Weighted Returns

## PENSION TRUST FUND - FOR PERIODS ENDED JUNE 30

Total Portfolio <sup>1</sup>	2005	2006	2007	2008	2009	2010	3 Years	5 Years	10 Years
TRS	9.5%	10.4%	17.5%	-2.1%	-21.9%	15.7%	-3.9%	2.8%	3.1%
Custom Benchmark <sup>2</sup>	9.3%	9.7%	16.9%	-2.0%	-19.5%	12.8%	-3.8%	2.7%	2.9%
TRS Public Equity	10.2%	14.0%	21.9%	-10.3%	-26.8%	14.5%	-9.3%	0.8%	0.5%
Public Equity Composite Benchmark <sup>3</sup>	9.8%	13.5%	22.1%	-10.9%	-27.3%	14.3%	-9.6%	0.5%	0.3%
TRS Private Equity	38.4%	45.3%	32.4%	14.8%	-28.8%	24.6%	0.6%	14.4%	9.2%
Private Equity Composite Benchmark <sup>4</sup>	15.3%	19.6%	21.4%	-12.4%	-22.8%	34.9%	-3.0%	6.1%	5.4%
<b>Total TRS Global Equity</b>	<b>10.8%</b>	<b>14.8%</b>	<b>22.3%</b>	<b>-8.8%</b>	<b>-27.7%</b>	<b>16.2%</b>	<b>-8.5%</b>	<b>1.5%</b>	<b>1.0%</b>
<b>Global Equity Composite</b>									
<b>Benchmark <sup>5</sup></b>	<b>10.1%</b>	<b>13.9%</b>	<b>22.1%</b>	<b>-10.9%</b>	<b>-27.0%</b>	<b>17.0%</b>	<b>-8.7%</b>	<b>1.1%</b>	<b>0.7%</b>
TRS Fixed Income	7.3%	-0.3%	6.7%	4.4%	-0.7%	22.0%	8.1%	6.2%	7.4%
Fixed Income Composite Benchmark <sup>6</sup>	7.1%	-0.5%	6.6%	9.2%	6.6%	11.3%	9.0%	6.6%	7.4%
TRS Hedge Funds	6.2%	11.2%	15.2%	-1.2%	-10.5%	7.7%	-1.8%	3.9%	n/a
Hedge Fund Composite Benchmark <sup>7</sup>	3.7%	5.8%	9.8%	5.9%	3.9%	2.4%	4.0%	5.6%	n/a
<b>Total TRS Stable Value</b>	<b>7.0%</b>	<b>0.5%</b>	<b>7.2%</b>	<b>4.5%</b>	<b>-3.6%</b>	<b>19.2%</b>	<b>6.4%</b>	<b>5.3%</b>	<b>6.8%</b>
<b>Stable Value Composite</b>									
<b>Benchmark <sup>8</sup></b>	<b>6.8%</b>	<b>-0.1%</b>	<b>6.7%</b>	<b>8.4%</b>	<b>6.0%</b>	<b>9.0%</b>	<b>7.8%</b>	<b>6.0%</b>	<b>7.0%</b>
TRS Real Estate	-5.0%	11.7%	13.7%	7.1%	-34.9%	-9.4%	-14.2%	-4.3%	n/a
Real Estate Composite Benchmark <sup>9</sup>	n/a	n/a	18.8%	9.3%	-30.2%	-17.1%	-14.1%	n/a	n/a
<b>Total TRS Real Return</b>	<b>-5.0%</b>	<b>11.7%</b>	<b>13.7%</b>	<b>24.5%</b>	<b>-25.7%</b>	<b>7.7%</b>	<b>-0.6%</b>	<b>4.5%</b>	<b>n/a</b>
<b>Real Return Composite</b>									
<b>Benchmark <sup>10</sup></b>	<b>n/a</b>	<b>n/a</b>	<b>18.8%</b>	<b>18.6%</b>	<b>-22.3%</b>	<b>2.1%</b>	<b>-2.0%</b>	<b>n/a</b>	<b>n/a</b>

<sup>1</sup> Time-weighted rates of return adjusted for cash flows. Returns are calculated net of all fees.

<sup>2</sup> 42% S&P 500/ 7.5% S&P 400/ 3% S&P 600/ 13% MS ACWI Free Ex-US/ 28.5% SB Large Pension Fund/ 1% SB High Yield Market Index/ 3% Private Equity Composite (3 years at 0, then Russell 2000 + 500 bps)/ 1.5% Absolute Return Composite (6-month T-Bill + 300 bps through 3/03; then 70% 3-month LIBOR/ 30% S&P 500)/ 0.5% 91-day T-Bill through 6/04; 42% S&P 500/ 7.5% S&P 400/ 3% S&P 600/ 13% MS ACWI Free Ex-US/ 28.5% LB Aggregate/ 1% SB High Yield Market Index/ 3% Private Equity Composite (3 years at 0, then Russell 2000 + 500 bps)/ 1.5% Absolute Return Composite (70% 3-month LIBOR/ 30% S&P 500)/ 0.5% 91-day T-Bill through 01/05; 50% Total Domestic Equity Composite/ 13.4% MS ACWI Ex-US/ 28.35% LB Aggregate/ 2.06% Citigroup High Yield Index/ 4.12% Private Equity Composite (3 years at 0, then Russell 2000 + 500 bps)/ 1.55% Absolute Return Composite (70% 3-month LIBOR/ 30% S&P 500)/ 0.52% 91-day T-Bill through 9/07; 15% Russell 1000 Growth/ 15% Russell 1000 Value/ 5% Russell 2000/ 15% MSCI EAFE + Canada/ 5% MSCI EM/ 5% Russell 3000 + 5%/ 10% Lehman Long Treasuries/ 4% 3-month LIBOR + 2%/ 5% Lehman Intermediate Gov-Credit/ 1% Citigroup 90-day US Treasury/ 10% Lehman Global Inflation Linked Bonds/ 4% Real Estate Composite/ 1% US Core CPI + 5%/ 3% Goldman Sachs Commodity Index/ 2% NAREIT through 9/08; 10% Russell 1000 Growth/ 10% Russell 1000 Value/ 5% Russell 2000/ 8% MSCI EAFE + Canada/ 5% MSCI EM/ 15% MSCI World/ 7% Russell 3000 + 5%/ 12% BC Long Treasuries/ 4% 3-month LIBOR + 2%/ 3% BC Intermediate Gov-Credit/ 1% Citigroup 90-day US Treasury/ 5% BC Global Inflation Linked Bonds/ 5% BC US TIPS/ 5% Real Estate Composite/ 1% US Core CPI + 5%/ 2% Goldman Sachs Commodity Index/ 2% NAREIT through 9/09; currently 8% MSCI USA Large Cap/ 5% MSCI USA Small Cap / 33% MSCI All Country World/ 8% State Street Private Equity Index-lagged one quarter/ 15% BC Long Treasuries/ 4% 3-month LIBOR + 2%/ 1% Citigroup 90-day US Treasury/ 8% BC US TIPS/ 8% NCREIF ODCE-lagged one quarter/ 2% Goldman Sachs Commodity Index/ 2% MSCI US REIT.

<sup>3</sup> 64% S&P 500/ 11% S&P 400/ 5% S&P 600, 20% MSCI ACWI free-ex-US through 6/04; 61% S&P 500/ 12% S&P 400/ 6% S&P 600/ 21% MSCI ACWI free ex-US through 6/05; 60.16% S&P 500/ 12.2% S&P 400/ 6.5% S&P 600, 21.14% MSCI ACWI free ex-US through 3/06; 59.82% S&P 500/ 11.97% S&P 400/ 5.99% S&P 600, 22.22% MSCI ACWI free ex-US through 9/07; 27.27% Russell 1000 Growth/ 27.27% Russell 1000 Value/ 9.09% Russell 2000/ 27.27% MSCI EAFE + Canada/ 9.10% MSCI EM through 9/08; 18.9% Russell 1000 Growth/ 18.9% Russell 1000 Value/ 9.4% Russell 2000/ 15.1% MSCI EAFE + Canada/ 9.4% MSCI EM/ 28.3% MSCI World through 9/09; currently 15.4% MSCI USA large Cap/ 9.6% MSCI USA Small Cap/ 11.5% MSCI EM/ 63.5% MSCI All country World.

<sup>4</sup> 3 years at 0, then Russell 2000 + 500 bps through 9/07; Russell 3000 + 5% through 9/09; currently State Street Private Equity Index-lagged one quarter.

<sup>5</sup> 61.31% S&P 500/ 10.95% S&P 400/ 4.38% S&P 600, 18.98% MSCI ACWI free-ex-US/ 4.38% Private Equity Composite (3 years 0, then Russell 2000+5%) through 6/04; 57% S&P 500/ 11% S&P 400/ 6% S&P 600, 20% MSCI ACWI free ex-US/ 6% Russell 2000+5% through 6/05; 56.5% S&P 500/ 11.5% S&P 400/ 6.1% S&P 600/ 19.8% MSCI ACWI free ex-US/ 6.1% Russell 2000+5% through 3/06; 56.00% S&P 500/ 11.21% S&P 400/ 5.6% S&P 600/ 20.8% MSCI ACWI free ex-US/ 6.39% Russell 2000+5% through 9/07; 25% Russell 1000 Growth/ 25% Russell 1000 Value/ 8.34% Russell 2000/ 25% MSCI EAFE + Canada/ 8.33% MSCI EM, 8.33% Russell 3000 + 5% through 9/08; 16.67% Russell 1000 Growth/ 16.67% Russell 1000 Value/ 8.33% Russell 2000/ 13.33% MSCI EAFE + Canada/ 8.33% MSCI EM/ 25% MSCI World/ 11.67% Russell 3000 + 5% through 9/09; currently 13.33% MSCI USA large Cap/ 8.33% MSCI USA Small Cap/ 10.0% MSCI EM/ 55.0% MSCI All country World/ 13.34% State Street Private Equity Index-lagged one quarter.

<sup>6</sup> 96.61% SB Large Pension Fund/ 3.39% SB High Yield Market Index through 12/03; 96.61% LB Aggregate/ 3.39% SB High Yield Market Index through 06/04; 93.22% LB Aggregate/ 6.78% Citigroup High Yield Index through 03/05; 93.22% LB Aggregate/ 6.78% Lehman US Corp High Yield Index through 03/06; LB Universal through 9/07; 66.67% Lehman Long Treasury/ 33.33% Lehman Intermediate Gov-Credit through 9/08; 80% BC Long Treasury, 20% BC Intermediate Gov-Credit through 9/09; currently BC Long Treasury Index.

<sup>7</sup> 6-month T-Bill + 300 bps through 3/03; 70% 3-month LIBOR/ 30% S&P 500 through 9/07; currently 3-month LIBOR + 2%.

<sup>8</sup> 90.48% SB Large Pension Fund/ 3.17% SB High Yield Index/ 4.76% Hedge Fund Composite, 1.59%/ 91-day T-Bill through 12/03; 90.48% LB Aggregate/ 3.17% SB High Yield Index/ 4.76% Hedge Fund Composite/ 1.59% 91-day T-Bill through 06/04; 87.3% LB Aggregate/ 6.35% Citigroup High Yield Index/ 4.76% Hedge Fund Composite/ 1.59% 91-day T-Bill through 03/05; 87.3% LB Aggregate/ 6.35% Lehman High Yield/ 4.76% Hedge Fund Composite/ 1.59% 91-day T-Bill through 03/06; 93.63% LB Aggregate/ 4.77% Hedge Fund Composite/ 1.6% 91-day T-Bill through 9/07; 50% Lehman Long Treasury/ 25% Lehman Intermediate Gov-Credit/ 20% Hedge Fund Composite/ 5% 91-day T-Bill through 9/08; 60% BC Long Treasury/ 15% BC Intermediate Gov-Credit/ 20% Hedge Fund Composite/ 5% 91-day T-Bill through 9/09; currently 75% BC Long Treasury/ 20% Hedge Fund Composite/ 5% 91-day T-Bill.

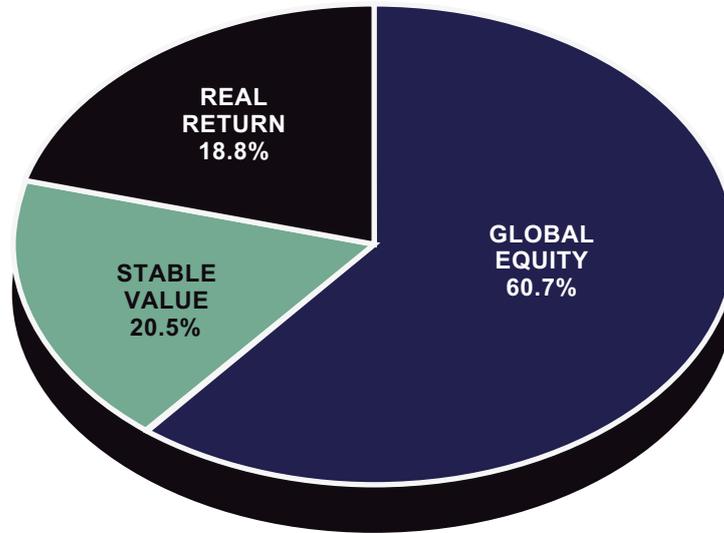
<sup>9</sup> Index established 4/2006, NCREIF Property Index (1 quarter lag) + 200 bps through 9/07; Core: NCREIF ODCE/Opportunistic: NCREIF ODCE +2% through 9/08; Core: NCREIF ODCE/Opportunistic: NCREIF ODCE +2%/ Value-Added NCREIF ODCE +1% through 9/09; currently NCREIF ODCE-lagged one quarter.

<sup>10</sup> Index established 4/2006, NCREIF Property Index (1 quarter lag) + 200 bps through 9/07; 50% LB Global Inflation Linked Bond Index/ 20% Real Estate Composite Index/ 5% US Core CPI + 5%/ 15% Goldman Sachs Commodity Index/ 10% NAREIT Index through 9/08; 25% BC Global Inflation Linked Bond Index/ 25% BC US TIPS Index/ 25% Real Estate Composite Index/ 5% US Core CPI + 5%/ 10% Goldman Sachs Commodity Index/ 10% NAREIT Index through 9/09; currently 40% BC US TIPS/ 40% NCREIF ODCE-lagged one quarter/ 10% Goldman Sachs Commodity Index/ 10% MSCI US REIT.

# Asset Allocation

PENSION TRUST FUND - AUGUST 31, 2010

**Asset Allocation  
Actual at Fiscal Year End**



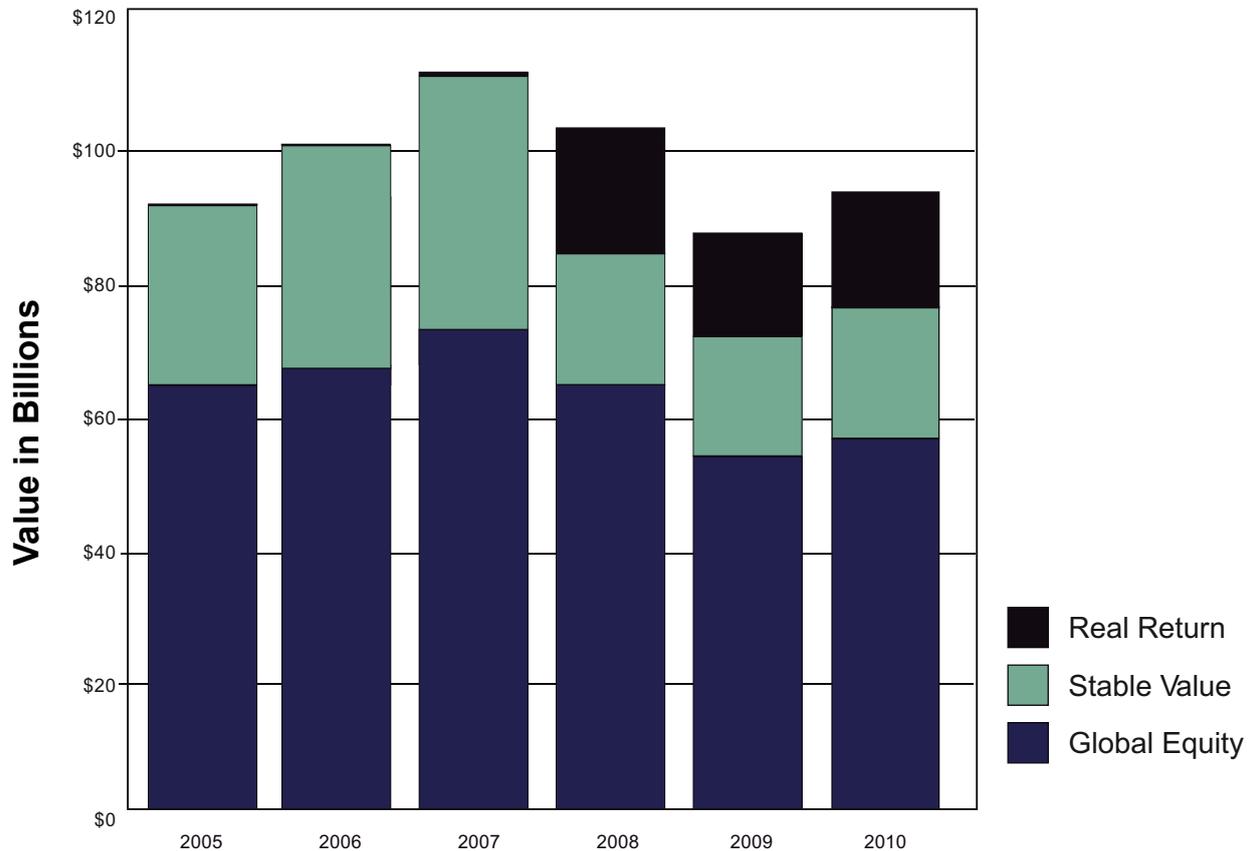
	POLICY RANGES			Actual
	Low	High	Neutral	
Public Equity	n/a	n/a	52.0%	51.7%
Private Equity	3.0%	13.0%	8.0%	9.0%
<b>TOTAL GLOBAL EQUITY</b>	<b>55.0%</b>	<b>65.0%</b>	<b>60.0%</b>	<b>60.7%</b>
Fixed Income <sup>1</sup>	0.0%	20.0%	15.0%	15.3%
Short-Term	0.0%	6.0%	1.0%	1.0%
Hedge Funds	0.0%	5.0%	4.0%	4.2%
<b>TOTAL STABLE VALUE</b>	<b>15.0%</b>	<b>25.0%</b>	<b>20.0%</b>	<b>20.5%</b>
Inflation Linked Bonds	0.0%	13.0%	8.0%	8.6%
Real Assets	0.0%	13.0%	8.0%	6.0%
Commodities	0.0%	7.0%	2.0%	2.2%
REITS <sup>2</sup>	0.0%	7.0%	2.0%	2.0%
<b>TOTAL REAL RETURN</b>	<b>15.0%</b>	<b>25.0%</b>	<b>20.0%</b>	<b>18.8%</b>
<b>TOTAL</b>				<b>100.0%</b>

<sup>1</sup> Does not include Inflation Linked Bonds in Real Return Portfolio.

<sup>2</sup> Dedicated portfolio in addition to Global Equity holdings.

## Investment Summary

### PENSION TRUST FUND - AUGUST 31

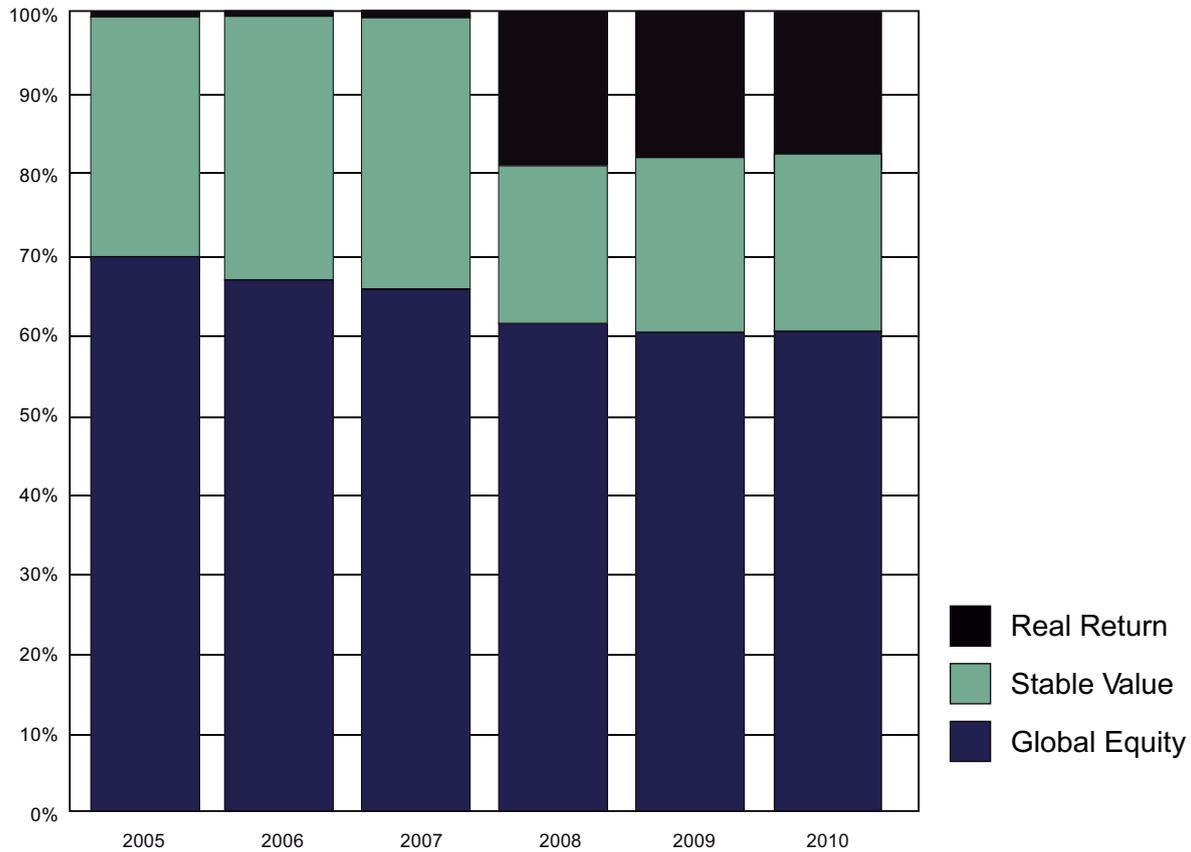


	2005	2006	2007	2008	2009	2010
Public Equity	\$ 63.571	\$ 65.836	\$ 70.255	\$ 58.313	\$ 47.232	\$ 49.095
Private Equity	1.753	2.321	3.794	6.055	5.866	8.501
<b>TOTAL GLOBAL EQUITY</b>	<b>\$ 65.324</b>	<b>\$ 68.157</b>	<b>\$ 74.049</b>	<b>\$ 64.368</b>	<b>\$ 53.098</b>	<b>\$ 57.596</b>
Fixed Income <sup>1</sup>	\$ 24.723	\$ 27.184	\$ 31.358	\$ 15.674	\$ 12.544	\$ 14.505
Short-Term	1.921	3.975	1.683	1.128	2.588	1.010
Hedge Funds	1.223	1.681	2.817	3.998	3.575	3.948
<b>TOTAL STABLE VALUE</b>	<b>\$ 27.867</b>	<b>\$ 32.840</b>	<b>\$ 35.858</b>	<b>\$ 20.800</b>	<b>\$ 18.707</b>	<b>\$ 19.463</b>
Inflation Linked Bonds	\$ n/a	\$ n/a	\$ n/a	\$ 10.242	\$ 8.536	\$ 8.137
Real Assets	0.138	0.261	1.214	3.648	3.741	5.702
Commodities	n/a	n/a	n/a	3.214	1.697	2.069
REITS <sup>2</sup>	n/a	n/a	n/a	1.803	1.934	1.958
<b>TOTAL REAL RETURN</b>	<b>\$ 0.138</b>	<b>\$ 0.261</b>	<b>\$ 1.214</b>	<b>\$ 18.907</b>	<b>\$ 15.908</b>	<b>\$ 17.866</b>
<b>TOTAL</b>	<b>\$ 93.329</b>	<b>\$ 101.258</b>	<b>\$ 111.121</b>	<b>\$ 104.075</b>	<b>\$ 87.713</b>	<b>\$ 94.925</b>

<sup>1</sup> Does not include Inflation Linked Bonds in Real Return Portfolio.

<sup>2</sup> Dedicated portfolio in addition to Global Equity holdings.

**Investment Summary**  
PENSION TRUST FUND - AUGUST 31



**PERCENTAGE OF MARKET VALUES**

	2005	2006	2007	2008	2009	2010
Public Equity	68.1%	65.0%	63.3%	56.0%	53.8%	51.7%
Private Equity	1.9%	2.3%	3.4%	5.8%	6.7%	9.0%
<b>TOTAL GLOBAL EQUITY</b>	<b>70.0%</b>	<b>67.3%</b>	<b>66.7%</b>	<b>61.8%</b>	<b>60.5%</b>	<b>60.7%</b>
Fixed Income <sup>1</sup>	26.5%	26.8%	28.2%	15.1%	14.3%	15.3%
Short-Term	2.1%	3.9%	1.5%	1.1%	3.0%	1.0%
Hedge Funds	1.3%	1.7%	2.5%	3.8%	4.1%	4.2%
<b>TOTAL STABLE VALUE</b>	<b>29.9%</b>	<b>32.4%</b>	<b>32.2%</b>	<b>20.0%</b>	<b>21.4%</b>	<b>20.5%</b>
Inflation Linked Bonds	n/a	n/a	n/a	9.9%	9.7%	8.6%
Real Assets	0.1%	0.3%	1.1%	3.5%	4.3%	6.0%
Commodities	n/a	n/a	n/a	3.1%	1.9%	2.2%
REITS <sup>2</sup>	n/a	n/a	n/a	1.7%	2.2%	2.0%
<b>TOTAL REAL RETURN</b>	<b>0.1%</b>	<b>0.3%</b>	<b>1.1%</b>	<b>18.2%</b>	<b>18.1%</b>	<b>18.8%</b>
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup> Does not include Inflation Linked Bonds in Real Return Portfolio.

<sup>2</sup> Dedicated portfolio in addition to Global Equity holdings.

**Largest Holdings**

PENSION TRUST FUND - AUGUST 31, 2010

**Top Ten Domestic Equity Market Holdings**

<u>Issuer Name</u>	<u>Market Value</u>	<u>Total Shares</u>
Vanguard Small Cap ETF	\$ 661,727,329	11,683,039
Exxon Mobil Corporation	499,281,589	8,439,513
Apple Incorporated	398,249,208	1,636,394
Johnson & Johnson	379,260,091	6,651,352
Procter & Gamble Company	342,312,648	5,736,763
JP Morgan Chase & Company	338,179,851	9,300,876
General Electric Company	323,020,506	22,308,046
Microsoft Corporation	317,045,063	13,502,771
Chevron Corporation	306,657,014	4,135,073
Bank of America Corporation	276,333,552	22,195,466
	<u>\$ 3,842,066,851</u>	<u>105,589,293</u>

**Top Ten International Equity Market Holdings**

<u>Issuer Name</u>	<u>Market Value</u>	<u>Total Shares</u>
Vanguard Emerging Markets ETF	\$ 2,743,546,150	67,276,757
Nestle SA	170,134,493	3,279,779
Royal Dutch Shell A Shares	166,132,204	6,235,727
Samsung Electronics Company LTD.	163,104,052	258,658
Schlumberger LTD.	150,569,096	2,823,347
Novartis AG	118,622,410	2,254,604
Vodafone Group	111,693,943	46,245,486
China Mobile LTD.	108,034,433	10,617,130
HSBC Hldgs	106,940,197	10,813,611
Teva Pharmaceutical	99,780,228	1,972,721
	<u>\$ 3,938,557,206</u>	<u>151,777,820</u>

## Largest Holdings

PENSION TRUST FUND - AUGUST 31, 2010

### Top Ten Fixed Income Market Holdings

<u>Description</u>	<u>Market Value</u>	<u>Par Value</u>
U.S. TREASURY 4.375% due 15 Nov 2039	\$ 1,159,276,788	\$ 1,005,950,000
U.S. TREASURY 2.500% due 15 Jan 2029	823,211,985	699,677,012
U.S. TREASURY 6.125% due 15 Nov 2027	711,233,912	507,600,000
U.S. TREASURY 1.875% due 15 Jul 2019	683,516,612	625,736,137
U.S. TREASURY 4.625% due 15 Feb 2040	675,492,264	563,220,000
U.S. TREASURY 6.250% due 15 Aug 2023	672,954,329	492,700,000
U.S. TREASURY 3.500% due 15 Feb 2039	658,485,247	662,520,000
U.S. TREASURY 5.500% due 15 Aug 2028	633,148,829	480,000,000
U.S. TREASURY 1.875% due 15 Jul 2015	630,271,152	584,851,578
U.S. TREASURY 2.000% due 15 Jul 2014	559,835,402	520,927,339
	<u>\$ 7,207,426,520</u>	<u>\$ 6,143,182,066</u>

*Note: A complete listing of portfolio holdings is available by contacting the TRS Communications Department.*

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

Fund Name*	Fees
32 Capital Fund LTD	\$ 114,217
ACI Multi-Strategy Market Neutral Fund LTD	1,035,953
Advent International GPE VI-A, L.P.	2,986,523
AEW Core Property Trust (U.S.), Inc.	337,862
AEW Senior Housing Investors, L.P.	160,488
AG Real Value Fund LLC	1,352,333
Aleutian Fund LTD	1,857,025
Alpha Private Equity Fund V, L.P.	249,101
Alterna Core Capital Assets Fund, L.P.	1,806,636
AMB U.S. Logistics REIT, Inc.	1,148,694
Amici Fund International LTD	1,876,449
Apax Europe V LTD	958,708
Apax Europe VII-A, L.P.	6,409,889
Apollo Credit Opportunity Fund II, L.P.	381,756
Apollo Investment Fund VII, L.P.	6,813,058
AQR Global Stock Selection Fund LLC	1,226,697
ARA Asia Dragon LTD	2,245,891
Austin Ventures VIII, L.P.	565,011
Avenue Special Situations Fund V, L.P.	6,875,003
Bain Capital Fund VIII, L.P.	681,168
Bain Capital VII Coinvest Fund, L.P.	292,364
Bain Capital VIII Coinvest Fund, L.P.	677,389
Black Diamond Relative Value LTD	1,102,308
BlackRock Diamond Property Fund, Inc.	805,084
BlackRock Retail Opportunity Fund, LLC	727,442
Blackstone Capital Partners V, L.P.	3,872,466
Blackstone Real Estate Partners Europe III L.P.	3,347,468
Blackstone Real Estate V L.P.	1,770,997
Blackstone Real Estate VI L.P.	3,703,313
BlueTrend Fund LTD	2,029,528
Bridgepoint Europe IV L.P.	2,734,094
Brockton Capital Fund II L.P.	3,932,384
Camden Multifamily Value Add Fund, L.P.	2,475,000
Candover 2001 Fund, L.P.	193,527
Canyon-Johnson Urban Fund III, L.P.	644,928
Capmark Comm Realty Partners II, L.P.	641,449
Capmark Commercial Realty Partners III, L.P.	1,996,347
Capmark Structured RE Partners, L.P.	754,218
Capri Urban Investors, LLC	1,124,960

## TEACHER RETIREMENT SYSTEM OF TEXAS

## Schedule of Fees and Commissions

## PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Fund Name*	Fees
Carlyle Europe Partners III, L.P.	\$ 1,836,710
Carlyle Europe Real Estate Partners III, L.P.	2,008,481
Carlyle Partners III, L.P.	190,954
Carlyle Partners IV, L.P.	1,182,613
Carlyle Partners V, L.P.	5,774,863
Carlyle Realty Partners V	1,500,000
CB Richard Ellis Strategic Partners U.S. Opportunity V, L.P.	245,843
CB Richard Ellis Strategic Partners U.S. Value V, L.P.	382,340
Cerberus Institutional (Series Four) L.P.	1,480,189
Charterhouse Capital Partners IX, L.P.	3,891,867
Charterhouse Capital VIII, L.P.	410,880
CIM Fund III, L.P.	2,645,088
CIM Urban REIT, LLC	1,435,843
Clayton, Dubilier & Rice Fund VIII, L.P.	1,253,203
Colony Distressed Credit Fund, L.P.	488,867
Colony Investors VIII, L.P.	2,502,400
Congress Avenue Partners, L.P.	1,693,000
CPI Capital Partners Europe, L.P.	1,503,926
Credit Suisse CFG Middle Market Buyout	1,800,000
Credit Suisse CFG RE-UP Bridge Program	99,055
Crestview Partners II, L.P.	509,912
CSFB Emerging Opportunities Fund, L.P.	2,771,106
CVC Capital Partners Asia Pacific III, L.P.	4,888,493
CVC European Equity Partners IV, L.P.	477,814
CVC European Equity Partners Tandem Fund, L.P.	777,518
CVC European Equity Partners V, L.P.	1,837,088
D. E. Shaw BMECAE Special Fund, L.P.	1,176,881
Deephaven Global Multi-Strategy Fund LTD	242,382
Double Black Diamond LTD - Series A - Unrestricted	2,194,369
EnCap Energy Capital Fund VII, L.P.	1,662,684
EnCap Energy Infrastructure Fund, L.P.	1,314,693
ESL Limited	3,337,704
FC Co-Investment Partners, L.P.	248,635
First Reserve Fund X, L.P.	531,926
First Reserve Fund XI, L.P.	2,046,360
First Reserve Fund XII, L.P.	4,224,667
Five Arrows Securities V, L.P.	1,603,143
Five Arrows Securities V - Co-Investment, L.P.	7,113
Five Mile Capital Partners II, L.P.	3,000,000

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Fund Name*	Fees
Focus Select Fund LTD	\$ 1,526,116
Footbridge Captital Fund, Inc.	27,152
Fore Multi Strategy Offshore Fund LTD	2,329,665
Forum Asian Realty Income II, L.P.	1,112,171
Forum Asian Realty Income III, L.P.	328,910
Forum Europe Realty Income III, L.P.	1,407,154
Fudo Capital Fund II, L.P.	4,046,575
GCM Little Arbor Partners (Cayman) LTD	128,973
GoldenTree Offshore Fund LTD	463,673
Goldman Sachs Vintage Fund, L.P.	39,758
Gores Capital Partners II, L.P.	189,458
Gores Capital Partners III, L.P.	4,436,382
Gramercy Offshore Fund LTD	372,872
Green Equity Investors V, L.P.	2,535,265
GSO Special Situations Fund, L.P.	1,977,101
Halcyon European Structured Opportunities Offshore Fund LTD	86,797
Halcyon Offshore Fund LTD	1,690,023
Harch Credit Opportunity Fund, L.P.	263,639
Heitman America Real Estate Trust, L.P.	613,623
Hellman & Friedman Capital Partners V, L.P.	319,456
Hellman & Friedman Capital Partners VI, L.P.	1,499,614
Henderson Asia Pacific Absolute Return Fund LTD	2,188,937
Henderson Japan Absolute Return Fund LTD	696,904
HgCapital 5, L.P.	695,827
HgCapital 6, L.P.	5,861,661
Highland Capital Partners VI - B, L.P.	882,800
Invesco San Jacinto Core Fund, L.P.	22,590
Investcorp FI Relative Value LTD	159,516
Investcorp Interlachen LTD	242,162
Investcorp Silverback Arbitrage Fund LTD	255,880
Investcorp Stoneworks Global Macro LLC	134,953
Investcorp Waterloo Macro Fund LTD	1,084,735
Investcorp White Eagle European Fund LTD	204,655
Investcorp WMG Asia LLC	84,047
Iron Point Real Estate Partners, L.P.	1,500,000
Ivory Offshore Flagship Fund LTD	879,167
J.H. Whitney V, L.P.	544,744
J.H. Whitney VI, L.P.	884,494
Kelso Investment Associates VII, L.P.	489,678

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Fund Name*	Fees
Kelso Investment Associates VIII, L.P.	\$ 4,390,791
King Street Capital LTD	1,227,976
KKR 2006 Fund, L.P.	2,356,397
KKR FI Partners I, L.P.	2,655,589
Kohlberg TE Investors VI, L.P.	2,392,948
L&B Diversified Strategy Partners, L.P.	1,232,078
Lansdowne Pecan Street Europe, L.P.	344,967
Lee Equity Partners, L.P.	2,854,071
Level Global, L.P.	564,653
Level Global Overseas Institutional LTD	1,674,429
Lindsay Goldberg III, L.P.	3,638,022
Lion Capital Fund I, L.P.	646,221
Lion Capital Fund II, L.P.	4,541,019
Longacre International LTD	841,581
MacFarlane Urban Real Estate Fund II, L.P.	1,125,000
Madison Dearborn Capital Partners IV, L.P.	418,007
Marathon Asset Management	3,564,825
Marathon Credit Dislocation Fund, L.P.	2,184,973
MKP Credit Offshore	1,805,984
Morgan Creek Partners Asia, L.P.	756,702
Morgan Stanley Infrastructure Partners, L.P.	3,000,000
Morgan Stanley RE Mezzanine Partners A, L.P.	346,067
Nautic Partners V, L.P.	303,167
Neuberger Berman Fixed Income, LLC - RMBS	499,934
New Enterprise Associates XIII, L.P.	1,714,065
Nordic Capital Fund V, L.P.	128,908
Northwest Fund Limited LLC	1,335,006
NuWave Offshore Fund LTD	1,684,780
Oak Investment Partners X, L.P.	1,326,073
Oak Investment Partners XI, L.P.	1,509,491
Oak Investment Partners XII, L.P.	2,359,373
Oaktree Loan Fund 2x, L.P.	792,034
Oaktree Opportunities Fund VIII L.P.	1,371,686
Oaktree TT Multi-Strategy Fund, L.P.	3,797,453
OCM Opportunities Fund VI, L.P.	296,632
OCM Opportunities Fund VII, L.P.	803,388
OCM Opportunities Fund VIIb, L.P.	1,528,175
O'Connor Global Fundamental Market Neutral L/S LTD	1,610,460
Onex Partners II, L.P.	995,947

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Fund Name*	Fees
Onex Partners III, L.P.	\$ 4,305,120
Onex Partners, L.P.	760,856
PCCP Mezzanine Recovery Partners II, L.P.	584,388
Permira Europe III	684,576
Permira IV	2,571,704
Perry Partners Class D	310,704
Perry Partners Class F	1,393,633
Perry Partners Class S	86,302
Perry Partners Class SB	22,257
Pimco Distressed Mortgage Fund, L.P.	7,368,131
PLA Residential Fund III, L.P.	1,988,446
PLA Residential Fund IV, L.P.	952,015
PLA Retail Fund I, L.P.	748,285
Polaris Venture Partners IV, L.P.	11,079
PREI Mezzanine Fund I, L.P.	1,071,722
Prime Property Fund, LLC	1,269,431
Principal Green Property Fund I, L.P.	143,168
Principal Green Property Sidecar I, L.P.	1,873
Principal RE Strategic Debt Fund I, L.P.	1,231,018
PRISA	515,893
PRISA II	1,262,340
ProLogis Mexico Industrial Fund I, L.P.	466,925
Providence Equity Partners V, L.P.	281,782
Providence Equity Partners VI, L.P.	1,865,413
Quad-C Partners VI, L.P.	63,580
Quad-C Partners VII Co-Investment, L.P.	225,498
Quad-C Partners VII, L.P.	1,204,793
Ranger Co-Investment Fund, L.P.	481,884
Red River Direct Investment Fund, L.P.	2,176,484
Red River HYPI	2,400,552
Red River Venture Capital Fund, L.P.	191,594
Republic Loan Funding LTD	1,279,439
RLJ Real Estate Fund III, L.P.	3,234,375
RMBS Opportunities Fund, L.P.	1,716,663
Rock Creek Limestone G.P.	1,590,454
RREEF America REIT III, Inc.	508,971
Satellite Overseas Fund	205,750
Security Capital Income Opportunity	469,965
Shepherd Investments International LTD	1,059,609

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Fund Name*	Fees
Squadron Emerging Asia Fund, L.P.	\$ 2,199,851
Square Mile Partners III, L.P.	2,143,006
SteelRiver Infrastructure Fund North America, L.P.	3,994,893
STG Capital Fund LTD	859,501
Stockbridge Real Estate Fund II, L.P.	921,738
Stockbridge Real Estate Fund III, L.P.	2,329,910
Stratford Land Fund III, L.P.	1,812,500
Stratford Land Fund IV, L.P.	1,581,923
TA X, L.P.	560,960
Texas Growth Fund II - 1998 Trust	3,898,809
Thayer Hotel Investors V, L.P.	1,469,862
The Resolute Fund, L.P.	57,947
Thomas H. Lee Equity Partners V, L.P.	192,696
TLF Logistics, L.P.	1,980,012
TPG [STAR], L.P.	1,981,950
TPG Partners V, L.P.	497,751
TPG Partners VI, L.P.	3,120,240
Tricon IX, L.P.	1,175,000
Triton Fund II, L.P.	215,183
Triton Fund III, L.P.	5,397,350
TT-EEIF Co-Investment, LLC	21,703
US Republic Core Fund, L.P.	283,862
Vicis Capital Fund (International)	1,189,515
Walker Smith International Fund	891,660
Walton Street Real Estate Fund Sidecar V, L.P.	178,021
Walton Street Real Estate Fund V, L.P.	1,008,828
Walton Street Real Estate Fund VI, L.P.	770,530
Warburg Pincus Private Equity X, L.P.	3,871,383
Wayzata Opportunities Fund II, LLC	3,158,243
Westbrook Real Estate Fund VIII	1,770,908
Willis Stein & Partners III, L.P.	444,361
Wolverine Convertible Arbitrage Fund LTD	3,281,473
Zais Lubeck II-A CLO Fund, L.P.	295,552
Zaxis Offshore LTD	737,452
<b>Total</b>	<b>\$ 344,913,582</b>

\*Fees are earned by the funds based on each fund's governing documents. TRS calculates returns for these funds net of all fees.

## TEACHER RETIREMENT SYSTEM OF TEXAS

## Schedule of Fees and Commissions

## PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

External Manager **	Fees
Acadian Asset Management, LLC	\$ 772,628
AllianceBernstein, L.P.	737,506
Artio Global Investment Management, LLC	627,988
Artisan Partners Limited Partnership	2,719,768
Baring International Investment LTD	2,311,745
BlackRock Financial Management, Inc.	1,929,991
BME Investment Partners	371,356
Brandes Investment Partners	782,950
Cantillion Pacific LTD	1,043,357
DePrince Race & Zollo, Inc.	2,061,909
Dimensional Fund Advisors, L.P.	4,688,675
Eaton Vance Management	2,574,675
GMO, LLC	743,555
Goldman Sachs Asset Management, L.P.	955,575
Jennison Associates	1,931,533
JP Morgan Asset Management, Inc.	4,316,666
Knight Vinke Asset Management, LLC	1,086,703
Lazard Asset Management, LLC	3,575,623
Marathon Asset Management	2,236,058
Mondrian Investment Partners LTD	1,386,785
Morgan Stanley Investment Management, Inc.	4,446,791
Neuberger Berman, LLC	2,719,202
Omega Advisors, Inc.	25,739,736
Platinum Asset Management	680,336
P2 Capital Partners, LLC	599,001
Sasco Capital, Inc.	1,842,349
Security Capital Research & Management, Inc.	506,388
Stephens Investment Management Group	227,046
Vaughan Nelson Investment Management	337,367
Wellington Management Company, LLP	1,008,056
Westwood Management Corp.	1,613,820
Total	\$ 76,575,138

\*\*Fees are accrued or paid to external Investment Managers based on assets under management and the performance of the Investment Manager. TRS calculates returns for these managers net of all fees.

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
Abel Noser Corporation	12,911,665	\$ 386,808	\$ 0.027
ABN AMRO Bank N.V.	47,638	2,394	0.050
Access Securities, Inc.	76,950	2,308	0.030
American Technology Research, Inc.	273,487	10,119	0.037
Ancora Securities, Inc.	74,100	2,964	0.040
Aqua Securities, L.P.	1,200	24	0.020
Avian Securities	14,919	552	0.037
Avondale Partners, LLC	88,210	3,042	0.039
Baird, Robert W. & Company, Inc.	1,744,348	67,948	0.039
Barclays Capital, Inc.	246,076,521	7,008,602	0.024
Baypoint Trading, LLC	8,321,754	169,689	0.027
Bear Stearns Securities Corp.	39,800	1,592	0.040
Benchmarkco, Inc.	3,000	120	0.040
Bley Investment Group	7,195,525	215,866	0.030
Bloomberg Trade Book, LLC	3,536,884	38,961	0.014
Bluefin Research Partner, Inc.	32,600	978	0.030
BMO Capital Markets	13,531,791	409,743	0.033
BNP Paribas Securities Corp.	1,069	21	0.020
BNY Brokerage, Inc.	62,832	3,710	0.032
BNY Convergex	11,616,605	328,123	0.029
BOE Securities, Inc./Broadcort Cap Corp.	2,812,426	84,373	0.030
Brean Murray	88,400	2,861	0.038
Broadcort Capital	129,900	3,252	0.021
Brown Brothers Harriman & Co.	177,792	6,538	0.043
Brunswick Warburg Nominees	551,903	2,138	0.006
BTIG, LLC	52,800	1,056	0.020
B-Trade Services, LLC	18,355,762	367,115	0.020
Buckingham Research Group, Inc.	84,240	3,288	0.039
CA IB Investmentbank AG	294,114	1,164	0.004
Cabrera Capital Markets	4,749,428	142,483	0.030
Calyon Securities (USA), Inc.	14,600	584	0.040
Canaccoroadams, Inc.	284,123	11,123	0.038
Cantor Fitzgerald & Co.	24,216,024	731,705	0.031
Capital Institutional Services, Inc.	10,688,250	213,765	0.020
Caris & Company, Inc.	91,200	3,578	0.039
Citation Group	591,459	16,646	0.029
Citigroup Global Markets, Inc.	76,293,946	1,522,866	0.023
CJS Securities	7,296	270	0.037

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
CJSC Depository Clearing Co.	148,439	\$ 653	\$ 0.004
Collins Stewart, Inc.	712,407	17,500	0.038
Cowen & Company, LLC	3,242,145	107,463	0.035
CPR Paris	582,500	17,475	0.030
Craig - Hallum	42,912	2,146	0.050
Credit Agricole	8,782	425	0.024
Credit Lyonnais Secs	50,000	1,500	0.030
Credit Research & Trading, LLC	282,000	7,453	0.030
Credit Suisse First Boston	150,961,468	5,024,493	0.029
Credit USA	5,245,011	75,750	0.012
CSI US Institutional Desk	338,811	13,311	0.040
Cuttone & Co., Inc.	126,600	2,848	0.023
Dahlman Rose & Company, LLC	41,700	1,692	0.041
Davenport & Co. of Virginia, Inc.	27,540	1,103	0.044
Davidson D.A. & Company, Inc.	21,900	940	0.041
Dematted Monness, LLC	1,700,200	32,933	0.025
Deutsche Bank Securities, Inc.	58,178,701	1,489,428	0.026
Direct Trading Institutional, Inc.	326,900	11,632	0.035
Dougherty Company	4,700	188	0.040
Dowling & Partners	328,200	12,727	0.039
Fidelity Capital Markets	8,765,071	178,392	0.021
First Analysis Securities Corp.	21,269	1,063	0.050
First Boston Corp.	156,200	1,562	0.010
First Clearing, LLC	220,970	8,839	0.040
Fortis Clearing Americas, LLC	1,960,800	37,690	0.023
Frank Russell Sec/Broadcort Cap Clearing	29,500	590	0.020
Friedman, Billings & Ramsey	759,850	25,866	0.036
Gabelli & Company	144,077	5,738	0.039
Goldman Sachs & Co.	138,281,556	3,048,700	0.024
Gordon, Haskett & Company	491,235	19,649	0.040
Green Street Advisors	35,577	1,398	0.039
Guggenheim Capital Markets, LLC	23,064	853	0.037
Guzman & Co.	10,361,507	207,230	0.020
Heflin & Co., LLC	3,600	144	0.040
Howard Weil Division Legg Mason	231,955	9,379	0.041
HSBC Securities, Inc.	1,358,732	27,869	0.027
Hudson Securities, Inc.	326,150	6,048	0.020
ICAP Corporates, LLC	4,100	164	0.040

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
Imperial Capital, LLC	32,600	\$ 1,304	\$ 0.040
ING Bank N.V.	841,812	8,123	0.024
Instinet	16,987,300	261,322	0.014
Invemed Associates	97,540	3,557	0.038
Investment Technology Group, Inc.	39,213,718	771,085	0.018
ISI Group, Inc.	1,545,569	59,014	0.038
Island Trader Securities, Inc.	141,600	5,175	0.038
Itau Europa Securities, Inc.	139,500	5,580	0.040
JP Morgan Securities, Inc.	266,244,322	4,789,778	0.023
Jackson Partners & Associates, Inc.	370,840	14,834	0.040
Jackson Securities	15,950,905	478,527	0.030
Janney Montgomery, Scott, Inc.	682,625	24,532	0.039
Jefferies & Company, Inc.	29,913,376	817,510	0.026
JMP Securities	561,393	20,210	0.041
Johnson Rice & Co.	25,100	1,036	0.043
Jones Trading Institutional Services, LLC	2,740,235	75,442	0.026
Kaufman Brothers	35,100	1,404	0.040
KBC Financial Products UK LTD	16,700	370	0.028
KCCI LTD	14,800	70	0.005
Keefe Bruyette & Woods, Inc.	1,297,941	49,997	0.041
Keybank Capital Markets, Inc.	405,900	15,678	0.041
King, CL & Associates, Inc.	28,100	1,146	0.042
Knight Securities	20,989,091	584,421	0.026
LaBranche Financial Services, LLC	209,800	2,704	0.022
Ladenburg Thalman & Co.	220,800	8,502	0.035
Lavaflow, Inc.	2,058,890	41,178	0.020
Lazard Capital Markets, LLC	588,658	19,880	0.032
Leerink Swann & Company	272,851	10,575	0.039
Lehman Brothers, Inc.	5,700	228	0.040
LEK Securities	40,000	800	0.020
Lighthouse Financial Group, LLC	204,300	7,559	0.037
Liquidnet, Inc.	16,378,104	329,099	0.022
Longbow Securities, LLC	117,460	4,763	0.040
Loop Capital Markets, LLC	9,197,627	275,929	0.030
Macquarie Bank Limited	2,672,068	74,976	0.049
Madison Williams and Company	1,100	44	0.040
Magavceo Lee & Co.	559,810	22,392	0.040
Magna Securities Corp.	2,766,760	83,003	0.030

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
Maxim Group	78,300	\$ 2,575	\$ 0.032
Merrill Lynch and Co., Inc.	55,362,757	1,307,612	0.025
Merriman Curhan Ford & Co.	24,300	486	0.020
Midwest Research Securities	33,240	1,330	0.040
Midwood Securities	52,951	2,057	0.038
Miller Tabak & Company, LLC	214,000	6,929	0.040
MKM Partners	16,100	606	0.024
Monness, Crespi, Hardt & Co., Inc.	20,800	770	0.037
Morgan Keegan & Co., Inc.	33,560	1,342	0.040
Morgan Stanley Co., Inc.	187,650,518	4,483,950	0.022
M.R. Beal & Company	6,083,028	141,186	0.013
Natexis Bleichroeder, Inc.	64,800	2,714	0.044
National Financial Services Corp.	12,872,507	343,482	0.024
NBCN Clearing, Inc.	31,200	1,248	0.040
Needham & Company	32,500	1,260	0.039
Nomura Securities International, Inc.	1,500,721	19,683	0.022
Northland Securities, Inc.	327,500	11,325	0.033
Nova Capital Markets, LLC	53,800	2,152	0.040
Nyfix Transaction Services	173,677	1,737	0.010
O'Connor & Co., LLC Retail	1,912,282	34,357	0.023
Oppenheimer & Co., Inc.	1,834,092	59,774	0.037
Oscar Gruss & Son, Inc.	132,300	3,969	0.030
Pacific Crest Securities	225,408	9,407	0.042
Pali Capital, Inc.	61,200	2,465	0.043
Penserra Securities, LLC	8,067,850	181,529	0.022
Pension Financial Services, Inc.	420,810	13,592	0.045
Pershing, LLC	15,205,839	326,868	0.036
Pickering Energy Partners, Inc.	241,510	9,537	0.040
Pictet Canada, L.P.	14,800	666	0.045
Pipeline Trading Systems, LLC	584,044	8,199	0.015
Piper Jaffray	1,758,878	50,570	0.022
Portales Partners, LLC	174,583	6,704	0.039
Prime Executions, Inc.	129,820	3,895	0.030
Pritchard Capital Partners, LLC	28,300	1,132	0.040
Pulse Trading, LLC	435,615	9,682	0.015
Raymond James & Associates, Inc.	2,090,474	78,028	0.040
RBC Capital Markets	22,588,228	558,419	0.029
Renaissance Capital	4,675,160	11,459	0.028

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
Renaissance Securities (Cyprus) Limited	15,410,140	\$ 14,034	\$ 0.003
Reynders, Gray & Company, Inc.	459,260	18,370	0.040
Ridge Clearing & Outsourcing Solutions	1,382,497	57,806	0.041
Rochdale Sec Corp.	2,446,160	75,198	0.038
Sanders Morris Harris	103,535	4,039	0.039
Sanford C. Bernstein Co., LLC	20,290,074	475,900	0.023
Scotia Capital (USA), Inc.	32,800	1,312	0.040
Scott & Stringfellow, Inc.	65,320	2,673	0.041
SG Americas Securities, LLC	10,036,196	202,484	0.020
Sidoti & Company, LLC	72,220	2,825	0.040
Simmons & Company International	130,273	5,202	0.041
SJ Levinson & Sons, LLC	13,617,467	367,905	0.021
Soleil Securities	99,730	3,189	0.035
Sound Securities, LLC	700	32	0.045
Spear, Leeds & Kellogg	54,356	571	0.010
State Street Global Markets, LLC	80,307	2,432	0.031
Stephens, Inc.	207,641	8,624	0.042
Sterne, Agee & Leach Inc.	353,744	13,592	0.039
Stifel Nicolaus & Co., Inc.	3,078,880	109,687	0.039
Stuart Frankel & Co., Inc.	13,069	523	0.040
Suntrust Capital Markets, Inc.	184,660	6,717	0.040
The Benchmark Company, LLC	3,700	148	0.040
Thinkequity Partners, LLC	163,172	6,567	0.039
Thomas Weisel Partners, LLC	178,000	4,893	0.033
Troika Dialog (UK) Limited	1,003,832	10,129	0.032
UBS AG	51,881,162	986,534	0.021
VTB Bank Europe PLC	570,598	4,170	0.012
WJ Bonfanti, Inc.	121,040	4,842	0.040
Warburg Dillon Reed Securities LTD	1,297,366	11,775	0.019
Wedbush Morgan Securities, Inc.	46,200	1,901	0.041
Wedge Securities, LLC	72,900	2,916	0.040
Weeden & Co.	64,802,200	1,463,801	0.021
Wells Fargo Securities, LLC	1,503,317	58,507	0.040
William Blair & Company, LLC	907,618	36,421	0.043
Williams Capital Group, L.P.	8,304,233	252,843	0.032
Zacks & Company	68,500	1,713	0.025
<b>Total</b>	<b>1,788,501,004</b>	<b>\$42,965,921</b>	<b>\$ 0.025</b>

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Futures Contracts Brokerage Firm - Domestic	Contracts Traded	Commissions Paid	Average Commission per Contract
Goldman Sachs & Co.	159,682	\$ 400,254	\$ 2.54
Morgan Stanley Co. Incorporated	14,943	33,051	2.13
Total	174,625	\$ 433,305	\$ 2.48

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Abacus Securities Corporation	5,976,600	\$ 5,634	\$ 0.001
ABG Securities	1,041,237	14,590	0.023
ABN AMRO Securities, Inc.	16,191,906	49,748	0.027
Adams Harkness & Hill, Inc.	44,265	1,713	0.039
Agora Corde Titul E Val Mob	21,330	124	0.006
AK Yatirim Menkul Degerler S.A.	364,165	1,685	0.006
Alpha Finance	58,088	1,394	0.047
Ambit Capital Private LTD	32,700	921	0.061
Antique Stock Broking LTD	584,418	9,526	0.031
Arbuthnot Securities Limited	547,300	4,708	0.009
AS Hansapank	2,788,591	6,090	0.002
Asian Markets Securities Pvt LTD	42,500	323	0.008
ATA Securities, Inc. (Istanbul)	1,622,687	13,241	0.012
Banca Commerciale Italiana Milan	131,307	2,493	0.022
Banca Imisecurities Corp.	233,525	2,721	0.016
Banco Barclays S.A.	4,135	127	0.031
Banco Bilbao Vizcaya Argentari	51,733	1,811	0.099
Banco Comercial Portugues	38,427	218	0.006
Banco Itau S.A.	1,296,634	39,509	0.046
Banco Pactual S.A.	191,670	4,306	0.024
Banco Santander	3,137,147	74,844	0.045
Bank Am Bellevue	77,351	2,946	0.125
Bank J. Vontobel Und, Co. AG	21,049	3,570	1.207
Bank Of Montreal	11,600	440	0.038
Bank Of New York	115,156	1,240	0.030
Bankhaus Julius Baer	37,000	798	0.022
Banque Nationale Du Canada	25,500	974	0.038
Barclays Capital	207,017,857	2,567,824	0.071
Barnard Jacobs Mellet UK	539,749	11,463	0.026
Beltone Securities Brokerage	34,255	2,465	0.084
BGC Partners Menkul Degerler S.A.	314,894	666	0.002
BMO Capital Markets	1,545,392	28,710	0.020
BNP Paribas	10,673,765	69,758	0.043
BOE Stockbrokers (Pty) LTD	373,230	3,040	0.009
Bradesco S.A. CTVM	399,572	11,567	0.034
Brockhouse & Cooper, Inc. Montreal	1,298,597	9,481	0.024
B-Trade Services, LLC	1,518	29	0.019
CA IB Investmentbank AG	327,714	2,953	0.081

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Cadiz Stock Broking	69,243	\$ 3,430	\$ 0.074
Calyon Securities	3,932,174	23,551	0.109
Canaccord Genuity Corp.	37,300	1,449	0.039
Canadian Imperial Bank Of Commerce	258,084	2,475	0.013
Cantor Fitzgerald & Co.	24,468,050	74,101	0.024
Capital Institutional Services	1,343,300	13,324	0.017
Carnegie Bank	2,161,276	9,618	1.186
Cazenove & Co.	2,122,599	31,339	0.042
Celfin Capital S.A. Corredores De Bolsa	208,934	7,102	0.055
Central Depository Company Of Pakistan	1,515,200	6,346	0.004
Central Securities Clearing System LTD	17,749,961	13,647	0.001
Centro Internationale Handelsbank	3,837	249	0.065
Ceska Sporitelna	22,505	1,667	0.074
Chase Manhattan Frankfurt	79,100	1,123	0.014
Chevroux de Virieu	768,486	14,067	0.030
China Intrtnl Cap Corp. Hk Secs LTD	3,202,800	14,032	0.005
CIBC World Mkts, Inc.	59,105	2,308	0.039
Citigroup	148,385,818	1,310,029	0.061
CLSA Securities	52,864,319	162,132	0.344
Collins Stewart & Co.	28,921	808	0.038
Cormark Securities, Inc.	94,700	3,665	0.039
Credit Agricole	28,385,692	489,037	0.089
Credit Lyonnais Securities	157,838,121	288,332	0.101
Credit Suisse First Boston	261,859,339	1,686,144	0.080
Crestco LTD	81,196	594	0.007
D Carnegie AG	424,686	16,196	0.041
Daewoo Securities Co. LTD	351,682	15,211	0.116
Daiwa Securities	10,268,792	67,458	0.113
Dalal Andbroacha Stock Broking Pvt LTD	4,000	57	0.014
Danske Bank S.A.	28,926	1,944	0.058
Davy Stockbrokers	169,176	2,340	0.014
DBS Vickers Securities (Singapore)	200	12	0.060
Deutsche Bank	101,644,677	868,335	0.095
Deutsche Boerse	1,050,794	6,806	0.016
Dexia Securities France	195,500	7,279	0.037
DG Bank, Deutsche Genossenschaftsba	6,486	1,175	0.242
Dhanki Securities Pvt LTD	281,456	9,520	0.041
DNB Nor Markets Custody Dnb Norbank ASA	44,228	2,450	2.826

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Dolat Capital Markets LTD	33,433	\$ 854	\$ 0.036
Dongwon Securities	15,336	3,355	0.368
DSP Merrill Lynch LTD	1,254,983	14,230	0.052
Dundee Securities Corp.	87,500	3,420	0.039
Dupont Gilbert S.A.	3,321	589	0.177
Eczacibasi Menkul Degerler S.A.	163,163	1,560	0.009
Edelweiss Securities Pvt LTD	145,042	10,812	0.062
EFG Istanbul Menkul De Erler Anonim Sir	1,681,110	21,155	0.019
Enam Securities Pvt LTD	878,855	6,226	0.008
Erste Bank Der Oesterreichischen	48,857	3,304	0.070
ESN North America, Inc.	527,688	744	0.001
Eugene Investment and Securities Co. LTD	27,075	3,040	1.905
Euroclear Bank S.A. NV	29,020	1,218	0.053
Euromobiliare Sim S.P.A.	1,228,547	4,988	0.008
Evli Securities LTD	9,399	346	0.037
Evolution Beeson Gregory LTD	2,829,012	13,370	0.011
Evolution Securities LTD	9,419	141	0.015
Exane S.A.	1,115,792	37,172	0.062
Execution LTD	943,630	12,963	0.020
Fearnly Fond S.A.	109,800	1,844	0.017
Financial Brokerage Group (FBG)	2,064,814	49,965	0.051
Finsettle Services Pty LTD	302,065	9,929	0.042
First Capital Equities LTD	487,443	1,875	0.004
First Securities ASA	296,844	1,776	0.013
Fokus Bank ASA	5,764	70	0.012
Fox-Pitt Kelton LTD	56,366	1,065	0.017
G Trade Services LTD	1,603,828	11,522	0.018
Garban Equities Limited London	12,702	800	0.063
Geojit BNP Paribas Financial Service LTD	1,200	96	0.008
GK GOH Securities (HK) LTD	3,071,900	8,242	0.003
Global Equities	148,382	2,372	0.021
Goldman Sachs & Co.	83,223,091	657,061	0.068
Goodbody Stockbrokers	167,704	1,755	0.014
Hedging Griffio Cor de Val S.A.	118,978	3,113	0.026
Helvea S.A.	8,587	1,875	0.218
Hoare Govett (India) Securities Pvt LTD	516,303	7,226	0.030
HSBC Securities, Inc.	90,961,482	653,444	0.124
HVB Capital Markets, Inc.	188,319	7,797	0.071
Hyundai Securities Co. LTD	7,880	1,332	0.169

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
ICAP Securities LTD	743,057	\$ 9,110	\$ 0.025
Icatu DTVM LTD	585,200	19,438	0.041
Icici Brokerage Services	187,816	2,663	0.026
India Infoline LTD	1,046,966	14,981	0.032
ING Bank N.V.	8,000,036	86,309	0.081
Instinet, LLC	76,749,856	121,419	0.042
Intermonte Sec Sim Spa	320,341	5,148	0.029
Investec Securities	1,077,264	8,140	0.013
Investment Technology Group, Inc.	43,076,513	239,773	0.027
JP Morgan Securities, Inc.	506,836,656	3,074,558	0.086
Jefferies & Company, Inc.	3,153,453	29,613	0.081
JM Financial Institutional Securities Private	79,683	2,488	0.057
JM Morgan Stanley Secs Pvt LTD	992,652	30,486	0.037
Jones and Associates, Inc.	262,406	2,241	0.009
K J Shah and Sons	75,556	3,537	0.047
KAS-Associatie N.V.	129,663	4,348	0.042
KB Securities N.V.	28,900	1,540	0.054
KBC Financial Products	41,127	2,778	2.058
Keefe Bruyette & Wood Limited	736,575	3,120	0.026
Kempen & Co. N.V.	393,049	5,188	0.017
Kepler Equities	435,230	12,776	0.085
Kestrel Capital East Africa LTD	810,700	4,258	0.009
Knight Securities	2,628,129	12,513	0.017
Kotak Securities LTD	210,800	6,083	0.059
Kuhn Loeb & Co. Incorporated	1,500	114	0.076
Larrain Vial	1,683,163	28,075	0.037
Lazard Asset Management	59,384	628	0.015
Liberum Capital Limited	66,151	919	0.013
Link S.A. CCTVM	27,850	371	0.016
Liquidnet, Inc.	17,937,892	30,150	0.073
LKP Securities LTD	69,500	768	0.011
Loop Capital Markets, Inc.	213,383	4,942	0.167
M M Warburg	22,551	2,065	0.089
Macquarie Bank Limited	273,130,642	551,044	0.042
Magna Securities Corp.	1,042,957	7,754	0.025
Main First Bank	240,720	7,811	0.065
Man Financial Sify Securities India Private	1,839,817	5,668	0.005
MBI Corredos De Bolsa	505,463	14,392	0.020

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Mediobanca Spa	575,381	\$ 4,106	\$ 0.018
Merrill Lynch and Co., Inc.	328,646,334	1,784,562	0.071
MF Global	348,799	6,746	0.050
Miller Tabak Roberts Securities, LLC	16,200	1,017	0.063
Mitsubishi UFJ Securities	2,438,206	20,009	0.093
Mizuho Securities USA, Inc.	7,052,032	30,013	0.190
Morgan Grenfell New York	107,600	4,192	0.063
Morgan Stanley	591,020,358	4,096,370	0.105
Motilal Oswal Securities Limited	1,235,272	11,591	0.019
MSAS Singapore PTC LTD	44,000	434	0.010
Natexis Bleichroeder, Inc.	425,838	6,630	0.078
National Securities Corp.	145,525,000	29,364	0.000
NBC Clearing Services Incorporated	56,500	2,132	0.038
NCB Stockbrokers LTD	33,782	1,149	0.043
Nesbitt Burns	8,279,084	225,746	0.028
Nomura Financial	79,295,357	338,444	0.062
Nordea Bank Norge ASA	6,797	556	0.082
Nordic Partners	36,630	969	0.044
NZB Neue Zuercher Bank	30,536	2,106	0.065
Oddo Finance	242,367	6,023	0.050
Olivetree Securities Limited	5,780	172	0.068
Oppenheim, Sal, Jr Und Cie Koeln	23,488	2,218	0.113
Parel	74,939	3,030	0.082
Penserra Securities, LLC	50,000	234	0.005
Penson Financial Services Canada, Inc.	505,500	5,427	0.029
Pereire Tod Limited	366,199	756	0.002
Pershing Securities Limited	59,698,985	529,620	0.045
Petercam S.A.	102,911	6,614	0.074
Prabhudas Lilladhher Pvt LTD	21,061	692	0.039
Pt. Mandiri Sekuritas	1,681,700	1,803	0.001
Quaker Securities	3,328,852	11,063	0.003
Rabobank Netherland	17,770	1,003	0.051
Ramond James & Associates, Inc.	1,601,282	13,038	0.046
RBS Securities, Inc.	3,796,404	32,486	0.034
Redburn Partners, LLP	94,767	3,565	0.060
Reliance Equities International Pri LTD	47,210	2,232	0.065
Renaissance Capital Group	1,500	128	0.085
Royal Bank Of Canada	6,134,796	140,332	0.020

## Schedule of Fees and Commissions

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

(concluded)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Royal Bank Of Scotland PLC	105,550	\$ 3,008	\$ 0.029
Salomon Smith Barney, Inc.	13,789,800	84,544	0.013
Samsung Securities Co. LTD	369,848	28,416	0.151
Sanford C. Bernstein LTD	11,130,424	75,380	0.024
Scotia Capital Mkts	21,604	807	0.037
Seamico Securities Public Co. LTD Bangkok	151,800	1,544	0.010
SG Securities	2,886,006	23,259	0.014
Six Sis AG	757	1,590	2.100
SJ Levinson & Sons, LLC	5,009,928	92,262	0.053
Skandinaviska Enskilda Bank	866,367	12,050	0.533
Societe Generale	6,991,048	75,649	0.044
SS Kantilal Ishwarlal Securities	249,474	4,202	0.034
Standard Chartered Bank (Hong Kong) LTD	162,820	539	0.003
State Street Bank & Trust Co.	3,797,098	69,831	0.065
Stockbrokers Botswana LTD	3,679,100	9,033	0.004
Svenska Handelsbanken	1,509,061	10,620	0.034
Swedbank	13,577	1,241	0.095
Tavira Securities	64,074	1,052	0.016
TD Waterhouse Cda	292,400	7,583	0.031
Teb Yatirim Menkul Degerler S.A.	367,043	1,141	0.003
The Royal Bank Of Scotland N.V. UK	5,053,672	55,601	0.021
UBS AG	167,092,626	1,421,952	0.054
Upline International S.A.	122,710	20,534	0.595
Warburg Dillon Read	13,586,320	206,593	0.010
Weeden & Co. LTD New York	15,414,279	107,661	0.028
Wood and Company	257,784	26,522	0.185
Woori Investment Securities	320,366	8,106	0.070
XP Investimentos CCTVM S.A.	19,200	360	0.016
Yuanta Core Pacific Securities	8,537,133	22,919	0.003
<b>Total</b>	<b>3,723,883,548</b>	<b>\$23,733,428</b>	<b>\$ 0.074</b>

Futures Contracts Brokerage Firm - International	Contracts Traded	Commissions Paid	Average Commission per Contract
Goldman Sachs & Co.	82,429	\$ 344,491	\$ 4.62
Morgan Stanley Co. Incorporated	17,325	56,366	3.58
<b>Total</b>	<b>99,754</b>	<b>\$ 400,857</b>	<b>\$ 4.54</b>



# Actuarial Section

## TEACHER RETIREMENT SYSTEM OF TEXAS



Gabriel Roeder Smith & Company  
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November 1, 2010

### **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, 2010**

We certify that the information included herein and contained in the 2010 Actuarial Valuation Report is accurate and fairly presents the actuarial position of the Teacher Retirement System of Texas (TRS) as of August 31, 2010.

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. White and Mr. Newton are members of the American Academy of Actuaries, and are also Enrolled Actuaries. 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 current State contribution rate 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 information required by the System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB No. 25), and it provides various summaries of the data.

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***

Contribution rates are established by Law that, over time, are intended to remain level as a percent of payroll. The employee and State contribution rates have been set by Law. The actuarially determined 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 over a period not in excess of 30 years.

### ***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, 2010, the System's under-funded status has increased to \$22.9 billion from \$21.6 billion as of August 31, 2009. This increase in the UAAL is due to a loss on the actuarial value of assets of the System.

This valuation shows a normal cost equal to 10.42% of pay. The State set its contribution rate to 6.644% of pay as of September 1, 2009, which combined with the member contribution rate of 6.40% of pay provides a total contribution rate of 13.044% of pay. Therefore, there is 2.624% of pay available to amortize the UAAL. If payroll grows as expected, the contributions provided by this portion of the contribution rate are insufficient to amortize the current unfunded actuarial accrued liabilities of the System over any period of time (i.e. the funding period is never). Further, if the current assumptions are met (the trust earns an average 8.0% per annum) and the current 6.40% member and 6.644% State contribution rates continue, the fund is projected to remain solvent until the year 2072, after which the funding would return to a pay-as-you-go status. Therefore, for the current benefit structure to be sustainable, the contribution level will need to be increased if all of the current assumptions are met.

The actuarial valuation report as of August 31, 2010 reveals that while the System has an unfunded liability of \$22.9 billion, it still has a funded ratio (the ratio of actuarial assets to actuarial accrued liability) of 82.9%. However, because of the significant shortfall in investment income in FY2009, the System is still deferring net investment losses of \$15.6 billion compared to the last valuation when the System was deferring \$17.7 billion in deferred losses. Therefore, in the absence of actuarial gains in the future, the funded status of the System should decline as these deferred investment losses are recognized.

## TEACHER RETIREMENT SYSTEM OF TEXAS

The System earned a 10.7% return on a dollar-weighted market value of assets basis for the plan year ending August 31, 2010, net of expenses. The System experienced a loss on the actuarial value of assets of \$1.2 billion and a gain on the actuarial liabilities of \$0.7 billion for a total experience related loss of \$0.5 billion.

In the absence of significant actuarial gains in the near future, the contribution rate needed to amortize the UAAL over 30 years will increase over the next few valuation cycles.

### ***Plan Provisions***

The plan provisions used in the actuarial valuation are described in Table 21 of the valuation report. There have been no changes to the benefit provisions of the System since the prior valuation.

### ***Disclosure of Pension Information***

Effective for the fiscal year ending August 31, 1996, the Board of Trustees adopted compliance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 25. The required disclosure information is included in the body of the valuation report.

### ***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 detailed in Table 22 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 based on a study of actual experience for the four year period ending August 31, 2007 and were adopted on April 11, 2008. There have been no changes to these assumptions since the prior valuation.

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. The actuarial calculations are intended to provide information for rational decision making.

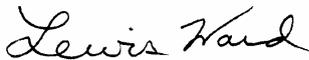
In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are internally consistent and reasonably related to the experience of the System and to reasonable expectations. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

### ***Data***

In preparing the August 31, 2010 actuarial valuation, we have relied upon member and asset data provided by the Teacher Retirement System of Texas. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and for consistency with prior years' data.

The schedules shown in the actuarial section and the trend data schedules in the financial section of the TRS financial report include selected actuarial information prepared by TRS staff. Six year historical information included in these schedules was based upon our work. For further information please see the full actuarial valuation report.

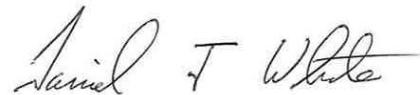
Respectfully submitted,  
Gabriel, Roeder, Smith & Company



Lewis Ward  
Consultant



Joseph P. Newton, FSA, EA, MAAA  
Senior Consultant



Daniel J. White, FSA, EA, MAAA  
Senior Consultant

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TEACHER RETIREMENT SYSTEM OF TEXAS

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TEACHER RETIREMENT SYSTEM OF TEXAS



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October 25, 2010

**BOARD OF TRUSTEES**

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

**Subject: GASB 43 Actuarial Valuation as of August 31, 2010 for TRS-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 TRS-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, 2010. This report was prepared at the request of TRS.

The actuarial calculations were prepared for purposes of complying with the requirements of Statements 43 and 45 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the financial reporting requirements of TRS-Care and participating employers may produce significantly different results.

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 demographic and economic assumptions are identical to the set of demographic and economic assumptions adopted by the Board based on the 2008 Experience Study of TRS. Assumptions applicable only to TRS-Care have not changed since the prior report, and they are disclosed in the assumptions section of this report.

To the best of our knowledge, this report is complete and accurate and was made in accordance with generally recognized actuarial methods.

One or more of the undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,

William J. Hickman  
Senior Consultant

Joseph P. Newton, FSA, MAAA  
Senior Consultant

Mehdi Riazi, ASA, MAAA  
Actuary

TEACHER RETIREMENT SYSTEM OF TEXAS

## Actuarial Present Value of Future Benefits

### PENSION TRUST FUND

#### ACTUARIAL VALUATION - AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

	2010	2009
<b>Present Value of Benefits Presently Being Paid:</b>		
Service Retirement Benefits	\$ 56,633,460,577	\$ 53,709,973,268
Disability Retirement Benefits	891,512,713	879,916,286
Death Benefits	754,052,179	766,356,875
Present Survivor Benefits	197,246,581	198,255,242
<b>TOTAL PRESENT VALUE OF BENEFITS PRESENTLY BEING PAID</b>	<b>\$ 58,476,272,050</b>	<b>\$ 55,554,501,671</b>
<b>Present Value of Benefits Payable in the Future to Present Active Members:</b>		
Service Retirement Benefits	\$ 95,802,642,330	\$ 91,873,230,382
Disability Retirement Benefits	1,265,949,485	1,208,634,286
Termination Benefits	6,067,357,073	5,708,049,103
Death and Survivor Benefits	1,513,834,539	1,446,008,078
<b>TOTAL ACTIVE MEMBER LIABILITIES</b>	<b>\$ 104,649,783,427</b>	<b>\$ 100,235,921,849</b>
<b>Present Value of Benefits Payable in the Future to Present Inactive Members:</b>		
Inactive Vested Participants		
Retirement Benefits	\$ 1,798,775,860	\$ 1,658,895,358
Death Benefits	122,792,410	115,999,840
<b>TOTAL INACTIVE VESTED BENEFITS</b>	<b>\$ 1,921,568,270</b>	<b>\$ 1,774,895,198</b>
Refunds of Contributions to Inactive Non-vested Members	\$ 294,211,296	\$ 279,784,905
Future Survivor Benefits Payable on Behalf of Present Annuitants	\$ 1,103,421,506	\$ 1,054,137,786
<b>TOTAL INACTIVE LIABILITIES</b>	<b>\$ 3,319,201,072</b>	<b>\$ 3,108,817,889</b>
<b>TOTAL ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS</b>	<b>\$ 166,445,256,549</b>	<b>\$ 158,899,241,409</b>

## Summary of Cost Items

	2010	2009
Actuarial Present Value of Future Benefits	\$ 166,445,256,549	\$ 158,899,241,409
Present Value of Future Normal Costs	(32,254,146,314)	(30,869,937,598)
Actuarial Accrued Liability	\$ 134,191,110,235	\$ 128,029,303,811
Actuarial Value of Assets	(111,292,527,887)	(106,383,566,018)
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	<b>\$ 22,898,582,348</b>	<b>\$ 21,645,737,793</b>

TEACHER RETIREMENT SYSTEM OF TEXAS

## Actuarial Present Value of Future Benefits

### HEALTH BENEFITS TRUST FUND - RETIRED PLAN

#### ACTUARIAL VALUATION - AUGUST 31, 2010 (With Comparative Data for August 31, 2009)

	2010	2009
<b>Present Value of Benefits Being Paid:</b>		
Future Medical Claims	\$ 7,098,035,116	\$ 6,943,767,460
Future Rx Claims	8,484,675,649	6,975,762,195
Retiree Premiums Collected	(4,664,226,865)	(4,277,647,489)
<b>NET PRESENT VALUE OF BENEFITS FOR CURRENT RETIREES</b>	<b>\$ 10,918,483,900</b>	<b>\$ 9,641,882,166</b>
<b>Present Value of Benefits Payable in the Future to Present Active Members:</b>		
Future Medical Claims	\$ 21,258,228,041	\$ 20,759,485,903
Future Rx Claims	20,923,712,165	20,543,501,184
Retiree Premiums Collected	(12,748,598,151)	(12,427,826,780)
<b>NET PRESENT VALUE OF BENEFITS FOR FUTURE RETIREES</b>	<b>\$ 29,433,342,055</b>	<b>\$ 28,875,160,307</b>
<b>TOTAL ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS</b>	<b>\$ 40,351,825,955</b>	<b>\$ 38,517,042,473</b>

## Summary of Cost Items

	2010	2009
Actuarial Present Value of Future Benefits	\$ 40,351,825,955	\$ 38,517,042,473
Present Value of Future Normal Costs	(14,544,057,386)	(14,159,550,909)
Actuarial Accrued Liability	\$ 25,807,768,569	\$ 24,357,491,564
Actuarial Value of Assets	(814,964,303)	(800,148,392)
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	<b>\$ 24,992,804,266</b>	<b>\$ 23,557,343,172</b>

TEACHER RETIREMENT SYSTEM OF TEXAS

**Actuarial Information**  
**PENSION TRUST FUND**  
**AS OF AUGUST 31, 2010**

The actuarial valuation of TRS is prepared by Gabriel, Roeder, Smith & Company. The actuary relies on membership data and asset information provided by TRS staff. While not verifying the data at their source, the actuary performs such tests for consistency and reasonableness as deemed necessary to be satisfied with the appropriateness of using the data supplied.

A summary of the actuarial assumptions and methods used by the actuary are as follows:

The entry age normal actuarial cost method of valuation was used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience ("actuarial gains and losses") become part of the actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest) which are level percents of payroll contributions.

**Disability Annuity** - Investment Return Rate: 8.00% per annum, compounded annually. Mortality: The PBGC Male Disabled Mortality Table for plan terminations after December 1, 1980, with a six-year setback and the PBGC Female Disabled Mortality Table for plan terminations after December 1, 1980, with a four-year setback.

**Actuarial Assumptions** - Investment Return Rate: 8.00% per annum, compounded annually, composed of an assumed 3.00% inflation rate and a 5.00% real rate of return. Mortality, Withdrawal, Disability Retirement, and Service Retirement Rates: Rates and scales developed in the actuarial investigation as of August 31, 2007, with values at specimen ages shown in the tables below:

PROBABILITY OF DECREMENT DUE TO						
Age	MALE MEMBERS			Age	FEMALE MEMBERS	
	Death	Disability	Retirement		Death	Disability Retirement
20	.000297	.000003		20	.000189	.000006
30	.000624	.000042		30	.000291	.000065
40	.000849	.000381		40	.000449	.000234
50	.001458	.001287		50	.000923	.001256
60	.003979	.002455		60	.002084	.002436
70	.012940	.001760		70	.007621	.001658

PROBABILITY OF DECREMENT DUE TO WITHDRAWAL										
MALE MEMBERS										
Age	Years of Service									
	0	1	2	3	4	5	6	7	8	9
20	0.2606	0.2266	0.1716	0.1335	0.1050	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.2173	0.1890	0.1560	0.1233	0.0952	0.0789	0.0652	0.0648	0.0628	0.0536
40	0.2172	0.1888	0.1430	0.1253	0.0873	0.0833	0.0690	0.0608	0.0542	0.0464
50	0.1937	0.1684	0.1245	0.0993	0.0754	0.0684	0.0644	0.0544	0.0512	0.0466
60	0.2021	0.1757	0.1324	0.1160	0.0751	0.0664	0.0518	0.0495	0.0426	0.0341
70	0.2371	0.2062	0.1724	0.1174	0.1017	0.0000	0.0000	0.0000	0.0000	0.0000

FEMALE MEMBERS										
Age	Years of Service									
	0	1	2	3	4	5	6	7	8	9
20	0.1938	0.1685	0.1438	0.1263	0.1075	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.1948	0.1694	0.1435	0.1218	0.1007	0.0935	0.0825	0.0724	0.0564	0.0570
40	0.1807	0.1571	0.1235	0.1052	0.0826	0.0743	0.0641	0.0578	0.0560	0.0459
50	0.1755	0.1526	0.1199	0.0971	0.0792	0.0708	0.0638	0.0549	0.0472	0.0402
60	0.1959	0.1703	0.1356	0.1082	0.0846	0.0660	0.0671	0.0509	0.0463	0.0438
70	0.2483	0.2159	0.1929	0.1994	0.1254	0.0000	0.0000	0.0000	0.0000	0.0000

PROBABILITY OF DECREMENT DUE TO RETIREMENT								
MALE MEMBERS								
Age	Years of Service							
	5-9	10-14	15-18	19	20-24	25-29	30+	
50	0.000	0.000	0.000	0.000	0.000	0.000	0.010	
55	0.010	0.010	0.010	0.010	0.010	0.010	0.010	
60	0.020	0.020	0.020	0.020	0.240	0.240	0.240	
65	0.250	0.250	0.250	0.250	0.250	0.250	0.250	
70	0.200	0.200	0.200	0.200	0.200	0.200	0.200	
74	1.000	1.000	1.000	1.000	1.000	1.000	1.000	

FEMALE MEMBERS								
Age	Years of Service							
	5-9	10-14	15-18	19	20-24	25-29	30+	
50	0.000	0.000	0.000	0.000	0.000	0.000	0.010	
55	0.010	0.010	0.010	0.010	0.010	0.010	0.010	
60	0.030	0.030	0.030	0.030	0.250	0.250	0.250	
65	0.250	0.250	0.250	0.250	0.250	0.250	0.250	
70	0.250	0.250	0.250	0.250	0.250	0.250	0.250	
74	1.000	1.000	1.000	1.000	1.000	1.000	1.000	

**TEACHER RETIREMENT SYSTEM OF TEXAS**

**RATES OF SALARY INCREASE**

Years of Service	Annual Step Rate/ Promotional Rates of Increase		Total Annual Rate of Increase	
	Males	Females	Males	Females
1	22.15%	22.15%	26.40%	26.40%
2	3.00	3.00	7.25	7.25
3	2.75	2.75	7.00	7.00
4	2.50	2.50	6.75	6.75
5	2.25	2.25	6.50	6.50
6	2.00	2.00	6.25	6.25
7-8	1.75	1.75	6.00	6.00
9-10	1.50	1.50	5.75	5.75
11	1.25	1.25	5.50	5.50
12	1.00	1.00	5.25	5.25
13-18	0.75	0.75	5.00	5.00
19-21	0.50	0.50	4.75	4.75
22-24	0.25	0.25	4.50	4.50
25 or more	0.00	0.00	4.25	4.25

**Service Retirement Annuitants, Nominees and Survivors** - Investment Return Rate: 8.00% per annum, compounded annually (benefit increase reserve account eliminated by the 1995 legislative session). Mortality: Client specific tables; used for service retirement annuitants, beneficiaries and survivors. These tables are selected to best reflect the experience developed in the actuarial investigation as of August 31, 2007.

Age	Probability of Mortality		Life Expectancy (Years)	
55	0.003854	0.002935	27.03	30.76
65	0.011394	0.006398	18.48	21.85
75	0.033686	0.020317	11.25	13.72
85	0.099593	0.071770	5.94	7.58
95	0.242395	0.170753	3.19	4.49

**Actuarial Value of Assets** - 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 return and actual income with the resulting value not being less than 80% or more than 120% of the market value of assets.

**Funding of Unfunded Actuarial Accrued Liability** - Funded by the excess of future State contributions required by Law over the amount of such contributions required to fund the normal cost of benefits. Based on a study of all new entrants hired in the period from 2003 through 2007 and taking into account all changes in benefit provisions, the normal cost for benefits provided by the System is 10.42% of payroll (6.40% by members plus 4.02% by the State), which is 2.62% of payroll less than the total contributions required by Law. It is intended that the excess amount of 2.62% of payroll will be used to amortize any unfunded actuarial accrued liabilities of the System, assuming that total payroll increases by 3.50% per year.

As of the valuation as of August 31, 2010, these excess contributions of 2.62% of pay are insufficient to amortize the UAAL under the required time period.

**Assumed State Contribution Rate** - Effective September 1, 2009, the Appropriations Act increased the State contribution rate to 6.644%. For purposes of determining the funding period, it was assumed that the current state contribution rate (6.644%) would remain in place indefinitely.

**SCHEDULE OF ACTIVE MEMBER VALUATION DATA**

Valuation Year	Number	Annual Payroll In Thousands	Average Annual Pay	Annual Percentage Increase In Average Pay
2005	715,495	\$25,956,807	\$36,278	3.8%
2006	761,658	28,397,283	37,284	2.8
2007	777,789	31,114,096	40,003	7.3
2008	801,455	33,237,904	41,472	3.7
2009	817,537	35,096,890	42,930	3.5
2010	834,060	36,628,844	43,916	2.3

## Actuarial Information

### AS OF AUGUST 31, 2010

#### 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: (1) active member contributions on deposit; (2) the liabilities for future benefits to present annuitants; (3) the liabilities for active members under the entry age normal actuarial cost method including a projection of future salary increases and anticipated future service.

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.

(MONEY AMOUNTS SHOWN IN MILLIONS)

Valuation As Of August 31	Aggregate Actuarial Accrued Liabilities For			Portion of Aggregate Actuarial Accrued Liabilities Covered By Valuation Assets			
	1 Active* Member Contri- butions	2 Retirees* And Benefi- ciaries	3 Active Members (State Financed Portion)	1 Valuation Assets	2 Active Member Contri- butions	3 Retirees And Benefi- ciaries	3 Active Members (State Financed Portion)
2005	\$19,071	\$47,410	\$36,013	\$89,299	100%	100%	63.4%
2006	20,590	49,144	38,177	94,128	100	100	64.1
2007	22,236	51,293	42,435	103,419	100	100	70.4
2008	23,928	53,243	44,585	110,233	100	100	74.2
2009	23,914	55,484	48,632	106,384	100	100	55.5
2010	27,559	58,476	48,156	111,293	100	100	52.5

\*Adjusted for pending transfers to retired reserve at August 31 for pending retirements.

A Schedule of Funding Progress including a 6-Year Summary of Actuarial Accrued Liabilities and Unfunded Actuarial Accrued Liabilities can be found in the Required Supplementary Information found immediately following the Notes to the Financial Statements.

## Analysis of Financial Experience

#### Changes in Unfunded Actuarial Accrued Liabilities (UAAL)\* Resulting from Differences Between Assumed Experience and Actual Experience

	Increase/(Decrease) for Year (in Billions)						
	2010	2009	2008	2007	2006	2005	
Investment (Gains)/Losses	\$ 1.161	\$ 10.321	\$ (1.232)	\$ (4.140)	\$ (.264)	\$ 4.068	
Legislative Changes/ Benefit Increases				.360		1.143	
Contribution Experience	.797	.149	.228	.496	.508	.462	
Assumption Changes Liability Experience	(0.705)	(0.347)	(.694)	2.135	.254	(.430)	
Net Increase/(Decrease)	\$ 1.253	\$ 10.123	\$ (1.022)	\$ (1.149)	\$ .498	\$ 5.243	
Beginning UAAL	21.646	11.523	12.545	13.694	13.196	7.953	
Ending UAAL	\$ 22.899	\$ 21.646	\$ 11.523	\$ 12.545	\$ 13.694	\$ 13.196	

\* Calculated on a 5-year smoothed market basis.

TEACHER RETIREMENT SYSTEM OF TEXAS

**Retirees, Beneficiaries, and Disabled Participants  
Added to and Removed from Rolls**

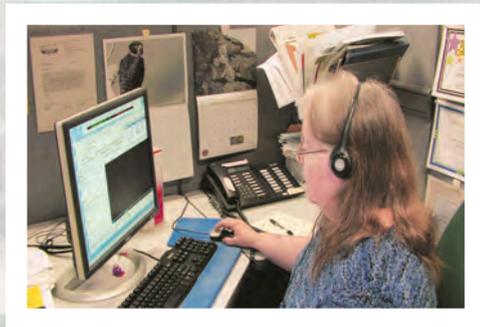
PENSION TRUST FUND

ACTUARIAL VALUATION - AUGUST 31, 2010

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		
2005	15,153	\$292,452,315	7,271	\$127,291,874	248,509	\$5,078,438,869	3.4%	\$20,436
2006	15,810	324,292,542	7,175	120,623,840	257,144	5,282,107,571	4.0%	20,541
2007	15,861	336,348,640	7,698	131,295,705	265,307	5,487,160,506	3.9%	20,682
2008	17,727	391,920,863	7,806	135,160,090	275,228	5,743,921,279	4.7%	20,870
2009	17,326	392,452,923	7,940	136,537,511	284,614	5,999,836,691	4.5%	21,081
2010	20,076	473,512,423	8,199	142,187,645	296,491	6,331,161,469	5.5%	21,354

TEACHER RETIREMENT SYSTEM OF TEXAS

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# Benefits Section

## 2010 CHANGES IN TRS LAW

**STATE**

In fiscal year 2010, the Texas Legislature was not in session; therefore, the main state law development affecting TRS was an Attorney General opinion relating to a supplemental payment for annuitants. On the federal level, significant health care and financial reform laws were enacted with potential to affect TRS programs.

**Funding**

Under SB 1, the General Appropriations Act, the state contribution rate to the retirement plan for the biennium decreased from 6.58 percent to 6.4 percent of payroll, effective September 1, 2009. The state contribution rate was further modified as discussed under the next topic below. Other contribution rates for the retirement plan and for TRS-Care remained the same.

**Supplemental Payment to Annuitants**

HB 3347 and SB 1 enacted during the 81st Legislature, Regular Session (2009) authorized eligible annuitants to receive a one-time supplemental payment (13th check) paid from the state's general revenue fund rather than the TRS trust fund. However, the General Appropriations Act required that the Attorney General issue an opinion on whether the one-time payment funded by general revenue would be constitutionally and statutorily permissible. In Opinion No. 0746 issued November 23, 2009, the Attorney General determined that he could not conclusively opine that the payments are constitutionally and statutorily permissible. Therefore, as a result, the Attorney General concluded that the Legislature mandated that the relevant appropriated funds must be transferred to TRS. The state contribution rate was increased to 6.644 percent of aggregate salaries for TRS members.

**Administration**

The Texas Supreme Court held in *City of Dallas v. Abbott*, 304 S.W.3d 380, 384 (Tex. 2010) that, when a governmental entity, acting in good faith, requests clarification or narrowing of an unclear or overbroad request for public information, the ten-day period to request an attorney general opinion is measured from the date the request is clarified or narrowed. Because TRS receives numerous public information requests each year, this ruling will apply to TRS response procedures.

**FEDERAL****Tax Laws, Regulations, and Guidance**

Federal tax law changes often have significant influence on the TRS pension plan because under state law, the TRS pension plan is intended to operate as a "qualified" retirement plan. A qualified plan must meet specific federal tax law requirements in order to enable members' funds to obtain certain favorable tax treatments. Additionally, TRS is subject to federal tax law requirements regarding reporting and withholding of income paid to annuitants and other participants, as well as requirements applicable to investment activity.

- **Normal Retirement Age Regulations.** In November 2009, the IRS issued Notice 2009-86 to indicate that the Internal Revenue Service and the U.S. Treasury Department intend to extend the date by which governmental plans must comply with final regulations concerning distributions from a pension plan upon attainment of "normal retirement age." The extension will change the effective date to plan years beginning on or after January 1, 2013, giving the IRS and the Treasury additional time to consider comments received with respect to the effect of the regulations on governmental plans. The regulations have caused considerable discussion in the governmental plan community due to concern that the regulations do not allow a definition of "normal retirement age" that is conditioned directly or indirectly on the completion of a stated number of years of service, a common method of determining eligibility for unreduced service retirement benefits in governmental plans. A distribution prior to "normal retirement age" as defined by the IRS could be considered an "in service" distribution, not permitted for qualified plans.

- **Report of Foreign Bank and Financial Accounts (FBAR).** In October 2008, the IRS revised the FBAR Form TD F 90-22.1 and accompanying instructions. This form is used to report a relationship between a U.S. person with a financial interest in, or signature authority over, any foreign financial accounts in a foreign country if the aggregate value exceeds \$10,000 at any time during a calendar year. The form must be filed by June 30 of the succeeding year.

## 2010 CHANGES IN TRS LAW

IRS guidance relating to the revised form indicated that the form was required from entities or individuals who previously had not interpreted the FBAR filing requirements as applicable to them. Public pension plan employees with relevant signatory authority were among those to whom the IRS guidance arguably applied. Due to public confusion regarding the filing requirements, the IRS issued, Notice 2010-23, to clarify the reporting obligation of persons who have no financial interest in, yet have signature authority over foreign financial accounts. Reports from such persons for 2010 will be due June 30, 2011. Notice 2010-23 also provides that the IRS will only apply its enforcement authority adversely in the case of persons with signature authority over any foreign account only with respect to 2010 and later calendar years. TRS continues to monitor developments in this area to determine compliance requirements.

• **Proposed Treasury Regulations Under Section 3402(t) of the Internal Revenue Code.** On December 5, 2008, the IRS issued regulations relating to Section 3402(t) of the Code, which was added by Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005, Public Law 109-222, 120 Stat. Section 3402(t)(1) provides that the Government of the United States, every State, every political subdivision thereof, and every instrumentality of the foregoing (including multi-State agencies) making any payment to any person providing any property or services (including any payment made in connection with a government voucher or certificate program which functions as a payment for property or services) shall deduct and withhold from such payment a tax in an amount equal to 3 percent of such payment. Under the statute, section 3402(t) applies to payments made after December 31, 2010. As reported in TRS' annual report for fiscal year 2009, the American Recovery and Reinvestment Act of 2009 (ARRA) delayed implementation of the withholding requirement for federal, state, and local government payers. Implementation was delayed for one year to apply to payments made after December 31, 2011. TRS is evaluating to what extent this provision is applicable to its business operations.

## Investments

**Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.** In addition to other changes, this new financial reform law includes provisions that can be expected to affect pension plan investment operations, although the timing, scope, and extent of the new regulations remain to be determined. Below is a list of provisions that may affect TRS operations or outside entities with which TRS has an investment relationship:

- Gives the U.S. Securities and Exchange Commission (SEC) the authority to impose a fiduciary duty on brokers who give investment advice -- the advice must be in the best interest of their customers.
- In what is referred to as the “Volcker rule,” bans proprietary trading by banking entities and investing a banking entity’s own money in hedge funds, with a *de minimis* exception for funds in which investors require the investment advisor to have “skin in the game” but not to exceed 3 percent of a bank’s tier one capital in the aggregate.
- Eliminates many statutory and regulatory requirements to use ratings issued by nationally recognized statistical ratings organizations (NRSROs), in order to reduce reliance on ratings and encourage investors to conduct their own analysis.
- Allows investors to bring private actions against ratings agencies and subjects NRSROs to “expert liability.”
- Requires hedge funds and private equity advisors to register with the SEC as investment advisers and provide information about their trades and portfolios to assess systemic risk.
- Provides the SEC and U.S. Commodity Futures Trading Commission (CFTC) with authority to regulate over-the-counter derivatives so that irresponsible practices and excessive risk-taking no longer escape regulatory oversight.
- Requires central clearing and exchange trading for derivatives that can be cleared; both regulators and clearing houses will determine which contracts should be cleared.

## 2010 CHANGES IN TRS LAW

- Imposes requirements on dealers and major swap participants to ensure they have adequate financial resources to meet responsibilities. Provides regulators authority to impose capital and margin requirements on swap dealers and major swap participants.
- Creates new rights for public company shareholders, such as easier access to company proxies and a “say on pay” and corporate affairs with a non-binding vote on executive compensation and golden parachutes.

### Health Care

The Patient Protection and Affordable Care Act, signed into law on March 23, 2010, along with the Health Care and Education Affordability Reconciliation Act of 2010, signed into law on March 30, 2010 (together, the PPACA), embody the federal health care legislation enacted this year. In an effort to determine how the PPACA will impact TRS-Care and TRS-ActiveCare, TRS has analyzed in detail the regulations and guidance from various government agencies that have been issued to date and will continue to do the same regarding the regulations and guidance that will be issued in the months and years to come.

TRS-Care has filed an application with the U.S. Department of Health and Human Services for participation in the Early Retiree Reinsurance

Program (ERRP). While funds remain available, the ERRP may reimburse participating plans for a substantial portion of the health care claims for retirees age 55 and older who are not eligible for Medicare, and their spouses, surviving spouses, and dependents.

Beginning no earlier than September 1, 2011, various other provisions of the PPACA will have an impact on the health benefit plans administered by TRS.

Additionally, the PPACA includes a requirement for entities that pay more than \$600 to businesses for goods and services to issue 1099 statements. For payments made after December 31, 2011, the law expands 1099 coverage from payments to individual contract workers to payments for tangible goods and other services, thereby expanding not only reporting but also data collection for every payee and vendor with which an entity does business through the year. This requirement reflects the federal government’s efforts to close the “tax gap” and collect almost \$300 billion in tax revenue on income that is not reported by businesses. By requiring payers to file informational returns, IRS expects greater income reporting compliance by businesses that receive income for goods and services. TRS will monitor regulations issued by IRS to determine the extent of its reporting responsibility.

## SUMMARY OF BENEFITS

The Teacher Retirement System of Texas (TRS) administers 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 and disability retirement, as well as death and survivor benefits, to eligible employees of public education in Texas and their beneficiaries. A general information booklet, *TRS Benefits Handbook*, is provided to each TRS member and annuitant. Retirement benefits are financed by member, state, and employer contributions, and through investment earnings of the pension trust fund.

TRS administers TRS-ActiveCare, the statewide health benefits program for eligible public education employees of participating entities. The program is financed by plan participant premium payments and investment income from the assets of the trust. In addition to TRS-ActiveCare, the system administers a separate trust that provides comprehensive health benefits coverage for retired members through TRS-Care. This program is financed by contributions from the state, active public school employees, reporting entities (employers), premium payments from plan participants, and investment income from the assets of the trust.

TRS also administers an optional long-term care insurance program for eligible retirees and public school employees. Certain family members are also eligible. 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 FY 2010.

The major retirement plan benefits are:

#### Service Retirement

Normal Retirement Eligibility - Age 65 with at least five years of credited service, or when the sum of member's age and years of credited service (five years minimum) equals or exceeds 80 for members who established membership before September 1, 2007 and maintained membership until retirement.

Age 65 with five years of credited service, or age 60 and the sum of member's age and years of credited service (five years minimum) equals or exceeds 80 for members who established TRS membership on

or after September 1, 2007.

For grandfathered members, age 55 with at least 20 years of service credit and the sum of member's age and years of credited service equals or exceeds 80.

Standard Annuity - A monthly benefit payable at retirement throughout the retiree's lifetime and calculated according to the statutory benefit formula.

Benefit Formula - 2.3 percent times the average of the five highest annual creditable salaries times years of credited service equals an annual standard annuity. For members who are grandfathered, the three highest annual salaries are used.

Minimum Benefit - \$150 per month less any reduction for early age or optional annuity selection.

Early Retirement Eligibility - Age 55 with at least five years of credited service, or any age below 50 with 30 or more years of credited service, provided the sum of the member's age and years of credited service is less than 80 for members who established membership before September 1, 2007 and maintained membership until retirement.

Age 55 with at least five years of credited service, age and credited service total 80 but less than age 60, or 30 years of credited service but less than age 60 for members who established TRS membership on or after September 1, 2007.

Early Retirement Benefit - The standard annuity calculated under the benefit formula (or the minimum benefit, if applicable) reduced for early retirement. The amount of the reduction varies depending on age, years of service credit, and whether a member is grandfathered.

#### 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.

Duration - For retirees with 10 or more years of credited service, payments continue for as long as

## SUMMARY OF BENEFITS

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 retired after August 31, 2007 are subject to an annual limit on earnings from any employment. Excess earnings will cause benefits to be forfeited until such time as the excess earnings cease or are reduced to an allowable amount.

### Annuity Payment Options

All service and eligible disability retirees may select an optional form of payment that reduces the standard annuity by application of age-related 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 10-year guaranteed period annuities. Selection of a 100 or 75 percent joint and survivor annuity may be unavailable to certain retirees based on the minimum distribution provisions of federal tax law.

### 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.

### Partial Lump Sum Option

Under the Partial Lump Sum Option (PLSO), at the time of retirement, qualifying members may elect to receive an actuarially reduced service retirement annuity plus a cash lump sum distribution.

Members may participate in the 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, 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 distribution options are available, including rollovers to another eligible retirement plan.

### Deferred Retirement Option Plan

The Deferred Retirement Option Plan (DROP), which is closed to new participants, is a pre-retirement benefit provision for active members who are eligible for normal age service retirement and have at least 25 years of credited service.

Members who elected to participate in DROP (before enrollment was closed effective December 31, 2005) chose to freeze their salary amounts and service credit used to calculate their retirement benefits and to have a portion of the standard annuity amount deposited into a DROP account while continuing to work for a TRS-covered employer. Interest on DROP accounts is credited at the rate of five percent per annum. Members are not considered to be retired while participating in DROP.

Members who elected DROP chose to participate in 12-month increments for up to five years. During DROP participation, the member does not accrue additional service credit, nor is any compensation earned during DROP participation to be considered in calculating the standard annuity. Also, during DROP participation, the member's statutory contributions to TRS continue; however, contributions are not credited to the member's contribution account and are not subject to refund.

Participation in DROP ends at the earliest of the expiration of the election period, retirement, or death. The accumulated DROP account may be distributed at the member's election as a single lump sum or in monthly or yearly installments covering five or 10 years; distributions commence at retirement or in the event the member dies before retiring, at the member's death. Eligible distributions may be rolled over to another eligible retirement plan.

## SUMMARY OF BENEFITS

### 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. 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.

### 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, if the member dies during a school year in which the member performed service or if the member dies while performing qualified military service as defined by applicable federal law. These benefits also are available due to death 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 or when the member is within five years of being eligible to retire when leaving employment:

1. A lump sum payment equal to twice the member's annual compensation or \$80,000, whichever is less.
2. 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.
3. For a sole beneficiary, lifetime payments equal to a 100 percent joint and survivor annuity, provided the member had at least five years of service credit subject to any reduction applicable for early age.
4. An amount equal to a return of the member's contributions with accumulated interest.
5. Survivor benefits of \$2,500 lump sum payment plus a monthly benefit. For example, \$350 per month to a beneficiary spouse with minor children, continuing until the youngest child reaches age 18. At age 65, 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 mem-

ber 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 DROP 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. In certain circumstances, 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 and an applicable monthly survivor benefit payment.

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 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.

### Grandfather Provisions

A person who, as a member, met any one of the following criteria on or before August 31, 2005, is grandfathered in how certain benefits are determined 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.

## SUMMARY OF BENEFITS

- **Preservation of certain early 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

The major health benefits and long-term care provisions are:

#### Health Benefits for Active Public School Employees

TRS-ActiveCare, the statewide health benefits program for employees of school districts, open enrollment charter schools, regional education service centers, and other educational districts whose employees are members of TRS, went into effect on September 1, 2002. The program initially addressed the most critical areas of the state with regard to availability and affordability of health benefits for public school employees and therefore focused on smaller districts. The program has now been expanded to include larger school districts and more than 1,113 entities participated in the

program in fiscal year 2010. Employees of participating entities can choose from four preferred provider organization plans, and employees of certain areas also have the option of choosing coverage under a health maintenance organization.

#### Retiree Health Coverage

The program under the Texas Public School Retired Employees Group Benefits Act, known as TRS-Care, makes available a basic level of health coverage without cost to eligible TRS public school retirees. Eligible retirees and their eligible dependents may pay premiums and participate in one of two plans of more comprehensive benefits and coverage. For information on TRS-Care eligibility, please refer to the TRS website.

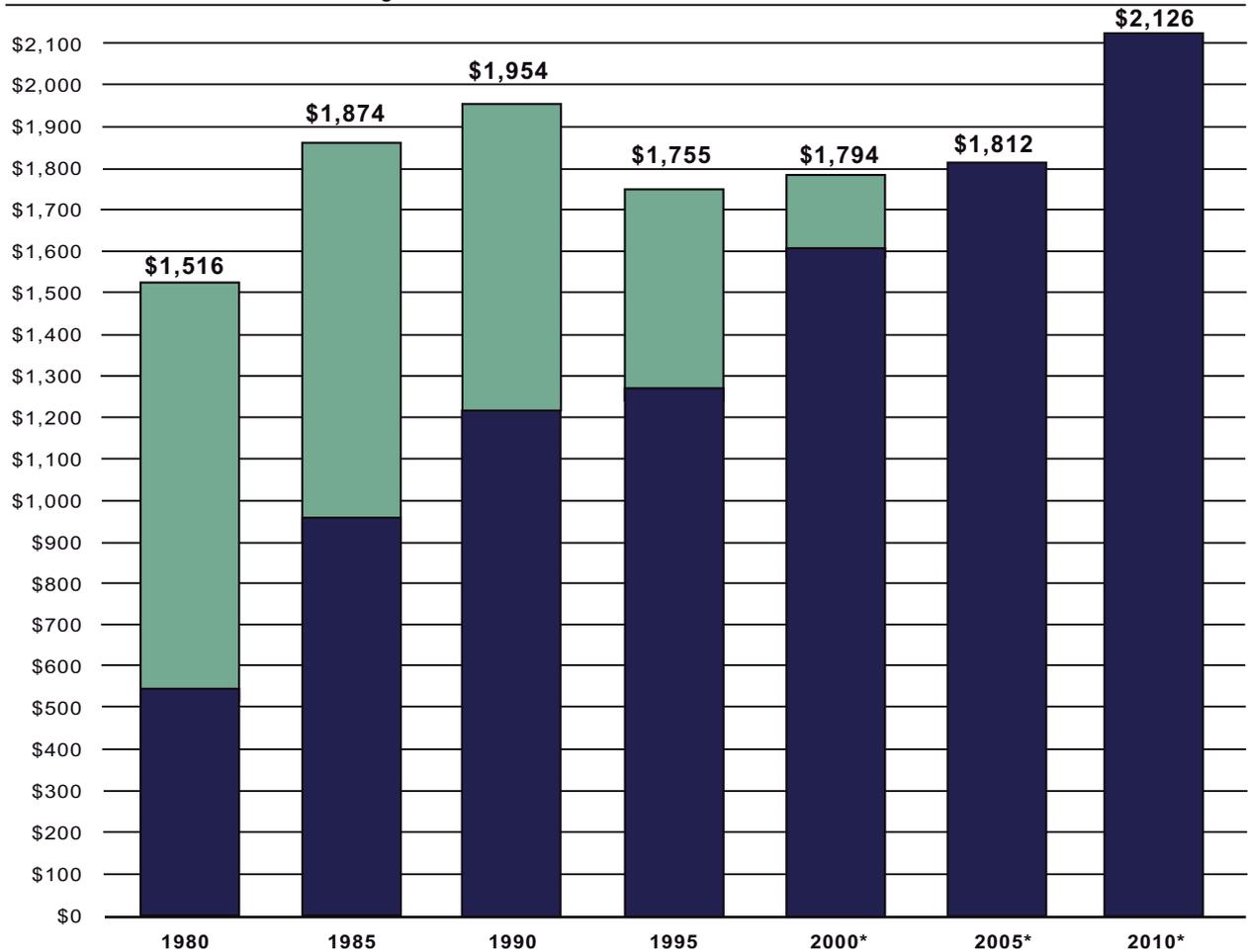
#### Long-Term Care Insurance Program

Eligible active and retired members, their 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.

**AVERAGE MONTHLY BENEFIT**

**Current Average Monthly Benefit by Year of Retirement**

Service Retiree Accounts as of August 31, 2010



<b>Original Benefits</b>	\$ 535	\$ 961	\$ 1,204	\$ 1,286	\$ 1,614	\$ 1,809	\$ 2,126
<b>Benefit Increases</b>	981	913	750	469	180	3	-
<b>Current Benefits</b>	\$ 1,516	\$ 1,874	\$ 1,954	\$ 1,755	\$ 1,794	\$ 1,812	\$ 2,126

<b>Number of Retirees**</b>	1,047	3,007	5,245	6,887	11,722	11,437	15,561
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\* Before adjustment for the Partial Lump Sum Option, average original benefits were \$1,748, \$1,979 and \$2,299 for fiscal years 2000, 2005 and 2010, respectively.

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

## GROWTH OF THE SYSTEM

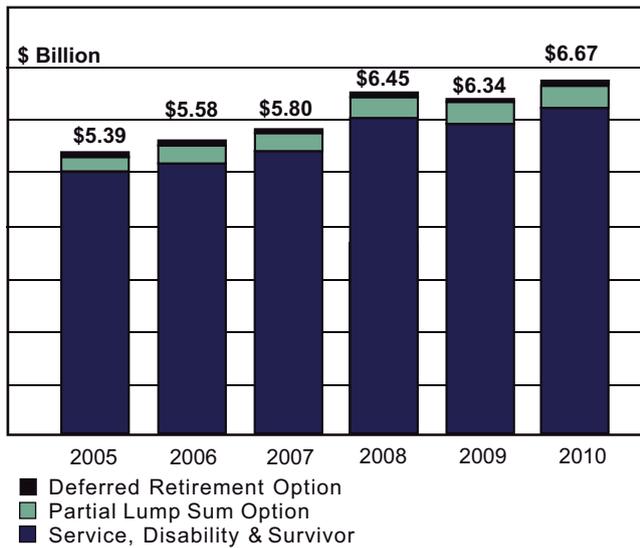
Benefit payments during fiscal year 2010 totaled approximately \$6.67 billion, an increase of \$326 million from the previous year. As of August 2010, the monthly annuity payroll had grown to approximately \$522 million, and TRS was paying benefits to 296,491 recipients.

Service recipients include retirees and beneficiaries receiving continuing monthly annuity payments. Disability recipients are disabled members who are receiving continuing monthly disability payments. Survivor recipients are beneficiaries who have elected to receive death benefits in the form of monthly benefits.

The number of retiree accounts increased by 11,877 during fiscal year 2010.

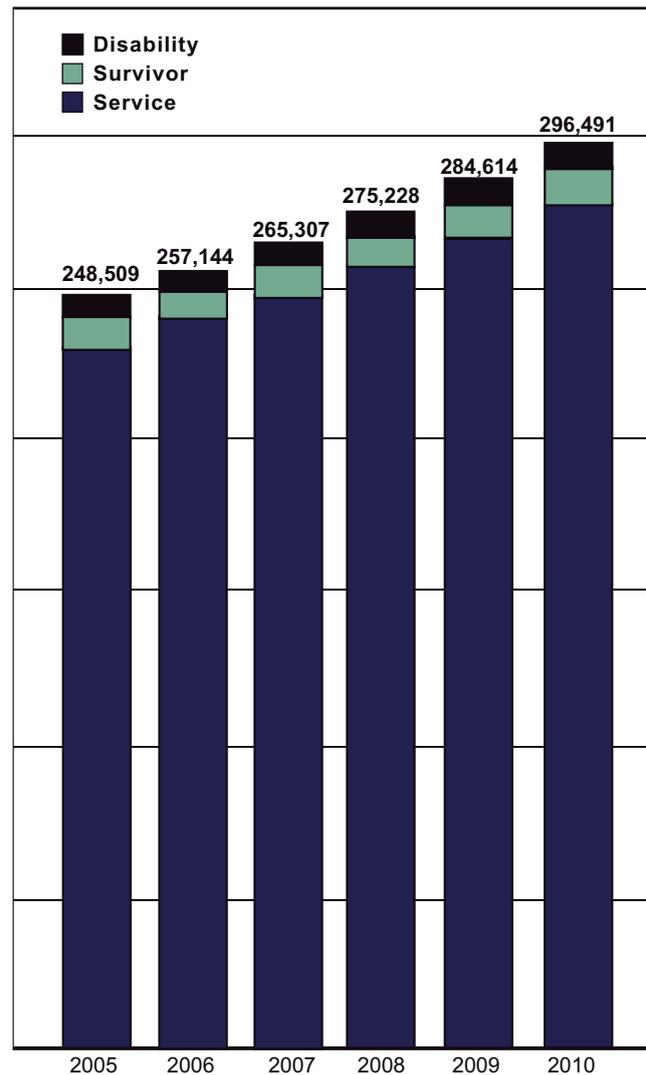
Of the current TRS member accounts, 854,450 (active contributing and deferred retirement option participants) were employed during fiscal year 2010 and made contributions to the system. The remaining 149,739 members are no longer employed by TRS-covered employers but have maintained their membership in TRS by leaving their contributions with the system. The number of current member accounts increased by 15,221 during fiscal year 2010.

**Benefit Payments\***

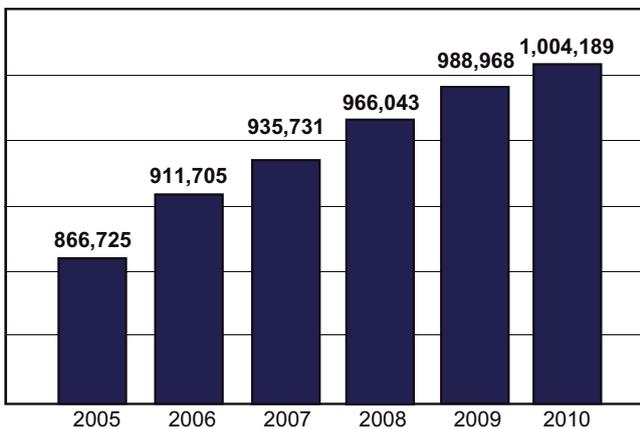


\* Effective fiscal year 2009 the Accumulated Savings that was previously included in the Benefits Payments total is now included with Refund of Contributions.

**Annuities**



**Member Accounts**





# Statistical Section

TEACHER RETIREMENT SYSTEM OF TEXAS

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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 financial statements, notes to financial statements, and required supplementary information to understand and assess the system's financial condition. Information is presented for Pension Trust Fund, Health Benefits Trust Fund-Retired Plan, TRS-ActiveCare Enterprise Fund-Active Plan, and the Nonmajor 403(b) Certification Program Enterprise Fund.

### Financial Trends Information

The schedules on the following pages show financial trends information that assists users in understanding and assessing how the system's financial position has changed over time. The financial trend schedules presented are:

- Changes in Fiduciary Net Assets
- Revenues, Expenses, and Changes in Net Assets
- Benefits and Refund Deductions from Net Assets by Type
- Health Care Claims Deductions/Expenses from Net Assets by Type

### Operating Information

The schedules presented immediately following the Financial Trends Information contain benefit and reporting operating information to provide contextual data about the system's operations and resources to assist users in using financial statement information to understand the benefit services provided by the system. The operating information schedules presented are:

- Average Benefit Payments
- Average Health Care Claims
- Retired Members by Type of Benefit
- Health Care Claims by Benefit Range
- Principal Participating Reporting Entities

In addition, a complete listing of participating reporting entities has been included. The information in this section was derived from internal sources and the CAFR for the relevant year.

## FINANCIAL TRENDS INFORMATION



## Changes in Fiduciary Net Assets

## PENSION TRUST FUND

## FOR THE FISCAL YEARS ENDED AUGUST 31

10 - YEAR  
SUMMARY

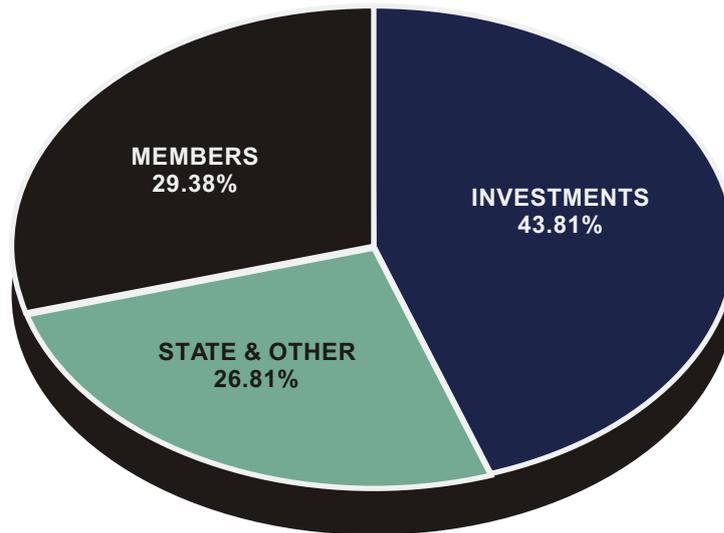
	2010	2009	2008	2007
<b>Additions:</b>				
Member Contributions	\$ 2,289,537,187	\$ 2,181,600,283	\$ 2,085,345,861	\$ 1,949,093,276
State Contributions	1,885,876,036	1,758,579,809	1,704,088,048	1,472,584,963
Reporting Entities Contributions	412,268,503	412,728,096	353,524,480	282,077,713
Investment Income:				
Interest and Dividends	1,980,627,527	2,127,915,830	3,416,830,333	3,087,059,810
Net Appreciation (Depreciation) in Fair Value	7,542,738,000	(16,030,794,035)	(7,992,472,030)	11,232,429,170
Less: Investing Activity Expenses	(111,918,654)	(68,990,517)	(29,330,150)	(20,942,402)
Other	788,787	3,899	3,596	5,405
<b>TOTAL ADDITIONS</b>	<b>\$ 13,999,917,386</b>	<b>\$ (9,618,956,635)</b>	<b>\$ (462,009,862)</b>	<b>\$ 18,002,307,935</b>
<b>Deductions:</b>				
Benefits	\$ 6,669,304,862	\$ 6,343,563,704	\$ 6,452,167,166	\$ 5,804,963,413
Refunds of Contributions	265,186,589	266,695,076	278,002,614	280,005,584
Administrative Expenses, Net of Investing Activity Expenses	29,992,608	28,310,448	26,122,662	27,502,276
<b>TOTAL DEDUCTIONS</b>	<b>\$ 6,964,484,059</b>	<b>\$ 6,638,569,228</b>	<b>\$ 6,756,292,442</b>	<b>\$ 6,112,471,273</b>
<b>Net Increase (Decrease)</b>	<b>\$ 7,035,433,327</b>	<b>\$ (16,257,525,863)</b>	<b>\$ (7,218,302,304)</b>	<b>\$ 11,889,836,662</b>
<b>Net Assets - Beginning of Year</b>	<b>\$ 88,652,971,682</b>	<b>\$ 104,910,497,545</b>	<b>\$ 112,128,799,849</b>	<b>\$ 100,238,963,187</b>
<b>Restatements</b>				
<b>Beginning of Year, As Restated</b>	<b>\$ 88,652,971,682</b>	<b>\$ 104,910,497,545</b>	<b>\$ 112,128,799,849</b>	<b>\$ 100,238,963,187</b>
<b>Net Assets - End of Year</b>	<b>\$ 95,688,405,009</b>	<b>\$ 88,652,971,682</b>	<b>\$ 104,910,497,545</b>	<b>\$ 112,128,799,849</b>

TEACHER RETIREMENT SYSTEM OF TEXAS

**FINANCIAL TRENDS INFORMATION**

2006	2005	2004	2003	2002	2001
\$ 1,853,971,836	\$ 1,728,333,818	\$ 1,721,504,445	\$ 1,672,212,387	\$ 1,560,700,102	\$ 1,433,037,813
1,333,143,442	1,258,597,882	1,242,305,696	1,239,532,126	1,201,948,321	1,143,109,908
267,399,619	221,158,942	192,395,672	182,536,228	157,781,530	136,247,871
2,643,912,620	2,363,014,107	2,137,672,861	2,147,493,368	2,416,466,898	2,713,579,401
6,326,056,726	9,607,205,397	7,024,439,015	5,673,389,054	(8,477,880,514)	(12,070,530,812)
(19,099,395)	(17,394,917)	(16,252,645)	(14,604,331)	(12,921,671)	(11,852,877)
769	21,315	1,909	1,501	491	6,733
\$ 12,405,385,617	\$ 15,160,936,544	\$ 12,302,066,953	\$ 10,900,560,333	\$ (3,153,904,843)	\$ (6,656,401,963)
\$ 5,579,984,101	\$ 5,385,838,471	\$ 5,485,389,067	\$ 4,752,552,139	\$ 4,364,533,707	\$ 3,666,802,710
267,810,017	245,148,971	221,857,340	187,379,932	187,925,863	215,343,593
26,444,405	25,114,716	24,841,300	23,428,162	24,597,361	20,795,129
\$ 5,874,238,523	\$ 5,656,102,158	\$ 5,732,087,707	\$ 4,963,360,233	\$ 4,577,056,931	\$ 3,902,941,432
\$ 6,531,147,094	\$ 9,504,834,386	\$ 6,569,979,246	\$ 5,937,200,100	\$ (7,730,961,774)	\$ (10,559,343,395)
\$ 93,707,816,093	\$ 84,202,981,707	\$ 77,633,002,461	\$ 71,695,802,361	\$ 79,427,814,814	\$ 89,987,158,209
				(1,050,679)	
\$ 93,707,816,093	\$ 84,202,981,707	\$ 77,633,002,461	\$ 71,695,802,361	\$ 79,426,764,135	\$ 89,987,158,209
\$100,238,963,187	\$ 93,707,816,093	\$ 84,202,981,707	\$ 77,633,002,461	\$ 71,695,802,361	\$ 79,427,814,814

**PENSION TRUST FUND ADDITIONS  
Ten-Year Average (2001-2010)**



## FINANCIAL TRENDS INFORMATION



## Changes in Fiduciary Net Assets

HEALTH BENEFITS TRUST FUND - RETIRED PLAN  
FOR THE FISCAL YEARS ENDED AUGUST 3110 - YEAR  
SUMMARY

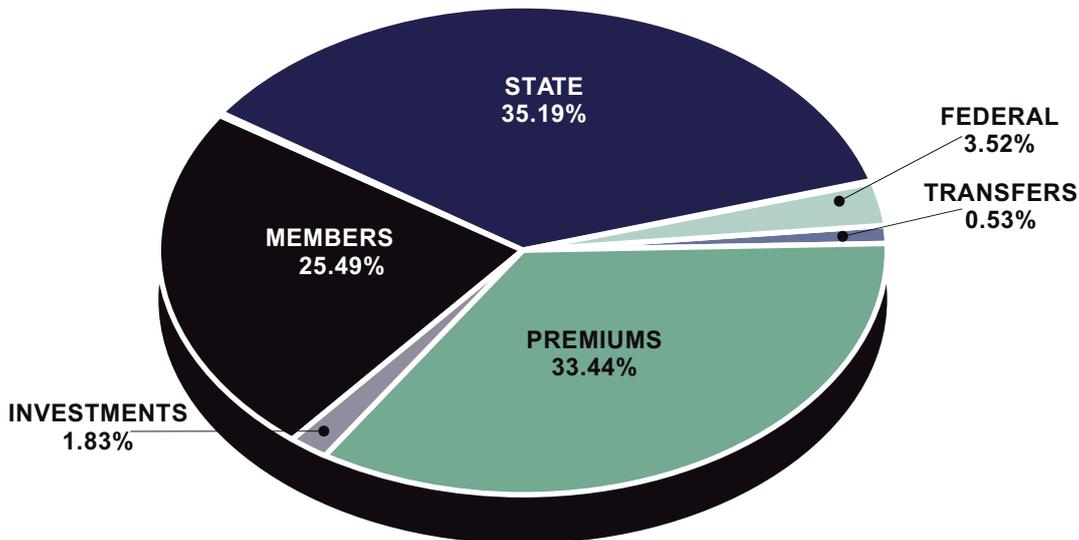
	2010	2009	2008	2007
<b>Additions:</b>				
Health Care Premiums	\$ 332,481,933	\$ 329,723,191	\$ 328,505,433	\$ 323,957,945
State Contributions	279,352,058	267,567,228	254,814,119	238,246,652
Member Contributions	181,512,856	173,856,344	165,569,413	154,823,968
Reporting Entities Contributions	155,918,241	149,562,613	141,672,630	136,008,512
On Behalf Fringe Benefits - Federal Government	70,795,686	61,530,735	59,486,239	52,329,617
Legislative Appropriations Transfer from TRS-ActiveCare Enterprise Fund				
Investment Income:				
Interest	11,679,229	17,482,143	29,252,347	32,671,539
Net Appreciation in Fair Value				
<b>TOTAL ADDITIONS</b>	<b>\$ 1,031,740,003</b>	<b>\$ 999,722,254</b>	<b>\$ 979,300,181</b>	<b>\$ 938,038,233</b>
<b>Deductions:</b>				
Health Care Claims	\$ 971,356,805	\$ 885,132,865	\$ 833,509,538	\$ 742,293,147
Health Care Claims Processing	42,535,601	40,364,063	36,747,710	33,407,937
Legislative Appropriations Transfer to TRS-ActiveCare Enterprise Fund				
Administrative Expenses, Net of Investing Activity Expenses	3,031,686	2,916,259	3,000,536	2,526,189
<b>TOTAL DEDUCTIONS</b>	<b>\$ 1,016,924,092</b>	<b>\$ 928,413,187</b>	<b>\$ 873,257,784</b>	<b>\$ 778,227,273</b>
<b>Net Increase (Decrease)</b>	<b>\$ 14,815,911</b>	<b>\$ 71,309,067</b>	<b>\$ 106,042,397</b>	<b>\$ 159,810,960</b>
<b>Net Assets - Beginning of Year</b>	<b>\$ 800,148,392</b>	<b>\$ 728,839,325</b>	<b>\$ 622,796,928</b>	<b>\$ 462,985,968</b>
<b>Restatements</b>				
<b>Beginning of Year, As Restated</b>	<b>\$ 800,148,392</b>	<b>\$ 728,839,325</b>	<b>\$ 622,796,928</b>	<b>\$ 462,985,968</b>
<b>Net Assets - End of Year</b>	<b>\$ 814,964,303</b>	<b>\$ 800,148,392</b>	<b>\$ 728,839,325</b>	<b>\$ 622,796,928</b>

TEACHER RETIREMENT SYSTEM OF TEXAS

**FINANCIAL TRENDS INFORMATION**

	2006	2005	2004	2003	2002	2001
\$	326,844,982	\$ 322,780,191	\$ 248,552,679	\$ 162,917,666	\$ 143,797,748	\$ 131,213,445
	215,720,223	266,611,727	454,828,830	265,038,205	380,307,062	166,400,568
	140,183,511	101,198,783	99,297,097	49,170,399	47,378,092	45,059,393
	118,607,527	80,914,228	79,457,387			
	34,611,607					
			42,000,000			
	21,435,792	11,258,874	4,803,809	3,394,956	7,140,560	5,789,973
						34,161
\$	857,403,642	\$ 782,763,803	\$ 928,939,802	\$ 480,521,226	\$ 578,623,462	\$ 348,497,540
\$	687,086,291	\$ 660,559,083	\$ 581,354,957	\$ 571,744,362	\$ 451,709,670	\$ 390,466,745
	31,975,150	31,262,147	23,914,851	19,388,818	16,828,256	16,017,167
				42,000,000		
	2,513,102	2,070,863	2,417,349	2,301,516	2,163,441	2,220,596
\$	721,574,543	\$ 693,892,093	\$ 607,687,157	\$ 635,434,696	\$ 470,701,367	\$ 408,704,508
\$	135,829,099	\$ 88,871,710	\$ 321,252,645	\$ (154,913,470)	\$ 107,922,095	\$ (60,206,968)
\$	327,156,869	\$ 238,285,159	\$ (82,967,486)	\$ 71,945,984	\$ (35,950,516)	\$ 24,256,452
					(25,595)	
\$	327,156,869	\$ 238,285,159	\$ (82,967,486)	\$ 71,945,984	\$ (35,976,111)	\$ 24,256,452
\$	462,985,968	\$ 327,156,869	\$ 238,285,159	\$ (82,967,486)	\$ 71,945,984	\$ (35,950,516)

**RETIRED PLAN ADDITIONS**  
Ten-Year Average (2001-2010)



## FINANCIAL TRENDS INFORMATION



## Revenues, Expenses, and Changes in Net Assets

TRS-ACTIVECARE ENTERPRISE FUND - ACTIVE PLAN \*  
FOR THE FISCAL YEARS ENDED AUGUST 31

10-YEAR  
SUMMARY

	2010	2009	2008	2007
<b>Revenues/Additions:</b>				
Health Care Premiums	\$ 1,329,171,411	\$ 1,172,011,048	\$ 1,096,537,022	\$ 939,694,028
State Contributions	64,328	64,975	61,894	46,446
Administrative Fees	125,321	187,813	186,844	184,937
ARRA Cobra Reimbursements**	1,225,158	170,219		
Investment Income:				
Interest	6,421,269	11,597,992	21,164,640	26,016,380
Net Appreciation in Fair Value				
Legislative Appropriations Transfer From Retired Plan				
<b>TOTAL REVENUES/ADDITIONS</b>	<b>\$ 1,337,007,487</b>	<b>\$ 1,184,032,047</b>	<b>\$ 1,117,950,400</b>	<b>\$ 965,941,791</b>
<b>Expenses/Deductions:</b>				
Health Care Claims	\$ 1,313,114,197	\$ 1,122,646,958	\$ 952,156,339	\$ 801,148,962
Health Care Claims Processing	67,906,654	60,934,432	54,583,499	48,177,777
Premium Payments to HMOs	64,532,253	64,820,440	68,204,743	58,742,363
Legislative Appropriations Transfer to Retired Plan				
Administrative Expenses	1,883,148	1,861,949	1,830,258	1,775,831
<b>TOTAL EXPENSES/DEDUCTIONS</b>	<b>\$ 1,447,436,252</b>	<b>\$ 1,250,263,779</b>	<b>\$ 1,076,774,839</b>	<b>\$ 909,844,933</b>
<b>Change in Net Assets</b>	<b>\$ (110,428,765)</b>	<b>\$ (66,231,732)</b>	<b>\$ 41,175,561</b>	<b>\$ 56,096,858</b>
<b>Net Assets - Beginning of Year</b>	<b>\$ 410,238,892</b>	<b>\$ 476,470,624</b>	<b>\$ 435,295,063</b>	<b>\$ 379,198,205</b>
<b>Restatements</b>				
<b>Beginning of Year, As Restated</b>	<b>\$ 410,238,892</b>	<b>\$ 476,470,624</b>	<b>\$ 435,295,063</b>	<b>\$ 379,198,205</b>
<b>Net Assets - End of Year</b>	<b>\$ 299,810,127</b>	<b>\$ 410,238,892</b>	<b>\$ 476,470,624</b>	<b>\$ 435,295,063</b>

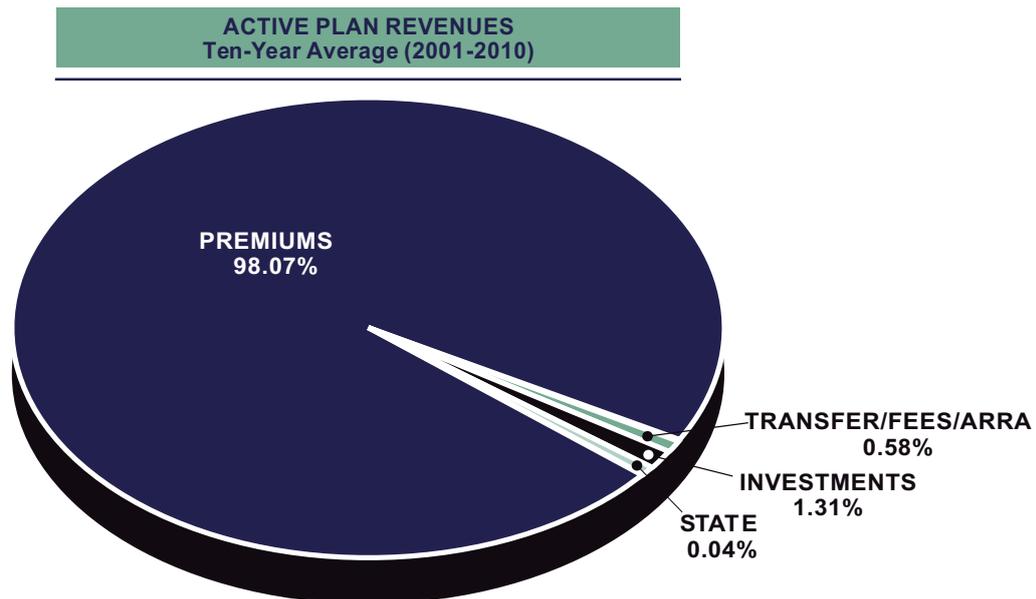
\* The TRS-ActiveCare Program, enacted by H.B. 3343, 77th Legislature, began operations in fiscal year 2003 and is accounted for as a proprietary fund. Prior to fiscal year 2003, TRS administered the Health Care Trust Fund-Active Plan which was accounted for as a fiduciary fund. The net assets of the Active Plan were transferred to TRS-ActiveCare on September 1, 2002.

\*\* The American Recovery and Reinvestment Act (ARRA) of 2009 which was signed into law on February 17, 2009 was created to preserve jobs and promote economic recovery.

TEACHER RETIREMENT SYSTEM OF TEXAS

**FINANCIAL TRENDS INFORMATION**

2006	2005	2004	2003	2002	2001
\$ 861,464,205	\$ 823,726,341	\$ 758,062,552	\$ 584,572,852	\$	\$
40,979	35,626	24,050	31,266	2,698,422	5,382
183,470	183,317	192,763	136,288	108,198	70,340
18,650,516	8,915,711	3,641,100	2,459,154	590,967	1,392,821
			42,000,000		20,909
\$ 880,339,170	\$ 832,860,995	\$ 761,920,465	\$ 629,199,560	\$ 3,397,587	\$ 1,489,452
\$ 708,972,484	\$ 663,361,138	\$ 520,998,423	\$ 473,450,544	\$ (34,455)	\$ 41,066
53,013,214	53,697,572	53,564,510	42,411,388		92
49,466,150	42,574,641	40,210,539			
		42,000,000			
1,680,952	1,607,113	918,619	1,771,441	2,750,107	474,961
\$ 813,132,800	\$ 761,240,464	\$ 657,692,091	\$ 517,633,373	\$ 2,715,652	\$ 516,119
\$ 67,206,370	\$ 71,620,531	\$ 104,228,374	\$ 111,566,187	\$ 681,935	\$ 973,333
\$ 311,991,835	\$ 240,371,304	\$ 136,421,779	\$ 24,855,592	\$ 24,179,853	\$ 23,206,520
		(278,849)		(6,196)	
\$ 311,991,835	\$ 240,371,304	\$ 136,142,930	\$ 24,855,592	\$ 24,173,657	\$ 23,206,520
\$ 379,198,205	\$ 311,991,835	\$ 240,371,304	\$ 136,421,779	\$ 24,855,592	\$ 24,179,853



## FINANCIAL TRENDS INFORMATION



## Revenues, Expenses, and Changes in Net Assets

### NONMAJOR 403(b) CERTIFICATION PROGRAM ENTERPRISE FUND

#### FOR THE FISCAL YEARS ENDED AUGUST 31

10 - YEAR \*  
SUMMARY

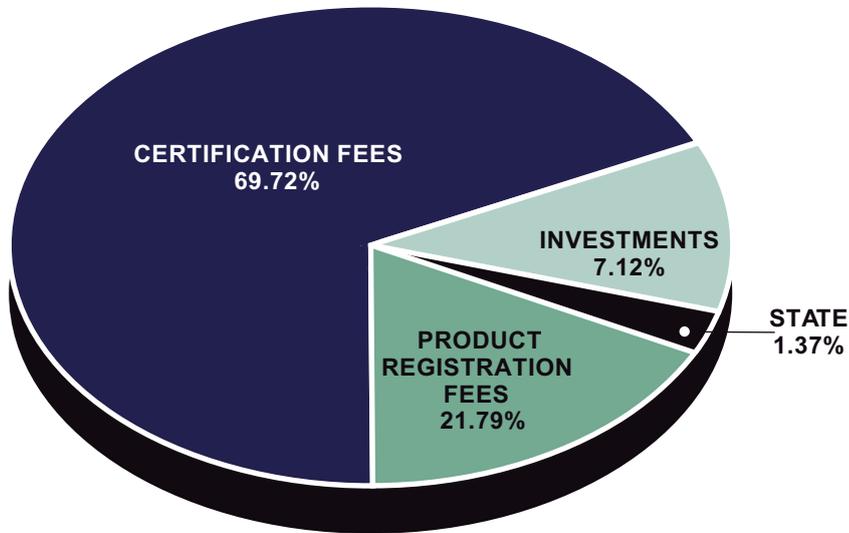
	2010	2009	2008	2007
<b>Revenues:</b>				
Certification Fees	\$ 30,000	\$ 6,000	\$ 30,000	\$ 171,000
Product Registration Fees	21,000	9,000	180,000	
State Contributions	8,034			
Investment Income	4,318	8,558	19,337	12,070
<b>TOTAL REVENUES</b>	<b>\$ 63,352</b>	<b>\$ 23,558</b>	<b>\$ 229,337</b>	<b>\$ 183,070</b>
<b>Expenses:</b>				
Administrative Expenses	\$ 172,835	\$ 88,000	\$ 192,000	\$ 24,000
<b>TOTAL EXPENSES</b>	<b>\$ 172,835</b>	<b>\$ 88,000</b>	<b>\$ 192,000</b>	<b>\$ 24,000</b>
<b>Change in Net Assets</b>	<b>\$ (109,483)</b>	<b>\$ (64,442)</b>	<b>\$ 37,337</b>	<b>\$ 159,070</b>
<b>Net Assets - Beginning of Year</b>	<b>\$ 355,260</b>	<b>\$ 419,702</b>	<b>\$ 382,365</b>	<b>\$ 223,295</b>
<b>Net Assets - End of Year</b>	<b>\$ 245,777</b>	<b>\$ 355,260</b>	<b>\$ 419,702</b>	<b>\$ 382,365</b>

\* The 403(b) Certification Program, enacted by S.B. 273, 77th Legislature, began operations on September 1, 2001; therefore, only nine years of data are available.

**FINANCIAL TRENDS INFORMATION**

2006	2005	2004	2003	2002
\$ 30,000	\$ 10,000	\$ 15,000	\$ 55,000	\$ 325,000
9,532	5,529	3,495	1,197	3,953
\$ 39,532	\$ 15,529	\$ 18,495	\$ 60,814	\$ 330,117
\$ 24,000	\$ 24,000	\$ 24,000	\$ 45,074	\$ 124,118
\$ 24,000	\$ 24,000	\$ 24,000	\$ 45,074	\$ 124,118
\$ 15,532	\$ (8,471)	\$ (5,505)	\$ 15,740	\$ 205,999
\$ 207,763	\$ 216,234	\$ 221,739	\$ 205,999	\$
\$ 223,295	\$ 207,763	\$ 216,234	\$ 221,739	\$ 205,999

**403(b) CERTIFICATION PROGRAM REVENUES**  
Average Since Inception (2002-2010)



## FINANCIAL TRENDS INFORMATION

### Benefits and Refund Deductions from Net Assets by Type

#### PENSION TRUST FUND LAST TEN FISCAL YEARS

	2010	2009	2008	2007
<b>Type of Benefit</b>				
Service Retirements	\$ 5,892,366,905	\$ 5,613,501,298	\$ 5,693,184,467 *	\$ 5,104,816,272
Deferred Retirement Option	22,607,290	23,272,668	26,757,772	31,939,855
Partial Lump Sum Option	385,555,126	348,261,100	363,668,944	325,688,244
Disability Retirements	141,396,837	138,569,650	146,907,654	134,866,736
Excess Benefits	1,504,510	1,553,381	1,646,494	1,453,605
Death and Survivor Benefits:				
Annual Salary	45,698,147	43,235,232	42,216,290	38,928,295
Survivor Annuities	82,574,358	79,951,723	78,862,569	76,116,829
Life Annuities	83,238,898	81,764,240	85,576,098	78,322,931
60 Monthly Payments	10,824,948	10,180,012	10,169,530	9,386,943
Remainder of Contributions	3,537,843	3,274,400	3,177,348	3,443,703
<b>TOTAL BENEFITS</b>	<b>\$ 6,669,304,862</b>	<b>\$ 6,343,563,704</b>	<b>\$ 6,452,167,166</b>	<b>\$ 5,804,963,413</b>
<b>Type of Refund</b>				
Death	\$ 3,710,941	\$ 3,084,718	\$ 2,520,283	\$ 2,073,365
Separation	261,475,648	263,610,358	275,482,331	277,932,219
<b>TOTAL REFUNDS</b>	<b>\$ 265,186,589</b>	<b>\$ 266,695,076</b>	<b>\$ 278,002,614</b>	<b>\$ 280,005,584</b>

\* A one-time supplemental payment capped at \$2,400 was distributed to eligible retirees in January 2008.

### Health Care Claims Deductions from Net Assets by Type

#### HEALTH BENEFITS TRUST FUND - RETIRED PLAN LAST TEN FISCAL YEARS

	2010	2009	2008	2007
<b>Type of Claim</b>				
Medical	\$ 575,539,788	\$ 531,239,020	\$ 498,767,038	\$ 437,519,746
Prescription Drugs	395,817,017	353,893,845	334,742,500	304,773,401
<b>TOTAL</b>	<b>\$ 971,356,805</b>	<b>\$ 885,132,865</b>	<b>\$ 833,509,538</b>	<b>\$ 742,293,147</b>

### Health Care Claims Expenses from Net Assets by Type

#### TRS-ACTIVECARE ENTERPRISE FUND - ACTIVE PLAN LAST EIGHT FISCAL YEARS (SINCE PLAN INCEPTION)

	2010	2009	2008	2007
<b>Type of Claim</b>				
Medical	\$ 1,092,107,916	\$ 934,733,927	\$ 788,240,087	\$ 659,478,760
Prescription Drugs	221,006,281	187,913,031	163,916,252	141,670,202
<b>TOTAL</b>	<b>\$ 1,313,114,197</b>	<b>\$ 1,122,646,958</b>	<b>\$ 952,156,339</b>	<b>\$ 801,148,962</b>

TEACHER RETIREMENT SYSTEM OF TEXAS

**FINANCIAL TRENDS INFORMATION**

2006	2005	2004	2003	2002	2001
\$ 4,896,156,393	\$ 4,709,693,259	\$ 4,321,718,025	\$ 3,917,349,171	\$ 3,612,311,394	\$ 3,065,933,596
36,033,028	55,152,336	139,047,656	89,305,527	48,697,685	36,929,725
313,359,714	288,088,743	696,201,755	427,944,774	386,442,648	280,942,321
132,155,505	129,331,288	125,992,690	122,409,366	119,913,327	107,030,338
1,041,961	926,187	516,529	461,925	690,735	356,316
37,880,818	40,838,680	41,669,051	41,284,946	43,685,098	39,887,958
74,115,776	74,325,670	74,320,247	70,611,609	71,664,740	63,441,321
77,537,970	76,113,908	75,839,736	74,581,837	72,919,628	65,154,382
8,581,053	7,583,719	7,089,131	6,385,087	5,649,671	4,475,175
3,121,883	3,784,681	2,994,247	2,217,897	2,558,781	2,651,578
<b>\$ 5,579,984,101</b>	<b>\$ 5,385,838,471</b>	<b>\$ 5,485,389,067</b>	<b>\$ 4,752,552,139</b>	<b>\$ 4,364,533,707</b>	<b>\$ 3,666,802,710</b>
\$ 2,322,538	\$ 1,766,957	\$ 1,460,631	\$ 1,297,262	\$ 1,504,798	\$ 908,801
265,487,479	243,382,014	220,396,709	186,082,670	186,421,065	214,434,792
<b>\$ 267,810,017</b>	<b>\$ 245,148,971</b>	<b>\$ 221,857,340</b>	<b>\$ 187,379,932</b>	<b>\$ 187,925,863</b>	<b>\$ 215,343,593</b>

2006	2005	2004	2003	2002	2001
\$ 427,553,404	\$ 431,036,095	\$ 366,840,457	\$ 368,462,963	\$ 287,729,917	\$ 250,691,897
259,532,887	229,522,988	214,514,500	203,281,399	163,979,753	139,774,848
<b>\$ 687,086,291</b>	<b>\$ 660,559,083</b>	<b>\$ 581,354,957</b>	<b>\$ 571,744,362</b>	<b>\$ 451,709,670</b>	<b>\$ 390,466,745</b>

2006	2005	2004	2003
\$ 587,513,767	\$ 546,106,804	\$ 425,394,453	\$ 392,085,280
121,458,717	117,254,334	95,603,970	81,365,264
<b>\$ 708,972,484</b>	<b>\$ 663,361,138</b>	<b>\$ 520,998,423</b>	<b>\$ 473,450,544</b>

## OPERATING INFORMATION

## Average Benefit Payments

PENSION TRUST FUND  
LAST TEN FISCAL YEARS

Retirement Effective Dates	Years Credited Service					
	5-10	11-15	16-20	21-25	26-30	30+
9-1-00 to 8-31-01						
Average Monthly Benefit *	\$ 236.76	\$ 430.74	\$ 902.32	\$ 1,378.28	\$ 2,132.45	\$ 2,903.96
Average Final Average Salary	\$ 20,075	\$ 23,399	\$ 29,570	\$ 34,843	\$ 44,767	\$ 51,307
Number of Retirees	1,064	1,168	1,431	2,413	3,768	3,323
9-1-01 to 8-31-02						
Average Monthly Benefit *	\$ 235.29	\$ 464.95	\$ 947.95	\$ 1,445.87	\$ 2,210.78	\$ 3,031.17
Average Final Average Salary	\$ 20,405	\$ 24,637	\$ 31,300	\$ 36,564	\$ 46,507	\$ 53,956
Number of Retirees	1,207	1,252	1,648	3,077	4,983	4,722
9-1-02 to 8-31-03						
Average Monthly Benefit *	\$ 267.05	\$ 501.33	\$ 969.08	\$ 1,475.63	\$ 2,221.15	\$ 3,043.53
Average Final Average Salary	\$ 23,431	\$ 26,804	\$ 31,814	\$ 37,452	\$ 46,435	\$ 53,748
Number of Retirees	1,505	1,637	2,157	3,790	6,000	5,085
9-1-03 to 8-31-04						
Average Monthly Benefit *	\$ 269.55	\$ 481.82	\$ 983.44	\$ 1,497.64	\$ 2,180.92	\$ 3,038.26
Average Final Average Salary	\$ 23,472	\$ 26,777	\$ 32,463	\$ 38,613	\$ 46,742	\$ 54,523
Number of Retirees	1,795	2,278	3,090	5,670	8,000	6,254
9-1-04 to 8-31-05						
Average Monthly Benefit *	\$ 272.29	\$ 533.97	\$ 1,057.16	\$ 1,601.98	\$ 2,332.30	\$ 3,267.27
Average Final Average Salary	\$ 24,774	\$ 28,314	\$ 35,336	\$ 41,202	\$ 49,446	\$ 58,164
Number of Retirees	1,410	1,227	1,427	2,074	3,174	2,492
9-1-05 to 8-31-06						
Average Monthly Benefit *	\$ 279.71	\$ 580.44	\$ 1,094.68	\$ 1,631.39	\$ 2,338.83	\$ 3,310.48
Average Final Average Salary	\$ 25,456	\$ 30,629	\$ 36,787	\$ 42,297	\$ 49,650	\$ 58,987
Number of Retirees	1,494	1,128	1,579	2,483	3,332	2,701
9-1-06 to 8-31-07						
Average Monthly Benefit *	\$ 309.28	\$ 599.23	\$ 1,117.79	\$ 1,696.92	\$ 2,424.06	\$ 3,452.62
Average Final Average Salary	\$ 27,448	\$ 31,601	\$ 37,444	\$ 44,120	\$ 51,683	\$ 61,103
Number of Retirees	1,575	1,183	1,554	2,626	3,290	2,835
9-1-07 to 8-31-08						
Average Monthly Benefit *	\$ 313.93	\$ 619.29	\$ 1,148.89	\$ 1,754.97	\$ 2,534.42	\$ 3,505.47
Average Final Average Salary	\$ 27,882	\$ 32,392	\$ 38,415	\$ 45,578	\$ 53,609	\$ 61,837
Number of Retirees	1,533	1,282	1,902	2,942	3,754	3,332
9-1-08 to 8-31-09						
Average Monthly Benefit *	\$ 349.29	\$ 656.14	\$ 1,216.32	\$ 1,769.24	\$ 2,607.18	\$ 3,625.67
Average Final Average Salary	\$ 29,713	\$ 33,085	\$ 40,361	\$ 45,661	\$ 54,735	\$ 63,058
Number of Retirees	1,463	1,379	1,917	2,877	3,361	3,229
9-1-09 to 8-31-10						
Average Monthly Benefit *	\$ 358.86	\$ 664.71	\$ 1,229.18	\$ 1,829.89	\$ 2,631.27	\$ 3,718.40
Average Final Average Salary	\$ 30,046	\$ 34,065	\$ 40,505	\$ 47,130	\$ 55,032	\$ 64,062
Number of Retirees	1,459	1,400	2,034	3,188	3,522	3,762

\* Average monthly benefits have been reduced for Partial Lump Sum Option payments of \$280.9, \$386.4, \$427.9, \$696.2, \$288.1, \$313.4, \$325.7, \$363.7, \$348.3, and \$385.6 million in fiscal years 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010 respectively.

## OPERATING INFORMATION

### Average Health Care Claims

HEALTH BENEFITS TRUST FUND - RETIRED PLAN  
LAST TEN FISCAL YEARS

<b>2010</b>		
Average Claims Per Participant	\$	4,790.25
Health Care Claims	\$	971,356,805
Average Participants		202,778
<b>2009</b>		
Average Claims Per Participant	\$	4,464.01
Health Care Claims	\$	885,132,865
Average Participants		198,282
<b>2008</b>		
Average Claims Per Participant	\$	4,302.36
Health Care Claims	\$	833,509,538
Average Participants		193,733
<b>2007</b>		
Average Claims Per Participant	\$	3,891.49
Health Care Claims	\$	742,293,147
Average Participants		190,748
<b>2006</b>		
Average Claims Per Participant	\$	3,658.53
Health Care Claims	\$	687,086,291
Average Participants		187,804
<b>2005</b>		
Average Claims Per Participant	\$	3,563.06
Health Care Claims	\$	660,559,083
Average Participants		185,391
<b>2004</b>		
Average Claims Per Participant	\$	3,434.58
Health Care Claims	\$	581,354,957
Average Participants		169,265
<b>2003</b>		
Average Claims Per Participant	\$	3,698.31
Health Care Claims	\$	571,744,362
Average Participants		154,596
<b>2002</b>		
Average Claims Per Participant	\$	3,156.18
Health Care Claims	\$	451,709,670
Average Participants		143,119
<b>2001</b>		
Average Claims Per Participant	\$	2,877.24
Health Care Claims	\$	390,466,745
Average Participants		135,709

### Average Health Care Claims

TRS-ACTIVECARE ENTERPRISE FUND - ACTIVE PLAN  
LAST EIGHT FISCAL YEARS (SINCE PLAN INCEPTION)

<b>2010</b>		
Average Claims Per Participant	\$	3,509.11
Health Care Claims	\$	1,313,114,197
Average Participants		374,201
<b>2009</b>		
Average Claims Per Participant	\$	3,323.59
Health Care Claims	\$	1,122,646,958
Average Participants		337,781
<b>2008</b>		
Average Claims Per Participant	\$	3,059.63
Health Care Claims	\$	952,156,339
Average Participants		311,200
<b>2007</b>		
Average Claims Per Participant	\$	2,834.53
Health Care Claims	\$	801,148,962
Average Participants		282,639
<b>2006</b>		
Average Claims Per Participant	\$	2,744.75
Health Care Claims	\$	708,972,484
Average Participants		258,301
<b>2005</b>		
Average Claims Per Participant	\$	2,714.19
Health Care Claims	\$	663,361,138
Average Participants		244,405
<b>2004</b>		
Average Claims Per Participant	\$	2,357.20
Health Care Claims	\$	520,998,423
Average Participants		221,024
<b>2003</b>		
Average Claims Per Participant	\$	2,616.24
Health Care Claims	\$	473,450,544
Average Participants		180,966

**OPERATING INFORMATION**

**Retired Members by Type of Benefit**

**PENSION TRUST FUND  
AS OF AUGUST 31, 2010**

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement <sup>a</sup>						
		1	2	3	4	5	6	7
\$ 1 - 200	12,444	4,612	6,425	331	964	57	40	15
\$ 201 - 400	32,757	7,969	11,461	649	1,694	1,061	748	9,175
\$ 401 - 600	21,288	9,354	8,249	1,344	1,816	256	269	0
\$ 601 - 800	18,563	10,201	4,940	1,326	1,488	333	275	0
\$ 801 - 1,000	17,689	11,351	3,426	1,040	1,314	339	219	0
\$ 1,001 - 1,200	15,328	10,472	2,479	761	1,174	273	169	0
\$ 1,201 - 1,400	13,299	8,864	2,342	621	1,116	229	127	0
\$ 1,401 - 1,600	14,007	9,304	2,773	560	1,023	249	98	0
\$ 1,601 - 1,800	14,440	10,040	2,688	493	889	237	93	0
\$ 1,801 - 2,000	15,246	11,432	2,408	399	729	224	54	0
\$ over 2,000	121,430	104,732	9,079	1,229	5,073	1,210	107	0
<b>Totals</b>	<b>296,491</b>	<b>198,331</b>	<b>56,270</b>	<b>8,753</b>	<b>17,280</b>	<b>4,468</b>	<b>2,199</b>	<b>9,190</b>

<sup>a</sup>Type of Retirement:

- 1 - Normal Retirement of Age and Service
- 2 - Early Retirement
- 3 - Disability Retirement
- 4 - Survivor Payment, Joint Life or Guarantee
- 5 - Survivor Payment, Death in Service
- 6 - Survivor Payment, After Disability Retirement
- 7 - Survivor Payment, After Service Retirement

**Health Care Claims by Benefit Range**

**HEALTH BENEFITS TRUST FUND - RETIRED PLAN  
AS OF AUGUST 31, 2010**

Benefit Range	Average Participants
\$ 0	26,222
\$ 1 - 5,000	130,342
\$ 5,001 - 10,000	28,298
\$ 10,001 - 20,000	10,570
\$ 20,001 - 30,000	2,682
\$ 30,001 - 40,000	1,392
\$ 40,001 - 50,000	793
\$ 50,001 - 100,000	1,510
\$ over 100,000	969
<b>Total</b>	<b>202,778</b>

**Health Care Claims by Benefit Range**

**TRS-ACTIVECARE ENTERPRISE FUND - ACTIVE PLAN  
AS OF AUGUST 31, 2010**

Benefit Range	Average Participants
\$ 0	58,035
\$ 1 - 5,000	266,975
\$ 5,001 - 10,000	25,739
\$ 10,001 - 20,000	12,470
\$ 20,001 - 30,000	4,349
\$ 30,001 - 40,000	2,150
\$ 40,001 - 50,000	1,232
\$ 50,001 - 100,000	2,104
\$ over 100,000	1,147
<b>Total</b>	<b>374,201</b>

**OPERATING INFORMATION**

Option Selected <sup>b</sup>					
1	2	3	4	5	6
5,732	4,359	973	405	917	58
10,695	6,916	1,952	859	1,736	10,599
10,481	6,047	2,263	906	1,591	0
8,824	5,326	2,413	846	1,154	0
8,398	4,877	2,491	825	1,098	0
6,750	4,598	2,396	665	919	0
5,280	4,404	2,282	541	792	0
5,435	4,803	2,319	595	855	0
5,510	5,002	2,442	573	913	0
5,564	5,358	2,747	561	1,016	0
41,945	45,580	22,877	4,028	7,000	0
114,614	97,270	45,155	10,804	17,991	10,657

<sup>b</sup>Option Selected:

Option 1 - Life Annuity

Option 2 - Joint to Survivor

Option 3 - Joint to Survivor 50% / Joint to Survivor 75%

Option 4 - 5-Year Guarantee

Option 5 - 10-Year Guarantee

Option 6 - Survivor Benefit

## OPERATING INFORMATION

### Principal Participating Reporting Entities

#### PENSION TRUST FUND

#### CURRENT FISCAL YEAR AND NINE YEARS AGO

Participating Reporting Entity	2010			2001		
	Covered Employees	Rank	Percentage of Total Covered Employment	Covered Employees	Rank	Percentage of Total Covered Employment
Houston ISD	24,748	1	3.09%	24,538	1	3.70%
Dallas ISD	19,730	2	2.46%	19,126	2	2.88%
UT MD Anderson Cancer Center	15,506	3	1.93%	9,521	5	1.43%
Cypress Fairbanks ISD	13,380	4	1.67%	8,559	9	1.29%
Northside ISD	12,711	5	1.58%	8,965	7	1.35%
Austin ISD	12,322	6	1.54%	10,377	3	1.56%
Fort Worth ISD	10,878	7	1.36%	9,822	4	1.48%
UT at Austin	10,374	8	1.29%	8,638	8	1.30%
UT Medical Branch at Galveston	9,026	9	1.13%	9,480	6	1.43%
El Paso ISD	9,023	10	1.12%	8,438	10	1.27%
All other	664,453		82.83%	546,358		82.31%
<b>Total</b>	<b>802,151</b>		<b>100.00%</b>	<b>663,822</b>		<b>100.00%</b>

Source: May report month information submitted to the Teacher Retirement System by participating reporting entities.

## OPERATING INFORMATION

### Principal Participating Reporting Entities

HEALTH BENEFITS TRUST FUND - RETIRED PLAN  
CURRENT FISCAL YEAR AND NINE YEARS AGO

Participating Reporting Entity	2010			2001		
	Covered OPEB Employees	Rank	Percentage of Total Covered OPEB Employment	Covered OPEB Employees	Rank	Percentage of Total Covered OPEB Employment
Houston ISD	24,748	1	3.71%	24,538	1	4.36%
Dallas ISD	19,730	2	2.96%	19,126	2	3.39%
Cypress Fairbanks ISD	13,380	3	2.01%	8,559	6	1.52%
Northside ISD	12,711	4	1.91%	8,965	5	1.59%
Austin ISD	12,322	5	1.85%	10,377	3	1.84%
Fort Worth ISD	10,878	6	1.63%	9,822	4	1.74%
El Paso ISD	9,023	7	1.35%	8,438	7	1.50%
North East ISD	8,906	8	1.34%			
Aldine ISD	8,749	9	1.31%	7,547	9	1.34%
Fort Bend ISD	8,550	10	1.28%			
San Antonio ISD				7,603	8	1.35%
Arlington ISD				7,298	10	1.30%
All other	537,686		80.65%	451,115		80.07%
<b>Total</b>	<b>666,683</b>		<b>100.00%</b>	<b>563,388</b>		<b>100.00%</b>

Source: May report month information submitted to the Teacher Retirement System by participating reporting entities.

## Listing of Participating Reporting Entities

### Community and Junior Colleges

Alamo Comm College Dist  
Alvin Community College  
Amarillo College  
Angelina College  
Austin Community College  
Blinn College  
Brazosport College  
Central Texas College  
Cisco Junior College  
Clarendon College  
Coastal Bend College  
College of the Mainland  
Collin Cty Comm College  
Dallas Cty Comm Coll Dist  
Del Mar College  
El Paso Community College  
Frank Phillips College  
Galveston College  
Grayson County College  
Hill College  
Houston Comm Coll System  
Howard Cty Jr Coll Dist  
Kilgore College  
Laredo Community College  
Lee College  
Lone Star College System  
McLennan Comm College  
Midland College  
Navarro College  
North Central Tx College  
Northeast Tx Comm College  
Odessa College  
Panola College  
Paris Junior College  
Ranger Junior College  
San Jacinto College Dist  
South Plains College  
South Texas Comm College  
Southwest Tx Jr College  
Tarrant County Coll Dist  
Temple College  
Texarkana College  
Texas Southmost College  
Texas State Tech College  
Trinity Valley Jr College  
Tyler Junior College  
Vernon College  
Victoria College  
Weatherford College  
Western Texas College  
Wharton County Jr College

### Universities

Angelo State University  
Lamar Inst of Technology  
Lamar St Coll at Orange  
Lamar St Coll at Port Arthur  
Lamar University  
Midwestern State Univ  
Prairie View A & M Univ  
Sam Houston State Univ  
Stephen F Austin State U  
Sul Ross State University  
Tarleton State University  
Texas A & M at Galveston  
Texas A & M-Central Texas (Killeen)  
Texas A & M Corpus Christi  
Texas A & M U-Commerce  
Texas A & M U-Kingsville  
Texas A & M-San Antonio  
Texas A & M U-Texarkana  
Texas A & M University  
Texas AgriLife Research  
Texas AgriLife Ext Service  
Texas Eng Exp Station  
Texas Eng Ext Service

Texas Forest Service  
Texas Southern University  
Texas State Univ-San Marcos  
Texas State Univ System  
Texas Tech University  
Texas Transportation Inst  
Texas Womans University  
Tx A & M International Univ  
Tx A & M U Systems Office  
U H at Houston  
U of N Texas System Admin  
U T at Arlington  
U T at Austin  
U T at Dallas  
U T at El Paso  
U T at San Antonio  
U T at Tyler  
U T Pan American  
U T Permian Basin  
Univ Tx at Brownsville  
University of North Tx  
West Texas A & M Univ

### Medical Schools

T A M U System H S C  
Texas Veterinary Med  
Diagnostic Lab  
U N T H S C at Fort Worth  
U T H S C at Houston  
U T H S C at San Antonio  
U T Health Ctr at Tyler  
U T M D Anderson Hospital  
U T Med Br at Galveston  
U T S W Medical Center

### School Districts

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

Burleson I S D  
Burnet Cons I S D  
Burton I S D  
Bushland I S D  
Byers I S D  
Bynum Cons I S D  
Caddo Mills I S D  
Calallen I S D  
Caldwell I S D  
Calhoun County I S D  
Callisburg I S D  
Calvert I S D  
Cameron I S D  
Campbell I S D  
Canadian I S D  
Canton I S D  
Canutillo I S D  
Canyon I S D  
Carlisle I S D  
Carrizo Springs C I S D  
Carroll I S D  
Carrollton Farmers Branch I S D  
Carthage I S D  
Castleberry I S D  
Cayuga I S D  
Cedar Hill I S D  
Celeste I S D  
Celina I S D  
Center I S D  
Center Point I S D  
Centerville I S D, Centerville  
Centerville I S D, Groveton  
Central I S D  
Central Heights I S D  
Channelview I S D  
Channing I S D  
Chapel Hill I S D, Mt. Pleasant  
Chapel Hill I S D, Tyler  
Charlotte I S D  
Cherokee I S D  
Chester I S D  
Chico I S D  
Childress I S D  
Chillicothe I S D  
Chilton I S D  
China Spring I S D  
Chireno I S D  
Chisum I S D  
Christoval I S D  
Cisco I S D  
City View I S D  
Clarendon Cons I S D  
Clarksville I S D  
Claude I S D  
Clear Creek I S D  
Cleburne I S D  
Cleveland I S D  
Clifton I S D  
Clint I S D  
Clyde I S D  
Coahoma I S D  
Coldspring Oakhurst I S D  
Coleman I S D  
College Station I S D  
Collinsville I S D  
Colmesneil I S D  
Colorado I S D  
Columbia Brazoria I S D  
Columbus I S D  
Comal I S D  
Comanche I S D  
Comfort I S D  
Commerce I S D  
Community I S D  
Como Pickton I S D  
Connstock I S D  
Connally Cons I S D  
Conroe I S D  
Coolidge I S D  
Cooper I S D  
Coppell I S D

Listing of Participating Reporting Entities  
 Participating Entities

(continued)

Copperas Cove I S D	Edna I S D	Granbury I S D	Industrial I S D
Corpus Christi I S D	El Campo I S D	Grand Prairie I S D	Ingleside I S D
Corrigan Camden C I S D	El Paso I S D	Grand Saline I S D	Ingram I S D
Corsicana I S D	Electra I S D	Grandfalls Royalty I S D	Iola I S D
Cotton Center I S D	Elgin I S D	Grandview I S D	Iowa Park Cons I S D
Cotulla I S D	Elkhart I S D	Grandview Hopkins I S D	Ira I S D
Coupland I S D	Elysian Fields I S D	Granger I S D	Iraan Sheffield I S D
Covington I S D	Ennis I S D	Grape Creek I S D	Iredell I S D
Crandall I S D	Era I S D	Grapeland I S D	Irion County I S D
Crane I S D	Etoile I S D	Grapevine Colleyville I S D	Irving I S D
Cranfills Gap I S D	Eula I S D	Greenville I S D	Italy I S D
Crawford I S D	Eustace I S D	Greenwood I S D	Itasca I S D
Crockett I S D	Evadale I S D	Gregory Portland C I S D	Jacksboro I S D
Crockett Cty School Dist	Evant I S D	Groesbeck I S D	Jacksonville I S D
Crosby I S D	Everman I S D	Groom I S D	Jarrell I S D
Crosbyton Cons I S D	Excelsior I S D	Groveton I S D	Jasper I S D
Cross Plains I S D	Ezzell I S D	Gruver I S D	Jayton-Girard I S D
Cross Roads I S D	Fabens I S D	Gunter I S D	Jefferson I S D
Crowell Cons I S D	Fairfield I S D	Gustine I S D	Jim Hogg County I S D
Crowley I S D	Falls City I S D	Guthrie C S D	Jim Ned Cons I S D
Crystal City I S D	Fannindel I S D	Hale Center I S D	Joaquin I S D
Cuero I S D	Farmersville I S D	Hallettsville I S D	Johnson City I S D
Culberson County-Allamore I S D	Farwell I S D	Hallsburg I S D	Jonesboro I S D
Cumby I S D	Fayetteville I S D	Hallsville I S D	Joshua I S D
Cushing I S D	Ferris I S D	Hamilton I S D	Jourdanton I S D
Cypress Fairbanks I S D	Flatonia I S D	Hamlin I S D	Judson I S D
D Hanis I S D	Florence I S D	Hamshire Fannett I S D	Junction I S D
Daingerfield I S D	Floresville I S D	Happy I S D	Karnack I S D
Dalhart I S D	Flour Bluff I S D	Hardin I S D	Karnes City I S D
Dallas I S D	Floydada I S D	Hardin Jefferson I S D	Katy I S D
Damon I S D	Follett I S D	Harlandale I S D	Kaufman I S D
Danbury I S D	Forestburg I S D	Harleton I S D	Keene I S D
Darrrouzett I S D	Forney I S D	Harlingen I S D	Keller I S D
Dawson I S D, Dawson	Forsan I S D	Harmony I S D	Kelton I S D
Dawson I S D, Welch	Fort Bend I S D	Harper I S D	Kemp I S D
Dayton I S D	Fort Davis I S D	Harrold I S D	Kendleton I S D
De Kalb I S D	Fort Elliott Cons I S D	Hart I S D	Kenedy I S D
De Leon I S D	Fort Hancock I S D	Hartley I S D	Kenedy County School Dist
De Soto I S D	Fort Sam Houston I S D	Harts Bluff I S D	Kennard I S D
Decatur I S D	Fort Stockton I S D	Haskell C I S D	Kennedale I S D
Deer Park I S D	Fort Worth I S D	Hawkins I S D	Kerens I S D
Del Valle I S D	Franklin I S D	Hawley I S D	Kermit I S D
Dell City I S D	Frankston I S D	Hays Cons I S D	Kerrville I S D
Denison I S D	Fredericksburg I S D	Hearne I S D	Kilgore I S D
Denton I S D	Freer I S D	Hedley I S D	Killeen I S D
Denver City I S D	Frenship I S D	Hemphill I S D	Kingsville I S D
Detroit I S D	Friendswood I S D	Hempstead I S D	Kirbyville Cons I S D
Devers I S D	Friona I S D	Henderson I S D	Klein I S D
Devine I S D	Frisco I S D	Henrietta I S D	Klondike I S D
Dew I S D	Frost I S D	Hereford I S D	Knippa I S D
Deweyville I S D	Fruitvale I S D	Hermleigh I S D	Knox City O Brien C I S D
Diboll I S D	Gainesville I S D	Hico I S D	Kopperl I S D
Dickinson I S D	Galena Park I S D	Hidalgo I S D	Kountze I S D
Dilley I S D	Galveston I S D	Higgins I S D	Kress I S D
Dime Box I S D	Ganado I S D	High Island I S D	Krum I S D
Dimmitt I S D	Garland I S D	Highland I S D	La Feria I S D
Divide I S D	Garner I S D	Highland Park I S D, Amarillo	La Gloria I S D
Dodd City I S D	Garrison I S D	Highland Park I S D, Dallas	La Grange I S D
Donna I S D	Gary I S D	Hillsboro I S D	La Joya I S D
Doss Cons C S D	Gatesville I S D	Hitchcock I S D	La Marque I S D
Douglass I S D	Gause I S D	Holland I S D	La Porte I S D
Dripping Springs I S D	George West I S D	Holliday I S D	La Poyner I S D
Driscoll I S D	Georgetown I S D	Hondo I S D	La Pryor I S D
Dublin I S D	Gholson I S D	Honey Grove I S D	La Vega I S D
Dumas I S D	Giddings I S D	Hooks I S D	La Vernia I S D
Duncanville I S D	Gilmer I S D	Houston I S D	La Villa I S D
Eagle Mount Saginaw I S D	Gladewater Cty Line I S D	Howe I S D	Lackland I S D
Eagle Pass I S D	Glasscock County I S D	Hubbard I S D, Hubbard	Lago Vista I S D
Eanes I S D	Glen Rose I S D	Hubbard I S D, New Boston	Lake Dallas I S D
Early I S D	Godley I S D	Huckabay I S D	Lake Travis I S D
East Bernard I S D	Goldburg I S D	Hudson I S D	Lake Worth I S D
East Central I S D	Goldthwaite I S D	Huffman I S D	Lamar Cons I S D
East Chambers I S D	Goliad I S D	Hughes Springs I S D	Lamesa I S D
Eastland I S D	Gonzales I S D	Hull Daisetta I S D	Lampasas I S D
Ector I S D	Goodrich I S D	Humble I S D	Lancaster I S D
Ector Cty I S D	Goose Creek I S D	Hunt I S D	Laneville I S D
Edcouch Elsa I S D	Gordon I S D	Huntington I S D	Laredo I S D
Eden C I S D	Gorman I S D	Huntsville I S D	Lasara I S D
Edgewood I S D, Edgewood	Grady I S D	Hurst Euleess I S D	Latexo I S D
Edgewood I S D, San Antonio	Graford I S D	Hutto I S D	Lazbuddie I S D
Edinburg C I S D	Graham I S D	Idalou I S D	Leakey I S D

TEACHER RETIREMENT SYSTEM OF TEXAS

Listing of Participating Reporting Entities

(continued)

Leander I S D	Memphis I S D	Olney I S D	Rice I S D
Leary I S D	Menard I S D	Olton I S D	Rice Cons I S D
Lefors I S D	Mercedes I S D	Onalaska I S D	Richards I S D
Leggett I S D	Meridian I S D	Orange Grove I S D	Richardson I S D
Leon I S D	Merkel I S D	Orangefield I S D	Richland Springs I S D
Leonard I S D	Mesquite I S D	Ore City I S D	Riesel I S D
Levelland I S D	Mexia I S D	Overton I S D	Rio Grande City C I S D
Leveretts Chapel I S D	Meyersville I S D	Paducah I S D	Rio Hondo I S D
Lewisville I S D	Miami I S D	Paint Creek I S D	Rio Vista I S D
Lexington I S D	Midland I S D	Paint Rock I S D	Rising Star I S D
Liberty I S D	Midlothian I S D	Palacios I S D	River Road I S D
Liberty Eylau I S D	Midway I S D, Henrietta	Palestine I S D	Rivercrest ISD
Liberty Hill I S D	Midway I S D, Waco	Palmer I S D	Riviera I S D
Lindale I S D	Milano I S D	Palo Pinto I S D	Robert Lee I S D
Linden Kildare Cons I S D	Mildred I S D	Pampa I S D	Robinson I S D
Lindsay I S D	Miles I S D	Panhandle I S D	Robstown I S D
Lingleville I S D	Milford I S D	Panther Creek Cons I S D	Roby C I S D
Lipan I S D	Miller Grove I S D	Paradise I S D	Rochelle I S D
Little Elm I S D	Millsap I S D	Paris I S D	Rockdale I S D
Littlefield I S D	Mineola I S D	Pasadena I S D	Rocksprings I S D
Livingston I S D	Mineral Wells I S D	Patton Springs I S D	Rockwall I S D
Llano I S D	Mission Cons I S D	Pawnee I S D	Rogers I S D
Lockhart I S D	Monahans Wickett I S D	Pearland I S D	Roma I S D
Lockney I S D	Montague I S D	Pearsall I S D	Roosevelt I S D
Lohn I S D	Monte Alto I S D	Peaster I S D	Ropes I S D
Lometa I S D	Montgomery I S D	Pecos Barstow Toyah I S D	Roscoe I S D
London I S D	Moody I S D	Penelope I S D	Rosebud Lott Cons I S D
Lone Oak I S D	Moran I S D	Perrin Whitt Cons I S D	Rotan I S D
Longview I S D	Morgan I S D	Perryton I S D	Round Rock I S D
Loop I S D	Morgan Mill I S D	Petersburg I S D	Round Top Carmine I S D
Loraine I S D	Morton I S D	Petrolia I S D	Roxton I S D
Lorena I S D	Motley County I S D	Pettus I S D	Royal I S D
Lorenzo Cons I S D	Moulton I S D	Pewitt Cons I S D	Royse City I S D
Los Fresnos Cons I S D	Mount Calm I S D	Pflugerville I S D	Rule I S D
Louise I S D	Mount Enterprise I S D	Pharr San Juan Alamo I S D	Runge I S D
Lovejoy I S D	Mount Pleasant I S D	Pilot Point I S D	Rusk ISD
Lovelady I S D	Mount Vernon I S D	Pine Tree I S D	S & S Cons I S D
Ltle Cyprs Mrcvle C I S D	Muenster I S D	Pittsburg I S D	Sabinal I S D
Lubbock I S D	Muleshoe I S D	Plains I S D	Sabine I S D
Lubbock Cooper I S D	Mullin I S D	Plainview I S D	Sabine Pass I S D
Lueders Avoca I S D	Mumford I S D	Plano I S D	Saint Jo I S D
Lufkin I S D	Munday I S D	Pleasant Grove I S D	Salado I S D
Luling I S D	Murchison I S D	Pleasanton I S D	Salttillo I S D
Lumberton I S D	Nacogdoches I S D	Plemons Stinnett Phillips C I S D	Sam Rayburn Cons I S D
Lyford Cons I S D	Natalia I S D	Point Isabel I S D	Samnorwood I S D
Lytle I S D	Navarro I S D	Ponder I S D	San Angelo I S D
Mabank I S D	Navasota I S D	Poolville I S D	San Antonio I S D
Madisonville Cons I S D	Nazareth I S D	Port Aransas I S D	San Augustine I S D
Magnolia I S D	Neches I S D	Port Arthur I S D	San Benito Cons I S D
Malakoff I S D	Nederland I S D	Port Neches Groves I S D	San Diego I S D
Malone I S D	Needville I S D	Post I S D	San Elizario I S D
Malta I S D	New Boston I S D	Poteet I S D	San Felipe Del Rio I S D
Manor I S D	New Braunfels I S D	Poth Cons I S D	San Isidro I S D
Mansfield I S D	New Caney I S D	Pottsboro I S D	San Marcos Cons I S D
Marathon I S D	New Deal I S D	Prairie Lea I S D	San Perlita I S D
Marble Falls I S D	New Diana I S D	Prairie Valley I S D	San Saba I S D
Marfa I S D	New Home I S D	Prairiland I S D	San Vicente I S D
Marion I S D	New Summerfield I S D	Premont I S D	Sands Cons I S D
Marlin I S D	New Waverly I S D	Presidio I S D	Sanford I S D
Marshall I S D	Newcastle I S D	Priddy I S D	Sanger I S D
Mart I S D	Newton I S D	Princeton I S D	Santa Anna I S D
Martins Mill I S D	Nixon Smiley C I S D	Pringle Morse Cons I S D	Santa Fe I S D
Martinsville I S D	Nocona I S D	Progreso I S D	Santa Gertrudis I S D
Mason I S D	Nordheim I S D	Prosper I S D	Santa Maria I S D
Matagorda I S D	Normangee I S D	Quanah I S D	Santa Rosa I S D
Mathis I S D	North East I S D	Queen City I S D	Santo I S D
Maud I S D	North Forest I S D	Quinlan I S D	Savoy I S D
May I S D	North Hopkins I S D	Quitman I S D	Schertz Cibolo I S D
Maypearl I S D	North Lamar I S D	Rains I S D	Schleicher Cty I S D
Mc Allen I S D	North Zulch I S D	Ralls I S D	Schulenburg I S D
Mc Camey I S D	Northside I S D, San Antonio	Ramirez Common S D	Scurry Rosser I S D
Mc Dade I S D	Northside I S D, Vernon	Randolph Field I S D	Seagraves I S D
Mc Gregor I S D	Northwest I S D	Ranger I S D	Sealy I S D
Mc Kinney I S D	Novice I S D	Rankin I S D	Seguin I S D
Mc Lean I S D	Nueces Canyon Cons I S D	Raymondville I S D	Seminole Public Schools
Mc Leod I S D	Nursery I S D	Reagan County I S D	Seymour I S D
Mc Mullen County I S D	O Donnell I S D	Red Lick I S D	Shallowater I S D
Meadow I S D	Oakwood I S D	Red Oak I S D	Shamrock I S D
Medina I S D	Odem Edroy I S D	Redwater I S D	Sharyland I S D
Medina Valley I S D	Oglesby I S D	Refugio I S D	Shelbyville I S D
Melissa I S D	Olfen I S D	Ricardo I S D	Sheldon I S D

# Listing of Participating Reporting Entities

(continued)

Shepherd I S D  
 Sherman I S D  
 Shiner I S D  
 Sidney I S D  
 Sierra Blanca I S D  
 Silsbee I S D  
 Silverton I S D  
 Simms I S D  
 Sinton I S D  
 Sivells Bend I S D  
 Skidmore Tynan I S D  
 Slaton I S D  
 Slidell I S D  
 Slocum I S D  
 Smithville I S D  
 Smyer I S D  
 Snook I S D  
 Snyder I S D  
 Socorro I S D  
 Somerset I S D  
 Somerville I S D  
 Sonora I S D  
 South San Antonio I S D  
 South Texas I S D  
 Southland I S D  
 Southside I S D  
 Southwest I S D  
 Spearman I S D  
 Splendora I S D  
 Spring I S D  
 Spring Branch I S D  
 Spring Creek I S D  
 Spring Hill I S D  
 Springlake Earth I S D  
 Springtown I S D  
 Spur I S D  
 Spurger I S D  
 Stafford Muncpl Sch Dist  
 Stamford I S D  
 Stanton I S D  
 Star I S D  
 Stephenville I S D  
 Sterling City I S D  
 Stockdale I S D  
 Stratford I S D  
 Strawn I S D  
 Sudan I S D  
 Sulphur Bluff I S D  
 Sulphur Springs I S D  
 Sundown I S D  
 Sunnyvale I S D  
 Sunray I S D  
 Sweeny I S D  
 Sweet Home I S D  
 Sweetwater I S D  
 Taft I S D  
 Tahoka I S D  
 Tarkington I S D  
 Tatum I S D  
 Taylor I S D  
 Teague I S D  
 Temple I S D  
 Tenaha I S D  
 Terlingua C S D  
 Terrell I S D  
 Terrell County I S D  
 Texarkana I S D  
 Texas City I S D  
 Texhoma I S D  
 Texline I S D  
 Thorndale I S D  
 Thrall I S D  
 Three Rivers I S D  
 Three Way I S D  
 Throckmorton I S D  
 Tidehaven I S D  
 Timpson I S D  
 Tioga I S D  
 Tolar I S D  
 Tom Bean I S D  
 Tomball I S D

Tornillo I S D  
 Trent I S D  
 Trenton I S D  
 Trinidad I S D  
 Trinity I S D  
 Troup I S D  
 Troy I S D  
 Tulia I S D  
 Tuloso Midway I S D  
 Turkey Quitaque C I S D  
 Tyler I S D  
 Union Grove I S D  
 Union Hill I S D  
 United I S D  
 Utopia I S D  
 Uvalde Cons I S D  
 Valentine I S D  
 Valley Mills I S D  
 Valley View I S D, Pharr  
 Valley View I S D, Valley View  
 Van I S D  
 Van Alstyne I S D  
 Van Vleck I S D  
 Vega I S D  
 Venus I S D  
 Veribest I S D  
 Vernon Cons I S D  
 Victoria I S D  
 Vidor I S D  
 Vysehrad I S D  
 Waco I S D  
 Waelder I S D  
 Walcott I S D  
 Wall I S D  
 Waller I S D  
 Walnut Bend I S D  
 Walnut Springs I S D  
 Warren I S D  
 Waskom I S D  
 Water Valley I S D  
 Waxahachie I S D  
 Weatherford I S D  
 Webb C I S D  
 Weimar I S D  
 Wellington I S D  
 Wellman Union I S D  
 Wells I S D  
 Weslaco I S D  
 West I S D  
 West Hardin Cty C I S D  
 West Orange Cove C I S D  
 West Oso I S D  
 West Rusk Cty Cons I S D  
 West Sabine I S D  
 Westbrook I S D  
 Westhoff I S D  
 Westphalia I S D  
 Westwood I S D  
 Wharton I S D  
 Wheeler I S D  
 White Deer I S D  
 White Oak I S D  
 White Settlement I S D  
 Whiteface I S D  
 Whitehouse I S D  
 Whitesboro I S D  
 Whitewright I S D  
 Whitharral I S D  
 Whitney I S D  
 Wichita Falls I S D  
 Wildorado I S D  
 Willis I S D  
 Wills Point I S D  
 Wilson I S D  
 Wimberley I S D  
 Windham School District  
 Windthorst I S D  
 Winfield I S D  
 Wink Loving Cons I S D  
 Winsboro I S D  
 Winona I S D

Winters I S D  
 Woden I S D  
 Wolfe City I S D  
 Woodsboro I S D  
 Woodson I S D  
 Woodville I S D  
 Wortham I S D  
 Wylie I S D, Abilene  
 Wylie I S D, Wylie  
 Yantis I S D  
 Yoakum I S D  
 Yorktown I S D  
 Ysleta I S D  
 Zapata I S D  
 Zavalla I S D  
 Zephyr I S D

## Regional Service Centers

Region 01 Ed Serv Center  
 Region 02 Ed Serv Center  
 Region 03 Ed Serv Center  
 Region 04 Ed Serv Center  
 Region 05 Ed Serv Center  
 Region 06 Ed Serv Center  
 Region 07 Ed Serv Center  
 Region 08 Ed Serv Center  
 Region 09 Ed Serv Center  
 Region 10 Ed Serv Center  
 Region 11 Ed Serv Center  
 Region 12 Ed Serv Center  
 Region 13 Ed Serv Center  
 Region 14 Ed Serv Center  
 Region 15 Ed Serv Center  
 Region 16 Ed Serv Center  
 Region 17 Ed Serv Center  
 Region 18 Ed Serv Center  
 Region 19 Ed Serv Center  
 Region 20 Ed Serv Center

## Charter Schools

A+ Academy  
 Academy of Accelerated  
 Academy of Beaumont  
 Academy of Careers and Tech  
 Academy of Dallas  
 Accelerated Int Academy  
 Alief Montessori School  
 ALPHA Charter School  
 Alphonso Crutch's Charter  
 Ambassador's Prep Academy  
 American Inst of Learning  
 Amigos Por Vida Charter  
 Arlington Classics Acad  
 Austin Discovery School  
 A W Brown Flwshp Chtr Sch  
 Azleway Charter School  
 Bay Area Charter School  
 Beatrice Mayes Institute  
 Benji's Special Educ Acad  
 Bexar County Academy  
 Big Springs Charter Sch  
 Bob Hope School  
 Brazos River Charter Sch  
 Brazos School for Inquiry  
 Bright Ideas Charter Sch  
 Brooks Academy of Science  
 & Engineering  
 Burnham Wood Charter Sch  
 Calvin Nelms Charter  
 Cedars International Acad  
 Chapel Hill Academy  
 Children First Ac Houston  
 Children First Ele Acad  
 City Center-Health Careers  
 Com Quest Academy  
 Corpus Christi Montessori  
 Charter School  
 Crosstimbers Academy  
 Cumberland Academy  
 Dallas Can Academy  
 Dallas Comm Charter Sch  
 Dr. Garza-Gonzalez Ch Sch  
 Draw Academy  
 Eagle Advantage School  
 East Fort Worth Montessori  
 East Texas Charter School  
 Eden Park Academy  
 Education Center Int Acad  
 El Paso Academy East  
 El Paso School Excellence  
 Erath Excels! Academy  
 Evolution Academy Charter  
 Faith Family Acad Oak Cliff  
 Faith Fam Acad Waxahachie  
 Focus Learning Academy  
 Fruit of Excellence Sch  
 Ft Worth Acad Fine Arts  
 Gabriel Tafolla Charter  
 Gateway Academy  
 Gateway Charter Academy  
 George Gervin Academy  
 George I Sanchez Charter, Houston  
 George I Sanchez Charter, San Antonio  
 Girls & Boys Prep Acad  
 Golden Rule Charter School  
 Guardian Angel Academy  
 Gulf Coast Trades Center  
 Hampton Preparatory  
 Harmony Elementary, Austin  
 Harmony Elementary, Houston  
 Harmony School Academy, Brownsville  
 Harmony School Academy, Laredo  
 Harmony School of Excellence, Houston  
 Harmony School of Science, Houston  
 Harmony Science Academy, Austin  
 Harmony Science Academy, Beaumont  
 Harmony Science Academy, College  
 Station  
 Harmony Science Academy, El Paso  
 Harmony Science Academy, Fort Worth  
 Harmony Science Academy, Houston  
 Harmony Science Academy, Lubbock  
 Harmony Science Academy, San Antonio  
 Harmony Science Academy, Waco  
 Heights Academy  
 Henry Ford Academy  
 Higgs Carter King Academy  
 Honors Academy  
 Houston Alt Prep Charter  
 Houston Gateway Charter  
 Houston Hgths Learning Ac  
 Idea Public Schools  
 Inspired Vision Academy  
 Jamie's House Charter Sch  
 Jean Massieu Academy  
 Jesse Jackson Academy  
 John H.Wood Charter Sch  
 Juan B. Galaviz Charter  
 Jubilee Academic Center  
 Katherine Anne Porter Sch  
 K I P P Academy  
 K I P P Aspire Academy  
 K I P P Austin College  
 K I P P Southeast Houston  
 K I P P Truth Academy  
 La Academia de Estrellas  
 La Amistad Academy  
 La Escuela Delas Americas  
 Le Fe Preparatory School  
 Life Charter School  
 Lighthouse Charter School  
 Lynacre Academy  
 Mainland Prep Academy  
 Manara Academy  
 Meadowland Charter School  
 Medical Center Charter  
 Metro Charter Academy  
 Meyer Park Elementary

## Listing of Participating Reporting Entities

(concluded)

Mid Valley Academy  
 Midland Academy  
 N Houston H S Business  
 New Frontiers Charter School  
 North Texas Elementary School  
 of Arts  
 Northwest Prep Academy  
 Nova Charter School  
 Nova Charter Southeast  
 N Y O S Charter School  
 Odyssey Academy  
 One Stop Multiservice  
 Orenda Charter School  
 Outreach Word Academy  
 Panola Charter School  
 Paradigm Accelerated Sch  
 Paso Del Norte Academy  
 Peak Preparatory School  
 Pegasus Charter School  
 Phoenix Charter School  
 Pineywoods Academy  
 Por Vida Inc  
 Radiance Acad of Learning  
 Ranch Academy  
 Rapoport Academy  
 Raul Yzaguirre School  
 Reconciliation Scholar's Academy  
 Responsive Education Solutions  
 Richard Milburn - Amarillo  
 Richard Milburn - Beaumont  
 Richard Milburn - Corpus Christi  
 Richard Milburn - Fort Worth  
 Richard Milburn - Houston  
 Richard Milburn - Killeen  
 Richard Milburn - Odessa  
 Ripley House Charter School  
 Rise Academy  
 S T A R Charter School  
 San Antonio Prep Academy  
 San Antonio Sch Inquiry  
 San Antonio Tech Academy  
 School of Excellence  
 School of Science & TECH-Discovery -  
 San Antonio  
 School of Science & Technology -  
 Corpus Christi  
 School of Science & Technology -  
 San Antonio  
 Seashore Learning Ctr  
 Seashore Middle Academy  
 Ser-Ninos  
 Shekinah Radiance Academy  
 South Plains Academy  
 Southwest High School  
 Southwest Preparatory Sch  
 St. Anthony School  
 St. Mary's Charter School  
 Stepping Stones Charter Elementary  
 Summit International Preparatory  
 Technology Education Chtr  
 T E K O A Academy  
 Texas Empowerment Academy  
 Texas Language Charter  
 Texas Preparatory School  
 Texas Serenity Academy  
 The East Austin College Prep Academy  
 The Education Center  
 The Ehrhart School  
 The Encino School  
 The Legends Academy  
 The North Hills School  
 The Rhodes School  
 Theresa B Lee Academy  
 TLC Academy - San Angelo  
 T O V A S  
 Transformative Charter  
 Treetops International  
 Trinity Basin Preparatory  
 Trinity Charter School  
 Two Dimensions Prep Acad  
 Universal Academy

Vanguard Academy  
 Varnett Charter School  
 Waco Charter School  
 West Houston Charter  
 Westlake Academy  
 Williams Preparatory  
 Winfree Academy Charter Schools  
 Yes Preparatory Public Schools  
 Zoe Learning Academy

### Other Educational Districts

Anderson Cty Spc Ed Co Op  
 Bowie County Sch Dist  
 Dallas County School Dist  
 Education Co Op of Central Texas  
 Harris Cty Dept Education  
 Houston Trinity Cty Co Op  
 Johnson Cty Shared Services  
 Arrangement  
 Parker County Co Op

### Other Entities

Teacher Retirement System  
 Texas Education Agency

**Teacher Retirement System of Texas**  
**1000 Red River Street, Austin, Texas 78701-2698**

**(512) 542-6400**  
**1 (800) 223-8778**

**[www.trs.state.tx.us](http://www.trs.state.tx.us)**

